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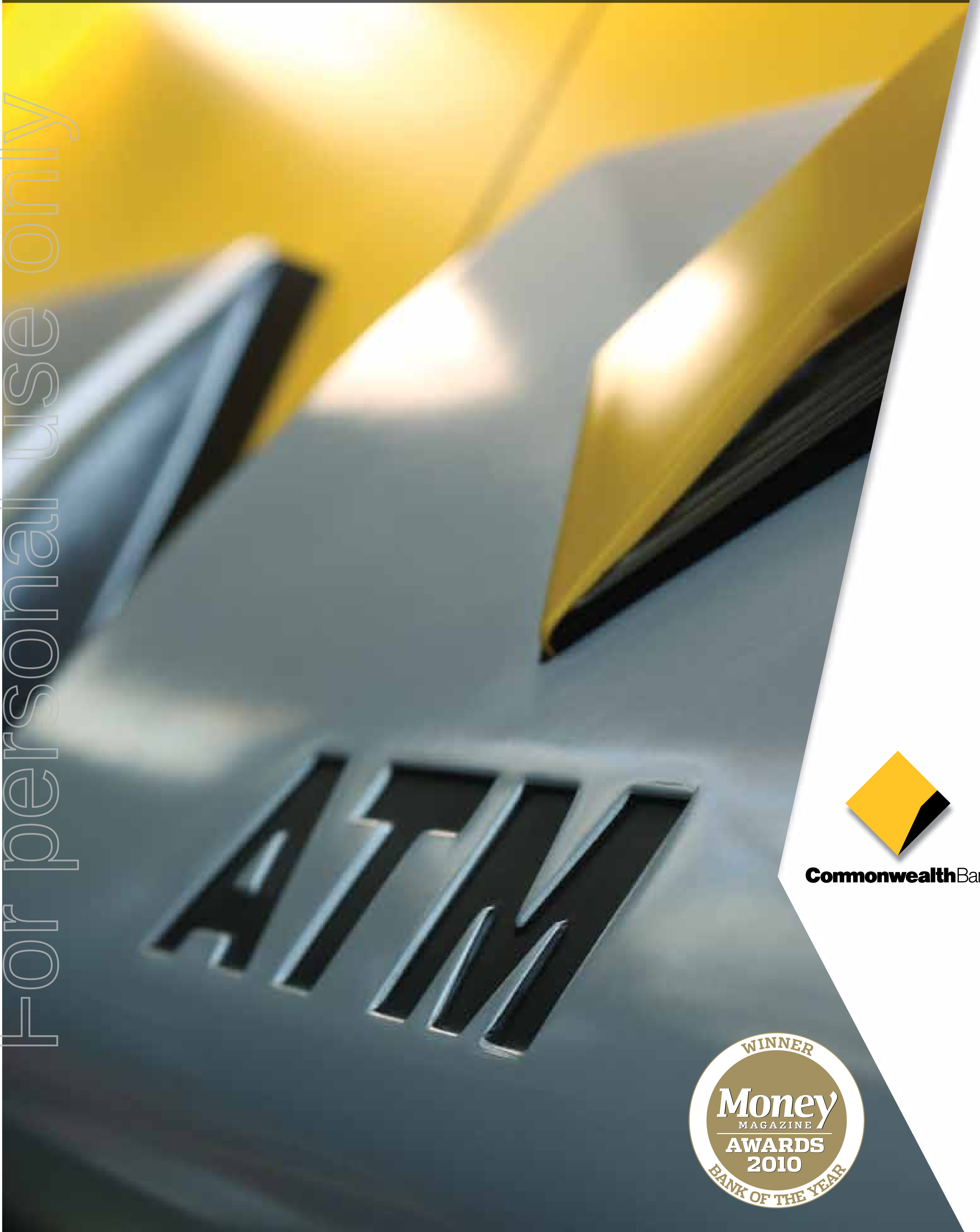
Profit Announcement

FOR THE HALF YEAR ENDED 31 DECEMBER 2010



CommonwealthBank

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AWARDS 2010
BANK OF THE YEAR

9 FEBRUARY 2011 | 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 2010	**$M**	
Revenue from ordinary activities	23,095	Up 10%
Profit/(loss) from ordinary activities after tax attributable to Equity holders	3,052	Up 5%
Net profit/(loss) for the period attributable to Equity holders	3,052	Up 5%
Dividends (distributions)		
Interim Dividend - fully franked (cents per share)		132
Record date for determining entitlements to the dividend		18 February 2011

(1) Rule 4.2C.3

Refer to Appendix 11 ASX Appendix 4D, for disclosures required under ASX Listing Rules.

This report should be read in conjunction with the 30 June 2010 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	14 February 2011
Record Date	18 February 2011
Interim Dividend Payment Date	1 April 2011

For further information contact:

Investor Relations
Warwick Bryan
Phone: 02 9118 7112
Email: warwick.bryan@cba.com.au

Except where otherwise stated, all figures relate to the half year ended 31 December 2010. The term "prior comparative period" refers to the half year ended 31 December 2009, while the term "prior half" refers to the half year ended 30 June 2010.

Highlights

Group Performance Highlights

Net Profit after Income Tax	Half Year Ended 31/12/10 $M	30/06/10 $M	31/12/09 $M
Statutory basis	**3,052**	2,750	2,914
Cash basis	**3,335**	3,158	2,943
Underlying basis	**3,306**	3,089	2,834

The Group's net profit after tax ("statutory basis") for the half year ended 31 December 2010 was $3,052 million, up 5% on the prior comparative period.

Return on equity ("statutory basis") was 17.7% and Earnings per share ("statutory basis") was 196.5 cents, up 3% on the prior comparative period.

This result was achieved in a challenging environment characterised by strong competition, muted credit growth, elevated funding costs, fragile business and consumer confidence, regulatory uncertainty and a subdued global economy.

Despite the challenging market conditions, the Group's performance has been solid.

Operating income was impacted by high funding costs, moderating credit growth and difficult trading conditions for the Markets business.

Operating expenses were managed tightly given the prevailing market environment and this discipline allowed for continued investment in the business.

Impairment expense decreased relative to the prior comparative period, reflecting improvements in credit quality and arrears rates. The Group has retained its conservative approach to provisioning.

Net profit after tax ("cash basis") for the half year ended 31 December 2010 was $3,335 million, which represented an increase of 13% on the prior comparative period.

Cash earnings per share increased 12% on the prior comparative period to 214.3 cents per share.

Return on Equity ("cash basis") for the half year ended 31 December 2010 was 19.2%, up 70 basis points on the prior comparative period reflecting increased profitability and effective management of the Group's capital.

For an explanation of the items making up the difference between cash and statutory profit refer to page 10.

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

- Strong investment spend maintained across the Group;
- Migration of retail transaction and savings accounts to the new Core Banking platform;
- Successful launch of the $570 million CommBank Retail Bond;
- Acquisition of a 15% shareholding in Vietnam International Bank ("VIB") on 1 September 2010;
- Institutional Banking and Markets named best in market for "Loyalty to Relationship" and "Understanding of Customer's Business" by East & Partners;
- CommSec named "Best Feature-Packed Online Broker" for the fourth year running in Money Magazine's 2011 Best of the Best Awards; and
- Colonial First State won "Fund Manager of the Year" at S&P's Investment Manager of the Year awards.

Further discussion of Group and divisional performance is set out on pages 7 to 32.

Capital and Funding

The Group maintained its prudent approach in the current economic environment by maintaining a strong capital position. This was reflected in a Tier One capital ratio of 9.71% at 31 December 2010, representing an increase of 56 basis points since 30 June 2010.

The Group continued with its strategy to fund balance sheet growth from more stable sources. Customer deposits made up 60% of the Group's total funding source at 31 December 2010, up from 56% on the prior comparative period. Customer deposits increased by $31 billion since 31 December 2009 to $336 billion.

Long term funding increased as a proportion of total wholesale funding, now 54%, up from 51% in the prior comparative period. Term wholesale funding raised during the half year ended 31 December 2010 was $8 billion.

Recent initiatives by global regulators have helped to clarify future capital and liquidity requirements for the Australian banking industry. The G-20 and Basel III initiatives around capital are manageable however the new liquidity rules require further clarification.

The Group remains actively involved in the consultation process, working closely with other industry participants and the regulators.

Dividends

The interim dividend declared was $1.32 per share, up 10% on the prior comparative period. The dividend payout ratio ("cash basis") for the half year was 61.7%.

The interim dividend payment will be fully franked and will be paid on 1 April 2011 to owners of ordinary shares at the close of business on 18 February 2011 ("record date"). Shares will be quoted ex–dividend on 14 February 2011.

The Dividend Reinvestment Plan ("DRP") in respect of the final dividend for 2009/10 was satisfied in full through the on market purchase and transfer of $679 million of shares to participating shareholders.

Outlook

While the Australian economy continues to perform well and other advanced economies are showing signs of improvement the domestic banking industry still faces a number of headwinds. Underlying credit growth remains subdued with both consumer and corporate confidence fragile. Competition is intense with depositors benefiting from historically high interest margins while wholesale funding costs also remain at elevated levels.

As the Group enters the 2011 calendar year, the residual impacts of the Global Financial Crisis are still being felt, particularly in northern hemisphere economies which could weigh on the pace of the global economic recovery. Elsewhere, the strength in some emerging economies is generating inflationary pressures. The outlook for the domestic economy remains positive as the resource sector continues to outperform, however some of the Group's customers, operating in other sectors of the economy, are finding business conditions more challenging.

Against this backdrop there is cautious optimism about the outlook for the Group for the balance of the 2011 financial year, with the Group certainly well placed to benefit from the improvement in consumer and corporate confidence and the increased level of economic activity that should accompany that recovery.

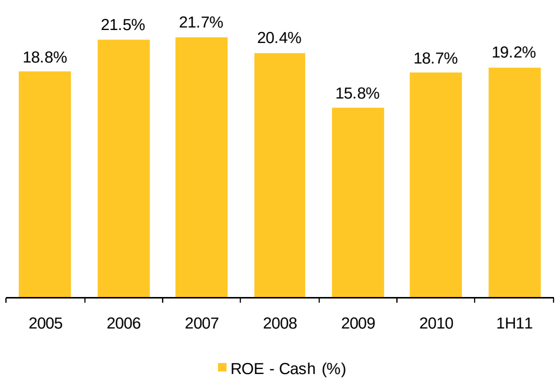
Group Performance Summary	31/12/10 $M	30/06/10 $M	31/12/09 $M	Half Year Ended Dec 10 vs Jun 10 %	Half Year Ended Dec 10 vs Dec 09 %	Statutory result 31/12/10 $M	Statutory Dec 10 vs Dec 09 %
Net interest income	**6,170**	5,806	6,062	6	2	6,129	-
Other banking income	**2,059**	2,034	2,078	1	(1)	1,780	(24)
Total banking income	**8,229**	7,840	8,140	5	1	7,909	(7)
Funds management income	**1,017**	951	947	7	7	1,011	4
Insurance income	**458**	482	463	(5)	(1)	586	(10)
Total operating income	**9,704**	9,273	9,550	5	2	9,506	(6)
Investment experience	**35**	94	142	(63)	(75)	n/a	n/a
Total income	**9,739**	9,367	9,692	4	-	9,506	(6)
Operating expenses	**(4,408)**	(4,333)	(4,268)	2	3	(4,462)	3
Loan impairment expense	**(722)**	(692)	(1,383)	4	(48)	(722)	(48)
Net profit before income tax	**4,609**	4,342	4,041	6	14	4,322	(2)
Corporate tax expense (1)	**(1,265)**	(1,177)	(1,089)	7	16	(1,261)	(16)
Non controlling interests (2)	**(9)**	(7)	(9)	29	-	(9)	-
Net profit after tax ("cash basis")	**3,335**	3,158	2,943	6	13	n/a	n/a
Hedging and AIFRS volatility	**(216)**	(160)	177	35	large	n/a	n/a
Bankwest non-cash items (3)	**(48)**	(264)	48	(82)	large	n/a	n/a
Tax on NZ structured finance transactions	**-**	-	(171)	large	large	n/a	n/a
Other non-cash items (3)	**(19)**	16	(83)	large	(77)	n/a	n/a
Net profit after tax ("statutory basis")	**3,052**	2,750	2,914	11	5	3,052	5
Represented by:							
Retail Banking Services	**1,383**	1,207	1,237	15	12		
Business and Private Banking	**506**	453	440	12	15		
Institutional Banking and Markets	**512**	646	553	(21)	(7)		
Wealth Management	**359**	339	379	6	(5)		
New Zealand	**234**	227	161	3	45		
Bankwest	**224**	(60)	15	large	large		
Other	**117**	346	158	(66)	(26)		
Net profit after income tax ("cash basis")	**3,335**	3,158	2,943	6	13		
Investment experience - after tax	**(29)**	(69)	(109)	(58)	(73)		
Net profit after tax ("underlying basis")	**3,306**	3,089	2,834	7	17		

(1) For purposes of presentation, Policyholder tax expense/(benefit) components of Corporate tax expense are shown on a net basis (31 December 2010: $100 million, 30 June 2010: ($9) million, and 31 December 2009: $139 million).

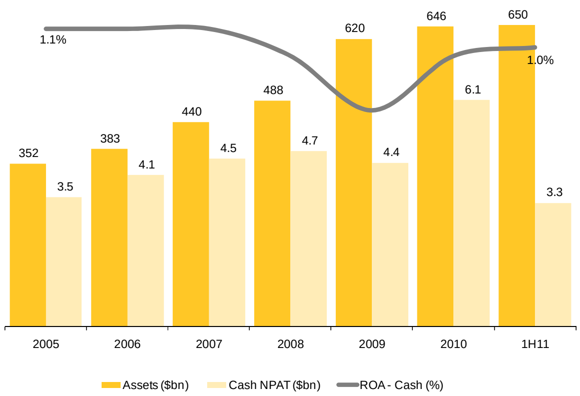
(2) Non-controlling interests include preference dividends paid to holders of preference shares in ASB Capital Limited.

(3) Refer to Appendix 12 for details.

Group Return on Equity



Group Return on Assets



Highlights continued

Shareholder Summary	Half Year Ended 31/12/10	30/06/10	31/12/09	Dec 10 vs Jun 10 %	Dec 10 vs Dec 09 %
Dividends per share - fully franked (cents)	**132**	170	120	(22)	10
Dividend cover - cash (times)	**1. 6**	1. 2	1. 6	33	-
Earnings per share (cents) (1)					
Statutory - basic	**196. 5**	177. 6	190. 3	11	3
Cash basis - basic	**214. 3**	203. 7	191. 7	5	12
Dividend payout ratio (%) (1)					
Statutory basis	**67. 5**	96. 6	63. 7	large	380 bpts
Cash basis	**61. 7**	84. 0	63. 1	large	(140)bpts
Weighted average no. of shares - statutory basic (M) (1)	**1,542**	1,535	1,518	-	2
Weighted average no. of shares - cash basic (M) (1) (2)	**1,546**	1,539	1,523	-	2
Return on equity - cash (%) (1)	**19. 2**	18. 9	18. 5	30 bpts	70 bpts

(1) For definitions refer to Appendix 17.

(2) Diluted EPS and weighted average number of shares are disclosed in Appendix 14.

Balance Sheet Summary	As at 31/12/10 $M	30/06/10 $M	31/12/09 $M	Dec 10 vs Jun 10 %	Dec 10 vs Dec 09 %
Lending assets (1)	**497,916**	500,760	487,339	(1)	2
Total assets	**649,642**	646,330	625,476	1	4
Total liabilities	**614,293**	610,760	591,893	1	4
Shareholders' Equity	**35,349**	35,570	33,583	(1)	5
Assets held and Funds Under Administration (FUA)					
On Balance Sheet:					
Banking assets	**627,416**	623,398	601,560	1	4
Insurance Funds Under Administration	**14,050**	14,201	15,537	(1)	(10)
Other insurance and internal funds management assets	**8,176**	8,731	8,379	(6)	(2)
	649,642	646,330	625,476	1	4
Off Balance Sheet:					
Funds Under Administration	**184,681**	172,533	176,986	7	4
Total assets held and FUA	**834,323**	818,863	802,462	2	4

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

Market Share Percentage [1]	As at 31/12/10 %	30/06/10 %	31/12/09 %
Home loans [2]	**25.9**	26.1	26.0
Credit cards [3]	**22.5**	22.5	22.3
Personal lending (APRA and other Household) [4]	**14.6**	14.6	15.0
Household deposits	**30.5**	31.3	31.3
Retail deposits [2] [5]	**26.9**	27.5	26.6
Business Lending - APRA	**18.6**	19.5	18.8
Business Lending - RBA [2]	**17.0**	17.1	17.3
Business Deposits - APRA	**21.3**	22.9	21.7
Asset Finance	**14.6**	14.3	14.3
Equities trading	**5.7**	6.3	6.7
Australian Retail - administrator view [2] [6]	**14.9**	14.6	14.6
FirstChoice Platform [2] [6]	**11.0**	10.9	10.5
Australia (total risk) [2] [6]	**12.5**	13.7	13.8
Australia (individual risk) [6]	**13.2**	14.6	14.6
NZ Lending for housing [2]	**22.4**	22.8	23.0
NZ Retail Deposits [2]	**21.2**	21.6	21.3
NZ Lending to business [2]	**9.2**	9.4	9.3
NZ Retail FUM	**14.5**	17.4	18.0
NZ Annual inforce premiums	**30.3**	31.0	31.3

(1) All APRA market share information provided above is presented as reported by APRA. For market share definitions refer to Appendix 18.

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

(3) As at 30 November 2010.

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

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

(6) As at 30 September 2010.

Highlights continued

Key Performance Indicators	Half Year Ended				
	31/12/10	30/06/10	31/12/09	Dec 10 vs Jun 10 %	Dec 10 vs Dec 09 %
Group					
Cash net profit after tax ($M)	**3,335**	3,158	2,943	6	13
Net interest margin (%)	**2. 12**	2. 08	2. 18	4 bpts	(6)bpts
Average interest earning assets ($M) (1)	**573,800**	560,197	547,379	2	5
Average interest bearing liabilities ($M) (1)	**536,948**	529,676	513,136	1	5
Funds management income to average FUA (%)	**1. 04**	1. 02	1. 01	2 bpts	3 bpts
Funds Under Administration (FUA) - average ($M)	**194,011**	188,520	185,157	3	5
Insurance income to average inforce premiums (%)	**44. 9**	49. 0	47. 0	(410)bpts	(210)bpts
Average inforce premiums ($M)	**2,022**	1,983	1,953	2	4
Operating expenses to total operating income (%)	**45. 4**	46. 7	44. 7	(130)bpts	70 bpts
Effective corporate tax rate - cash (%)	**27. 4**	27. 1	26. 9	30 bpts	50 bpts
Retail Banking Services					
Cash net profit after tax ($M)	**1,383**	1,207	1,237	15	12
Operating expenses to total banking income (%)	**39. 0**	40. 8	38. 8	(180)bpts	20 bpts
Business and Private Banking					
Cash net profit after tax ($M)	**506**	453	440	12	15
Operating expenses to total banking income (%)	**43. 5**	46. 5	44. 1	(300)bpts	(60)bpts
Institutional Banking and Markets					
Cash net profit after tax ($M)	**512**	646	553	(21)	(7)
Operating expenses to total banking income (%)	**31. 3**	33. 1	28. 3	(180)bpts	300 bpts
Wealth Management					
Cash net profit after tax ($M)	**359**	339	379	6	(5)
FUA - average ($M)	**186,849**	181,709	178,738	3	5
Average inforce premiums ($M)	**1,580**	1,541	1,529	3	3
Funds management income to average FUA (%)	**1. 04**	1. 02	1. 01	2 bpts	3 bpts
Insurance income to average inforce premiums (%)	**42. 7**	43. 3	45. 8	(60)bpts	(310)bpts
Operating expenses to net operating income (%) (2)	**57. 7**	60. 8	59. 4	(310)bpts	(170)bpts
New Zealand					
Cash net profit after tax ($M)	**234**	227	161	3	45
FUA - average ($M)	**7,162**	6,811	6,419	5	12
Average inforce premiums ($M)	**442**	442	424	-	4
Funds management income to average FUA (%)	**0. 55**	0. 62	0. 77	(7)bpts	(22)bpts
Insurance income to average inforce premiums (%)	**47. 6**	57. 9	40. 2	large	large
Operating expenses to total operating income (%)	**51. 0**	55. 3	51. 3	(430)bpts	(30)bpts
Bankwest					
Cash net profit after tax ($M)	**224**	(60)	15	large	large
Operating expenses to total banking income (%)	**53. 7**	55. 2	56. 9	(150)bpts	(320)bpts
Capital Adequacy					
Common Equity (%)	**7. 35**	6. 86	6. 83	49 bpts	52 bpts
Tier One (%)	**9. 71**	9. 15	9. 10	56 bpts	61 bpts
Total Capital (%)	**11. 50**	11. 49	11. 63	1 bpt	(13)bpts

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

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

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

Financial Performance and Business Review

The Group's net profit after tax ("cash basis") for the half year ended 31 December 2010 was $3,335 million, which represented a 13% increase on the prior comparative period.

Earnings per share ("cash basis") increased 12% on the prior comparative period to 214.3 cents per share, whilst Return on equity ("cash basis") increased 70 basis points to 19.2%.

This result was achieved in an environment characterised by strong competition, muted credit growth, elevated funding costs, fragile business and consumer confidence, regulatory uncertainty and a subdued global economic recovery. Despite the challenging environment, effective execution of the Group's five strategic priorities resulted in a sound financial performance. The performance was underpinned by:

- Net interest income increased 2% to $6,170 million, reflecting 5% growth in average interest earning assets partly offset by a six basis point decline in net interest margin;
- Other banking income declined 1% to $2,059 million, with reduced retail fees and commissions, lower CommSec brokerage and Markets trading income largely offset by higher bills income and improved Treasury earnings derived through management of short dated interest rate exposures;
- Funds management income increased 7% to $1,017 million, supported by a 5% increase in average Funds under administration and stronger investment performance, partly offset by the appreciation of the Australian dollar;
- Insurance income declined 1% to $458 million, unfavourably impacted by the sale of the St Andrew's insurance business. After adjusting for the sale of St Andrew's, insurance income increased 5% supported by 5% growth in average inforce premiums and improved claims;
- Operating expenses increased 3.3% on the prior comparative period to $4,408 million, with 1.9% of the growth driven by continued investment in projects supporting the Group's strategic priorities. Operating expenses, excluding investment expenses, increased 1.4% despite inflation-related salary increases, investment in staff and higher defined benefit superannuation plan expense; and
- Impairment expense decreased 48% to $722 million, reflecting the improved domestic operating environment, declining consumer arrears and lower Bankwest property related impairments.

The Group's net profit after tax ("cash basis") for the half year ended 31 December 2010 increased 6% on the prior half, underpinned by a four basis point improvement in net interest margin, 2% increase in average interest earnings assets and higher funds management income.

More comprehensive disclosure of performance highlights by key business segments is contained on pages 14-32.

Net Interest Income

Net interest income increased by 2% on the prior comparative period to $6,170 million. This was a result of growth in average interest earning assets of 5% partially offset by a six basis point reduction in net interest margin to 2.12%.

Net interest income increased by 6% on the prior half driven by average interest earning assets growth of 2%, three more calendar days in the current half and a four basis point improvement in net interest margin.

Average Interest Earning Assets

Average interest earning assets increased by $26 billion on the prior comparative period to $574 billion, reflecting a $16 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 $26 billion or 9% since 31 December 2009 to $316 billion.

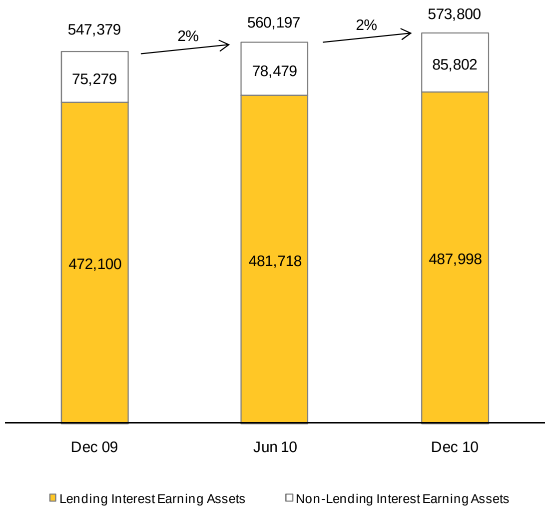
Since 30 June 2010, growth in home loan average balances, excluding the impact of securitisation, moderated considerably increasing $10 billion or 3%. Most of this impact was experienced in the first quarter with new fundings improving in the second quarter.

Average balances for business and corporate lending decreased by $10 billion since 31 December 2009 to $152 billion, largely due to institutional clients deleveraging their balance sheets and the impact of the strengthening Australian dollar on foreign currency denominated loans.

Average balances for business and corporate lending declined $3 billion since 30 June 2010, mainly due to the impact of the strengthening Australian dollar on foreign currency denominated loans.

Average non-lending interest earning assets have increased $10 billion since 31 December 2009 due to higher securities held by the offshore Institutional Banking and Markets business and higher levels of liquid assets driven by balance sheet growth and in anticipation of future regulatory requirements.

Average Interest Earning Assets ($M)



Net Interest Margin

The Group's net interest margin decreased six basis points compared to the prior comparative period to 2.12%. The domestic net interest margin (which excludes AIFRS volatility and New Zealand) decreased 12 basis points. The key drivers were:

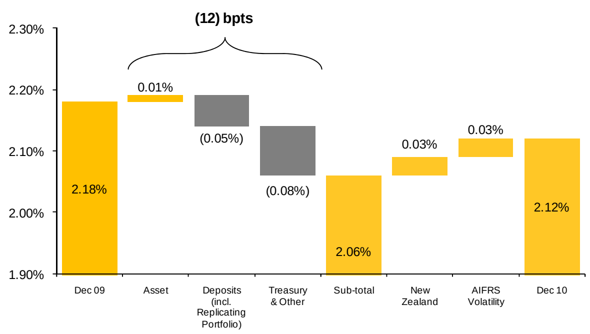
<u>Asset pricing and mix:</u> Increase in margin of one basis point, reflecting a mix shift from fixed to variable home loans (two basis points). This mix impact was partially offset by solid growth in home loans relative to business and personal lending, which have a higher average margin (one basis point).

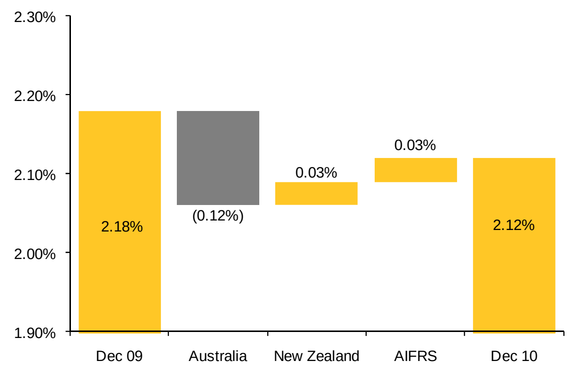
Group Performance Analysis continued

Deposit pricing and mix: Decrease of five basis points mainly driven by a continuation of intense market competition and competitive pricing, which largely impacted Investment account margins (three basis points). The increasing cash rate environment has improved transaction and savings account margins but this has been offset by a reduction in the benefit from the replicating portfolio.

Treasury and other: Decrease of eight basis points driven by higher non-lending interest earning assets (four basis points) and a lower Treasury result (four basis points).

NIM movement since December 2009





The Group's net interest margin increased four basis points compared to the prior half. The domestic net interest margin (which excludes AIFRS volatility and New Zealand) decreased two basis points, mainly driven by continued funding cost pressure partly offset by asset pricing.

New Zealand net interest margin has increased three basis points relative to both the six months to 31 December 2009 and the six months to 30 June 2010. This reflected a shift in portfolio mix as customers switched from fixed to variable rate home loans together with repricing initiatives in response to higher funding costs.

Other Banking Income

	Half Year Ended		
	31/12/10	30/06/10	31/12/09
	$M	$M	$M
Commissions	**985**	972	1,034
Lending fees	**707**	716	719
Trading income	**426**	306	291
Other income	**168**	176	157
	2,286	2,170	2,201
AIFRS reclassification of net swap costs	**(227)**	(136)	(123)
Other banking income	**2,059**	2,034	2,078

Other banking income of $2,059 million was flat compared to the prior comparative period.

Excluding the impact of AIFRS reclassification of net swap costs, other banking income increased 4% on the prior comparative period to $2,286 million.

Factors impacting other banking income were:

- Commissions: decreased 5% on the prior comparative period to $985 million. This was driven by reduced contract note volumes in CommSec due to a reduction in market volatility together with lower dishonour exception fees;
- Lending fees: decreased 2% on the prior comparative period to $707 million. This reflected a decline in overdrawn exception fees and lower early repayment fees in New Zealand. This was partly offset by higher commercial bill income derived from solid volume growth and improved margins;
- Trading income: increased 46% on the prior comparative period to $426 million. This was due to improved Treasury earnings relating to the management of short dated interest rate exposures, partly offset by lower Institutional Banking and Markets earnings impacted by a challenging trading environment characterised by lower volatility, flattening yield curves and narrowing credit spreads; and
- Other income: increased 7% on the prior comparative period to $168 million. This included higher gains on asset sales relative to the prior comparative period.

Excluding the impact of AIFRS reclassification of net swap costs, other banking income increased 5% on the prior half. Key drivers of this outcome were the favourable impact of counterparty fair value mark to market valuations together with higher commercial bills income.

Funds Management Income

	Half Year Ended		
	31/12/10	30/06/10	31/12/09
	$M	$M	$M
CFS GAM	**449**	399	390
Colonial First State	**426**	410	401
CommInsure	**107**	107	117
New Zealand and Other	**35**	35	39
Funds management income	**1,017**	951	947

Funds Management income increased 7% on the prior comparative period to $1,017 million. This was mainly attributable to a 5% increase in average Funds under Administration (FUA) to $194 billion, stronger investment performance and higher base fee contributions due to improved business mix, partly offset by the appreciation of the Australian dollar.

The 5% increase in FUA to $194 billion was driven by solid investment returns, partly offset by the appreciation of the Australian dollar.

Funds management income to average FUA increased three basis points compared to the prior comparative period, consistent with the themes mentioned above.

Funds management income increased by 7% compared to the prior half as a result of solid investment returns and strong internationally sourced net flows, partly offset by the appreciation of the Australian dollar.

Insurance Income

	Half Year Ended		
	31/12/10	30/06/10	31/12/09
	$M	$M	$M
CommInsure	**340**	303	327
New Zealand and Other	**118**	151	110
	458	454	437
St Andrew's Insurance	**-**	28	26
Insurance income	**458**	482	463

Insurance income decreased 1% on the prior comparative period to $458 million. On 1 July 2010 the Group completed the sale of the St Andrew's insurance business. Excluding the St Andrew's insurance business from the prior comparative period, insurance income increased by 5%. This was driven by a 5% increase in average inforce premiums and improved claims experience, despite the occurrence of recent weather events. The Group has made some allowance for these weather events in the current half.

Excluding the St Andrew's insurance business from the prior half, insurance income increased by 1%. This outcome was impacted by the one off recognition of deferred tax revaluation on policy liabilities in New Zealand in the prior half.

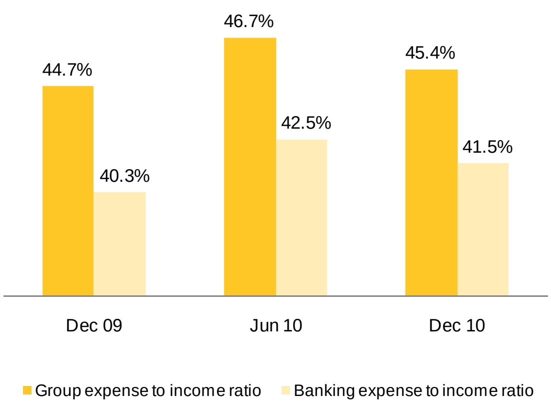
Operating Expenses

Operating expenses increased 3.3% on the prior comparative period to $4,408 million. Of this increase, 1.9% was driven by continued investment in projects supporting the Group's strategic priorities, including the Core Banking Modernisation initiative. Operating expenses, excluding investment expenses, increased 1.4% on the prior comparative period despite inflation-related salary increases, investment in staff (with full time equivalent employees increasing by 4%) and higher defined benefit superannuation plan expense (31 December 2010: $84 million; 31 December 2009: $64 million). This was partially offset by productivity initiatives which have delivered operational efficiencies.

Operating expenses increased 2% on the prior half due to higher staff expenses and defined benefit superannuation plan expense. This was partly offset by lower technology and other expenses.

Group Expense to Income Ratio

The expense to income ratio increased by 70 basis points over the prior comparative period to 45.4%. Whilst income growth has slowed, the Group maintains a continued focus on technology and operational efficiencies.

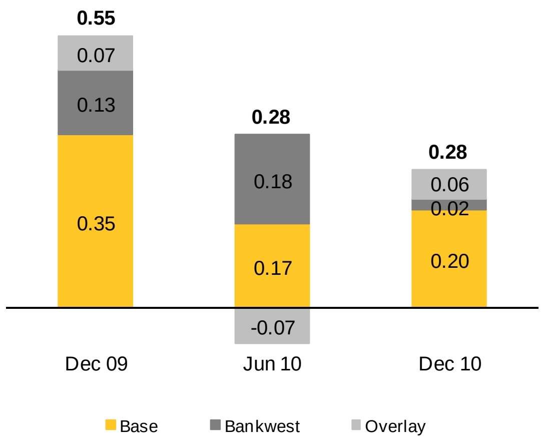


Impairment Expense

Impairment expense for the half was $722 million, representing 28 basis points of average gross loans and acceptances on an annualised basis. The expense reflects retail and corporate collective and individual provisioning (20 basis points), Bankwest provisioning (two basis points) and management overlay (six basis points). The impairment expense decreased 48% on the prior comparative period, largely driven by:

- Improving arrears rates in the CBA retail portfolios as a result of reduced customer assistance levels, moderate levels of volume growth, policy refinements and further investment in collections capabilities;
- The corporate lending portfolio has benefited from stable credit quality as upgrades were slightly higher than downgrades;
- Significant reduction in Bankwest loan impairment following the detailed review of the business banking portfolio in the prior half; and
- Improvement in ASB's loan impairment expense as the economy improved in New Zealand.

Impairment Expense (Annualised) as a % of Average Gross Loans and Acceptances

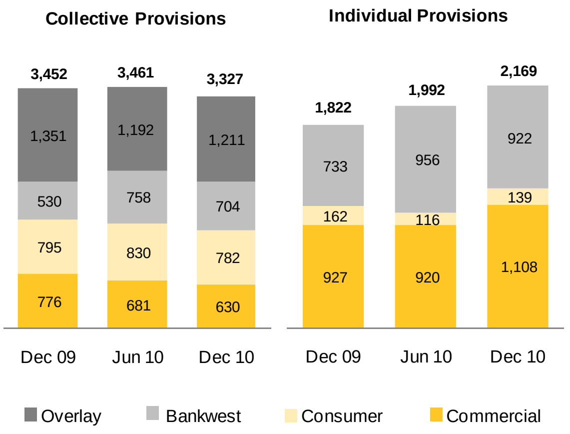


Provisions for Impairment

The Group maintains a prudent and conservative approach to provisioning, with total provisions for impairment losses of $5,496 million as at 31 December 2010, which is slightly higher than 30 June 2010. The current level of provision reflects:

- A reduction of Bankwest provisions as pre-acquisition troublesome or impaired loans run off;
- Increased CBA individually assessed provisions associated with new impaired loans as the conservative coverage of impaired loans continues; and
- Management overlay held to cover the impact of prevailing economic conditions and other risks, including a provision to cover the estimated impact of the recent floods in Queensland.

Group Performance Analysis continued



Taxation Expense

The corporate tax expense was $1,265 million, representing an effective tax rate of 27.4%.

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

Other non-cash items included in statutory profit

Non-cash items are excluded from net profit after tax ("cash basis"), which is Management's preferred measure of the Group's financial performance, as they tend to be non-recurring in nature or not considered representative of the Group's ongoing financial performance. The impact of these items on the Group's net profit after tax ("statutory basis") are outlined below and are treated consistently with prior period disclosures.

Hedging and AIFRS volatility

Hedging and AIFRS volatility includes unrealised fair value gains or losses on economic hedges that do not qualify for hedge accounting under AIFRS, including:

- cross currency interest rate swaps hedging foreign currency denominated debt issues; and
- foreign exchange hedges relating to future New Zealand earnings.

Hedging and AIFRS volatility also includes unrealised fair value gains or losses on the ineffective portion of economic hedges that qualify for hedge accounting under AIFRS.

Fair value gains or losses on all these economic hedges are excluded from cash profit since the asymmetric recognition of the gains or losses does not affect the Group's performance over the life of the hedge. A $216 million after tax loss was recognised in the half year ended 31 December 2010 (30 June 2010: $160 million loss; 31 December 2009: $177 million gain).

Bankwest non-cash items

Loan impairment: In the half year ended 30 June 2010, a $212 million after tax loan impairment expense was recognised relating to pre-acquisition loans. This non-cash treatment was consistent with the treatment of the gain on acquisition of Bankwest.

Merger related amortisation: The acquisition of Bankwest resulted in the recognition of fair value adjustments on certain financial instruments, core deposits and brand name intangible assets that will be amortised over their useful lives. A $35 million after tax expense was recognised in the half year ended 31 December 2010 (30 June 2010: $37 million expense; 31 December 2009: $62 million gain).

Integration expenses: As part of the acquisition of Bankwest, the Group expects to incur integration expenses over three years to 2012. A $13 million after tax expense was recognised in the half year ended 31 December 2010 (30 June 2010: $15 million expense; 31 December 2009: $14 million expense).

These items are not recognised in cash profit as they are not representative of the Group's expected ongoing financial performance.

Tax on NZ structured finance transactions

A $171 million tax expense on New Zealand structured finance transactions was recognised in the half year ended 31 December 2009 representing a significant one-off impact from an adverse tax ruling. ASB Bank and the New Zealand Commissioner of Inland Revenue settled in December 2009. The settlement represented 80% of the amount of tax and interest in dispute.

Gains/losses on disposal of controlled entities/investments

The statutory profit for the current half includes a $7 million after tax loss mainly representing the loss on sale of the St Andrew's insurance business.

Treasury shares valuation adjustment

Under AIFRS, CBA shares held by the Group in the managed funds and life insurance businesses are defined as treasury shares and are held at cost. Unrealised gains or losses are recognised in cash profit representing the underlying performance of the asset portfolio attributable to the wealth and life insurance businesses. These unrealised gains or losses are reversed as a non-cash item for statutory reporting purposes. A $12 million after tax gain was included in cash profit in the half year ended 31 December 2010 (30 June 2010: $8 million loss; 31 December 2009: $52 million gain).

Policyholder tax

Policyholder tax is included in the Wealth Management business results for statutory reporting purposes. In the half year ended 31 December 2010, tax expense of $100 million (30 June 2010: $9 million tax benefit; 31 December 2009: $139 million tax expense), funds management income of $54 million (30 June 2010: $34 million expense; 31 December 2009: $84 million income) and insurance income of $46 million (30 June 2010: $25 million income; 31 December 2009: $55 million income) was recognised. The gross up of these items are excluded from cash profit as they do not reflect the underlying performance of the business which is measured on a net of policyholder tax basis.

Core Banking Modernisation

Gross investment spend remained strong during the half year at $541 million, with the primary focus being on the Core Banking Modernisation ("CBM") initiative. CBM achieved another significant milestone with the successful national launch of retail saving and transaction account functionality on the new SAP Core Banking Platform. This included the largest migration of account data in Australian Banking history with the transfer of 10 million retail accounts onto the new platform. The Group now has over 11 million accounts and over $100 billion in balances operating on this platform. This enables real time banking for the Group's customers with improved functionality such as instant account opening and immediate product switching capabilities. The program is now shifting its focus to migrating business accounts and lending products.

As the upgrade of core systems has progressed it became clear that there were opportunities to add functionality over and above what was initially scoped, and there were also areas of added complexity which have extended the overall delivery timeframe by approximately one year. The Group is using the opportunity to ensure the new system is multi-entity enabled, which will make it faster and cheaper to ultimately include the offshore banking businesses. The current estimate of the total cost of the program is now $1.1 billion. At the same time the Group has further benefits such that the overall business case and net present value remains largely unchanged.

Credit Quality

During the half year ended 31 December 2010, the credit quality of the major portfolios gradually stabilised or improved.

Home loan arrears marginally improved over the current half with the 30+ day arrears falling from 1.90% to 1.88% and the 90+ day arrears falling from 1.02% to 1.01%. This improvement reflected the continued investment in collections in addition to more stringent lending criteria applied over the past 24 months.

Unsecured retail arrears improved noticeably since peaking in February 2010, driven by improved risk profiles and further collection initiatives. Credit Card 30+ days arrears fell from 3.09% to 2.84% and 90+ day arrears fell from 1.14% to 1.02%. Personal Loans 30+ day arrears fell from 3.69% to 2.80% and 90+ days arrears fell from 1.52% to 1.10%.

The CBA commercial and institutional portfolio stabilised with slightly more upgrades than downgrades. In addition, the watch list and troublesome assets reduced during the half, partially offset by an increase in impaired assets. The Bankwest commercial lending portfolio experienced an increase in the ratio of upgrades to downgrades, in addition to troublesome and impaired asset levels declining.

In New Zealand, asset quality continues to improve as the economy recovers.

Gross impaired assets were $5,184 million as at 31 December 2010, broadly in line with 30 June 2010. There continues to be evidence of stress in certain areas of the CBA portfolio resulting in increasing impaired loans during the half, offset by the reduction in the Bankwest impaired loan portfolio.

Impaired assets as a proportion of Gross Loans and Acceptances of 1.02% remained stable compared to the prior half. The impaired asset portfolio remains well provisioned with provision coverage of 41.84%.

Loans 90 days past due but not impaired have decreased to 0.63% of gross loans and acceptances, down slightly from 0.65% at 30 June 2010.

	As at				
				Dec 10 vs	Dec 10 vs
Other Credit Quality Metrics	31/12/10	30/06/10	31/12/09	Jun 10 %	Dec 09 %
Gross loans and acceptances ($M)	**509,779**	512,838	500,644	(1)	2
Risk weighted assets ("RWA") - Basel II ($M)	**285,563**	290,821	297,449	(2)	(4)
Credit risk weighted assets ($M)	**244,608**	256,763	258,466	(5)	(5)
Gross impaired assets ($M)	**5,184**	5,216	4,823	(1)	7
Net impaired assets ($M)	**3,015**	3,224	3,001	(6)	-
Collective provision as a % of risk weighted assets - Basel II	**1.17**	1.19	1.16	(2)bpts	1 bpt
Collective provision as a % of credit risk weighted assets - Basel II	**1.36**	1.35	1.34	1 bpt	2 bpts
Collective provision as a % of gross loans and acceptances	**0.65**	0.67	0.69	(2)bpts	(4)bpts
Individually assessed provisions for impairment as a % of gross impaired assets	**41.84**	38.19	37.78	365 bpts	406 bpts
Impairment expense annualised as a % of average RWA - Basel II - cash basis (1)	**0.50**	0.47	0.94	3 bpts	(44)bpts
Impairment expense annualised as a % of average gross loans and acceptances - cash basis (2)	**0.28**	0.28	0.55	-	(27)bpts

(1) Impairment expense annualised as a percentage of average RWA – Basel II including the Bankwest non-cash loan impairment expense of $304 million was 0.68% for the half year ended 30 June 2010.

(2) Impairment expense annualised as a percentage of average gross loans and acceptances including the Bankwest non-cash loan impairment expense of $304 million was 0.40% for the half year ended 30 June 2010.

Group Performance Analysis continued

Review of Group Assets and Liabilities

Asset growth of $24 billion or 4% over the prior comparative period was mainly driven by growth in home lending, and non-lending interest earning assets, partly offset by lower business and corporate lending balances as a result of institutional clients deleveraging and the strengthening of the Australian dollar, while small business lending continued to grow.

Asset growth was funded by an increase in customer deposits which represented 60% of total funding at 31 December 2010 (31 December 2009: 56%).

Home loans excluding securitisation

Home loans excluding securitisation experienced solid growth with balances increasing $18 billion to $318 billion as at 31 December 2010, a 6% increase on the prior comparative period. However, domestic credit growth has moderated considerably with balances increasing 1% or $4 billion over the prior half.

Personal loans

Personal loans including credit cards, margin lending and other personal loans remained relatively flat compared to the prior comparative period. Credit card balances increased by 7% benefiting from the transformation of the product suite and the focus on quality growth. This was offset by an 11% decline in margin lending balances due to the continuing conservative investor sentiment. Other personal loans remained relatively flat compared to the prior comparative period.

Business and corporate loans

Business and corporate loans declined by $7 billion to $149 billion as at 31 December 2010, a 4% decrease on the prior comparative period. This was impacted mainly by institutional clients continuing to deleverage as a result of the economic environment in addition to the strengthening of the Australian dollar. This was partly offset by $3 billion growth in business lending within Business and Private Banking.

Non-lending interest earning assets

Non-lending interest earning assets increased $10 billion to $84 billion as at 31 December 2010, a 14% increase on the prior comparative period. This was driven by a $5 billion increase in securities held by the Institutional Banking and Markets business in addition to higher cash and liquid assets of $3 billion, held due to growth in total assets and in anticipation of future regulatory requirements.

Other assets

Other assets including bank acceptances of customers, derivative assets, provisions for impairments, securitisation assets, insurance assets and intangibles, increased $2 billion to $78 billion as at 31 December 2010, a 3% increase on the prior comparative period. This was impacted by higher derivative asset balances as a result of volatility in foreign exchange and interest rate markets partly offset by lower securitisation and bank acceptance balances driven by lower market demand for these products.

Interest bearing deposits

Interest bearing deposits increased by $24 billion to $386 billion as at 31 December 2010, a 7% increase on the prior comparative period. The increase was mainly driven by growth in investment deposits, up $26 billion or 18%, through targeted campaigns in a highly competitive market.

In addition, savings deposits increased $3 billion, a 4% increase on the prior comparative period through competitive customer pricing. This was partly offset by lower certificates of deposits, which decreased $7 billion against the prior comparative period following the Group's strategy to reduce the proportion of short term wholesale funding.

Debt issues

Debt issues have decreased $4 billion to $105 billion as at 31 December 2010, a 4% decrease on the prior comparative period. The decrease in term funding was mainly driven by the strengthening Australian dollar.

Debt issues declined $16 billion or 13% against the prior half driven by lower asset growth and the continued strengthening of the Australian dollar. Refer to Appendix 6 for further information on debt programs and issuance for the half year ended 31 December 2010.

Other interest bearing liabilities

Other interest bearing liabilities including loan capital, liabilities at fair value through the income statement and amounts due to other financial institutions, decreased $6 billion to $38 billion as at 31 December 2010, a 14% decrease on the prior comparative period. This was driven predominately by lower loan capital and liabilities held at fair value.

Non-interest bearing liabilities

Non-interest bearing liabilities including derivative liabilities, insurance policy liabilities and bank acceptances, increased $10 billion to $77 billion as at 31 December 2010, a 15% increase on the prior comparative period. This was driven predominately by foreign exchange volatility impacting derivative liabilities hedging term debt.

Total Group Assets & Liabilities	31/12/10 $M	30/06/10 $M	31/12/09 $M	Dec 10 vs Jun 10 %	Dec 10 vs Dec 09 %
	As at				
Interest earning assets					
Home loans including securitisation	**327,704**	323,573	310,822	1	5
Less: securitisation	**(9,583)**	(9,696)	(10,884)	(1)	(12)
Home loans excluding securitisation	**318,121**	313,877	299,938	1	6
Personal	**20,665**	20,572	20,552	-	1
Business and corporate	**148,984**	154,742	155,889	(4)	(4)
Loans, bills discounted and other receivables (1)	**487,770**	489,191	476,379	-	2
Provisions for loan impairment	**(5,471)**	(5,428)	(5,244)	1	4
Net loans, bills discounted and other receivables	**482,299**	483,763	471,135	-	2
Non-lending interest earning assets	**83,633**	74,610	73,286	12	14
Total interest earning assets	**571,403**	563,801	549,665	1	4
Other assets	**78,239**	82,529	75,811	(5)	3
Total assets	**649,642**	646,330	625,476	1	4
Interest bearing liabilities					
Transaction deposits	**70,556**	71,999	69,367	(2)	2
Saving deposits	**80,899**	78,704	77,554	3	4
Investment deposits	**171,248**	159,219	145,506	8	18
Other demand deposits	**63,376**	55,947	69,280	13	(9)
Total interest bearing deposits	**386,079**	365,869	361,707	6	7
Deposits not bearing interest	**9,266**	8,794	8,460	5	10
Deposits and other public borrowings	**395,345**	374,663	370,167	6	7
Debt issues	**105,086**	121,438	109,196	(13)	(4)
Other interest bearing liabilities	**37,678**	41,461	43,858	(9)	(14)
Total interest bearing liabilities	**528,843**	528,768	514,761	-	3
Securitisation debt issues	**8,523**	8,772	10,011	(3)	(15)
Non-interest bearing liabilities	**76,927**	73,220	67,121	5	15
Total liabilities	**614,293**	610,760	591,893	1	4
Provisions for impairment losses					
Collective provision	**3,327**	3,461	3,452	(4)	(4)
Individually assessed provisions	**2,169**	1,992	1,822	9	19
Total provisions for impairment losses	**5,496**	5,453	5,274	1	4
Less: Off balance sheet provisions	**(25)**	(25)	(30)	-	(17)
Total provisions for loan impairment	**5,471**	5,428	5,244	1	4

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

Retail Banking Services

Financial Performance and Business Review

Retail Banking Services cash net profit after tax for the half year ended 31 December 2010 was $1,383 million, which represented an increase of 12% on the prior comparative period. The result was driven by solid volume growth, a sustained focus on cost efficiency and lower impairment expense. This was partially offset by continued margin compression as a result of increasing average funding costs, with the divisional net interest margin decreasing by 10 basis points relative to the prior comparative period.

Commitment to customer service resulted in customer satisfaction scores for the Bank reaching the highest level in 14 years during the half, but has subsequently seen some decline following the increase in the standard variable rate in November 2010 (Source: Roy Morgan Research)[(1)].

New initiatives and business performance highlights include:

- The successful rollout of Core Banking for savings and transactions, delivering new account functionality, and the migration of 10 million existing deposit accounts to the new platform;
- Continued growth of the Travel Money Card with the introduction of the ability to purchase the card online;
- Improvements to Australia's leading ATM network with the implementation of anti-skimming devices that have seen a significant reduction in ATM fraud;
- The first bank in Australia to introduce NetCode for Credit Cards, providing customers with increased security when shopping online;
- NetBank enhancements making it easier for customers to open new accounts online, including paperless identity verification for new customers;
- Continuing to reduce and simplify customer fees, including lower over-limit and late payment fees on lending products;
- The launch of the innovative CommBank iPhone Property application with over 100,000 downloads since launch; and
- Ongoing commitment to School Banking and Financial Literacy programs, with the creation of School Banking specialists.

Service improvement progress in the business was recognised through:

- "Service Excellence Award" in the Large Business category in the annual Customer Service Institute of Australia awards; and
- Direct Banking received the silver medal in the "Best Large Contact Centre" category of the 2010 World Contact Centre Awards.

Cash net profit after tax increased 15% compared to the prior half, driven by continued volume growth, some improvement in lending margins, disciplined expense management and improving arrears.

Home Loans

Home Loan income for the half year ended 31 December 2010 was $1,365 million, an increase of 15% on the prior comparative period. The result was supported by average volume growth of 8%, however new lending growth continued to moderate across the sector. Net interest margin improved, benefiting from a shift in portfolio mix towards variable loans, and the roll off of fixed rate loans written at historically low margins. Continued increases in average wholesale and retail funding costs were partially offset following the decision to re-price the standard variable portfolio in November 2010.

Consumer Finance

Consumer Finance income for the half year ended 31 December 2010 was $836 million, an increase of 10% on the prior comparative period. This result has benefited from the transformation of the Credit Card suite over the last 12 months, reflected in average Credit Card balance growth of 8% and portfolio balances exceeding $9 billion for the first time. Personal Loan average balances increased by 1%. The focus remains on profitable growth through responsible lending.

Other banking income increased by 1% despite the reduction in over-limit and late payment fees from September 2010.

Retail Deposits

Retail Deposit income for the half year ended 31 December 2010 was $1,307 million, a decrease of 13% on the prior comparative period. This result was impacted by continued Term Deposit margin compression together with the reduction in exception fees in October 2009. Retail Deposit average volume growth was strong, up 11% compared to the prior comparative period.

Retail Deposit income was relatively flat compared to the prior half, as competitive pricing continued to impact margins offset by continued volume growth and the increasing cash rate environment.

Distribution

Distribution income for the half year ended 31 December 2010 was $144 million, up 27% on the prior comparative period. This reflects increased revenue from products such as Travel Money Card, and higher commissions received from the distribution of business banking and wealth management products through the retail network. Average products per customer[(2)] continued to increase during the half.

Distribution income decreased by 6% relative to the prior half due to lower foreign currency income.

Operating Expenses

Expenses for the half year were $1,425 million, up 3% on the prior comparative period primarily driven by investment spend relating to the Core Banking Modernisation initiative. Underlying expense growth was 1%, with investment in customer support staff, marketing and risk management partially offset by efficiency gains across the business.

Expense growth compared to the prior half was 1% inclusive of spend on Core Banking Modernisation with the cost to income ratio improving over this period to 39%.

Impairment Expense

Impairment expense for the half year ended 31 December 2010 was $253 million, representing a decrease of 35% on the prior comparative period. This result reflects improving economic sentiment and the investment in collections capabilities which has seen declining arrears rates across all portfolios. The Group continues to maintain a conservative approach to risk management and provisioning.

(1) Roy Morgan Research six months rolling average Main Financial Institution score.

(2) Roy Morgan Research, Australians 14+, Banking and Finance products per Banking and Finance customers, 6 months rolling average.

	Half Year Ended 31 December 2010				
	Home Loans	Consumer Finance [1]	Retail Deposits	Distribution	Total
	$M	$M	$M	$M	$M
Net interest income	1,265	621	1,107	-	2,993
Other banking income	100	215	200	144	659
Total banking income	1,365	836	1,307	144	3,652
Operating expenses					(1,425)
Impairment expense					(253)
Net profit before tax					1,974
Corporate tax expense					(591)
Cash net profit after tax					1,383

	Half Year Ended 30 June 2010				
	Home Loans	Consumer Finance [1]	Retail Deposits	Distribution [2]	Total
	$M	$M	$M	$M	$M
Net interest income	1,122	594	1,092	-	2,808
Other banking income	93	205	209	153	660
Total banking income	1,215	799	1,301	153	3,468
Operating expenses					(1,414)
Impairment expense					(345)
Net profit before tax					1,709
Corporate tax expense					(502)
Cash net profit after tax					1,207

	Half Year Ended 31 December 2009				
	Home Loans	Consumer Finance [1]	Retail Deposits	Distribution [2]	Total
	$M	$M	$M	$M	$M
Net interest income	1,091	549	1,248	-	2,888
Other banking income	99	212	248	113	672
Total banking income	1,190	761	1,496	113	3,560
Operating expenses					(1,380)
Impairment expense					(391)
Net profit before tax					1,789
Corporate tax expense					(552)
Cash net profit after tax					1,237

	As at				
	31/12/10	30/06/10	31/12/09	Dec 10 vs	Dec 10 vs
Major Balance Sheet items	$M	$M	$M	Jun 10 %	Dec 09 %
Home loans (including securitisation)	**255,484**	250,428	240,515	2	6
Consumer finance	**13,504**	12,961	12,812	4	5
Other assets	**243**	250	592	(3)	(59)
Total assets	**269,231**	263,639	253,919	2	6
Home loans (net of securitisation)	**249,466**	243,695	233,006	2	7
Transaction deposits	**19,060**	19,050	20,814	-	(8)
Savings deposits	**60,519**	59,206	55,806	2	8
Investments and other deposits	**78,558**	71,719	64,875	10	21
Deposits not bearing interest	**2,984**	2,840	2,900	5	3
Other liabilities	**2,307**	2,519	1,619	(8)	42
Total liabilities	**163,428**	155,334	146,014	5	12

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

(2) Comparatives have been restated for the impact of business resegmentations with Institutional Banking and Markets.

Business and Private Banking

Financial Performance and Business Review

Business and Private Banking achieved cash net profit after tax of $506 million for the half year ended 31 December 2010, a 15% increase on the prior comparative period.

The business banking segments contributed significantly to this result, experiencing solid growth in lending volumes, improving deposit margins and lower impairment expense. CommSec continued to maintain its market leading share of the online advisory market despite lower overall market volumes which impacted equities trading volumes.

Performance highlights during the past six months included:

- Customer satisfaction remained a key strategic priority and according to DBM Business Financial Services Monitor(1), CBA was recognised in equal number one position in the whole-of-market business banking segment in five out of the past six months
- Continued improvements within CommBiz designed to make it simpler for customers to do business, such as improved security features through the rollout of NetLock; greater analytical functionality giving customers insights into their business, demographics and cashflow; and improved online communication facilities;
- Continued success from the rollout of contactless card payment facilities which were launched in October 2009, with over 18,000 terminals now rolled out;
- Private Bank launched Commonwealth Private Office, to specifically cater for the needs of ultra high net worth customers who have investible assets of $10 million or more;
- Private Bank achieved first position in the categories of “Brand Affinity” and “Investment Expertise” in the September 2010 Australian Private Banking Council Client Satisfaction Survey; and
- CommSec continued to maintain its leading market share in a highly competitive online non-advisory market, and was awarded the CANSTAR CANNEX “Online Share Trading Best Value” award for the second year, together with gold for “Best Feature-Packed Online Broker” for the fourth year running in Money Magazine’s 2011 Best of the Best Awards.

Compared to the prior half, cash net profit after tax increased 12%, which reflected growth in lending and deposit balances partly offset by lower revenue from equities trading. The 2% decrease in operating expenses reflected lower volume related costs in CommSec and the impact of productivity initiatives resulting in operational efficiencies.

Corporate Financial Services

Corporate Financial Services income increased 15% on the prior comparative period to $560 million. This was driven by commercial bill lending growth of 10%, deposit balance growth of 10% and the impact of the increasing cash rate on deposit margins.

There has been continued investment in people, systems and processes. This included tailored sales training programs for frontline staff designed to build new and enhance existing customer relationships. There has also been ongoing success in the Acquisition Finance and Advisory team with the specialised service offering rolled out nationally.

Regional and Agribusiness Banking

Regional and Agribusiness Banking income increased 7% on the prior comparative period to $204 million. This reflected lending growth of 6%, the impact of the increasing cash rate environment on deposit margins and the strong Australian dollar which contributed to an increase in revenue from foreign exchange traded products.

The business continued to focus on customer service, with improvements in telephony, dedicated relationship managers for every customer and a proactive customer contact model, delivering continued improvements in customer satisfaction scores.

Local Business Banking

Local Business Banking income increased 10% on the prior comparative period to $378 million. This result reflected lending growth of 10% partly offset by lower margins. In addition, deposit balances increased 5% and transaction account margins improved reflecting the increasing cash rate environment.

The business has leveraged its strong merchant acquiring market share and combined with the “Free is the New Fee” marketing campaign has continued to deepen customer relationships.

Private Bank

Private Bank income of $120 million was flat compared to the prior comparative period. Solid growth in home lending balances of 11% and increased deposit balances were offset by lower margins due to competitive pricing pressures.

Funds under administration increased driven by a stronger financial advisory services offering which included enhanced research capabilities and an expanded investment support function.

Equities and Margin Lending

Equities and Margin Lending income decreased 18% on the prior comparative period to $204 million. This result reflected lower market volumes in equities trading and subdued market volumes in margin lending. CommSec maintained its strong market share and stable yields in a highly competitive market.

Strong market share was maintained in margin lending, whilst margins were impacted by the rising cash rate environment.

Operating Expenses

Operating expenses of $660 million increased 3% on the prior comparative period reflecting a disciplined approach to expense management. There has been continued investment in frontline staff and technology which has been achieved through an ongoing focus on operational efficiencies.

Impairment Expense

Impairment expense of $135 million decreased 30% on the prior comparative period and is relatively consistent compared to the prior half. This result reflects the strong underlying credit quality of the business lending portfolio.

(1) DBM Business Financial Services Monitor, average satisfaction rating of all Australian businesses, six month rolling average. Rank is among four major banks.

	Half Year Ended 31 December 2010						
	Corporate Financial Services $M	Regional & Agri-business $M	Local Business Banking $M	Private Bank $M	Equities & Margin Lending $M	Other $M	Total $M
Net interest income	264	126	258	60	105	38	851
Other banking income	296	78	120	60	99	14	667
Total banking income	560	204	378	120	204	52	1,518
Operating expenses							(660)
Impairment expense							(135)
Net profit before tax							723
Corporate tax expense							(217)
Cash net profit after tax							506

	Half Year Ended 30 June 2010 (1)						
	Corporate Financial Services $M	Regional & Agri-business $M	Local Business Banking $M	Private Bank $M	Equities & Margin Lending $M	Other $M	Total $M
Net interest income	262	121	245	60	107	26	821
Other banking income	251	72	117	58	113	12	623
Total banking income	513	193	362	118	220	38	1,444
Operating expenses							(671)
Impairment expense							(132)
Net profit before tax							641
Corporate tax expense							(188)
Cash net profit after tax							453

	Half Year Ended 31 December 2009 (1)						
	Corporate Financial Services $M	Regional & Agri-business $M	Local Business Banking $M	Private Bank $M	Equities & Margin Lending $M	Other $M	Total $M
Net interest income	267	120	222	63	108	42	822
Other banking income	221	71	123	57	142	12	626
Total banking income	488	191	345	120	250	54	1,448
Operating expenses							(639)
Impairment expense							(194)
Net profit before tax							615
Corporate tax expense							(175)
Cash net profit after tax							440

	As at				
Major Balance Sheet items	31/12/10 $M	30/06/10 $M	31/12/09 $M	Dec 10 vs Jun 10 %	Dec 10 vs Dec 09 %
Interest earning lending assets (excluding margin loans)	**63,559**	63,132	60,073	1	6
Bank acceptances of customers	**9,149**	10,155	9,367	(10)	(2)
Non-lending interest earning assets	**473**	295	331	60	43
Margin loans	**4,489**	4,771	5,032	(6)	(11)
Other assets (2)	**235**	448	459	(48)	(49)
Total assets	**77,905**	78,801	75,262	(1)	4
Transaction deposits	**43,461**	45,026	41,530	(3)	5
Savings deposits	**5,164**	4,744	4,832	9	7
Investments deposits	**38,684**	37,147	32,972	4	17
Certificates of deposit and other	**171**	162	173	6	(1)
Due to other financial institutions	**366**	895	414	(59)	(12)
Other non-interest bearing liabilities (2)	**14,580**	15,324	14,181	(5)	3
Total liabilities (3)	**102,426**	103,298	94,102	(1)	9

(1) Comparatives have been restated for the impact of client resegmentations within Business and Private Banking.

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

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

Institutional Banking and Markets

Financial Performance and Business Review

Institutional Banking and Markets achieved a cash net profit after tax of $512 million for the half year ended 31 December 2010, which represented a 7% decrease on the prior comparative period, reflecting:

- An 8% decrease in operating income on the prior comparative period to $1,260 million due to lower trading income in Markets as a result of lower volatility and the effect of the decline in lending balances in Institutional Banking in prior periods;
- The non-recurrence of investment allowance tax credits; partially offset by
- Lower impairment expense reflecting stabilisation in the credit quality of the Institutional Banking lending business.

The business has maintained its focus of continuous investment through its foreign exchange platform renewal, improved information technology capabilities and gaining recognition in the Institutional Equities and Debt Capital Markets business. Customer service continues to be a key focus for Institutional Banking and Markets through deepening client relationships, growing transaction banking, increasing foreign exchange market share and developing stronger institutional investor focus. This has been reflected in:

- East & Partners semi-annual "Australian Institutional Banking Markets" survey has listed CBA as best in market for the last four years in the categories of "Loyalty to the Relationship" and "Understanding Customers' Business". CBA also ranked first in product satisfaction for commercial paper, forward foreign exchange, forward rate agreements, swaps and options; and
- Peter Lee Associates Large Corporate and Institutional Relationship Banking Survey (July 2010) respondents gave CBA the highest percentage of "Excellent or Above Average Evaluations" for both "Overall Satisfaction" and for "Relationship Management Capability" where they have a Lead Relationship with CBA.[1]

Performance highlights in relation to providing Total Capital Solutions to customers during the period include:

- The Bloomberg Currency Forecasting Survey (November 2010) ranked CBA as the 6th best currency forecaster globally, being the best Australian bank. The same survey also ranked CBA as the number one EUR/GBP forecaster;
- Global Finance magazine recognised CBA as the best Australian foreign exchange provider for the third year in a row based on transaction volume, market share, scope of global coverage, customer service, competitive pricing and the use of innovative technologies;
- CBA along with Bilfinger Berger Project Investments acted as sponsor, financial advisor, equity investor, debt underwriter and swaps provider for the Victorian Government's Ararat Prison Public-Private Partnership project; and
- CBA has been nominated for the first time as a finalist in the Structured Products category of the Standard & Poor's (S&P) Fund Awards (October 2010).

Institutional Banking

Net interest income decreased 4% on the prior comparative period to $545 million. This result was negatively impacted by a 13% decrease in average loan balances, higher wholesale funding costs and reduced margins on deposits from transactional banking customers. This was partly offset by the recognition of deferred fees from the early repayment of debt, repricing of loans, and improved deposit volumes from transactional banking customers.

Other banking income increased by 1% on the prior comparative period to $345 million driven by higher fee income from institutional customers as well as a favourable impact from hedging credit exposures. This was partly offset by the gain on sale of equity investments in the prior comparative period.

Other banking income decreased 14% compared to the prior half due to lower fee income following a decline in new lending activity.

Markets

Net interest income decreased by 8% on the prior comparative period to $105 million, primarily due to margin compression in offshore regions as a result of increased funding costs, flattening yield curves and increased competition.

Other banking income decreased by 23% on the prior comparative period to $265 million due to a challenging trading environment as a result of flattening yield curves, lower market volatility and narrowing product spreads.

Compared to the prior half, other banking income increased 53% largely due to the favourable impact of counterparty fair value mark to market valuations recognised in the current half as credit spreads narrowed.

Operating Expenses

Operating expenses increased 2% on the prior comparative period to $395 million. The increase is predominantly due to continued investment in information technology to maintain competitive advantage.

Operating expenses decreased by 2% on the prior half reflecting a disciplined approach to cost management across the business.

Impairment Expense

Impairment expense decreased 40% on the prior comparative period to $193 million. This outcome benefited from the stable domestic operating environment. The decrease in lending balances also led to lower levels of collective provisioning.

Impairment expense increased compared to the prior half, which included the release of provisions as market conditions improved.

Corporate Tax Expense

The corporate tax charge for the half year ended 31 December 2010 was $160 million. The effective tax rate of 24% benefited from profit generated from offshore regions attracting lower corporate tax rates. The effective tax rate increased from 16% in the prior comparative period which also benefited from investment allowance tax credits associated with structured asset finance leasing transactions.

(1) Ranked against the major peer banks (ANZ, NAB and WBC).

Institutional Banking and Markets continued

	Half Year Ended 31 December 2010		
	Institutional Banking $M	Markets $M	Total $M
Net interest income	545	105	650
Other banking income	345	265	610
Total banking income	890	370	1,260
Operating expenses			(395)
Impairment expense			(193)
Net profit before tax			672
Corporate tax expense			(160)
Cash net profit after tax			512

	Half Year Ended 30 June 2010		
	Institutional Banking (1) $M	Markets $M	Total $M
Net interest income	558	93	651
Other banking income	401	173	574
Total banking income	959	266	1,225
Operating expenses			(405)
Impairment expense			72
Net profit before tax			892
Corporate tax expense			(246)
Cash net profit after tax			646

	Half Year Ended 31 December 2009		
	Institutional Banking (1) $M	Markets $M	Total $M
Net interest income	569	114	683
Other banking income	341	342	683
Total banking income	910	456	1,366
Operating expenses			(387)
Impairment expense			(321)
Net profit before tax			658
Corporate tax expense			(105)
Cash net profit after tax			553

	As at				
Major Balance Sheet items	31/12/10 $M	30/06/10 $M	31/12/09 $M	Dec 10 vs Jun 10 %	Dec 10 vs Dec 09 %
Interest earning lending assets	**51,414**	54,892	58,387	(6)	(12)
Bank acceptances of customers	**996**	1,414	1,592	(30)	(37)
Non-lending interest earning assets	**34,953**	29,434	29,154	19	20
Other assets (2)	**11,395**	8,755	3,567	30	large
Total assets	**98,758**	94,495	92,700	5	7
Certificates of deposit and other	**14,421**	12,834	13,067	12	10
Investments deposits	**8,064**	5,082	6,289	59	28
Due to other financial institutions	**11,684**	10,055	10,243	16	14
Liabilities at fair value through Income Statement	**3,891**	3,974	2,622	(2)	48
Debt issues	**1,475**	2,506	2,631	(41)	(44)
Loan capital	**555**	627	612	(11)	(9)
Other non-interest bearing liabilities (2)	**25,526**	23,820	20,663	7	24
Total liabilities	**65,616**	58,898	56,127	11	17

(1) Comparatives have been restated for the impact of business resegmentation with Retail Banking Services.

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

Wealth Management

Financial Performance and Business Review

Underlying profit after tax for the half year ended 31 December 2010 was $329 million, which represents an increase of 12% on the prior comparative period. This result was underpinned by solid growth in the funds management businesses and the insurance business continues to deliver robust margins.

Funds under Administration as at 31 December 2010 were $191 billion, up 3% on the prior comparative period. This was supported by solid investment returns and strong net flows from the international business, partly offset by the strengthening of the Australian dollar.

Cash net profit after tax was $359 million, which represents a 5% decrease on the prior comparative period, mainly due to the unwinding of unrealised annuity mark to market losses on the Guaranteed Annuities portfolio in the prior comparative period.

Colonial First State Global Asset Management (CFSGAM)

CFSGAM provides asset management services to wholesale and institutional investors. CFSGAM continues to focus on global growth opportunities and enhancing the domestic business.

Underlying profit after tax of $142 million increased 17% on the prior comparative period, reflecting strong investment performance, and higher base fee contributions due to improved business mix, partially offset by the strengthening Australian dollar.

Funds under Management as at 31 December 2010 were $153 billion, up 3% on the prior comparative period driven by improving equity markets and strong international net flows.

Investment performance continues to be strong with 81%, 69% and 81% of funds outperforming benchmark over one, three and five year periods respectively.

Highlights include:

- Awarded "Fund Manager of the Year" at the Standard & Poor's Investment Manager of the Year awards, recognising the strength and range of high-quality competencies that are present within the global firm;
- First State Investments Hong Kong won its first Responsible Investment award in the annual Benchmark Wealth Management Awards; and
- The property division executed more than $1 billion in acquisitions including the DFO portfolio of shopping centres by CFS Retail Property Trust and three commercial assets by the Commonwealth Property Office Fund.

Cash net profit after tax of $155 million represents an increase of 13% on the prior comparative period.

Colonial First State (CFS)

Colonial First State provides product packaging, administration, distribution and advice to retail customers. CFS continues to focus on enhancing core platforms and service capabilities as well as the growth and transformation of its advice business.

Underlying profit after tax of $79 million represents an increase of 30% on the prior comparative period mainly due to market driven growth in retail Funds under Administration.

The FirstChoice and Custom Solutions platforms performed well in a challenging retail market with positive net flows of $1.4 billion for the half year ended 31 December 2010.

Highlights include:

- FirstChoice became the largest Flagship platform with a market share of 11% and ranked third for net flows with over $3 billion in the year ended 30 September 2010[(1)];
- Commonwealth Financial Planning named the "2010 Money Management/CoreData Bank Dealer Group of the Year" for the second year in succession; and
- Maintained number one customer satisfaction rating from customers amongst bank-owner platforms and fund managers for the fourth year running in the Annual Wealth Insights Platform and Fund Manager Service Level survey.

Cash net profit after tax of $77 million represents an increase of 31% on the prior comparative period, broadly in line with the underlying result.

CommInsure

CommInsure is a provider of life and general insurance in Australia. CommInsure's strategy continues to focus on improving service, streamlining processes and enhancing core business profitability.

Underlying profit after tax of $153 million increased 1% on the prior comparative period including:

- Retail Life Insurance performance improved reflecting an 11% increase in inforce premiums driven by strong growth in bank channels, with claims ratios remaining stable;
- Wholesale Life Insurance contribution was relatively stable with inforce premiums increasing 11% supported by increases in existing business and retention, with claims ratios marginally declining;
- General Insurance business performance has improved with 8% growth in inforce premiums to $424 million and improved claims ratios despite the impact of recent weather events; partially offset by
- Legacy funds management income declined 8% in line with expected business run off.

Underlying profit after tax increased 14% on the prior half driven mainly by improved weather event experience in the General Insurance business.

Highlights include:

- Awarded "Life Insurance Company of the Year" at the 2010 Australian and New Zealand Insurance Industry Awards;
- Delivery of enhancements to Retail Advice products aimed at improving flexibility and affordability for customers by allowing existing insurance policies to be integrated with the FirstChoice and FirstWrap superannuation platforms; and
- Completion of internal alignment of the business to its major customer groups and product lines, providing a platform to execute key strategies.

Cash net profit after tax of $171 million represents a decrease of 23%, on the prior comparative period, mainly due to the unwinding of unrealised annuity mark to market losses on the Guaranteed Annuities portfolio in the prior comparative period.

St Andrew's Insurance

The St Andrew's insurance business was sold effective 1 July 2010.

Operating Expenses

Total operating expenses of $619 million increased 3% on the prior comparative period. Expenses have been managed in line with current market conditions while maintaining strategic investment spend on product development, systems and driving organic growth in domestic retail distribution.

(1) Most recent market data available from Plan for Life quarterly market report.

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

	Half Year Ended 30 June 2010						
		Colonial				St Andrew's	
	CFS GAM	First State	CommInsure	Other	Sub-total	Insurance (1)	Total
	$M	$M	$M	$M	$M	$M	$M
Funds management income	399	410	108	(1)	916	-	916
Insurance income	-	-	303	-	303	28	331
Total operating income	399	410	411	(1)	1,219	28	1,247
Volume expenses	(66)	(77)	(89)	(1)	(233)	(13)	(246)
Net operating income	333	333	322	(2)	986	15	1,001
Operating expenses	(188)	(213)	(136)	(65)	(602)	(7)	(609)
Net profit before tax	145	120	186	(67)	384	8	392
Corporate tax expense	(30)	(34)	(52)	23	(93)	(2)	(95)
Underlying profit after tax	115	86	134	(44)	291	6	297
Investment experience after tax	14	(1)	25	1	39	3	42
Cash net profit after tax	129	85	159	(43)	330	9	339

	Half Year Ended 31 December 2009						
		Colonial				St Andrew's	
	CFS GAM	First State	CommInsure	Other	Sub-total	Insurance (1)	Total
	$M	$M	$M	$M	$M	$M	$M
Funds management income	390	401	118	(1)	908	-	908
Insurance income	-	-	327	-	327	26	353
Total operating income	390	401	445	(1)	1,235	26	1,261
Volume expenses	(60)	(83)	(98)	-	(241)	(9)	(250)
Net operating income	330	318	347	(1)	994	17	1,011
Operating expenses	(170)	(231)	(131)	(62)	(594)	(7)	(601)
Net profit before tax	160	87	216	(63)	400	10	410
Corporate tax expense	(39)	(26)	(64)	17	(112)	(3)	(115)
Underlying profit after tax	121	61	152	(46)	288	7	295
Investment experience after tax	16	(2)	69	1	84	-	84
Cash net profit after tax	137	59	221	(45)	372	7	379

(1) The St Andrew's insurance business was sold effective 1 July 2010.

Wealth Management continued

Summary	31/12/10 $M	30/06/10 $M	31/12/09 $M	Dec 10 vs Jun10 %	Dec 10 vs Dec 09 %
Funds under administration - average [1]	**186,849**	181,709	178,738	3	5
Funds under administration - spot [1]	**191,454**	179,614	185,699	7	3
Funds under management - average [1]	**149,723**	145,469	144,407	3	4
Funds under management - spot [1]	**152,791**	144,298	149,025	6	3
Retail Net funds flows (Australian Retail)	**(666)**	(126)	372	large	large

Funds Under Management (FUM) [1]	31/12/10 $M	30/06/10 $M	31/12/09 $M	Dec 10 vs Jun10 %	Dec 10 vs Dec 09 %
Australian equities	**23,716**	21,499	23,009	10	3
Global equities	**52,831**	45,685	42,725	16	24
Cash and fixed interest	**52,097**	54,180	59,193	(4)	(12)
Property and Infrastructure [2]	**24,147**	22,934	24,098	5	-
Total	**152,791**	144,298	149,025	6	3

Sources of Profit from CommInsure	31/12/10 $M	30/06/10 $M	31/12/09 $M	Dec 10 vs Jun10 %	Dec 10 vs Dec 09 %
Life insurance operating margins					
Planned profit margins	**78**	82	75	(5)	4
Experience variations	**4**	(6)	8	large	(50)
Funds management operating margins	**59**	60	60	(2)	(2)
General insurance operating margins	**12**	(2)	9	large	33
Operating margins	**153**	134	152	14	1
Investment experience after tax	**18**	25	69	(28)	(74)
Cash net profit after tax	**171**	159	221	8	(23)

Annual Inforce Premiums - Risk Business (Half Year Ended 31 December 2010)	Opening Balance 30/06/10 $M	Sales/New Business $M	Lapses $M	Other $M	Closing Balance 31/12/10 $M
Retail life	782	105	(67)	-	820
Wholesale life	323	26	(18)	-	331
General insurance	408	51	(35)	-	424
Sub-total	1,513	182	(120)	-	1,575
St Andrew's Insurance	71	-	-	(71)	-
Total	1,584	182	(120)	(71)	1,575

Annual Inforce Premiums - Risk Business (Half Year Ended 30 June 2010)	Opening Balance 31/12/09 $M	Sales/New Business $M	Lapses $M	Other $M	Closing Balance 30/06/10 $M
Retail life	741	96	(55)	-	782
Wholesale life	297	49	(23)	-	323
General insurance	391	49	(32)	-	408
Sub-total	1,429	194	(110)	-	1,513
St Andrew's Insurance	69	10	(8)		71
Total	1,498	204	(118)	-	1,584

Annual Inforce Premiums - Risk Business (Half Year Ended 31 December 2009)	Opening Balance 30/06/09 $M	Sales/New Business $M	Lapses $M	Other $M	Closing Balance 31/12/09 $M
Retail life	697	104	(60)	-	741
Wholesale life [3]	435	17	(155)	-	297
General insurance	360	58	(27)	-	391
Sub-total	1,492	179	(242)	-	1,429
St Andrew's Insurance	68	13	(12)	-	69
Total	1,560	192	(254)	-	1,498

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

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

(3) Lapses include a $130 million reduction as a result of the loss of the wholesale portfolio for the Australian Super business.

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

Funds Under Administration	Half Year Ended 30 June 2010					
	Opening Balance 31/12/09 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other (6) $M	Closing Balance 30/06/10 $M
FirstChoice	43,179	6,267	(4,693)	1,574	(1,113)	43,640
Custom Solutions (1)	6,147	910	(746)	164	(197)	6,114
Standalone (including Legacy) (2)	26,106	1,937	(3,758)	(1,821)	(1,343)	22,942
Retail products (3)	75,432	9,114	(9,197)	(83)	(2,653)	72,696
Other retail (4)	1,222	21	(64)	(43)	(26)	1,153
Australian retail	76,654	9,135	(9,261)	(126)	(2,679)	73,849
Wholesale	47,372	7,262	(13,039)	(5,777)	(545)	41,050
Property	17,924	115	(821)	(706)	(51)	17,167
Other (5)	3,068	18	(70)	(52)	17	3,033
Domestically sourced	145,018	16,530	(23,191)	(6,661)	(3,258)	135,099
Internationally sourced	40,681	5,614	(3,728)	1,886	1,948	44,515
Total Wealth Management	185,699	22,144	(26,919)	(4,775)	(1,310)	179,614

Funds Under Administration	Half Year Ended 31 December 2009					
	Opening Balance 30/06/09 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other (6) $M	Closing Balance 31/12/09 $M
FirstChoice	35,955	6,151	(4,326)	1,825	5,399	43,179
Custom Solutions (1)	5,341	803	(751)	52	754	6,147
Standalone (including Legacy) (2)	24,950	2,084	(3,545)	(1,461)	2,617	26,106
Retail products (3)	66,246	9,038	(8,622)	416	8,770	75,432
Other retail (4)	1,154	21	(65)	(44)	112	1,222
Australian retail	67,400	9,059	(8,687)	372	8,882	76,654
Wholesale	45,092	10,376	(11,592)	(1,216)	3,496	47,372
Property	18,722	840	(938)	(98)	(700)	17,924
Other (5)	3,236	18	(75)	(57)	(111)	3,068
Domestically sourced	134,450	20,293	(21,292)	(999)	11,567	145,018
Internationally sourced	34,760	6,134	(3,547)	2,587	3,334	40,681
Total Wealth Management	169,210	26,427	(24,839)	1,588	14,901	185,699

(1) Custom Solutions includes the FirstWrap product.

(2) Includes cash management trusts.

(3) This is an estimate of the Retail Funds that align to Plan for Life market share releases.

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

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

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

New Zealand

Financial Performance and Business Review

The New Zealand result incorporates the ASB Bank and Sovereign Insurance businesses, but does not include the CBA branch results of the Institutional Banking and Markets business in New Zealand.

New Zealand cash net profit after tax[1] for the half year ended 31 December 2010 was NZ$293 million, an increase of 58% on the prior comparative period. The result reflects a strong performance from ASB Bank with margins benefiting from a shift in portfolio mix as customers switched from fixed to variable rate home loans and repricing initiatives in response to higher funding costs. Sovereign also made a solid contribution with improved claims experience, lower lapse rates and higher inforce premiums.

The New Zealand cash net profit after tax result was up 7% compared to the prior half with the result benefiting mainly from margin improvement in ASB Bank.

ASB Bank

ASB Bank cash net profit after tax[1] for the half year ended 31 December 2010 was NZ$246 million, up 57% on the prior comparative period.

Net interest income for the half year ended 31 December 2010 was NZ$538 million, up 22% on the prior comparative period reflecting:

- Improving home loan margins benefiting from a continued shift in portfolio mix with customers switching from fixed to variable rate loans and repricing initiatives in response to higher funding costs. Home loan market share decreased 60 basis points since the prior comparative period to 22.4% whilst balances remained flat at NZ$38 billion;
- Business lending margins also improved benefiting from a shift in portfolio mix from fixed to variable rate loans and risk based pricing initiatives. Business lending balances declined slightly as customers deleverage. Market share decreased 10 basis points since the prior comparative period to 9.2%; and
- Deposit margins remained under pressure in an extremely competitive local deposit market with balances increasing 3% to NZ$31 billion. Competitive term investments rates continued to be offered to customers as part of ASB's strategy to grow local funding and reduce reliance on the wholesale funding market. Market share for retail deposits declined 10 basis points over the prior comparative period to 21.2%.

Other banking income for the half year ended 31 December 2010 was NZ$178 million, down 14% on the prior comparative period, which included a significant amount of early repayment adjustment fees as customers switched from fixed to variable rate home loans.

Operating expenses have increased 10% on the prior comparative period to NZ$355 million which was driven by higher staff costs and marketing spend.

Impairment expense has decreased 72% on the prior comparative period to NZ$36 million as asset quality improved in line with the broader economic conditions.

The ASB Bank cash net profit after tax was up 25% over the prior half with continued margin improvement, partially offset by higher loan impairment and operating expenses.

Key highlights for ASB Bank during the half include:

- A refresh of the ASB brand, signalling a new direction for the brand, offering a new brand promise entitled "Creating Futures" and celebrating the depth of relationships shared with its customers;
- The launch of the ASB Institutional brand, providing corporate customers with the opportunity to capitalise on ASB's in-depth knowledge of New Zealand markets as well as the international specialist experience of CBA;
- Several new customer initiatives, including the launch of online savings tool Save the Change, home equity release product HomePlus, and the world-first ASB Virtual Branch on Facebook;
- Significant support for the communities affected by the Christchurch Earthquake, the Southland snow storms and the Pike River mine tragedy; and
- The huge success of ASB's new Financial Literacy Program GetWise, with more than 50,000 primary school children taking part in the program in its first year.

Sovereign Insurance

Sovereign's cash net profit after tax[1] for the half year ended 31 December 2010 was NZ$45 million, an increase of 67% on the prior comparative period. The major drivers of this result were:

- Claims experience improved notably, with claims volume reductions in death, trauma and disability income products;
- Risk and health lapse rates decreased compared to the prior comparative period;
- Inforce premiums increased by 7% over the prior comparative period, with Sovereign continuing to be a clear market leader with inforce market share of 30.3%[2]. Sovereign continues to lead the market in new business sales, although market share for the 12 months to December 2010 has fallen to 25.3%; and
- Operating expenses have increased 11% on the prior comparative period to NZ$111 million mainly driven by increasing renewal commission expenses, in line with growth in inforce premiums.

Sovereign's cash net profit after tax[1] decreased 41% on the prior half mainly due to the non-recurrence of a NZ$18 million gain on the revaluation of deferred tax on policy liabilities in the prior half. This was as a result of the reduction in the New Zealand corporate tax rate from 30% to 28% on 1 July 2011.

Key highlights for Sovereign over the half include:

- Sovereign was the only life insurer to receive a five star advisor satisfaction rating from Beaton Research Consulting and were significantly ahead of the industry average in nine of the eleven categories measured in the survey;
- Retention of an AM Best A+ financial strength rating, the only life insurer in New Zealand to achieve this rating;
- The release of TotalCareMax 9.5 with 21 product enhancements, as well as being the first life insurer in New Zealand to provide eligible policyholders access to the "Best Doctors" network of global medical experts; and
- Recognised in the annual CRM awards as having the best contact centre in the New Zealand insurance industry for the fifth consecutive year.

(1) Includes the underlying ASB and Sovereign results, capital charges and other costs allocated to ASB and Sovereign.
(2) As at 31 December 2010.

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

	Half Year Ended 30 June 2010				
	ASB	Sovereign	Other (1)	Total	Total
	NZ$M	NZ$M	NZ$M	NZ$M	A$M
Net interest income	468	-	(5)	463	365
Other banking income (2)	135	-	(16)	119	106
Total banking income	603	-	(21)	582	471
Funds management income	28	-	(2)	26	21
Insurance income	-	150	10	160	127
Total operating income	631	150	(13)	768	619
Operating expenses	(343)	(105)	20	(428)	(342)
Impairment expense	2	-	-	2	2
Net profit before tax	290	45	7	342	279
Corporate tax expense	(93)	22	1	(70)	(55)
Underlying profit after tax	197	67	8	272	224
Investment experience after tax	-	9	(6)	3	3
Cash net profit after tax	197	76	2	275	227

	Half Year Ended 31 December 2009				
	ASB	Sovereign	Other (1)	Total	Total
	NZ$M	NZ$M	NZ$M	NZ$M	A$M
Net interest income	440	-	(4)	436	351
Other banking income (2)	207	-	(15)	192	172
Total banking income	647	-	(19)	628	523
Funds management income	33	-	(1)	32	25
Insurance income	-	101	5	106	86
Total operating income	680	101	(15)	766	634
Operating expenses	(323)	(100)	22	(401)	(325)
Impairment expense	(127)	-	-	(127)	(102)
Net profit before tax	230	1	7	238	207
Corporate tax expense	(73)	23	-	(50)	(44)
Underlying profit after tax	157	24	7	188	163
Investment experience after tax	-	3	(5)	(2)	(2)
Cash net profit after tax	157	27	2	186	161

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

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

New Zealand continued

Major Balance Sheet items	31/12/10 NZ$M	30/06/10 NZ$M	31/12/09 NZ$M	Dec 10 vs Jun10 %	Dec 10 vs Dec 09 %
	As at				
Home lending	**37,508**	37,778	37,593	(1)	-
Assets at fair value through Income Statement	**4,232**	5,815	5,600	(27)	(24)
Other lending assets	**15,740**	15,960	16,188	(1)	(3)
Non-lending interest earning assets	**3,665**	1,543	2,855	large	28
Other assets	**4,714**	4,723	4,712	-	-
Total assets	**65,859**	65,819	66,948	-	(2)
Deposits	**31,279**	30,889	30,449	1	3
Liabilities at fair value through Income Statement	**10,426**	13,261	15,222	(21)	(32)
Debt issues	**5,680**	3,805	3,670	49	55
Due to other financial institutions [1]	**6,934**	6,488	6,500	7	7
Other liabilities	**6,525**	6,640	6,660	(2)	(2)
Total liabilities	**60,844**	61,083	62,501	-	(3)
Assets					
ASB Bank	**63,496**	63,557	64,648	-	(2)
Other	**2,363**	2,262	2,300	4	3
Total assets	**65,859**	65,819	66,948	-	(2)
Liabilities					
ASB Bank	**59,686**	60,010	61,327	(1)	(3)
Other	**1,158**	1,073	1,174	8	(1)
Total liabilities	**60,844**	61,083	62,501	-	(3)

Sources of Profit from Insurance Activities	31/12/10 NZ$M	30/06/10 NZ$M	31/12/09 NZ$M	Dec 10 vs Jun10 %	Dec 10 vs Dec 09 %
	Half Year Ended				
The Margin on Services profit from ordinary activities after income tax is represented by:					
Planned profit margins	**29**	48	33	(40)	(12)
Experience variations	**7**	19	(9)	(63)	large
Operating margins	**36**	67	24	(46)	50
Investment experience after tax	**9**	9	3	-	large
Cash net profit after tax	**45**	76	27	(41)	67

New Zealand - Funds Under [2] Administration	31/12/10 NZ$M	30/06/10 NZ$M	31/12/09 NZ$M	Dec 10 vs Jun10 %	Dec 10 vs Dec 09 %
	Half Year Ended				
Opening balance	**8,771**	8,422	7,389	4	19
Inflows	**1,377**	1,709	1,524	(19)	(10)
Outflows	**(1,090)**	(1,325)	(1,114)	(18)	(2)
Net Flows	**287**	384	410	(25)	(30)
Investment income & other	**522**	(35)	623	large	(16)
Closing balance	**9,580**	8,771	8,422	9	14

New Zealand - Annual Inforce Premiums	31/12/10 NZ$M	30/06/10 NZ$M	31/12/09 NZ$M	Dec 10 vs Jun10 %	Dec 10 vs Dec 09 %
	Half Year Ended				
Opening balance	**554**	535	516	4	7
Sales/New business	**45**	48	49	(6)	(8)
Lapses	**(28)**	(28)	(31)	-	(10)
Other movements	**(1)**	(1)	1	-	large
Closing balance	**570**	554	535	3	7

(1) Includes deposits due to Group companies.

(2) Comparatives have been restated to conform to the presentation of the Wealth Management business.

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Bankwest

Financial Performance and Business Review

Bankwest cash net profit after tax for the half year ended 31 December 2010 was $224 million, up significantly from the $15 million profit in the prior comparative period. The improved performance was driven by lower loan impairment expense, as well as a 10% increase in operating performance.

Key highlights of the half year financial performance were:

- Banking income increased 2% to $797 million compared to the prior comparative period, supported by growth in lending and deposit balances, partly offset by a decline in lending margins;
- Operating expenses decreased by 3% from the prior comparative period due to a continuing focus on discretionary expenditure and efficiency gains from the integration of processes with the Group. Operating expenses have decreased consistently since acquisition with the expense to income ratio now at 54%; and
- Impairment expense for the half was $49 million, 84% lower than the prior comparative period, mainly due to the non-recurrence of property related impairments.

Lending balances increased 3% over the prior comparative period, driven by solid growth in home loans, partly offset by lower business lending balances. Lending margins decreased across most products as funding costs continued to rise.

Deposit balances increased 12% over the prior comparative period driven by strong growth in business deposits. Deposit margins increased compared to the prior comparative period due to both the higher cash rate and improved pricing.

Bankwest retains an absolute focus on customer satisfaction, with a commitment to value, innovation and service. A number of initiatives during the half have supported this vision. These include:

- Continued reinvigoration of the Bankwest brand in Western Australia ("WA"), with new WA specific marketing campaigns implemented;
- Further investment in the WA branch network, with three new branches and twenty branches refurbished;
- The implementation of a Drought Assistance Initiative to support WA rural and regional customers who have been impacted by record low winter rainfalls in 2010; and
- Relaunch of Bankwest Business's brand and investment in more business bankers.

The success of the above initiatives has been reflected in:

- Winning the AFR Smart Investor 2010 "Bank of the Year" Award;
- Five products receiving awards in Money Magazine's 2011 Best of the Best Awards, including "Best Everyday Branch Access account" and "Cheapest Business Transaction Account"; and
- An improvement in customer satisfaction scores, up five percentage points from December 2009 to 83.1% at December 2010(1).

Retail

Home loan balances increased 10% over the prior comparative period to $43 billion, driven by demand flowing from the First Home Owners Grant experienced in the prior half, an innovative product suite and an increased number of branches. Margins declined as a result of higher long term funding costs only partially passed on to customers.

Retail deposit balances increased 1% over the prior comparative period reflecting a strategy of margin management over pricing for growth. Retail deposit margins increased due to the focus on margins and the higher cash rate.

Business

Business lending balances decreased 10% over the prior comparative period to $22 billion due to weak market demand, particularly in the small business sector, and exits and reductions of troublesome and impaired assets. In addition, a strategic shift away from property and complex lending has resulted in the non-renewal of higher risk loans, further impacting balances. Lending margins are broadly in line with the prior comparative period.

Business deposit balances increased 19% over the prior comparative period due to strong demand for money market products and a focus on sales. Business deposit margins increased due to a focus on profitable growth.

Operating Expenses

Operating expenses decreased 3% over the prior comparative period to $428 million due to lower discretionary spend and lower new business volumes. Continued efficiency gains from integration initiatives and a focus on discretionary expenditure has resulted in operating expenses decreasing in every half year period since acquisition.

Impairment Expense

Impairment expense for the half year was $49 million, down 84% compared to the prior comparative period.

The current half benefited from more stable client ratings, exits and reductions of troublesome assets exposures and a non-recurrence of the property related impairments, primarily in Queensland and New South Wales, which impacted the prior comparative period.

Housing and personal loan arrears levels improved during the half, while credit card arrears increased slightly.

(1) Source: Roy Morgan Research satisfaction with Main Financial Institution.

	Half Year Ended				
	31/12/10	30/06/10	31/12/09	Dec 10 vs	Dec 10 vs
	$M	$M	$M	Jun10 %	Dec 09 %
Net interest income [1]	**679**	679	657	-	3
Other banking income	**118**	112	121	5	(2)
Total banking income	**797**	791	778	1	2
Operating expenses	**(428)**	(437)	(443)	(2)	(3)
Impairment expense	**(49)**	(441)	(313)	(89)	(84)
Net profit before tax	**320**	(87)	22	large	large
Corporate tax expense	**(96)**	27	(7)	large	large
Cash net profit after tax	**224**	(60)	15	large	large

	As at				
	31/12/10	30/06/10	31/12/09	Dec 10 vs	Dec 10 vs
Major Balance Sheet items	$M	$M	$M	Jun10 %	Dec 09 %
Home lending (including securitisation)	**43,070**	41,681	39,131	3	10
Other lending assets	**23,956**	25,975	26,214	(8)	(9)
Other assets	**8,813**	7,028	7,096	25	24
Total assets	**75,839**	74,684	72,441	2	5
Transaction deposits	**4,879**	4,854	4,619	1	6
Savings deposits	**7,866**	7,514	8,204	5	(4)
Investments deposits	**30,645**	29,106	25,882	5	18
Certificates of deposit and other	**25**	130	51	(81)	(51)
Debt issues	**8,637**	10,211	8,843	(15)	(2)
Due to other financial institutions [2]	**15,682**	15,382	17,700	2	(11)
Other liabilities	**3,246**	2,671	2,089	22	55
Total liabilities	**70,980**	69,868	67,388	2	5

(1) Net interest income has been restated in the comparative periods following allocation of capital costs previously held centrally in Other.
(2) Includes amounts due to Group companies (31 December 2010: $15.7 billion, 30 June 2010: $15.4 billion, 31 December 2009: $16.7 billion).

Integration Progress – Bankwest and St Andrew's

The integration of the Bankwest and the remaining St Andrew's businesses into the Group continues to progress smoothly.

Major outcomes achieved to date include:

- Integration of various support functions including property and procurement;
- Reciprocal ATM access with customers of both CBA and Bankwest having access to over 4,000 ATM's, the largest network of any bank nationally, without paying any additional fees;
- Bankwest and CBA IT interoperability links;
- Aligning of various IT and business contract arrangements between Bankwest and CBA, including cheque processing supplier; and
- Establishment of strong and collaborative cross divisional working arrangements between Bankwest and CBA, building strong foundations for the future.

The total integration expenditure estimate to completion of the integration in 2012 has been reduced from $286 million to $250 million as a result of tight project cost controls and the cancellation of some uneconomic projects. Integration expenditure incurred since the acquisition totals $170 million.

Targeted cost synergies remain on track at $240 million (annualised run rate by 2012). Annualised run rate synergies already achieved since acquisition total approximately $211 million, including the benefits associated with restructuring and the cessation of the Bankwest east coast branch rollout.

	Half Year Ended	
	31/12/10	Total
Integration Expenditure [1]	$M	$M
Restructuring	**-**	16
Property	**1**	14
Operations	**12**	59
IT expenditure	**5**	74
Other	**-**	7
Total	**18**	170

(1) These costs are recognised as non-cash items as they are one-off in nature and therefore are not representative of the Group's ongoing financial performance.

Other

Financial Performance and Business Review

IFS Asia

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

IFS Asia cash net profit after tax for the half year ended 31 December 2010 was $26 million, an increase of 18% over the prior comparative period. The result was underpinned by:

- Banking income increased by 14% to $100 million driven by increased business from the Indonesian and Vietnamese retail banking operation, together with an increase in equity accounted income from the Bank of Hangzhou investment;
- Insurance income increased by 32% to $25 million reflecting higher sales from the Indonesian life insurance business (particularly Bancassurance sales); partly offset by
- Operating expenses increased by 20% to $95 million largely associated with the growth of the Indonesian businesses.

IFS Asia continued its investment in Asia opening a further 10 branches in Indonesia and 43 ATM's across Indonesia and Vietnam.

The key activities in IFS Asia during the half year were:

- Acquisition of 15% shareholding in Vietnam International Bank ("VIB") on 1 September 2010. VIB appointed two CBA nominated Directors to the Board following the completion of the transaction;
- Official opening of the CBA India branch in August 2010;
- Expansion of the PT Bank Commonwealth branch and ATM network in Indonesia bringing the total number of branches and ATMs to 84 and 126 respectively;
- Development of the Bancassurance model between PT Bank Commonwealth and PT Commonwealth Life in Indonesia. 46% of new business sales in PT Commonwealth Life for the period were sourced via the PT Bank Commonwealth branch network, up from 28% in the prior comparative period;
- BoComm Life new business sales of RMB 390 million in the current half, increased significantly compared to the RMB 20 million recognised in the prior comparative period;
- Bank of Hangzhou was ranked number two (out of 110) among City Commercial Banks in a review by the prestigious Chinese Banker magazine; and
- PT Bank Commonwealth in Indonesia maintained its number one ranking among foreign banks for customer service as rated by Synovate.

Fiji

The Fiji business was sold on 15 December 2009.

Corporate Centre

Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Secretariat and Treasury. Operating income in the Corporate Centre represents the business activities of the Group's Treasury function.

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

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

Corporate Centre cash net profit after tax for the half year ended 31 December 2010 was $188 million, a 12% decrease on the prior comparative period.

Total banking income remained flat at $447 million including:

- Lower Asset & Liability Management earnings from the impact of the rising interest rate environment on short dated interest rate positions; offset by
- Wider spreads achieved on liquid portfolios in Liquidity Operations; and
- Increased Capital Management earnings from growth in retained earnings.

Operating expenses increased by $36 million to $188 million compared to the prior comparative period mainly driven by a $20 million increase in the defined benefit superannuation plan expense and further investment in risk management initiatives.

Eliminations/Unallocated

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

Eliminations/Unallocated cash net loss after tax for the half year ended 31 December 2010 was $97 million, representing a $13 million decrease on the prior comparative period.

The result was significantly down on the prior half, largely reflecting the non-recurrence of central loan impairment provision releases experienced in the prior half.

Other continued

	Half Year Ended 31 December 2010				
	IFS Asia $M	Fiji $M	Corporate Centre $M	Eliminations/ Unallocated $M	Total $M
Net interest income (1)	40	-	367	(56)	351
Other banking income (1)	60	-	80	(46)	94
Total banking income	100	-	447	(102)	445
Funds management income	1	-	-	14	15
Insurance income	25	-	-	(13)	12
Total operating income	126	-	447	(101)	472
Operating expenses	(95)	-	(188)	-	(283)
Impairment expense	(2)	-	-	(62)	(64)
Net profit before tax	29	-	259	(163)	125
Corporate tax expense	(3)	-	(71)	76	2
Non-controlling interests	(2)	-	-	(7)	(9)
Underlying profit after tax	24	-	188	(94)	118
Investment experience after tax	2	-	-	(3)	(1)
Cash net profit after tax	26	-	188	(97)	117

	Half Year Ended 30 June 2010				
	IFS Asia $M	Fiji $M	Corporate Centre $M	Eliminations/ Unallocated (2) $M	Total $M
Net interest income (1)	32	-	370	(56)	346
Other banking income (1)	66	-	67	(38)	95
Total banking income	98	-	437	(94)	441
Funds management income	-	-	-	14	14
Insurance income	21	-	-	3	24
Total operating income	119	-	437	(77)	479
Operating expenses	(85)	-	(124)	-	(209)
Impairment expense	(8)	-	-	160	152
Net profit before tax	26	-	313	83	422
Corporate tax expense	(4)	-	(82)	(7)	(93)
Non-controlling interests	(1)	-	-	(6)	(7)
Underlying profit after tax	21	-	231	70	322
Investment experience after tax	2	-	-	22	24
Cash net profit after tax	23	-	231	92	346

	Half Year Ended 31 December 2009				
	IFS Asia $M	Fiji $M	Corporate Centre $M	Eliminations/ Unallocated (2) $M	Total $M
Net interest income (1)	30	9	513	(14)	538
Other banking income (1)	58	3	(66)	(68)	(73)
Total banking income	88	12	447	(82)	465
Funds management income	-	-	-	14	14
Insurance income	19	6	-	(1)	24
Total operating income	107	18	447	(69)	503
Operating expenses	(79)	(12)	(152)	-	(243)
Impairment expense	(3)	1	-	(60)	(62)
Net profit before tax	25	7	295	(129)	198
Corporate tax expense	(3)	(1)	(81)	27	(58)
Non-controlling interests	(1)	-	-	(8)	(9)
Underlying profit after tax	21	6	214	(110)	131
Investment experience after tax	1	-	-	26	27
Cash net profit after tax	22	6	214	(84)	158

(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 2010: $227 million; June 2010: $136 million; December 2009: $123 million).

(2) Net interest income has been restated in the comparative periods following an allocation of capital costs to Bankwest.

Investment Experience

Investment Experience	Half Year Ended 31/12/10 $M	30/06/10 $M	31/12/09 $M	Dec 10 vs Jun10 %	Dec 10 vs Dec 09 %
Wealth Management	**31**	66	117	(53)	(74)
New Zealand	**-**	3	(2)	large	large
Other	**4**	25	27	(84)	(85)
Investment experience before tax	**35**	94	142	(63)	(75)
Corporate tax expense	**(6)**	(25)	(33)	(76)	(82)
Investment experience after tax	**29**	69	109	(58)	(73)

Shareholder Investment Asset Mix (%)	As at 31 December 2010 (1) Australia %	New Zealand %	Asia %	Total %
Local equities	1	-	-	1
International equities	-	1	-	-
Property	12	-	-	9
Sub-total	13	1	-	10
Fixed interest	22	53	96	31
Cash	65	46	4	59
Sub-total	87	99	100	90
Total	100	100	100	100

Shareholder Investment Asset Mix ($M)	As at 31 December 2010 (1) Australia $M	New Zealand $M	Asia $M	Total $M
Local equities	12	1	-	13
International equities	-	2	-	2
Property	233	-	-	233
Sub-total	245	3	-	248
Fixed interest	430	289	77	796
Cash	1,280	245	3	1,528
Sub-total	1,710	534	80	2,324
Total	1,955	537	80	2,572

(1) Includes Shareholder's funds in the CFS Global Asset Management, Colonial First State and CommInsure businesses.

The Directors of the Commonwealth Bank of Australia submit their report together with the financial statements of the Commonwealth Bank of Australia and its controlled entities (collectively referred to as "the Group") for the half year ended 31 December 2010.

Directors

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

D J Turner	Chairman
R J Norris KNZM	Managing Director and Chief Executive Officer
J A Anderson KBE	Director
C R Galbraith AM	Director
J S Hemstritch	Director
S C H Kay	Director
B Long	Director (Appointment effective 1 September 2010)
A M Mohl	Director
F D Ryan	Director
H H Young	Director

Review and Results of Operations

Commonwealth Bank of Australia recorded a consolidated statutory net profit after tax of $3,052 million for the half year ended 31 December 2010, compared with $2,914 million for the prior comparative period, an increase of 5%. The result was principally supported by solid volume growth, improved funds management income and lower impairment expense. This was partly offset by lower net interest margin.

The statutory net profit after tax from Retail Banking Services was $1,383 million (December 2009: $1,237 million) reflecting solid volume growth together with a reduction in impairment expense. This was partly offset by margin compression due to higher funding costs.

The statutory net profit after tax from Business and Private Banking was $506 million (December 2009: $440 million), driven by solid growth in lending balances and a reduction in impairment expense. This was partly offset by lower brokerage revenue due to subdued market trading conditions.

The statutory net profit after tax for Institutional Banking and Markets of $512 million (December 2009: $553 million) mainly reflected lower income from declining lending balances and the challenging trading environment. This was partly offset by lower impairment expense as the credit quality of the portfolio stabilised.

The statutory net profit after tax for Wealth Management was $334 million (December 2009: $327 million), reflecting increased Funds Management income partly offset by lower investment experience.

The statutory net profit after tax for New Zealand was $236 million (December 2009: $27 million loss) and reflected improved margin together with a stronger insurance result due to improved claims experience and lapse rates as well as higher inforce premiums. The prior comparative period included the one off impact of an adverse tax ruling in relation to New Zealand structured finance transactions.

The statutory net profit after tax for Bankwest was $148 million (December 2009: $33 million) reflecting lower impairment expense and a solid operating performance.

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 2010 and performance for the half year ended 31 December 2010, in accordance with relevant accounting standards.

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

pwc

Auditor's Independence Declaration

As lead auditor for the review of Commonwealth Bank of Australia for the half-year ended 31 December 2010, 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.

Rahoul Chowdry
Partner
PricewaterhouseCoopers

Sydney
9 February 2011

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Signed in accordance with a resolution of the Directors.

D J Turner

Chairman

9 February 2011

R J Norris

Managing Director and Chief Executive Officer

Financial Statements

Consolidated Income Statement

For the half year ended 31 December 2010

		Half Year Ended		
		31/12/10	30/06/10	31/12/09
	Notes	$M	$M	$M
Interest income	2	**18,470**	16,925	15,290
Interest expense		**(12,341)**	(11,161)	(9,132)
Net interest income		**6,129**	5,764	6,158
Other banking income		**1,780**	1,858	2,350
Net banking operating income		**7,909**	7,622	8,508
Funds management income		**966**	958	948
Investment revenue/(expense)		**630**	(71)	1,046
Claims and policyholder liability (expense)/revenue		**(585)**	69	(1,022)
Net funds management operating income		**1,011**	956	972
Premiums from insurance contracts		**942**	896	898
Investment revenue		**307**	190	497
Claims and policyholder liability expense from insurance contracts		**(663)**	(506)	(745)
Net insurance operating income		**586**	580	650
Total net operating income		**9,506**	9,158	10,130
Loan impairment expense	6	**(722)**	(996)	(1,383)
Operating expenses	3	**(4,462)**	(4,392)	(4,324)
Net profit before income tax		**4,322**	3,770	4,423
Corporate tax expense	4	**(1,161)**	(1,022)	(1,361)
Policyholder tax (expense)/benefit	4	**(100)**	9	(139)
Net profit after income tax		**3,061**	2,757	2,923
Non-controlling interests		**(9)**	(7)	(9)
Net profit attributable to Equity holders of the Bank		**3,052**	2,750	2,914

	Half Year Ended		
	31/12/10	30/06/10	31/12/09
	Cents per Share		
Earnings per share:			
Basic	**196. 5**	177. 6	190. 3
Diluted	**189. 1**	171. 0	183. 8

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

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2010

	Half Year Ended		
	31/12/10	30/06/10	31/12/09
	$M	$M	$M
Profit from ordinary activities after income tax for the period	**3,061**	2,757	2,923
Other comprehensive income/(expense):			
Actuarial gains and losses from defined benefit superannuation plans	**92**	(162)	98
Gains and losses on cash flow hedging instruments:			
Recognised in equity	**(363)**	(191)	(48)
Transferred to Income Statement	**253**	513	315
Gains and losses on available-for-sale investments:			
Recognised in equity	**(196)**	168	159
Transferred to Income Statement on disposal	**(21)**	(15)	(9)
Transferred to Income Statement on impairment	**-**	2	-
Revaluation of properties	**(3)**	50	-
Foreign currency translation reserve	**(486)**	80	(99)
Income tax on items transferred directly to/from equity:			
Foreign currency translation reserve	**9**	-	(1)
Available-for-sale investments revaluation reserve	**66**	(32)	(45)
Revaluation of properties	**2**	(9)	-
Cash flow hedge reserve	**37**	(114)	(79)
Other comprehensive income net of income/(expense) tax	**(610)**	290	291
Total comprehensive income for the period	**2,451**	3,047	3,214
Total comprehensive income for the period is attributable to:			
Equity holders of the Bank	**2,442**	3,040	3,205
Non-controlling interests	**9**	7	9
Total comprehensive income for the period	**2,451**	3,047	3,214

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

Consolidated Balance Sheet

As at 31 December 2010

Assets	Notes	As at 31/12/10 $M	As at 30/06/10 $M	As at 31/12/09 $M
Cash and liquid assets		**14,362**	10,119	11,686
Receivables due from other financial institutions		**12,771**	10,072	11,923
Assets at fair value through Income Statement:				
Trading		**20,240**	22,851	21,711
Insurance		**15,205**	15,940	17,554
Other		**358**	654	642
Derivative assets		**25,988**	27,689	20,237
Available-for-sale investments		**38,029**	32,915	29,573
Loans, bills discounted and other receivables	5	**491,882**	493,459	482,019
Bank acceptances of customers		**10,146**	11,569	10,960
Property, plant and equipment		**2,268**	2,351	2,367
Investment in associates		**1,683**	1,490	1,339
Intangible assets		**9,482**	9,420	9,322
Deferred tax assets		**1,334**	1,270	315
Other assets		**5,855**	6,482	5,601
		649,603	646,281	625,249
Assets held for sale		**39**	49	227
Total assets		**649,642**	646,330	625,476

Liabilities	Notes	As at 31/12/10 $M	As at 30/06/10 $M	As at 31/12/09 $M
Deposits and other public borrowings	7	**395,345**	374,663	370,167
Payables due to other financial institutions		**13,242**	12,608	13,675
Liabilities at fair value through Income Statement		**12,578**	15,342	15,735
Derivative liabilities		**32,092**	24,884	21,874
Bank acceptances		**10,146**	11,569	10,960
Current tax liabilities		**971**	1,056	193
Deferred tax liabilities		**249**	221	-
Other provisions		**1,194**	1,197	1,106
Insurance policy liabilities		**14,099**	14,592	16,272
Debt issues		**113,609**	130,210	119,207
Managed funds units on issue		**851**	880	1,082
Bills payable and other liabilities		**8,056**	10,025	7,174
		602,432	597,247	577,445
Loan capital		**11,861**	13,513	14,448
Total liabilities		**614,293**	610,760	591,893
Net assets		**35,349**	35,570	33,583

Shareholders' Equity	Notes	As at 31/12/10 $M	As at 30/06/10 $M	As at 31/12/09 $M
Share capital:				
Ordinary share capital	9	**23,083**	23,081	22,344
Other equity instruments	9	**939**	939	939
Reserves	9	**269**	1,089	459
Retained profits	9	**10,534**	9,938	9,320
Shareholders' equity attributable to Equity holders of the Bank		**34,825**	35,047	33,062
Non-controlling interests	9	**524**	523	521
Total Shareholders' equity		**35,349**	35,570	33,583

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

Financial Statements continued

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2010

	Ordinary share capital $M	Other equity instruments $M	Reserves $M	Retained profits $M	Shareholders' equity attributable to Equity holders of the Bank $M	Non-controlling interests $M	Total Shareholders' equity $M
As at 30 June 2009	21,642	939	516	7,825	**30,922**	520	**31,442**
Total comprehensive income for the period	-	-	193	3,012	**3,205**	9	**3,214**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid	-	-	-	(1,764)	**(1,764)**	-	**(1,764)**
Dividend reinvestment plan (net of issue costs)	685	-	-	-	**685**	-	**685**
Other equity movements:							
Share based payments	1	-	(15)	-	**(14)**	-	**(14)**
(Purchase)/sale and vesting of treasury shares	16	-	-	-	**16**	-	**16**
Other changes	-	-	(235)	247	**12**	(8)	**4**
As at 31 December 2009	22,344	939	459	9,320	**33,062**	521	**33,583**
Total comprehensive income for the period	-	-	452	2,588	**3,040**	7	**3,047**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid	-	-	-	(1,857)	**(1,857)**	-	**(1,857)**
Dividend reinvestment plan (net of issue costs)	772	-	-	-	**772**	-	**772**
Other equity movements:							
Share based payments	1	-	140	-	**141**	-	**141**
Sale/(purchase) and vesting of treasury shares	(36)	-	-	-	**(36)**	-	**(36)**
Other changes	-	-	38	(113)	**(75)**	(5)	**(80)**
As at 30 June 2010	23,081	939	1,089	9,938	**35,047**	523	**35,570**
Total comprehensive income for the period	-	-	(702)	3,144	**2,442**	9	**2,451**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid	-	-	-	(2,650)	**(2,650)**	-	**(2,650)**
Dividend reinvestment plan (net of issue costs) [(1)]	-	-	-	-	**-**	-	**-**
Other equity movements:							
Share based payments	-	-	(25)	-	**(25)**	-	**(25)**
Sale/(purchase) and vesting of treasury shares	(3)	-	-	-	**(3)**	-	**(3)**
Other changes	5	-	(93)	102	**14**	(8)	**6**
As at 31 December 2010	23,083	939	269	10,534	**34,825**	524	**35,349**

(1) The dividend reinvestment plan in respect of the final dividend for 2009/2010 was satisfied in full through the on market purchase and transfer of $679 million of shares to participating shareholders.

	Half Year Ended 31/12/10	Half Year Ended 30/06/10	Half Year Ended 31/12/09
	Cents per Share	Cents per Share	Cents per Share
Dividends per share attributable to shareholders of the Bank:			
Ordinary shares	**132**	170	120
Trust preferred securities (TPS) - issued 15 March 2006	**3,108**	3,291	3,424

Consolidated Statement of Cash Flows [1]

For the half year ended 31 December 2010

		Half Year Ended		
		31/12/10	30/06/10	31/12/09
	Notes	$M	$M	$M
Cash flows from operating activities				
Interest received		18,169	16,674	14,989
Interest paid		(12,237)	(10,556)	(8,831)
Other operating income received		2,777	2,816	2,757
Expenses paid		(4,765)	(3,555)	(4,211)
Income taxes paid		(1,141)	(928)	(1,094)
Net decrease/(increase) in assets at fair value through Income Statement (excluding life insurance)		2,690	(4,012)	1,546
Net increase/(decrease) in liabilities at fair value through Income Statement:				
Life insurance:				
Investment income		315	248	87
Premiums received [2]		965	1,034	1,060
Policy payments [2]		(1,690)	(2,296)	(1,605)
Other liabilities at fair value through Income Statement		(1,969)	(431)	(769)
Cash flows from operating activities before changes in operating assets and liabilities		3,114	(1,006)	3,929
Changes in operating assets and liabilities arising from cash flow movements				
Movement in available-for-sale investments:				
Purchases		(30,024)	(26,463)	(33,558)
Proceeds from sale		4,823	1,580	2,527
Proceeds at or close to maturity		18,976	21,879	22,322
Net change in deposits with regulatory authorities		(24)	2	(2)
Net (increase) in loans, bills discounted and other receivables		(1,902)	(11,854)	(17,145)
Net decrease/(increase) in receivables due from other financial institutions not at call		1,524	(1,525)	4,250
Net (increase)/decrease in securities purchased under agreements to resell		(3,772)	(118)	894
Life insurance business:				
Purchase of insurance assets at fair value through Income Statement		(2,518)	(2,493)	(3,167)
Proceeds from sale/maturity of insurance assets at fair value through Income Statement		3,897	3,754	4,630
Net increase in deposits and other public borrowings		23,580	2,929	5,923
Net (payments)/proceeds from issuance of debt securities		(8,334)	12,811	17,317
Net increase/(decrease) in payables due to other financial institutions not at call		2,362	(357)	(800)
Net (decrease)/increase in securities sold under agreements to repurchase		(1,275)	1,781	(4,595)
Changes in operating assets and liabilities arising from cash flow movements		7,313	1,926	(1,404)
Net cash provided by operating activities	10 (a)	10,427	920	2,525
Cash flows from investing activities				
Net proceeds from disposal of controlled entities	10 (c)	19	6	(17)
Proceeds from disposal of entities and businesses (net of cash disposals)		-	(22)	-
Dividends received		27	42	29
Proceeds from sale of property, plant and equipment		10	9	61
Purchases of property, plant and equipment		(173)	(127)	(166)
Payments for acquistions of investments in associates/joint ventures		(160)	(138)	(276)
Purchase of intangible assets		(234)	(224)	(230)
Sale of assets held for sale		7	236	306
Net decrease in other assets		148	14	240
Net cash used in investing activities		(356)	(204)	(53)

(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 2010

		Half Year Ended		
		31/12/10	30/06/10	31/12/09
	Notes	$M	$M	$M
Cash flows from financing activities				
Proceeds from the issue of shares (net of issue costs)		**5**	1	1
Dividends paid (excluding Dividend Reinvestment Plan)		**(2,645)**	(1,078)	(1,071)
Net movement in other liabilities		**(444)**	581	(821)
Net (purchase)/sale of treasury shares		**(3)**	(36)	16
Issue of loan capital		**-**	42	3,665
Redemption of loan capital		**(790)**	(1,164)	(596)
Other		**(68)**	296	(293)
Net cash (used in)/provided by financing activities		**(3,945)**	(1,358)	901
Net increase/(decrease) in cash and cash equivalents		**6,126**	(642)	3,373
Cash and cash equivalents at beginning of period		**4,917**	5,559	2,186
Cash and cash equivalents at end of period [2]	10 (b)	**11,043**	4,917	5,559

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

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

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

Note 1 Accounting Policies

General Information

The Financial Statements of the Commonwealth Bank of Australia (the "Bank") and its subsidiaries (the "Group") for the half year ended 31 December 2010, were approved and authorised for issue by the Board of Directors on 9 February 2011.

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

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

(a) Bases of accounting

This general purpose financial report for the half year ended 31 December 2010 has been prepared in accordance with the requirements of the "Corporations Act 2001" and "AASB 134 Interim Financial Reporting" which ensures compliance with "IAS 34 Interim Financial Reporting".

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

As a result, this report should be read in conjunction with the 30 June 2010 Annual Financial Report of the Group and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

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

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

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Annual Financial Report for the year ended 30 June 2010. Certain comparatives have been restated for consistency in presentation at 31 December 2010. The affected comparatives are footnoted and are not considered to have a material impact.

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

- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash Settled Share-based Payment Transactions;
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues;
- AASB 2010-13 Amendments to Australian Accounting Standards arising from the Annual Improvements Project;
- AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19; and
- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments.

Notes to the Financial Statements continued

Note 2 Income from Ordinary Activities

	Half Year Ended		
	31/12/10	30/06/10	31/12/09
	$M	$M	$M
Banking			
Interest income	**18,470**	16,925	15,290
Fees and commissions	**1,692**	1,688	1,753
Trading income	**426**	306	291
Net gains on disposal of available-for-sale investments recognised in the Income Statement	**21**	21	6
Net gain/(loss) on other non fair value instruments	**(14)**	6	(58)
Net hedging ineffectiveness	**(64)**	(21)	(41)
Net gain/(loss) on other fair valued financial instruments:			
Fair value through Income Statement	**(4)**	3	5
Reclassification of net interest on swaps	**(227)**	(136)	(123)
Non-trading derivatives	**(186)**	(161)	378
Dividends	**2**	3	2
Net gains/(losses) on sale of property, plant and equipment	**2**	(2)	(2)
Other income	**132**	151	139
	20,250	18,783	17,640
Funds Management, Investment contract and Insurance contract revenue			
Funds management and investment contract income including premiums	**966**	958	948
Insurance contract premiums and related income	**942**	896	898
Funds management claims and policyholder liability revenue	**-**	69	-
Investment income	**937**	190	1,543
	2,845	2,113	3,389
Total income	**23,095**	20,896	21,029

Note 3 Operating Expenses

	Half Year Ended		
	31/12/10	30/06/10	31/12/09
	$M	$M	$M
Staff expenses			
Salaries and wages	**2,047**	1,899	1,946
Share-based compensation	**81**	79	51
Superannuation contributions	**18**	33	15
Defined benefit superannuation plan expense	**84**	39	64
Provisions for employee entitlements	**41**	36	22
Payroll tax	**108**	102	100
Fringe benefits tax	**19**	20	20
Other staff expenses	**52**	86	71
Total staff expenses	**2,450**	2,294	2,289
Occupancy and equipment expenses			
Operating lease rentals	**259**	271	256
Depreciation:			
Buildings	**18**	14	16
Leasehold improvements	**50**	53	45
Equipment	**42**	43	47
Operating lease assets	**20**	20	25
Repairs and maintenance	**42**	43	41
Other	**55**	51	52
Total occupancy and equipment expenses	**486**	495	482
Information technology services			
Application maintenance and development	**110**	134	75
Data processing	**129**	123	104
Desktop	**65**	73	68
Communications	**97**	103	96
Amortisation of software assets	**81**	74	104
IT equipment depreciation	**39**	37	38
Total information technology services	**521**	544	485
Other expenses			
Postage	**57**	51	64
Stationery	**39**	48	49
Fees and commissions:			
Fees payable on trust and other fiduciary activities	**260**	244	253
Other	**148**	193	174
Advertising, marketing and loyalty	**182**	213	185
Amortisation of intangible assets (excluding software and merger related amortisation)	**8**	15	12
Non-lending losses	**32**	46	57
Other	**225**	190	218
Total other expenses	**951**	1,000	1,012
Investment and restructuring			
Integration expenses	**18**	21	19
Merger related amortisation (1)	**36**	38	37
Total investment and restructuring	**54**	59	56
Total operating expenses	**4,462**	4,392	4,324

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

Note 4 Income Tax Expense

	Half Year Ended		
	31/12/10	30/06/10	31/12/09
	$M	$M	$M
Profit before income tax	**4,322**	3,770	4,423
Prima facie income tax at 30%	**1,297**	1,131	1,327
Effect of amounts which are non deductible/(assessable) in calculating taxable income:			
Taxation offsets and other dividend adjustments	**(2)**	(3)	(15)
Tax adjustment referable to policyholder income	**70**	(7)	98
Tax losses not previously brought to account	**(5)**	-	(4)
Offshore tax rate differential	**(28)**	(40)	(26)
Offshore banking unit	**(14)**	(17)	(15)
Investment allowance	**(2)**	(16)	(41)
Effect of changes in tax rates (1)	**-**	(12)	-
Income tax under/(over) provided in prior year (2)	**(70)**	2	162
Other	**15**	(25)	14
Total income tax expense	**1,261**	1,013	1,500
Corporate tax expense	**1,161**	1,022	1,361
Policyholder tax expense/(benefit)	**100**	(9)	139
Total income tax expense	**1,261**	1,013	1,500
Effective Tax Rate	%	%	%
Total – corporate (2)	**27. 5**	27. 0	31. 8
Retail Banking Services – corporate (4)	**29. 9**	29. 4	30. 9
Business and Private Banking – corporate	**30. 0**	29. 3	28. 5
Institutional Banking and Markets – corporate (4)	**23. 8**	27. 6	16. 0
Wealth Management – corporate	**26. 9**	27. 4	28. 6
New Zealand - corporate (1) (2)	**23. 9**	20. 5	large
Bankwest - corporate (3)	**34. 5**	26. 0	48. 4

(1) The New Zealand corporate tax rate will reduce from 30% to 28% effective 1 April 2011.

(2) The half year ended 31 December 2009 includes the impact of the tax on New Zealand structured finance transactions of $171 million.

(3) The prior period effective tax rates have been adjusted for the allocation of capital charges from the Corporate Centre to Bankwest.

(4) The prior period effective tax rates have been adjusted for the impact of business resegmentation between Retail Banking Services and Institutional Banking and Markets.

Impact of adoption "TOFA"

The new tax regime for financial arrangements ("TOFA") began to apply to the Tax Consolidated Group from 1 July 2010. A project was established during the 2010 financial year to implement the changes. The actual financial impact of TOFA (being an unwind of timing differences only) is a function of the Group's deferred tax liability and deferred tax asset balances as at 30 June 2010. Upon adoption, deferred tax balances from financial arrangements are phased out (amortised) over a four year period.

Note 5 Loans, Bills Discounted and Other Receivables

	As at		
	31/12/10	30/06/10	31/12/09
	$M	$M	$M
Australia			
Overdrafts	**17,725**	19,924	18,040
Home loans (including securitisation)	**298,513**	292,140	279,653
Credit card outstandings	**10,624**	10,200	9,877
Lease financing	**4,674**	4,657	4,789
Bills discounted	**15,297**	14,379	15,499
Term loans	**99,066**	101,794	102,866
Other lending	**1,627**	1,288	1,535
Other securities	**558**	564	520
Total Australia	**448,084**	444,946	432,779
New Zealand			
Overdrafts	**544**	568	550
Home loans	**28,491**	30,670	30,457
Credit card outstandings	**582**	589	604
Lease financing	**416**	523	467
Term loans	**13,955**	15,299	15,308
Total New Zealand	**43,988**	47,649	47,386
Other Overseas			
Overdrafts	**103**	84	77
Home loans	**700**	763	712
Lease financing	**75**	47	56
Term loans	**6,663**	7,753	8,673
Other lending	**20**	27	1
Total Other Overseas	**7,561**	8,674	9,519
Gross loans, bills discounted and other receivables	**499,633**	501,269	489,684
Less:			
Provisions for Loan Impairment:			
Collective provision	**(3,302)**	(3,436)	(3,422)
Individually assessed provisions	**(2,169)**	(1,992)	(1,822)
Unearned income:			
Term loans	**(1,183)**	(1,213)	(1,197)
Lease financing	**(1,097)**	(1,169)	(1,224)
	(7,751)	(7,810)	(7,665)
Net loans, bills discounted and other receivables	**491,882**	493,459	482,019

Note 6 Provisions for Impairment and Asset Quality

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

	As at 30 June 2010				
	Home Loans $M	Other Personal $M	Asset Financing $M	Other Commercial Industrial $M	Total $M
Loans which were neither Past Due nor Impaired					
Investment Grade	202,699	2,297	978	76,082	282,056
Pass Grade	101,364	10,569	7,886	60,126	179,945
Weak	8,584	2,440	241	8,518	19,783
Total loans which were neither Past Due nor Impaired	312,647	15,306	9,105	144,726	481,784
Loans which were Past Due but not Impaired (1)					
Past due 1 - 29 days	4,815	895	118	1,573	7,401
Past due 30 - 59 days	1,881	214	43	249	2,387
Past due 60 - 89 days	895	121	20	201	1,237
Past due 90 - 179 days	1,284	202	15	226	1,727
Past due 180 days or more	1,382	43	13	184	1,622
Total loans past due but not impaired	10,257	1,475	209	2,433	14,374

	As at 31 December 2009				
	Home Loans $M	Other Personal $M	Asset Financing $M	Other Commercial Industrial $M	Total $M
Loans which were neither Past Due nor Impaired					
Investment Grade	178,625	2,933	547	74,900	257,005
Pass Grade	113,662	12,837	7,865	60,686	195,050
Weak	8,358	2,825	65	7,793	19,041
Total loans which were neither Past Due nor Impaired	300,645	18,595	8,477	143,379	471,096
Loans which were Past Due but not Impaired (1)					
Past due 1 - 29 days	4,238	813	144	1,899	7,094
Past due 30 - 59 days	1,877	228	51	407	2,563
Past due 60 - 89 days	809	127	22	124	1,082
Past due 90 - 179 days	1,265	192	23	172	1,652
Past due 180 days or more	1,128	51	12	183	1,374
Total loans past due but not impaired	9,317	1,411	252	2,785	13,765

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

Note 6 Provisions for Impairment and Asset Quality (continued)

	Half Year Ended		
	31/12/10	30/06/10	31/12/09
	$M	$M	$M
Movement in Impaired Asset Balances			
Gross impaired assets - opening balance	**5,216**	4,823	4,210
New and increased	**2,119**	2,753	2,702
Balances written off	**(750)**	(825)	(1,079)
Returned to performing or repaid	**(1,401)**	(1,535)	(1,010)
Gross impaired assets - closing balance	**5,184**	5,216	4,823

	As at		
	31/12/10	30/06/10	31/12/09
	$M	$M	$M
Impaired Assets by Size of Asset			
Less than $1 million	**735**	732	785
$1 million to $10 million	**1,577**	1,573	2,612
Greater than $10 million	**2,872**	2,911	1,426
Gross impaired assets	**5,184**	5,216	4,823
Less individually assessed provisions for impairment	**(2,169)**	(1,992)	(1,822)
Net impaired assets	**3,015**	3,224	3,001

	As at		
	31/12/10	30/06/10	31/12/09
	%	%	%
Asset Quality Ratios			
Gross impaired assets as a percentage of gross loans and acceptances	**1. 02**	1. 02	0. 96
Loans 90 or more days past due but not impaired as a percentage of gross loans and acceptances	**0. 63**	0. 65	0. 60

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		
	31/12/10	30/06/10	31/12/09
	$M	$M	$M
Provision for impairment losses			
Collective provision			
Opening Balance	**3,461**	3,452	3,225
Net collective provision funding	**147**	403	498
Impairment losses written off	**(326)**	(426)	(308)
Impairment losses recovered	**54**	36	41
Other	**(9)**	(4)	(4)
Closing balance	**3,327**	3,461	3,452
Individually assessed provisions			
Opening Balance	**1,992**	1,822	1,729
Net new and increased individual provisioning	**713**	873	989
Net write-back of provisions no longer required	**(138)**	(280)	(104)
Discount unwind to interest income	**(79)**	(85)	(84)
Other	**183**	150	143
Impairment losses written off	**(502)**	(488)	(851)
Closing balance	**2,169**	1,992	1,822
Total provisions for impairment losses	**5,496**	5,453	5,274
Less: Off balance sheet provisions	**(25)**	(25)	(30)
Total provisions for loan impairment	**5,471**	5,428	5,244

	Half Year Ended		
	31/12/10	30/06/10	31/12/09
	%	%	%
Provision Ratios			
Collective provision as a % of gross loans and acceptances	**0. 65**	0. 67	0. 69
Collective provision as a % of risk weighted assets - Basel II	**1. 17**	1. 19	1. 16
Individually assessed provisions for impairment as a % of gross impaired assets	**41. 84**	38. 19	37. 78
Total provisions for impairment losses as a % of gross loans and acceptances	**1. 08**	1. 06	1. 05

	Half Year Ended		
	31/12/10	30/06/10	31/12/09
Impairment Expense	$M	$M	$M
Loan Impairment Expense			
Net collective provisioning funding	**147**	403	498
Net new and increased individual provisioning	**713**	873	989
Write-back of individually assessed provisions	**(138)**	(280)	(104)
Total impairment expense (1)	**722**	996	1,383

(1) The half year ended 30 June 2010 includes $304 million of Bankwest loan impairment expense recognised as a non-cash item.

Note 7 Deposits and Other Public Borrowings

	As at		
	31/12/10	30/06/10	31/12/09
	$M	$M	$M
Australia			
Certificates of deposit	**48,296**	40,891	54,818
Term deposits	**133,546**	122,712	108,716
On demand and short term deposits	**158,925**	158,874	154,087
Deposits not bearing interest	**7,707**	7,236	6,839
Securities sold under agreements to repurchase	**4,485**	5,440	3,816
Total Australia	**352,959**	335,153	328,276
New Zealand			
Certificates of deposit	**421**	407	434
Term deposits	**15,058**	15,715	14,472
On demand and short term deposits	**7,923**	8,327	8,895
Deposits not bearing interest	**1,555**	1,554	1,618
Securities sold under agreements to repurchase	**-**	85	162
Total New Zealand	**24,957**	26,088	25,581
Other Overseas			
Certificates of deposit	**9,109**	7,442	9,390
Term deposits	**7,490**	4,404	6,013
On demand and short term deposits	**826**	1,337	904
Deposits not bearing interest	**4**	4	3
Securities sold under agreements to repurchase	**-**	235	-
Total Other Overseas	**17,429**	13,422	16,310
Total deposits and other public borrowings	**395,345**	374,663	370,167

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 2010							
Income Statement	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	Other $M	Total $M
Interest income	9,450	1,648	1,875	-	1,516	2,588	1,393	**18,470**
Insurance premium and related revenue	-	-	-	683	176	-	83	**942**
Other income	659	465	813	1,763	226	115	(358)	**3,683**
Total revenue	10,109	2,113	2,688	2,446	1,918	2,703	1,118	**23,095**
Equity accounted earnings	5	3	1	-	-	-	59	**68**
Revenue from external customers	10,036	2,375	2,377	2,485	1,938	2,672	1,144	**23,027**
Revenue from other operating segments	68	(265)	310	(39)	(20)	31	(85)	**-**
Interest expense	(3,393)	(1,601)	(359)	(85)	(1,020)	(1,879)	(4,004)	**(12,341)**
Segment result before income tax	1,974	723	672	542	325	226	(140)	**4,322**
Income tax expense	(591)	(217)	(160)	(208)	(89)	(78)	82	**(1,261)**
Segment result after income tax	1,383	506	512	334	236	148	(58)	**3,061**
Non-controlling interests	-	-	-	-	-	-	(9)	**(9)**
Segment result after income tax and non-controlling interests	1,383	506	512	334	236	148	(67)	**3,052**
Less: Non-cash items	-	-	-	25	(2)	76	184	**283**
Net profit after tax ("cash basis") (1)	1,383	506	512	359	234	224	117	**3,335**
Balance Sheet								
Total assets	269,231	77,905	98,758	20,953	50,026	75,839	56,930	**649,642**
Total liabilities	163,428	102,426	65,616	18,711	46,216	70,980	146,916	**614,293**

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

Note 8 Financial Reporting by Segments (continued)

Business Segment Information	Half Year Ended 31 December 2009							
Income Statement	Retail Banking Services [1] $M	Business and Private Banking $M	Institutional Banking and Markets [1] $M	Wealth Management $M	New Zealand $M	Bankwest [2] $M	Other [2] $M	Total $M
Interest income	7,304	1,419	1,612	-	1,589	1,967	1,399	15,290
Insurance premium and related revenue	-	-	-	657	187	-	54	898
Other income	672	445	862	2,281	281	116	184	4,841
Total revenue	7,976	1,864	2,474	2,938	2,057	2,083	1,637	21,029
Equity accounted earnings	-	1	24	1	-	-	49	75
Revenue from external customers	7,899	2,101	2,178	2,968	2,058	2,070	1,680	20,954
Revenue from other operating segments	77	(238)	272	(31)	(1)	13	(92)	-
Interest expense	(2,090)	(980)	(253)	(51)	(1,174)	(1,145)	(3,439)	(9,132)
Segment result before income tax	1,789	615	658	570	203	64	524	4,423
Income tax expense	(552)	(175)	(105)	(243)	(230)	(31)	(164)	(1,500)
Segment result after income tax	1,237	440	553	327	(27)	33	360	2,923
Non-controlling interests	-	-	-	-	-	-	(9)	(9)
Segment result after income tax and non-controlling interests	1,237	440	553	327	(27)	33	351	2,914
Less: Non–cash Items	-	-	-	52	188	(18)	(193)	29
Net profit after tax ("cash basis") [3]	1,237	440	553	379	161	15	158	2,943
Balance Sheet								
Total assets	253,919	75,262	92,700	23,313	54,241	72,441	53,600	625,476
Total liabilities	146,014	94,102	56,127	20,768	50,637	67,388	156,857	591,893

(1) Results have been restated for the impact of business resegmentation between Retail Banking Services and Institutional Banking and Markets.

(2) Results have been restated following the allocation of capital costs to Bankwest which were previously held centrally in Other.

(3) Represents net profit after tax and non-controlling interests before Bankwest non-cash items, the tax on New Zealand structured finance transactions, the gain/loss on disposal of controlled entities/investments, treasury shares valuation adjustment and unrealised gains and losses related to hedging and AIFRS volatility.

Notes to the Financial Statements continued

Note 8 Financial Reporting by Segments (continued)

Geographical Information	Half Year Ended 31/12/10 $M	31/12/10 %	31/12/09 $M	31/12/09 %
Revenue				
Australia	**20,193**	**87. 4**	18,003	85. 6
New Zealand	**2,003**	**8. 7**	2,204	10. 5
Other locations [1]	**899**	**3. 9**	822	3. 9
	23,095	**100. 0**	21,029	100. 0

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

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

Note 9 Shareholders' Equity

	Half Year Ended 31/12/10 $M	30/06/10 $M	31/12/09 $M
Ordinary Share Capital			
Balance at the beginning of the period	**23,081**	22,344	21,642
Dividend reinvestment plan (net of issue costs) [1]	**-**	772	685
Exercise of executive options under employee share ownership schemes	**5**	1	1
Sale/(purchase) and vesting of treasury shares [2]	**(3)**	(36)	16
Balance at the end of the period	**23,083**	23,081	22,344
Other Equity Instruments			
Balance at the beginning of the period	**939**	939	939
Balance at the end of the period	**939**	939	939
Retained Profits			
Balance at the beginning of the period	**9,938**	9,320	7,825
Actuarial gains/(losses) from defined benefit superannuation plans	**92**	(162)	98
Realised gains and dividend income on treasury shares [2]	**9**	18	12
Operating profit attributable to Equity holders of the Bank	**3,052**	2,750	2,914
Total available for appropriation	**13,091**	11,926	10,849
Transfers from/(to) general reserve	**93**	(38)	235
Transfers from employee compensation reserve	**-**	(93)	-
Interim dividend - cash component	**-**	(1,067)	-
Interim dividend - dividend reinvestment plan [1]	**-**	(774)	-
Final dividend - cash component [3]	**(2,633)**	-	(1,058)
Final dividend - dividend reinvestment plan [1] [3]	**-**	-	(688)
Other dividends	**(17)**	(16)	(18)
Balance at the end of the period	**10,534**	9,938	9,320

(1) The declared dividend in the comparative periods includes an amount attributable to the dividend reinvestment plan (DRP) of $774 million (interim 2009/2010) and $688 million (final 2008/2009). Of these amounts $772 million (interim 2009/2010) and $685 million (final 2008/2009) have been issued in ordinary shares due to rounding under the plan rules. The rounding amount was included in the next DRP allocations.

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

(3) The dividend reinvestment plan in respect of the final dividend for 2009/2010 was satisfied in full by an on market purchase and transfer of $679 million of shares to participating shareholders.

Note 9 Shareholders' Equity (continued)

	Half Year Ended		
	31/12/10	30/06/10	31/12/09
	$M	$M	$M
Reserves			
General Reserve			
Balance at the beginning of the period	**1,248**	1,210	1,445
Appropriation (to)/from retained profits	**(93)**	38	(235)
Balance at the end of the period	**1,155**	1,248	1,210
Capital Reserve			
Balance at the beginning of the period	**319**	303	299
Revaluation surplus on sale of property	**4**	16	4
Balance at the end of the period	**323**	319	303
Asset Revaluation Reserve			
Balance at the beginning of the period	**194**	169	173
Revaluation of properties	**(3)**	50	-
Transfers on sale of properties	**(4)**	(16)	(4)
Tax on revaluation of properties	**2**	(9)	-
Balance at the end of the period	**189**	194	169
Foreign Currency Translation Reserve			
Balance at the beginning of the period	**(553)**	(633)	(533)
Currency translation adjustments of foreign operations	**(494)**	84	(125)
Currency translation on net investment hedge	**8**	(4)	-
Transfer to income statement on disposal of foreign operations	**-**	-	26
Tax on translation adjustments	**9**	(1)	(1)
Tax on net investment hedge movement	**-**	1	-
Balance at the end of the period	**(1,030)**	(553)	(633)
Cash Flow Hedge Reserve			
Balance at the beginning of the period	**(417)**	(625)	(813)
Gains and losses on cash flow hedging instruments:			
Recognised in equity	**(363)**	(191)	(48)
Transferred to Income Statement:			
Interest income	**43**	(294)	(570)
Interest expense	**210**	807	885
Tax on cash flow hedging instruments	**37**	(114)	(79)
Balance at the end of the period	**(490)**	(417)	(625)
Employee Compensation Reserve			
Balance at the beginning of the period	**125**	(15)	-
Current period movement	**(25)**	140	(15)
Balance at the end of the period	**100**	125	(15)
Available-for-Sale Investments Reserve			
Balance at the beginning of the period	**173**	50	(55)
Net gains and losses on revaluation of available-for-sale investments	**(196)**	168	159
Net gains and losses on available-for-sale investments transferred to Income Statement on disposal	**(21)**	(15)	(9)
Net gains and losses on available-for-sale investments transferred to Income Statement for impairment	**-**	2	-
Tax on available-for-sale investments	**66**	(32)	(45)
Balance at the end of the period	**22**	173	50
Total reserves	**269**	1,089	459
Shareholders' equity attributable to Equity holders of the Bank	**34,825**	35,047	33,062
Shareholders' equity attributable to non-controlling interests	**524**	523	521
Total Shareholders' equity	**35,349**	35,570	33,583

Note 10 Notes to the Statement of Cash Flows

(a) Reconciliation of Net Profit after Income Tax to Net Cash provided by/(used in) Operating Activities [1]

	Half Year Ended		
	31/12/10	30/06/10	31/12/09
	$M	$M	$M
Net profit after income tax	**3,061**	2,757	2,923
Increase in interest receivable	**(162)**	(192)	(359)
Increase in interest payable	**137**	786	103
Net decrease/(increase) in assets at fair value through Income Statement (excluding life insurance)	**2,410**	(1,516)	4,817
Net loss/(gain) on sale of controlled entities and associates	**7**	(6)	38
Net gain on sale of investments	**(2)**	-	(4)
Net decrease/(increase) in derivative assets	**1,701**	(7,564)	6,233
Net (gain)/loss on sale of property, plant and equipment	**(2)**	2	2
Equity accounting profit	**(68)**	(64)	(52)
Loan impairment expense	**722**	996	1,383
Depreciation and amortisation (including asset write downs)	**295**	294	324
(Decrease)/increase in liabilities at fair value through Income Statement (excluding life insurance)	**(2,764)**	(393)	(861)
(Decrease)/increase in derivative liabilities	**(1,444)**	512	(10,316)
Increase/(decrease) in other provisions	**16**	183	(137)
Increase/(decrease) in income taxes payable	**35**	636	(786)
Increase/(decrease) in deferred tax liabilities	**28**	221	(168)
(Increase)/decrease in deferred tax assets	**(63)**	(955)	1,338
(Increase)/decrease in accrued fees/reimbursements receivable	**(39)**	24	20
(Decrease)/increase in accrued fees and other items payable	**(568)**	384	(82)
Net increase/(decrease) in life insurance contract policy liabilities	**547**	1,357	(504)
(Decrease)/increase in cash flow hedge reserve	**(73)**	322	267
(Decrease)/increase in fair value hedged items	**(416)**	930	(92)
Changes in operating assets and liabilities arising from cash flow movements	**7,313**	1,926	(1,404)
Other	**(244)**	280	(158)
Net cash provided by operating activities	**10,427**	920	2,525

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

(b) Reconciliation of Cash

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

	As at		
	31/12/10	30/06/10	31/12/09
	$M	$M	$M
Notes, coins and cash at banks	**6,361**	5,285	6,157
Other short term liquid assets	**547**	1,153	1,966
Receivables due from other financial institutions – at call [1]	**8,950**	5,012	4,697
Payables due to other financial institutions – at call [1]	**(4,815)**	(6,533)	(7,261)
Cash and cash equivalents at end of year	**11,043**	4,917	5,559

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

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

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

During the half year ended 31 December 2009, the Group disposed of its banking and insurance operations in Fiji.

	Half Year Ended		
	31/12/10	30/06/10	31/12/09
	$M	$M	$M
Net assets	**60**	-	77
Loss on sale (excluding realised foreign exchange losses and other related costs)	**(10)**	6	(5)
Cash consideration received	**50**	6	72
Less cash and cash equivalents disposed	**(31)**	-	(89)
Net cash inflow/(outflow) on disposal	**19**	6	(17)

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

(d) Non-Cash Financing and Investing Activities

	Half Year Ended		
	31/12/10	30/06/10	31/12/09
	$M	$M	$M
Shares issued under the Dividend Reinvestment Plan [1]	-	772	685

(1) The dividend reinvestment plan in respect of the final dividend for 2009/2010 was satisfied in full by an on market purchase and transfer of $679 million of shares to participating shareholders.

(e) Acquisition of Controlled Entities

There were no acquisitions of controlled entities during the current period.

(f) Financing Facilities

Standby funding lines are immaterial.

Note 11 Events Subsequent to Balance Date

Queensland Flooding

As at 31 December 2010, the Group has provided for loan losses and net insurance claims arising from the Queensland floods. Whilst the full impact of the Queensland floods is not yet known, this represents the Group's estimate of incurred losses based upon known information as at the date of these Interim Financial Statements.

Victorian Floods and Cyclone Yasi

Flooding in Victoria and Cyclone Yasi in Queensland occurred in the period subsequent to 31 December 2010. Although it is too early to fully assess the impact of these events, the financial consequences of these events is not expected to be material.

Other

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

Note 12 Contingent Liabilities

Contingent Liabilities

Other than as outlined below, there has been no material change in contingent liabilities since those disclosed in the Financial Statements for the year ended 30 June 2010. Refer to Note 36 of the 2010 Annual Report.

Storm Financial

The Australian Securities and Investments Commission ("ASIC") has commenced legal proceedings against the Bank in relation to Storm Financial, a Queensland-based financial planning firm that collapsed and went into receivership in March 2009. In addition, class action proceedings have been commenced against the Group in relation to Storm Financial. At this stage the size of the class action has not been defined and damages sought have not been quantified.

The Group has established a resolution scheme for clients of Storm Financial who borrowed money from the Group. The resolution scheme is in the process of considering individual claims on a case by case basis. In addition, legal proceedings have been commenced by ASIC however no damages have been claimed at this stage and no estimate can be made. The Group believes that appropriate provisions are held to cover the outcomes and costs of the scheme and any exposures arising from the class action referred to above.

Exception Fee Class Action

The Group is also aware from media reports and other public announcements that class action proceedings may be commenced against it and other Australian banks with respect to exception fees. At this stage such proceedings have not been commenced against the Group and therefore any exposure cannot be quantified.

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 34 to 55 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 2010 and of its performance for the half year ended on that date; and
- (ii) comply with the Accounting Standards and any further requirements in the Corporations Regulations 2001; and

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

Signed in accordance with a resolution of the Directors.

D J Turner
Chairman

R J Norris
Managing Director and Chief Executive Officer

Dated: 9 February 2011

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Commonwealth Bank of Australia, which comprises the balance sheet as at 31 December 2010, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes to the financial statements and the directors' declaration for the Commonwealth Bank of Australia Group (the consolidated entity). The consolidated entity comprises both 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 Commonwealth Bank of Australia are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 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.

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.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the company for the half-year ended 31 December 2010 included on the Commonwealth Bank of Australia web site. The company's directors are responsible for the integrity of the Commonwealth Bank of Australia web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. 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 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 2010 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

Rahoul Chowdry
Partner

Sydney
9 February 2011

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

Appendices

1. Net Interest Income

	Half Year Ended				
	31/12/10	30/06/10	31/12/09	Dec 10 vs	Dec 10 vs
	$M	$M	$M	Jun 10 %	Dec 09 %
Interest Income					
Loans and bills discounted	**16,950**	15,672	14,177	8	20
Other financial institutions	**59**	59	82	-	(28)
Cash and liquid assets	**134**	96	96	40	40
Assets at fair value through Income Statement	**492**	425	368	16	34
Available-for-sale investments	**835**	673	567	24	47
Total interest income ("statutory basis")	**18,470**	16,925	15,290	9	21
Interest Expense (1)					
Deposits	**8,369**	7,515	6,315	11	33
Other financial institutions	**118**	82	82	44	44
Liabilities at fair value through Income Statement	**405**	351	413	15	(2)
Debt issues	**3,126**	2,871	2,049	9	53
Loan capital	**323**	342	273	(6)	18
Total interest expense ("statutory basis")	**12,341**	11,161	9,132	11	35
Net interest income ("statutory basis")	**6,129**	5,764	6,158	6	-

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

Net Interest income – reconciliation of cash to statutory basis.

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

	Half Year Ended				
	31/12/10	30/06/10	31/12/09	Dec 10 vs	Dec 10 vs
	$M	$M	$M	Jun 10 %	Dec 09 %
Total interest income ("cash basis")	**18,483**	16,939	15,303	9	21
Fair value adjustment interest income	**(13)**	(14)	(13)	(7)	-
Total interest income ("statutory basis")	**18,470**	16,925	15,290	9	21
Total interest expense ("cash basis")	**12,313**	11,133	9,241	11	33
Fair value adjustment interest expense	**-**	-	(138)	large	large
Hedging and AIFRS volatility	**28**	28	29	-	(3)
Total interest expense ("statutory basis")	**12,341**	11,161	9,132	11	35

2. Net Interest Margin

	Half Year Ended		
	31/12/10	30/06/10	31/12/09
	%	%	%
Australia			
Interest spread (1)	**1.90**	1.99	2.08
Benefit of interest-free liabilities, provisions and equity (2)	**0.29**	0.19	0.21
Net interest margin (3)	**2.19**	2.18	2.29
New Zealand			
Interest spread (1)	**1.57**	1.18	1.14
Benefit of interest-free liabilities, provisions and equity (2)	**0.35**	0.46	0.45
Net interest margin (3)	**1.92**	1.64	1.59
Other Overseas			
Interest spread (1)	**0.84**	0.88	0.95
Benefit of interest-free liabilities, provisions and equity (2)	**0.03**	0.05	0.03
Net interest margin (3)	**0.87**	0.93	0.98
Total Group			
Interest spread (1)	**1.84**	1.85	1.96
Benefit of interest-free liabilities, provisions and equity (2)	**0.28**	0.23	0.22
Net interest margin (3)	**2.12**	2.08	2.18

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

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

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

3. Average Balances and Related Interest

The following table lists the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate for each of the half years ending 31 December 2010, 30 June 2010 and 31 December 2009. Averages used were predominantly daily averages. Interest is accounted for based on product yield, while all trading gains and losses are disclosed as trading income within Other banking income.

Where assets or liabilities are hedged, the interest amounts are shown net of the hedge, however individual items not separately hedged may be affected by movements in exchange rates.

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

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

The official cash rate in Australia and New Zealand increased by 25 basis points during the half year.

Average Balances

	Half Year Ended 31/12/10			Half Year Ended 30/06/10			Half Year Ended 31/12/09		
	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	**316,002**	**10,665**	**6.69**	305,967	9,584	6.32	290,333	8,299	5.67
Personal [1]	**20,342**	**1,279**	**12.47**	20,622	1,239	12.12	19,678	1,137	11.46
Business and corporate [2]	**151,654**	**4,745**	**6.21**	155,129	4,596	5.97	162,089	4,487	5.49
Loans, bills discounted and other receivables	**487,998**	**16,689**	**6.78**	481,718	15,419	6.45	472,100	13,923	5.85
Cash and liquid assets	**27,240**	**193**	**1.41**	24,847	155	1.26	25,579	178	1.38
Assets at fair value through Income Statement (excluding life insurance)	**22,819**	**492**	**4.28**	23,120	425	3.71	22,496	368	3.25
Available-for-sale investments	**35,743**	**835**	**4.63**	30,512	673	4.45	27,204	567	4.13
Non-lending interest earning assets	**85,802**	**1,520**	**3.51**	78,479	1,253	3.22	75,279	1,113	2.93
Total interest earning assets (excluding securitisation) [3]	**573,800**	**18,209**	**6.30**	560,197	16,672	6.00	547,379	15,036	5.45
Securitisation home loan assets	**9,330**	**274**	**5.83**	10,141	267	5.31	11,780	267	4.50
Non-interest earning assets	**68,303**			78,422			73,049		
Total average assets	**651,433**			648,760			632,208		

	Half Year Ended 31/12/10			Half Year Ended 30/06/10			Half Year Ended 31/12/09		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Interest Bearing Liabilities	$M	$M	%	$M	$M	%	$M	$M	%
Transaction deposits	**70,739**	**748**	**2.10**	70,649	642	1.83	69,381	461	1.32
Saving deposits	**78,664**	**1,504**	**3.79**	76,904	1,295	3.40	78,419	1,078	2.73
Investment deposits	**169,378**	**4,336**	**5.08**	153,712	3,597	4.72	139,293	2,669	3.80
Certificates of deposit and other [2] [4]	**60,152**	**1,781**	**5.87**	64,192	1,982	6.23	80,559	2,245	5.53
Total interest bearing deposits	**378,933**	**8,369**	**4.38**	365,457	7,516	4.15	367,652	6,453	3.48
Payables due to other financial institutions	**14,232**	**118**	**1.64**	14,575	82	1.13	14,910	82	1.09
Liabilities at fair value through Income Statement [4]	**15,285**	**405**	**5.26**	15,352	351	4.61	16,784	413	4.88
Debt issues [2]	**115,558**	**2,850**	**4.89**	120,377	2,603	4.36	99,597	1,793	3.57
Loan capital [2]	**12,940**	**327**	**5.01**	13,915	345	5.00	14,193	277	3.87
Total interest bearing liabilities	**536,948**	**12,069**	**4.46**	529,676	10,897	4.15	513,136	9,018	3.49
Securitisation debt issues	**8,761**	**244**	**5.52**	8,924	236	5.33	10,914	223	4.05
Non-interest bearing liabilities	**70,247**			75,590			75,645		
Total average liabilities	**615,956**			614,190			599,695		

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

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

(3) Used for calculating net interest margin.

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

3. Average Balances and Related Interest (continued)

Net Interest Margin	Half Year Ended 31/12/10 Avg Bal $M	Half Year Ended 31/12/10 Interest $M	Half Year Ended 31/12/10 Yield %	Half Year Ended 30/06/10 Avg Bal $M	Half Year Ended 30/06/10 Interest $M	Half Year Ended 30/06/10 Yield %	Half Year Ended 31/12/09 Avg Bal $M	Half Year Ended 31/12/09 Interest $M	Half Year Ended 31/12/09 Yield %
Total interest earning assets excluding securitisation	**573,800**	**18,209**	**6. 30**	560,197	16,672	6. 00	547,379	15,036	5. 45
Total interest bearing liabilities excluding securitisation	**536,948**	**12,069**	**4. 46**	529,676	10,897	4. 15	513,136	9,018	3. 49
Net interest income and interest spread (excluding securitisation)		**6,140**	**1. 84**		5,775	1. 85		6,018	1. 96
Benefit of free funds			**0. 28**			0. 23			0. 22
Net interest margin			**2. 12**			2. 08			2. 18

Geographical Analysis of Key Categories [1]

	Half Year Ended 31/12/10 Avg Bal $M	Half Year Ended 31/12/10 Interest $M	Half Year Ended 31/12/10 Yield %	Half Year Ended 30/06/10 Avg Bal $M	Half Year Ended 30/06/10 Interest $M	Half Year Ended 30/06/10 Yield %	Half Year Ended 31/12/09 Avg Bal $M	Half Year Ended 31/12/09 Interest $M	Half Year Ended 31/12/09 Yield %
Loans, Bills Discounted and Other Receivables									
Australia	**434,721**	**15,049**	**6. 87**	426,505	13,740	6. 50	412,941	12,132	5. 83
New Zealand	**45,343**	**1,480**	**6. 47**	46,292	1,523	6. 63	47,657	1,587	6. 61
Other overseas	**7,934**	**160**	**4. 00**	8,921	156	3. 53	11,502	204	3. 52
Total	**487,998**	**16,689**	**6. 78**	481,718	15,419	6. 45	472,100	13,923	5. 85
Non-Lending Interest Earning Assets									
Australia	**57,952**	**1,324**	**4. 53**	51,484	1,075	4. 21	48,525	897	3. 67
New Zealand	**6,792**	**115**	**3. 36**	7,098	111	3. 15	7,554	116	3. 05
Other overseas	**21,058**	**81**	**0. 76**	19,897	67	0. 68	19,200	100	1. 03
Total	**85,802**	**1,520**	**3. 51**	78,479	1,253	3. 22	75,279	1,113	2. 93
Total Interest Bearing Deposits									
Australia	**336,703**	**7,661**	**4. 51**	325,465	6,753	4. 18	322,746	5,670	3. 48
New Zealand	**23,560**	**591**	**4. 98**	23,728	671	5. 70	23,394	669	5. 67
Other overseas	**18,670**	**117**	**1. 24**	16,264	92	1. 14	21,512	114	1. 05
Total	**378,933**	**8,369**	**4. 38**	365,457	7,516	4. 15	367,652	6,453	3. 48
Other Interest Bearing Liabilities									
Australia	**127,658**	**3,229**	**5. 02**	123,410	2,883	4. 71	95,757	2,035	4. 22
New Zealand	**16,089**	**410**	**5. 06**	16,991	406	4. 82	17,211	411	4. 74
Other overseas	**14,268**	**61**	**0. 85**	23,818	92	0. 78	32,516	119	0. 73
Total	**158,015**	**3,700**	**4. 64**	164,219	3,381	4. 15	145,484	2,565	3. 50

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

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

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

4. Interest Rate and Volume Analysis

	Half Year Ended Dec 10 vs Jun 10			Half Year Ended Dec 10 vs Dec 09		
	Volume	Rate	Total	Volume	Rate	Total
Interest Earning Assets	$M	$M	$M	$M	$M	$M
Home loans excluding securitisation	327	754	1,081	800	1,566	2,366
Personal	(17)	57	40	40	102	142
Business and corporate	(106)	255	149	(309)	567	258
Loans, bills discounted and other receivables	208	1,062	1,270	506	2,260	2,766
Cash and liquid assets	16	22	38	12	3	15
Assets at fair value through Income Statement (excluding life insurance)	(6)	73	67	6	118	124
Available-for-sale investments	119	43	162	189	79	268
Non-lending interest earning assets	124	143	267	171	236	407
Total interest earning assets	418	1,119	1,537	782	2,391	3,173
Securitisation home loan assets	(23)	30	7	(64)	71	7

	Half Year Ended Dec 10 vs Jun 10			Half Year Ended Dec 10 vs Dec 09		
	Volume	Rate	Total	Volume	Rate	Total
Interest Bearing Liabilities	$M	$M	$M	$M	$M	$M
Transaction deposits	1	105	106	12	275	287
Saving deposits	32	177	209	4	422	426
Investment deposits	383	356	739	673	994	1,667
Certificates of deposit and other	(123)	(78)	(201)	(588)	124	(464)
Total interest bearing deposits	287	566	853	223	1,693	1,916
Payables due to other financial institutions	(2)	38	36	(5)	41	36
Liabilities at fair value through Income Statement	(2)	56	54	(39)	31	(8)
Debt issues	(111)	358	247	341	716	1,057
Loan capital	(24)	6	(18)	(28)	78	50
Total interest bearing liabilities	157	1,015	1,172	477	2,574	3,051
Securitisation debt issues	(5)	13	8	(52)	73	21

	Half Year Ended	
	Dec 10 vs Jun 10	Dec 10 vs Dec 09
	Increase/(Decrease)	Increase/(Decrease)
Change in Net Interest Income	$M	$M
Due to changes in average volume of interest earning assets	143	287
Due to changes in interest margin	126	(165)
Due to variation in time period	96	-
Change in net interest income (excluding securitisation)	365	122

"Volume" reflects the change in net interest income over the period due to balance growth (assuming rates were held constant), and "Rate" reflects the change due to movements in yield (assuming volumes were held constant). "Variation in time periods" only applies to reporting periods of differing lengths (e.g. between half years). The volume and rate variances for total interest earning assets and total interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

4. Interest Rate and Volume Analysis (continued)

Geographical analysis of key categories	Half Year Ended Dec 10 vs Jun 10			Half Year Ended Dec 10 vs Dec 09		
	Volume $M	Rate $M	Total $M	Volume $M	Rate $M	Total $M
Loans, Bills Discounted and Other Receivables						
Australia	273	1,036	1,309	696	2,221	2,917
New Zealand	(30)	(13)	(43)	(77)	(30)	(107)
Other overseas	(18)	22	4	(67)	23	(44)
Total	208	1,062	1,270	506	2,260	2,766
Non-Lending Interest Earning Assets						
Australia	142	107	249	195	232	427
New Zealand	(6)	10	4	(12)	11	(1)
Other overseas	5	9	14	8	(27)	(19)
Total	124	143	267	171	236	407
Total Interest Bearing Deposits						
Australia	244	664	908	281	1,710	1,991
New Zealand	(6)	(74)	(80)	4	(82)	(78)
Other overseas	14	11	25	(16)	19	3
Total	287	566	853	223	1,693	1,916
Other Interest Bearing Liabilities						
Australia	103	243	346	744	450	1,194
New Zealand	(22)	26	4	(29)	28	(1)
Other overseas	(39)	8	(31)	(73)	15	(58)
Total	(135)	454	319	258	877	1,135

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 total interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

5. Other Banking Operating Income

	Half Year Ended				
	31/12/10 $M	30/06/10 $M	31/12/09 $M	Dec 10 vs Jun 10 %	Dec 10 vs Dec 09 %
Loan service fees:					
From financial assets	**689**	687	700	-	(2)
Other	**18**	29	19	(38)	(5)
Commission and other fees:					
From financial liabilities	**283**	280	288	1	(2)
Other	**702**	692	746	1	(6)
Trading income	**426**	306	291	39	46
Net gains on disposal of available-for-sale investments	**21**	21	6	-	large
Net gains/(losses) on other non-fair value financial instruments	**(14)**	6	(58)	large	(76)
Dividends	**2**	3	2	(33)	-
Net gain/(loss) on sale of property, plant and equipment	**2**	(2)	(2)	large	large
Other	**132**	151	139	(13)	(5)
	2,261	2,173	2,131	4	6
Net hedging ineffectiveness	**(64)**	(21)	(41)	large	(56)
Net gains/(losses) on other fair valued financial instruments:					
Fair value through Income Statement	**(4)**	3	5	large	large
Reclassification of net interest on swaps [1]	**(227)**	(136)	(123)	(67)	(85)
Non-trading derivatives	**(186)**	(161)	378	(16)	large
Total other banking operating income ("statutory basis")	**1,780**	1,858	2,350	(4)	(24)

(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		
	31/12/10 $M	30/06/10 $M	31/12/09 $M
Other banking operating income ("cash basis")	**2,059**	2,034	2,078
Revenue hedge of New Zealand operations - unrealised	**13**	(6)	(19)
Gains/(losses) on disposal of controlled entities/investments	**(7)**	8	(31)
Hedging and AIFRS volatility	**(285)**	(178)	322
Other banking operating income ("statutory basis")	**1,780**	1,858	2,350

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

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

The Group's approach to risk management including governance, appetite, management, policies and procedures are described within the Risk Management section of the 30 June 2010 Annual Report of the Group.

Additionally, further disclosures in respect of capital adequacy and risk are given in the Basel II Pillar 3 disclosures.

Credit Risk

The Group uses a portfolio approach for the management of its credit risk, a key element of which 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 (1)	31/12/10 %	30/06/10 %	31/12/09 %
Agriculture, forestry and fishing	**2.3**	2.4	2.4
Banks	**10.8**	10.2	9.8
Business services	**1.0**	0.9	1.0
Construction	**1.0**	1.0	1.0
Culture and recreational services	**0.8**	0.7	0.8
Energy	**1.1**	1.1	1.3
Finance - Other	**3.9**	4.1	4.3
Health and community service	**0.8**	0.9	0.9
Manufacturing	**2.1**	2.3	2.4
Mining	**0.8**	0.7	0.7
Property	**6.7**	6.9	7.4
Retail trade and wholesale trade	**2.5**	2.4	2.6
Sovereign	**4.9**	4.9	4.3
Transport and storage	**1.4**	1.4	1.5
Other	**5.0**	5.3	5.5
Consumer	**54.9**	54.8	54.1
	100.0	100.0	100.0

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

By Region (1)	31/12/10 %	30/06/10 %	31/12/09 %
Australia	**80.6**	80.6	80.2
New Zealand	**8.8**	9.1	10.1
Europe	**5.2**	5.4	6.0
Americas	**2.9**	2.7	2.3
Asia	**2.4**	2.0	1.3
Other	**0.1**	0.2	0.1
	100.0	100.0	100.0

Commercial Portfolio Quality (1)	31/12/10 %	30/06/10 %	31/12/09 %
AAA/AA	**29**	27	25
A	**18**	19	18
BBB	**15**	15	16
Other	**38**	39	41
	100	100	100

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

As a measure of individually risk-rated commercial portfolio exposure (including finance and insurance sectors), the Group has 62% of commercial exposures at investment grade quality.

6. Integrated Risk Management (continued)

Liquidity and Funding Policies and Management

The Group's liquidity and funding policies provide that:

- Balance sheet assets that cannot be liquidated quickly are funded with deposits or term borrowings that meet minimum maturity requirements with appropriate liquidity buffers;
- Short and long term wholesale funding limits are established and reviewed regularly based on surveys and analysis of market capacity;
- A minimum level of assets are retained in highly liquid form;
- The level of liquid assets complies with crisis scenario assumptions related to "worst case" wholesale and retail market conditions; is adequate to meet known funding obligations over certain timeframes and are allocated across Australian dollar and foreign currency denominated securities in accordance with specific calculations;
- Certain levels of liquid assets are held to provide for the risk of the Group's committed but un-drawn lending obligations being drawn by customers, as calculated based on draw down estimates and forecasts; and
- The Group maintains certain levels of liquid asset categories within its liquid assets portfolio. The first category includes negotiable certificates of deposit of Australian banks, bank bills, Commonwealth of Australia Government and Australian state and semi-government bonds and supra-national bonds eligible for repurchase by the Reserve Bank of Australia ("RBA") at any time. The second category is AAA and A-1+ rated Australian residential mortgage backed securities that meet certain minimum requirements.

The Group's key liquidity tools include:

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

The Group's key funding tools include:

- Its consumer, small business and institutional deposit base;
- Its consumer retail funding base includes a wide range of retail transaction accounts, investment accounts and retirement style accounts for individual consumers; and
- Its wholesale international and domestic funding programs which includes its: Australian dollar Negotiable Certificates of Deposit; Australian dollar bank bill; Asian Transferable Certificates of Deposit program; Australian, U.S. and Euro Commercial Paper Programs; Bankwest Euro Commercial Paper Program; U.S. Extendible Notes program; Australian dollar Domestic Debt Program; U.S. Medium Term Note Program; Euro Medium Term Note Program and its Medallion and Swan securitisation programs.

Recent Market Environment

The incremental cost of liquidity and funding has moderated from last year's peak but remains high. The Group has managed its liquidity to avoid concentrations such as dependence on single sources of funding and has taken advantage of its diversified funding base and significant funding capacity in the global unsecured debt markets.

On 16 December 2010 the Basel Committee on Banking Supervision ("BCBS") published details of its main banking reforms to strengthen global capital and liquidity regulations. As a member of the BCBS, APRA has begun work on developing draft prudential standards and is expected to commence its consultation with Australian ADIs on these standards in the first half of the 2011 calendar year.

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

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

Funding sources

The following table provides the funding sources for the Group including customer deposits, short term wholesale funding, long term funding with less than one year residual maturity and long term funding greater than one year residual maturity. Shareholders' equity is excluded from this view of funding sources other than the USD trust preferred securities which are classified as other equity instruments in the statutory balance sheet.

6. Integrated Risk Management (continued)

	Half Year Ended				
	31/12/10 $M	30/06/10 $M	31/12/09 $M	Dec 10 vs Jun 10 %	Dec 10 vs Dec 09 %
Customer deposits	**335,939**	323,653	305,141	4	10
Wholesale funding					
Short term					
Certificates of deposit	**38,009**	31,454	48,738	21	(22)
Bank acceptances	**9,206**	10,389	9,780	(11)	(6)
ECP commercial paper program	**6,928**	11,282	8,224	(39)	(16)
US commercial paper program	**25,618**	23,022	26,871	11	(5)
Securities sold under agreements to repurchase	**4,485**	5,760	3,978	(22)	13
Other (1)	**18,507**	18,994	19,088	(3)	(3)
Total short term funding	**102,753**	100,901	116,679	2	(12)
Total long term funding - less than one year residual maturity (2)	**29,310**	30,950	24,325	(5)	20
Long term - greater than one year residual maturity (2)					
Transferable certificates of deposit (3)	**16,540**	15,505	16,187	7	2
Euro medium term note program	**29,006**	34,695	33,976	(16)	(15)
US medium term note program	**29,929**	31,204	27,214	(4)	10
Other debt issues (4)	**7,500**	2,573	5,370	large	40
Securitisation	**6,304**	6,389	7,721	(1)	(18)
Loan capital	**10,039**	12,194	11,417	(18)	(12)
Other	**994**	939	939	6	6
Total long term funding - greater than one year residual maturity	**100,312**	103,499	102,824	(3)	(2)
AIFRS MTM and derivative FX revaluations	**(10,594)**	(159)	(3,838)	large	large
Total wholesale funding	**221,781**	235,191	239,990	(6)	(8)
Total funding	**557,720**	558,844	545,131	-	2
Reported as					
Deposits and other public borrowings	**395,345**	374,663	370,167	6	7
Payables due to other financial institutions	**13,242**	12,608	13,675	5	(3)
Liabilities at fair value through income statement	**12,578**	15,342	15,735	(18)	(20)
Bank acceptances	**10,146**	11,569	10,960	(12)	(7)
Debt issues	**113,609**	130,210	119,207	(13)	(5)
Loan capital	**11,861**	13,513	14,448	(12)	(18)
Share capital - other equity interests	**939**	939	939	-	-
Total funding	**557,720**	558,844	545,131	-	2

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

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

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

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

Customer deposits accounted for 60% of total funding at 31 December 2010, compared to 56% at 31 December 2009. The remaining 40% of total funding comprised various wholesale debt issuance. The Group's total wholesale funding was $222 billion at 31 December 2010, an 8% decrease over 31 December 2009 reflecting reduced short term wholesale debt and the impact of the strengthening Australian dollar on foreign denominated term debt.

Short term wholesale funding, being debt with an original maturity or call date of less than 12 months, includes Certificates of deposit and Bank acceptances, debt issued under Euro and US Commercial paper programs by CBA, Bankwest and ASB. Short term wholesale funding of $103 billion at 31 December 2010 decreased 12% over the prior comparative period and represented 46% of total wholesale funding as at 31 December 2010 compared to 49% at 31 December 2009. The reduction in short term wholesale debt funding reflects the Group's strategy to increase the share of funding from more stable deposits and long term wholesale funding.

Strong deposit growth has seen the Group satisfy a significant proportion of its funding requirements from customer deposits. As a result, excluding AIFRS mark to market and derivative FX revaluations, long term wholesale funding reduced by 2%.

There has been no issuance of debt under the Australian Government guarantee for wholesale funding in the periods since 31 December 2009. Whilst the Australian and New Zealand wholesale debt guarantee programs have ceased, existing debt issues remain covered by the guarantees until maturity.

Given lower wholesale funding needs, the Group was able to issue more cost effective private placements and domestic bonds rather than more expensive offshore benchmark transactions in the current half. The weighted average maturity ("WAM") of new long term wholesale debt issued in the December 2010 half year was 4.4 years. However, the WAM of outstanding term debt marginally declined to 3.6 years at 31 December 2010 from 3.7 years at 31 December 2009.

6. Integrated Risk Management (continued)

Market Risk

Market risk in the Balance Sheet is discussed within Note 40 of the 2010 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 to be an appropriate method of risk measurement other risk measures have been used, as specified by the heading or accompanying footnotes of the tables provided.

	Average VaR		
	Dec 2010	Jun 2010	Dec 2009
Traded Market Risk [1]	$M	$M	$M
Risk Type			
Interest rate risk	**5.9**	4.8	3.7
Exchange rate risk	**1.8**	1.1	2.1
Implied volatility risk	**1.9**	1.5	1.5
Equities risk	**1.5**	1.5	1.8
Commodities risk	**1.1**	0.9	0.8
Credit spread risk	**3.8**	4.0	4.6
Diversification benefit	**(8.5)**	(7.2)	(7.4)
Total general market risk	**7.5**	6.6	7.1
Undiversified risk	**3.5**	3.7	3.6
ASB Bank	**1.8**	1.8	1.5
Bankwest	**0.1**	0.2	0.2
Total	**12.9**	12.3	12.4

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

6. Integrated Risk Management (continued)

Non-Traded VaR in Australian Life Insurance Business (20 day 97.5% confidence) [1]	Average VaR [3]		
	Dec 2010	Jun 2010	Dec 2009
	$M	$M	$M
Shareholder funds [1]	**26. 4**	26. 1	24. 5
Guarantees (to Policyholders) [2]	**51. 7**	23. 5	23. 6

(1) VaR in relation to the investment of Shareholder Funds.
(2) VaR in relation to product portfolios where the Group has a guaranteed liability to policyholders.
(3) Half year ended

Non-Traded Equity Price Risk VaR (20 day 97.5% confidence)	As at		
	VaR	VaR	VaR
	Dec 2010	Jun 2010	Dec 2009
	$M	$M	$M
VaR	**95. 5**	140. 0	139. 0

Interest Rate Risk in the Banking Book

Interest rate risk in the banking book is discussed within Note 40 of the 2010 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 [1]		Dec 2010	Jun 2010	Dec 2009
		$M	$M	$M
Average monthly exposure	AUD	**157. 5**	203. 5	169. 6
	NZD	**6. 3**	6. 3	4. 7
High month exposure	AUD	**209. 6**	299. 9	257. 1
	NZD	**7. 9**	12. 6	11. 5
Low month exposure	AUD	**76. 1**	139. 3	72. 1
	NZD	**2. 5**	1. 5	1. 7

(1) Half year ended.

(b) Economic Value

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

Non-Traded Interest Rate Risk [1]	Average VaR [3]		
	Dec 2010	Jun 2010	Dec 2009
	$M	$M	$M
AUD Interest rate risk	**136. 6**	96. 3	58. 0
NZD Interest rate risk [2]	**1. 1**	4. 0	0. 9

(1) VaR is at 20 day 97.5% confidence.
(2) Relates specifically to ASB data as at month end.
(3) Half year ended.

7. Counterparty and Other Credit Risk Exposures

Special purpose and off-balance sheet entities

The Group invests in or establishes special purpose entities (SPEs) in the ordinary course of business, primarily to provide funding and financial services for its customers. These SPEs are consolidated in the Financial Statements if they meet the criteria of control as outlined in Note 1 to the Financial Statements of the 2010 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.

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

Securitisation vehicles

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

Structured finance entities

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

Asset-backed securities

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

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

Leveraged finance

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

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

Hedge funds

There were no material movements in exposures to hedge funds since June 2010 and these exposures are not considered to be material.

Collateralised debt obligations (CDOs) and credit linked notes

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

Lenders mortgage insurance

Lenders mortgage insurance is provided by Genworth Financial Mortgage Insurance Pty Ltd and QBE Lenders Mortgage Insurance Ltd. The annualised expected loss claim, representing the total value of claims that would be due from these providers to the Group, on the basis of current market conditions, is approximately $26 million from Genworth and $4 million from QBE.

Monoline insurers

The underlying debt instruments that have been wrapped by monoline insurers are predominantly Australian domiciled and have stand alone ratings ranging from BBB- to A-. As at 31 December 2010 the Group had $166 million in exposures to these instruments (June 2010: $167 million).

7. Counterparty and Other Credit Risk Exposures (continued)

Securitisation vehicles

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

	Australia		New Zealand		Total	
	31/12/10	30/06/10	31/12/10	30/06/10	31/12/10	30/06/10
Total securitisation assets	$M	$M	$M	$M	$M	$M
Residential mortgages [1]	**42,070**	42,519	**2,908**	3,154	**44,978**	45,673
Residential mortgages - Group originated	**9,583**	9,696	**-**	-	**9,583**	9,696
Residential mortgages - Non-Group originated	**-**	-	**-**	-	**-**	-
Commercial mortgages	**-**	-	**-**	-	**-**	-
Other	**-**	-	**206**	175	**206**	175
Total securitisation assets of SPEs	**51,653**	52,215	**3,114**	3,329	**54,767**	55,544

	Funded		Unfunded		Total	
	31/12/10	30/06/10	31/12/10	30/06/10	31/12/10	30/06/10
Exposure to securitisation	$M	$M	$M	$M	$M	$M
Residential mortgage backed securities held for potential repurchase with central banks	**44,231**	45,169	**-**	-	**44,231**	45,169
Other residential mortgage backed securities	**5,094**	3,567	**-**	-	**5,094**	3,567
Other derivatives [2]	**1,385**	1,011	**27**	37	**1,412**	1,048
Liquidity support facilities	**116**	916	**751**	787	**867**	1,703
Other facilities	**898**	98	**66**	62	**964**	160
Total exposure to securitisation SPEs	**51,724**	50,761	**844**	886	**52,568**	51,647

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

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

7. Counterparty and Other Credit Risk Exposures (continued)

Asset-backed securities

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

Summary of asset-backed securities	Carrying Amount 31/12/10 $M	30/06/10 $M
Commercial mortgage backed securities	**75**	90
Residential mortgage backed securities	**1,675**	1,832
Total	**1,750**	1,922

Asset-backed securities by underlying asset

	Trading portfolio		AFS portfolio [1]		Other		Total	
	31/12/10 $M	30/06/10 $M	31/12/10 $M	30/06/10 $M	31/12/10 $M	30/06/10 $M	31/12/10 $M	30/06/10 $M
Sub-prime	**-**	-	**-**	-	**-**	-	**-**	-
Non-conforming (Alt-A)	**-**	1	**8**	16	**-**	-	**8**	17
Prime mortgages	**42**	144	**1,337**	1,401	**288**	271	**1,667**	1,816
Other assets	**-**	-	**75**	89	**-**	-	**75**	89
Total	**42**	145	**1,420**	1,506	**288**	271	**1,750**	1,922

Asset-backed securities by credit rating and geography

	AAA & AA		A		BBB		BB and below including not rated		Total	
	31/12/10 $M	30/06/10 $M	31/12/10 $M	30/06/10 $M	31/12/10 $M	30/06/10 $M	31/12/10 $M	30/06/10 $M	31/12/10 $M	30/06/10 $M
Australia	**1,387**	1,588	**28**	14	**14**	-	**-**	-	**1,429**	1,602
New Zealand	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Europe	**288**	271	**-**	-	**-**	-	**-**	-	**288**	271
UK	**33**	49	**-**	-	**-**	-	**-**	-	**33**	49
Total	**1,708**	1,908	**28**	14	**14**	-	**-**	-	**1,750**	1,922

Warehousing financing facilities	Funded Commitments 31/12/10 $M	30/06/10 $M	Unfunded Commitments 31/12/10 $M	30/06/10 $M	Total 31/12/10 $M	30/06/10 $M
Australia	**3,665**	4,017	**1,144**	948	**4,809**	4,965
New Zealand	**517**	607	**67**	32	**584**	639
Europe	**381**	381	**-**	-	**381**	381
Canada	**5**	5	**-**	-	**5**	5
Total	**4,568**	5,010	**1,211**	980	**5,779**	5,990

Commercial paper standby liquidity facilities [2]	Funded Commitments 31/12/10 $M	30/06/10 $M	Unfunded Commitments 31/12/10 $M	30/06/10 $M	Total 31/12/10 $M	30/06/10 $M
Standby liquidity facilities	**30**	35	**200**	339	**230**	374

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

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

7. Counterparty and Other Credit Risk Exposures (continued)

Leveraged finance

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

Exposure by industry (1)

	Funded exposure		Unfunded commitments		Total gross exposure		Individual provision		Net exposure	
	31/12/10	30/06/10	31/12/10	30/06/10	31/12/10	30/06/10	31/12/10	30/06/10	31/12/10	30/06/10
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Retail	**142**	119	**24**	25	**166**	144	**-**	-	**166**	144
Manufacturing	**174**	181	**24**	27	**198**	208	**-**	-	**198**	208
Media	**132**	139	**16**	12	**148**	151	**-**	-	**148**	151
Healthcare	**118**	77	**36**	6	**154**	83	**(5)**	-	**149**	83
Equipment hire	**72**	74	**8**	8	**80**	82	**-**	-	**80**	82
Financial services	**31**	33	**3**	3	**34**	36	**-**	-	**34**	36
Other	**181**	169	**31**	30	**212**	199	**-**	-	**212**	199
Total	**850**	792	**142**	111	**992**	903	**(5)**	-	**987**	903

Exposure by geography (1)

	Funded exposure		Unfunded commitments		Total gross exposure		Individual provision		Net exposure	
	31/12/10	30/06/10	31/12/10	30/06/10	31/12/10	30/06/10	31/12/10	30/06/10	31/12/10	30/06/10
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Australia	**721**	649	**130**	102	**851**	751	**(5)**	-	**846**	751
New Zealand	**129**	143	**12**	9	**141**	152	**-**	-	**141**	152
Total	**850**	792	**142**	111	**992**	903	**(5)**	-	**987**	903

	As at	
	31/12/10	30/06/10
Movements in individual provisions	$M	$M
Opening balance	**-**	-
Impairment expense	**-**	-
Net new and increased individual provisioning	**5**	-
Exposures written off	**-**	-
Total individual provisions	**5**	-

(1) Excludes derivative exposures of $116 million (June 2010: $83 million).

8. Capital Adequacy

Risk Weighted Capital Ratios	As at 31/12/10 %	30/06/10 %	31/12/09 %
Common Equity [(1)]	**7. 35**	6. 86	6. 83
Tier One	**9. 71**	9. 15	9. 10
Tier Two	**1. 79**	2. 34	2. 53
Total Capital	**11. 50**	11. 49	11. 63

Regulatory Capital	As at 31/12/10 $M	30/06/10 $M	31/12/09 $M
Ordinary Share Capital	**23,083**	23,081	22,344
Treasury shares [(2)]	**301**	298	262
Ordinary Share Capital and Treasury Shares	**23,384**	23,379	22,606
Other Equity Instruments	**939**	939	939
Trust Preferred Securities 2006 [(3)]	**(939)**	(939)	(939)
Total Other Equity Instruments	**-**	-	-
Reserves [(4)]	**269**	1,089	459
Cash flow hedge reserve	**490**	417	625
Employee compensation reserve	**(100)**	(125)	15
Asset revaluation reserve	**(189)**	(194)	(169)
Available-for-sale investments reserve	**(22)**	(173)	(50)
Foreign currency translation reserve related to non-consolidated subsidiaries	**118**	8	21
Total Reserves	**566**	1,022	901
Retained Earnings and current period profits	**10,534**	9,938	9,320
Expected dividend [(5)]	**(2,045)**	(2,633)	(1,841)
Estimated reinvestment under Dividend Reinvestment Plan [(6)]	**511**	-	608
Retained earnings adjustment for non-consolidated subsidiaries [(7)]	**230**	392	752
Other	**(63)**	(52)	(91)
Net Retained Earnings	**9,167**	7,645	8,748
Non-controlling Interest [(8)]	**524**	523	521
ASB Perpetual Preference Shares [(8)]	**(505)**	(505)	(505)
Non-controlling interests less ASB Perpetual Preference Shares	**19**	18	16
Total Fundamental Tier One Capital	**33,136**	32,064	32,271

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

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

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

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

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

(6) Dividend Reinvestment Plan ("DRP") in respect of the December 2010 interim dividend is to be satisfied through the issue of shares, with the assumed reinvestment rate based on reinvestment experience as approved by APRA. The DRP in respect of the June 2010 final dividend was satisfied in full by an on market purchase and transfer of shares. The DRP in respect of the December 2009 interim dividend was satisfied through the issue of shares.

(7) Represents retained earnings adjustment for non-consolidated subsidiaries. This includes adjustments to the extent to which profits from non-consolidated subsidiaries are not repatriated to the Bank in dividends (December 2010: $162 million, June 2010: $360 million, December 2009: nil). The retention of these profits will be used to fund the future growth of these operations. This has offset the one-off write back adjustments upon adoption of AIFRS of $752 million.

(8) Non-controlling interest classified as Tier One Innovative Capital under Basel II regulations. Comprised predominantly of ASB Perpetual Preference Shares of NZD550 million issued by New Zealand subsidiary entities. These shares are non-redeemable and carry limited voting rights.

8. Capital Adequacy (continued)

	As at		
	31/12/10	30/06/10	31/12/09
Regulatory Capital	$M	$M	$M
Tier One Capital Deductions - 100%			
Goodwill and other intangibles (excluding software) [1]	**(8,382)**	(8,470)	(8,523)
Capitalised expenses	**(242)**	(288)	(283)
Capitalised computer software costs	**(1,100)**	(950)	(799)
Defined benefit superannuation plan surplus [2]	**(255)**	(221)	(411)
General reserve for credit losses top up [3]	**(106)**	(90)	-
Deferred tax	**(47)**	(96)	(34)
Tier One Capital Deductions - 100%	**(10,132)**	(10,115)	(10,050)
Tier One Capital Deductions - 50% [4]			
Equity investments in other companies and trusts [5]	**(328)**	(323)	(315)
Equity investments in non-consolidated subsidiaries (net of intangibles) [6]	**(539)**	(518)	(600)
Expected impairment losses (before tax) in excess of eligible credit provisions (net of deferred tax) [7]	**(748)**	(830)	(727)
Other deductions	**(390)**	(328)	(277)
Tier One Capital Deductions - 50%	**(2,005)**	(1,999)	(1,919)
Total Tier One Capital Deductions	**(12,137)**	(12,114)	(11,969)
Fundamental Tier One Capital After Deductions	**20,999**	19,950	20,302
Residual Tier One Capital			
Innovative Tier One Capital			
Non-cumulative preference shares [8]	**2,626**	2,728	2,699
Non-controlling interests [9]	**505**	505	505
Eligible loan capital	**198**	236	225
Total Innovative Tier One Capital	**3,329**	3,469	3,429
Non-Innovative Residual Tier One Capital [10]	**3,407**	3,407	3,407
Less: Residual capital in excess of prescribed limits transferred to Upper Tier Two Capital [11]	**-**	(225)	(73)
Total Residual Tier One Capital	**6,736**	6,651	6,763
Total Tier One Capital	**27,735**	26,601	27,065

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

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

(3) Capital deduction at 31 December 2010 of $106 million after tax (30 June 2010: $90 million, 31 December 2009: nil) to ensure the Group has sufficient provisions and capital to cover credit losses estimated to arise over the full life of the individual facilities, as required by APS 220.

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

(5) Represents the Group's non-controlling interest in major infrastructure assets and unit trusts. During the half year ended 30 June 2010 the Bank sold its remaining interest in ENW Limited to the First State European Diversified Infrastructure Fund ("EDIF") and acquired a 10% interest in Air Lease Corporation, a US based aircraft leasing business. The Bank's holding in AWG plc was sold to EDIF in the half year ended 31 December 2009.

(6) Represents the net equity within the non-consolidated subsidiaries (primarily the Colonial Group) which is deducted 50% from Tier One and 50% from Tier Two Capital. This deduction is net of $1,446 million in Non-Recourse Debt issued by Colonial Finance Limited (June 2010: $1,495 million, December 2009: $1,538 million) and the Colonial Hybrid Issue $700 million (June 2010: $700 million, December 2009: $700 million).

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

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

(9) Non-controlling interest classified as Tier One Innovative Capital under Basel II regulations. Comprised predominantly of ASB Perpetual Preference Shares of NZD550 million issued by New Zealand subsidiary entities. These shares are non-redeemable and carry limited voting rights.

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

(11) 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.

Appendices

8. Capital Adequacy (continued)

Regulatory Capital	31/12/10 $M	30/06/10 $M	31/12/09 $M
	As at		
Tier Two Capital			
Upper Tier Two Capital			
Residual capital in excess of prescribed limits transferred from Tier One Capital [1]	**-**	225	73
Prudential general reserve for credit losses (net of tax) [2]	**618**	603	603
Asset revaluation reserve [3]	**85**	87	76
Upper Tier Two note and bond issues	**350**	382	350
Other	**108**	83	64
Total Upper Tier Two Capital	**1,161**	1,380	1,166
Lower Tier Two Capital			
Lower Tier Two note and bond issues [4] [5]	**5,990**	7,454	8,299
Holding of own Lower Tier Two Capital	**(35)**	(16)	(17)
Total Lower Tier Two Capital	**5,955**	7,438	8,282
Tier Two Capital Deductions			
50% Deductions from Tier Two Capital [6]	**(2,005)**	(1,999)	(1,919)
Total Tier Two Capital	**5,111**	6,819	7,529
Total Capital	**32,846**	33,420	34,594

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

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

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

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

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

8. Capital Adequacy (continued)

Risk Weighted Assets	As at 31/12/10 $M	30/06/10 $M	31/12/09 $M
Credit Risk			
Subject to Advanced IRB approach			
Corporate	**40,129**	44,252	43,031
SME Corporate	**22,071**	26,216	25,322
SME Retail	**4,896**	5,170	4,765
Sovereign	**2,557**	2,800	1,956
Bank	**6,686**	7,492	6,745
Residential mortgage	**56,412**	55,882	56,909
Qualifying revolving retail	**6,761**	6,772	6,292
Other retail	**6,398**	6,322	6,315
Impact of the regulatory scaling factor (1)	**8,755**	9,294	9,079
Total risk weighted assets subject to Advanced IRB approach	**154,665**	164,200	160,414
Specialised lending (SL) exposures subject to slotting criteria	**34,339**	35,483	38,678
Subject to Standardised approach			
Corporate	**8,040**	8,872	10,053
SME Corporate	**7,597**	7,746	7,540
SME Retail	**4,377**	4,684	4,505
Sovereign	**99**	215	233
Bank	**1,583**	1,136	1,206
Residential mortgage	**22,605**	22,436	22,531
Other retail	**2,510**	2,530	2,411
Other	**4,619**	5,472	6,405
Total risk weighted assets subject to standardised approach	**51,430**	53,091	54,884
Securitisation	**1,894**	1,569	1,962
Equity exposures	**2,280**	2,420	2,528
Total risk weighted assets for credit risk exposures	**244,608**	256,763	258,466
Market risk	**3,873**	3,503	4,033
Interest rate risk in the banking book	**17,033**	10,272	16,601
Operational risk	**20,049**	20,283	18,349
Total risk weighted assets (2)	**285,563**	290,821	297,449

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

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

Capital Management

The Group maintains a strong capital position with the capital ratios well in excess of APRA minimum capital adequacy requirements (Prudential Capital Ratio ("PCR")) and the Board Approved minimum levels at all times throughout the half year ended 31 December 2010.

Common Equity, Tier One Capital and Total Capital ratios as at 31 December 2010 were 7.35%, 9.71% and 11.50% respectively.

Tier One Capital increased by 56 basis points over the prior half, influenced by both solid profit after tax (net of dividend and Dividend Reinvestments Plan ("DRP")) and a net reduction in Risk Weighted Assets ("RWA"), partially offset by foreign currency translation movements due to the appreciating Australian dollar.

The Group's Total Capital ratio was relatively stable over the prior half at 11.50%. The benefits from the improvement in Tier One Capital were offset by the planned redemptions of Lower Tier Two instruments and foreign currency translation impact on these instruments.

RWA were $286 billion at 31 December 2010, a decrease of $5 billion since 30 June 2010. This decrease was primarily influenced by a reduction in Credit RWA due to credit rating upgrades and measurement improvement. This was partially offset by an increase in Interest Rate Risk in the Banking Book ("IRRBB") RWA, reflecting the impact of an increase in interest rates and a lengthening of the repricing term of the Group's net asset position.

Common Equity, Tier One and Total Capital ratios as at 31 December 2010 under the Financial Services Authority (the UK regulator) method of calculating regulatory capital as a percentage of RWA are 10.6%, 13.5% and 15.1% respectively.

8. Capital Adequacy (continued)

Capital Initiatives

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

Tier One Capital

- The DRP for the 2010 final dividend was satisfied in full by an on market purchase and transfer of shares. As such there was no impact on the Group's capital ratios. The DRP participation rate was 25.8% and follows the removal of the 1.5% discount.

Tier Two Capital

- Redemption of five separate subordinated Lower Tier Two debt issues totalling $795 million, the majority of which took place in November 2010.

Banking Regulatory Framework

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

Bankwest operates as a separate Authorised Deposit-taking Institution ("ADI") and is separately regulated by APRA. Bankwest operates under the standardised Basel II methodology. There is a program to extend the Group's advanced accreditation to determine regulatory capital to Bankwest.

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

APRA implemented transitional capital floors based on 90% of the capital required under Basel I. As at 31 December 2010 these transitional floors did not have any impact on the Group's capital levels.

Insurance and Funds Management Business

The Group's insurance and funds management companies held assets in excess of regulatory capital requirements at 31 December 2010. The Group's Australian and New Zealand insurance and funds management businesses held $1,147 million of assets in excess of regulatory solvency requirements at 31 December 2010 (30 June 2010: $1,007 million, 31 December 2009: $1,048 million).

Regulatory Changes

Basel III

On 16 December 2010 the Basel Committee on Banking Supervision ("BCBS") published details of its main banking reforms to strengthen global capital and liquidity regulations. The capital reforms ("Basel III: A global regulatory framework for more resilient banks and banking systems") are designed to increase the quality, consistency and transparency of capital, to enhance the risk coverage framework, and to reduce systemic and pro-cyclical risks.

The regulations increase the common equity minimum requirement from 2% to 4.5% and introduce a capital conservation buffer of 2.5%, taking the minimum total common equity requirement to 7%. Tier One and Total Capital minimum requirements (inclusive of the capital conservation buffer) will increase to 8.5% and 10.5% respectively. The reforms also introduce a minimum leverage ratio of Tier One Capital to total exposures of 3%. Parallel reporting of the leverage ratio is due to commence in 2013, with the expectation of full Pillar 1 implementation on 1 January 2018.

The BCBS reforms will be phased in from 1 January 2013 to 1 January 2019.

As a member of the BCBS, APRA has begun work on developing draft prudential standards and is expected to commence its consultation with Australian ADIs on these standards in the first half of the 2011 calendar year.

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

Supervision of conglomerate groups

APRA released a Discussion Paper titled "Supervision of Conglomerate Groups" in March 2010. The proposal aims to extend APRA's current prudential supervision framework to conglomerate groups that have material operations in more than one APRA regulated industry and/or have one or more material unregulated entities. The aims of the Level 3 proposal are to ensure that a conglomerate group holds adequate capital to protect the APRA regulated entities from potential contagion and other risks within the group.

APRA is currently conducting a Quantitative Impact Study ("QIS") to assess the impact of the proposed changes, which is due for completion in late February 2011. Detailed capital standards are expected to be released by APRA in 2011 and implementation to commence in 2013.

Capital standards for general insurers and life insurers

APRA released a Discussion Paper titled "Review of capital standards for general insurers and life insurers" in May 2010 followed by more detailed technical papers in July 2010. APRA is seeking to improve the risk sensitivity of its capital standards, and to introduce a definition and measurement of the capital base for life insurers that is consistent with general insurers and ADIs. APRA conducted a QIS on the proposed changes in the second half of the 2010 calendar year. Further refinements and a second QIS will be conducted in the first half of the 2011 calendar year. The final capital standards are expected to be released by APRA in 2012 with implementation to commence in 2013.

The RBNZ issued draft solvency standards for life insurance operations on 23 August 2010. Following a period of consultation with the industry, the RBNZ is expected to release standards in the first half of the 2011 calendar year which will take effect in 2012.

Pillar 3 Disclosures

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

9. Share Capital

Shares on Issue	Half Year Ended 31/12/10 Number	30/06/10 Number	31/12/09 Number
Opening balance (excluding Treasury Shares deduction)	**1,548,737,374**	1,534,246,082	1,518,801,069
Dividend reinvestment plan issue: [1]			
2008/2009 Final dividend fully paid ordinary shares $44.48	**-**	-	15,412,513
2009/2010 Interim dividend fully paid ordinary shares $53.56	**-**	14,421,452	-
Exercise of executive option plan	**169,700**	69,840	32,500
Closing balance (excluding Treasury Shares deduction)	**1,548,907,074**	1,548,737,374	1,534,246,082
Less: Treasury Shares	**(6,619,596)**	(6,647,087)	(6,259,487)
Closing balance	**1,542,287,478**	1,542,090,287	1,527,986,595

(1) The dividend reinvestment plan in respect of the 2009/2010 final dividend was satisfied in full through the on market purchase and transfer of $679 million of shares to participating shareholders.

Dividend Franking Account

After fully franking the interim dividend to be paid for the half year ended 31 December 2010, the amount of credits available as at 31 December 2010 to frank dividends for subsequent financial years is $642 million (June 2010: $446 million). This figure is based on the combined franking accounts of the Bank at 31 December 2010, 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 2010, franking debits that will arise from the payment of dividends proposed for the half year ended 31 December 2010 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 2010.

Dividends

The Directors have declared a fully franked interim dividend of 132 cents per share amounting to $2,045 million. The dividend will be payable on 1 April 2011 to shareholders on the register at 5pm on 18 February 2011.

The Board determines the dividend 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 $511 million of shares in respect of the Dividend Reinvestment Plan for the interim dividend for the half year ended 31 December 2010.

Record Date

The register closes for determination of dividend entitlement and for participation in the DRP at 5:00pm on 18 February 2011 at Link Market Services Limited, Locked Bag A14, Sydney South, NSW 1235.

Ex-Dividend Date

The ex-dividend date is 14 February 2011.

10. Intangible Assets

	As at		
	31/12/10	30/06/10	31/12/09
	$M	$M	$M
Total Intangible Assets			
Goodwill	**7,430**	7,473	7,473
Computer software costs	**1,100**	950	799
Core deposits (1)	**353**	388	424
Management fee rights (2)	**311**	311	311
Brand name (3)	**186**	186	186
Other (4)	**102**	112	129
Total intangible assets	**9,482**	9,420	9,322
Goodwill			
Purchased goodwill	**7,430**	7,473	7,473
Accumulated impairment	**-**	-	-
Total goodwill	**7,430**	7,473	7,473
Computer Software Costs			
Cost	**1,758**	1,551	1,300
Accumulated amortisation	**(619)**	(562)	(462)
Accumulated impairment	**(39)**	(39)	(39)
Total computer software costs	**1,100**	950	799
Core Deposits (1)			
Cost	**495**	495	495
Accumulated amortisation	**(142)**	(107)	(71)
Total core deposits	**353**	388	424
Management Fee Rights (2)			
Cost	**311**	311	311
Total management fee rights	**311**	311	311
Brand Name (3)			
Cost	**186**	186	186
Total brand name	**186**	186	186
Other (4)			
Cost	**202**	203	206
Accumulated amortisation	**(100)**	(91)	(77)
Total other	**102**	112	129

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

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

(3) Brand name represents the value of royalty costs foregone by the Group through acquiring the Bankwest brand name. The royalty costs that would have been incurred by an entity using the Bankwest brand name are based on an annual percentage of income generated by Bankwest. This asset has an indefinite useful life, so is not subject to amortisation.

(4) Other includes $38 million for the value of credit card relationships acquired from Bankwest. This value represents future net income generated from the customer relationships that existed at Balance Sheet date. The asset has a useful life of ten years based on the attrition rates of the portfolio of Bankwest credit card customers.

11. ASX Appendix 4D

Compliance Statement

This interim report for the half year ended 31 December 2010 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

9 February 2011

11. ASX Appendix 4D (continued)

Details of entities over which control was lost during the half year (Item 4)	Date control lost	Ownership Interest Held (%)
St Andrew's Life Insurance Pty Ltd	1 July 2010	100%
St Andrew's Insurance (Australia) Pty Ltd	1 July 2010	100%

Details of associates and joint ventures

As at 31 December 2010	Ownership interest held (%)
Acadian Asset Management (Australia) Limited	50%
Aegis Correctional Partnership Trust (1)	50%
Aegis Securitisation Trust	50%
Aspire Schools Financing (Qld) Pty Limited	50%
Aspire Schools (Qld) Holdings Limited	50%
Pinnacle Education SA Holding Company Pty Ltd (2)	50%
Equigroup Pty Limited	50%
Forth Health Holdings Limited	50%
John Laing Health (Pembury) Limited	50%
First State Cinda Fund Management Company Limited	46%
BoCommLife Insurance Company Limited	38%
Aussie Home Loans Pty Limited	33%
International Private Equity Real Estate Fund	33%
Vipro Pty Ltd	33%
452 Capital Pty Limited	30%
First State European Diversified Investment Fund	30%
Cash Services Australia Pty Limited	25%
Cardlink Services Limited	25%
Electronic Transaction Services Limited	25%
Bank of Hangzhou Co. Ltd.	20%
Qilu Bank Co., Ltd.	20%
Payments NZ Limited	19%
Vietnam International Bank	15%
Interchange and Settlement Limited	11%
CFS Retail Property Trust	8%
Commonwealth Property Office Fund	6%

(1) Formally known as Aegis Correctional Partnership Pty Limited.
(2) Formally known as CIPL SA Schools Pty Limited.

Any other significant information

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

Post Balance Date Events

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

Foreign Entities (Item 8)

Not Applicable.

12. Profit Reconciliation

Profit Reconciliation	Half Year Ended 31 December 2010							
	Net profit after tax "cash basis"	Hedging and AIFRS volatility	Bankwest non-cash items [1]	Loss on disposal of controlled entities/ investments	Treasury shares valuation adjustment	Policyholder tax	Investment experience	Net profit after tax "statutory basis"
	$M	$M	$M	$M	$M	$M	$M	$M
Group								
Net interest income	**6,170**	(28)	(13)	-	-	-	-	**6,129**
Other banking income	**2,059**	(272)	-	(7)	-	-	-	**1,780**
Total banking income	**8,229**	(300)	(13)	(7)	-	-	-	**7,909**
Funds management income	**1,017**	-	-	-	(13)	54	(47)	**1,011**
Insurance income	**458**	-	-	-	-	46	82	**586**
Total operating income	**9,704**	(300)	(13)	(7)	(13)	100	35	**9,506**
Operating expenses	**(4,408)**	-	(54)	-	-	-	-	**(4,462)**
Loan impairment expense	**(722)**	-	-	-	-	-	-	**(722)**
Net profit before tax	**4,574**	(300)	(67)	(7)	(13)	100	35	**4,322**
Tax expense	**(1,259)**	84	19	-	1	(100)	(6)	**(1,261)**
Non-controlling interests	**(9)**	-	-	-	-	-	-	**(9)**
Underlying profit after tax	**3,306**	(216)	(48)	(7)	(12)	-	29	**3,052**
Investment experience after tax	**29**	-	-	-	-	-	(29)	**-**
Net profit after tax	**3,335**	(216)	(48)	(7)	(12)	-	-	**3,052**

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

12. Profit Reconciliation (continued)

	Half Year Ended 30 June 2010							
	Net profit after tax "cash basis"	Hedging and AIFRS volatility	Bankwest non-cash items [1]	Gain disposal of controlled entities/ investments	Treasury shares valuation adjustment	Policyholder tax	Investment experience	Net profit after tax "statutory basis"
Profit Reconciliation	$M	$M	$M	$M	$M	$M	$M	$M
Group								
Net interest income	**5,806**	(28)	(14)	-	-	-	-	**5,764**
Other banking income	**2,034**	(184)	-	8	-	-	-	**1,858**
Total banking income	**7,840**	(212)	(14)	8	-	-	-	**7,622**
Funds management income	**951**	-	-	-	18	(34)	21	**956**
Insurance income	**482**	-	-	-	-	25	73	**580**
Total operating income	**9,273**	(212)	(14)	8	18	(9)	94	**9,158**
Operating expenses	**(4,333)**	-	(59)	-	-	-	-	**(4,392)**
Loan impairment expense	**(692)**	-	(304)	-	-	-	-	**(996)**
Net profit before tax	**4,248**	(212)	(377)	8	18	(9)	94	**3,770**
Tax expense	**(1,152)**	52	113	-	(10)	9	(25)	**(1,013)**
Non-controlling interests	**(7)**	-	-	-	-	-	-	**(7)**
Underlying profit after tax	**3,089**	(160)	(264)	8	8	-	69	**2,750**
Investment experience after tax	**69**	-	-	-	-	-	(69)	**-**
Net profit after tax	**3,158**	(160)	(264)	8	8	-	-	**2,750**

(1) Includes Merger related amortisation through net interest income, ($14) million; merger related amortisation through operating expenses, ($38) million; integration expenses of ($21) million; loan impairment expense of ($304) million; and income tax benefit of $113 million.

12. Profit Reconciliation (continued)

	Half Year Ended 31 December 2009								
	Net profit after tax "cash basis"	Hedging and AIFRS volatility	Tax on New Zealand Structured Finance Transactions	Bankwest non-cash items [1]	Loss on disposal controlled entities/ investments	Treasury shares valuation adjustment	Policyholder tax	Investment experience	Net profit after tax "statutory basis"
Profit Reconciliation	$M	$M	$M	$M	$M	$M	$M	$M	$M
Group									
Net interest income	**6,062**	(29)	-	125	-	-	-	-	**6,158**
Other banking income	**2,078**	303	-	-	(31)	-	-	-	**2,350**
Total banking income	**8,140**	274	-	125	(31)	-	-	-	**8,508**
Funds management income	**947**	-	-	-	-	(69)	84	10	**972**
Insurance income	**463**	-	-	-	-	-	55	132	**650**
Total operating income	**9,550**	274	-	125	(31)	(69)	139	142	**10,130**
Operating expenses	**(4,268)**	-	-	(56)	-	-	-	-	**(4,324)**
Loan impairment expense	**(1,383)**	-	-	-	-	-	-	-	**(1,383)**
Net profit before tax	**3,899**	274	-	69	(31)	(69)	139	142	**4,423**
Tax expense	**(1,056)**	(97)	(171)	(21)	-	17	(139)	(33)	**(1,500)**
Non-controlling interests	**(9)**	-	-	-	-	-	-	-	**(9)**
Underlying profit after tax	**2,834**	177	(171)	48	(31)	(52)	-	109	**2,914**
Investment experience after tax	**109**	-	-	-	-	-	-	(109)	**-**
Net profit after tax	**2,943**	177	(171)	48	(31)	(52)	-	-	**2,914**

(1) Includes merger related amortisation through net interest income, $125 million; merger related amortisation through operating expense ($37) million; integration expenses of ($19) million; and income tax benefit or $21 million.

Appendices

13. Divisional Performance Summary

	Half Year Ended 31 December 2010							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	Other (1) $M	Total $M
Net interest income	2,993	851	650	-	419	679	578	**6,170**
Other banking income	659	667	610	-	138	118	(133)	**2,059**
Total banking income	3,652	1,518	1,260	-	557	797	445	**8,229**
Funds management income	-	-	-	982	20	-	15	**1,017**
Insurance income	-	-	-	340	106	-	12	**458**
Total operating income	3,652	1,518	1,260	1,322	683	797	472	**9,704**
Investment experience (2)	-	-	-	31	-	-	4	**35**
Total income	3,652	1,518	1,260	1,353	683	797	476	**9,739**
Operating expenses (3)	(1,425)	(660)	(395)	(869)	(348)	(428)	(283)	**(4,408)**
Loan impairment expense	(253)	(135)	(193)	-	(28)	(49)	(64)	**(722)**
Net profit before income tax	1,974	723	672	484	307	320	129	**4,609**
Corporate tax expense	(591)	(217)	(160)	(125)	(73)	(96)	(3)	**(1,265)**
Non-controlling interests	-	-	-	-	-	-	(9)	**(9)**
Net profit after tax ("cash basis")	1,383	506	512	359	234	224	117	**3,335**

(1) Includes the impact of reclassification of net swap costs within net interest income related to certain economic hedges which do not qualify for AIFRS hedge accounting of $227 million.
(2) Investment experience is presented on a pre tax basis.
(3) Operating expenses include volume related expenses.

13. Divisional Performance Summary (continued)

	Half Year Ended 30 June 2010							
	Retail Banking Services [1] $M	Business and Private Banking $M	Institutional Banking and Markets [1] $M	Wealth Management $M	New Zealand $M	Bankwest [2] $M	Other [2] [3] $M	Total $M
Net interest income	2,808	821	651	-	365	679	482	**5,806**
Other banking income	660	623	574	-	106	112	(41)	**2,034**
Total banking income	3,468	1,444	1,225	-	471	791	441	**7,840**
Funds management income	-	-	-	916	21	-	14	**951**
Insurance income	-	-	-	331	127	-	24	**482**
Total operating income	3,468	1,444	1,225	1,247	619	791	479	**9,273**
Investment experience [4]	-	-	-	66	3	-	25	**94**
Total income	3,468	1,444	1,225	1,313	622	791	504	**9,367**
Operating expenses [5]	(1,414)	(671)	(405)	(855)	(342)	(437)	(209)	**(4,333)**
Loan impairment expense	(345)	(132)	72	-	2	(441)	152	**(692)**
Net profit before income tax	1,709	641	892	458	282	(87)	447	**4,342**
Corporate tax expense	(502)	(188)	(246)	(119)	(55)	27	(94)	**(1,177)**
Non-controlling interests	-	-	-	-	-	-	(7)	**(7)**
Net profit after tax ("cash basis")	1,207	453	646	339	227	(60)	346	**3,158**

(1) Results have been restated for the impact of business resegmentation between Retail Banking Services and Institutional Banking and Markets.

(2) Net interest income has been restated following the allocation of capital costs to Bankwest which were previously held centrally in Other.

(3) Includes the impact of reclassification of net swap costs within net interest income related to certain economic hedges which do not qualify for AIFRS hedge accounting of $136 million.

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

(5) Operating expenses include volume related expenses.

Appendices

13. Divisional Performance Summary (continued)

	Half Year Ended 31 December 2009							
	Retail Banking Services (1) $M	Business and Private Banking $M	Institutional Banking and Markets (1) $M	Wealth Management $M	New Zealand $M	Bankwest (2) $M	Other (2) (3) $M	Total $M
Net interest income	2,888	822	683	-	351	657	661	**6,062**
Other banking income	672	626	683	-	172	121	(196)	**2,078**
Total banking income	3,560	1,448	1,366	-	523	778	465	**8,140**
Funds management income	-	-	-	908	25	-	14	**947**
Insurance income	-	-	-	353	86	-	24	**463**
Total operating income	3,560	1,448	1,366	1,261	634	778	503	**9,550**
Investment experience (4)	-	-	-	117	(2)	-	27	**142**
Total income	3,560	1,448	1,366	1,378	632	778	530	**9,692**
Operating expenses (5)	(1,380)	(639)	(387)	(851)	(325)	(443)	(243)	**(4,268)**
Loan impairment expense	(391)	(194)	(321)	-	(102)	(313)	(62)	**(1,383)**
Net profit before income tax	1,789	615	658	527	205	22	225	**4,041**
Corporate tax expense	(552)	(175)	(105)	(148)	(44)	(7)	(58)	**(1,089)**
Non-controlling interests	-	-	-	-	-	-	(9)	**(9)**
Net profit after tax ("cash basis")	1,237	440	553	379	161	15	158	**2,943**

(1) Results have been restated for the impact of business resegmentation between Retail Banking Services and Institutional Banking and Markets.
(2) Net interest income has been restated following the allocation of capital costs to Bankwest which were previously held centrally in Other.
(3) Includes the impact of reclassification of net swap costs within net interest income related to certain economic hedges which do not qualify for AIFRS hedge accounting of $123 million.
(4) Investment experience is presented on a pre tax basis.
(5) Operating expenses include volume related expenses.

14. Analysis Template

Profit Summary - Input Schedule	Half Year Ended 31/12/10 $M	30/06/10 $M	31/12/09 $M	Page References
Income - Cash Basis				
Net interest income	**6,170**	5,806	6,062	Page 3
Other banking income	**2,059**	2,034	2,078	Page 3
Total banking income	**8,229**	7,840	8,140	Page 3
Funds management income	**1,017**	951	947	Page 3
Insurance income	**458**	482	463	Page 3
Total operating income	**9,704**	9,273	9,550	Page 3
Investment experience	**35**	94	142	Page 3
Total income	**9,739**	9,367	9,692	Page 3
Expenses - Cash Basis				
Retail Banking Services	**(1,425)**	(1,414)	(1,380)	Page 15
Business and Private Banking	**(660)**	(671)	(639)	Page 17
Institutional Banking and Markets	**(395)**	(405)	(387)	Page 19
Wealth Management - operating expenses	**(619)**	(609)	(601)	Page 21
Wealth Management - volume expenses	**(250)**	(246)	(250)	Page 21
New Zealand	**(348)**	(342)	(325)	Page 25
Bankwest	**(428)**	(437)	(443)	Page 29
Other	**(283)**	(209)	(243)	Page 31
Total operating expenses	**(4,408)**	(4,333)	(4,268)	Page 3
Profit before loan impairment expense	**5,331**	5,034	5,424	Page 3
Loan impairment expense	**(722)**	(692)	(1,383)	Page 3
Net profit before income tax	**4,609**	4,342	4,041	Page 3
Corporate tax expense	**(1,265)**	(1,177)	(1,089)	Page 3
Operating profit after tax	**3,344**	3,165	2,952	Page 3
Non-controlling interests	**(9)**	(7)	(9)	Page 3
Net profit after tax - cash basis	**3,335**	3,158	2,943	Page 3
Treasury shares valuation adjustment	**(12)**	8	(52)	Page 83
Hedging and AIFRS volatility	**(216)**	(160)	177	Page 83
Gain/loss on disposal of controlled entities/investments	**(7)**	8	(31)	Page 83
Tax on New Zealand structured finance transactions	**-**	-	(171)	Page 85
Bankwest non-cash items	**(48)**	(264)	48	Page 83
Net profit after tax - statutory basis	**3,052**	2,750	2,914	Page 3
Investment experience	**35**	94	142	Page 32
Tax expense on investment experience	**(6)**	(25)	(33)	Page 32
Investment experience - after tax	**29**	69	109	Page 32
Net profit after tax - underlying basis	**3,306**	3,089	2,834	Page 3
Total Operating Income				
Retail Banking Services	**3,652**	3,468	3,560	Page 15
Business and Private Banking	**1,518**	1,444	1,448	Page 17
Institutional Banking and Markets	**1,260**	1,225	1,366	Page 19
Wealth Management (net of volume expenses)	**1,072**	1,001	1,011	Page 21
New Zealand	**683**	619	634	Page 25
Bankwest	**797**	791	778	Page 29
Other	**472**	479	503	Page 31

14. Analysis Template (continued)

Profit Summary - Input Schedule	Half Year Ended 31/12/10 $M	30/06/10 $M	31/12/09 $M	Page References
Other Data				
Net interest income (excluding securitisation)	**6,140**	5,775	6,018	Page 61
Average interest earning assets (excluding securitisation)	**573,800**	560,197	547,379	Page 61
Average net assets [1]	**35,460**	34,577	32,513	Page 37
Average non-controlling interests [1]	**524**	522	521	Page 37
Average other equity instruments [1]	**939**	939	939	Page 37
Average treasury shares [1]	**(300)**	(280)	(270)	Page 74
Distributions - other equity instruments	**22**	23	24	-
Interest expense (after tax) - Perls III	**25**	23	19	-
Interest expense (after tax) - Perls IV	**23**	20	18	-
Interest expense (after tax) - Perls V	**43**	41	16	-
Interest expense (after tax) - TPS	**12**	13	12	-
Interest expense (after tax) - Convertible notes	**17**	15	13	-
Weighted average number of shares - statutory basis (M)	**1,542**	1,535	1,518	Page 4
Weighted average number of shares - diluted - statutory (M)	**1,666**	1,659	1,615	-
Weighted average number of shares - cash and underlying (M)	**1,546**	1,539	1,523	Page 4
Weighted average number of shares - diluted - cash and underlying (M)	**1,669**	1,663	1,619	-
Weighted average number of shares - Perls III (M)	**24**	23	22	-
Weighted average number of shares - Perls IV (M)	**29**	29	28	-
Weighted average number of shares - Perls V (M)	**40**	40	17	-
Weighted average number of shares - TPS (M)	**11**	13	12	-
Weighted average number of shares - Convertible notes (M)	**18**	18	17	-
Weighted average number of shares - Executive options (M)	**1**	1	-	-
Dividends per share (cents)	**132**	170	120	Page 4
No. of shares at end of period excluding treasury shares (M)	**1,549**	1,549	1,534	Page 79
Average funds under administration	**194,011**	188,520	185,157	Page 6
Average inforce premiums	**2,022**	1,983	1,953	Page 6
Net assets	**35,349**	35,570	33,583	Page 37
Total intangible assets	**9,482**	9,420	9,322	Page 37
Non-controlling interests	**524**	523	521	Page 37
Other equity instruments	**939**	939	939	Page 37

(1) Average of reporting period balances.

14. Analysis Template (continued)

	Half Year Ended		
	31/12/10	30/06/10	31/12/09
Ratios - Output Summary	$M	$M	$M
EPS			
Net profit after tax - cash basis	**3,335**	3,158	2,943
Less distribution - other equity instruments	**(22)**	(23)	(24)
Adjusted profit for EPS calculation	**3,313**	3,135	2,919
Average number of shares (M)	**1,546**	1,539	1,523
Earnings per share - cash basis (cents) [1]	**214. 3**	203. 7	191. 7
Interest expense (after tax) - Perls III	**25**	23	19
Interest expense (after tax) - Perls IV	**23**	20	18
Interest expense (after tax) - Perls V	**43**	41	16
Interest expense (after tax) - TPS	**12**	13	12
Interest expense (after tax) - Convertible notes	**17**	15	13
Profit impact of assumed conversions (after tax)	**120**	112	78
Weighted average number of shares - Perls III (M)	**24**	23	22
Weighted average number of shares - Perls IV (M)	**29**	29	28
Weighted average number of shares - Perls V (M)	**40**	40	17
Weighted average number of shares - TPS (M)	**11**	13	12
Weighted average number of shares - Convertible Notes (M)	**18**	18	17
Weighted average number of shares - Executive Options (M)	**1**	1	-
Weighted average number of shares - dilutive securities (M)	**123**	124	96
Adjusted cash profit for EPS calculation	**3,313**	3,135	2,919
Add back profit impact of assumed conversions (after tax)	**120**	112	78
Adjusted diluted profit for EPS calculation	**3,433**	3,247	2,997
Average number of shares (M)	**1,546**	1,539	1,523
Add back weighted average number of shares (M)	**123**	124	96
Diluted average number of shares (M)	**1,669**	1,663	1,619
Earnings per share diluted - cash basis (cents) [1]	**205. 7**	195. 1	185. 1
Net profit after tax - underlying	**3,306**	3,089	2,834
Less distribution - other equity instruments	**(22)**	(23)	(24)
Adjusted profit for EPS calculation	**3,284**	3,066	2,810
Average number of shares (M)	**1,546**	1,539	1,523
Earnings per share - underlying basis (cents) [1]	**212. 5**	199. 3	184. 5

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

14. Analysis Template (continued)

Ratios - Output Summary	Half Year Ended 31/12/10 $M	30/06/10 $M	31/12/09 $M
DPS			
Dividends			
Dividends per share (cents)	**132**	170	120
No of shares at end of period (M)	**1,549**	1,549	1,534
Total dividends	**2,045**	2,633	1,841
Dividend payout ratio - cash basis			
Net profit after tax - cash basis	**3,335**	3,158	2,943
NPAT - available for distribution to ordinary shareholders	**3,313**	3,135	2,919
Total dividends	**2,045**	2,633	1,841
Payout ratio - cash basis (%)	**61. 7**	84. 0	63. 1
Dividend cover			
NPAT - available for distribution to ordinary shareholders	**3,313**	3,135	2,919
Total dividends	**2,045**	2,633	1,841
Dividend cover - cash basis (times)	**1. 6**	1. 2	1. 6
ROE			
Return on equity - cash basis			
Average net assets	**35,460**	34,577	32,513
Less:			
Average non-controlling interests	**(524)**	(522)	(521)
Average other equity instruments	**(939)**	(939)	(939)
Average equity	**33,997**	33,116	31,053
Add average treasury shares	**300**	280	270
Net average equity	**34,297**	33,396	31,323
Net profit after tax ("cash basis")	**3,335**	3,158	2,943
Less distribution - other equity instruments	**(22)**	(23)	(24)
Adjusted profit for ROE calculation	**3,313**	3,135	2,919
Return on equity - cash basis (%)	**19. 2**	18. 9	18. 5
Return on equity - underlying basis			
Average net assets	**35,460**	34,577	32,513
Less:			
Average non-controlling interests	**(524)**	(522)	(521)
Average other equity interests	**(939)**	(939)	(939)
Average equity	**33,997**	33,116	31,053
Add average treasury shares	**300**	280	270
Net average equity	**34,297**	33,396	31,323
NPAT ("underlying basis")	**3,306**	3,089	2,834
Less distribution other equity instruments	**(22)**	(23)	(24)
Adjusted profit for ROE calculation	**3,284**	3,066	2,810
Return on equity - underlying basis (%)	**19. 0**	18. 5	17. 8
NIM			
Net interest income (excluding securitisation)	**6,140**	5,775	6,018
Average interest earning assets (excluding securitisation)	**573,800**	560,197	547,379
NIM (%pa)	**2. 12**	2. 08	2. 18

14. Analysis Template (continued)

Ratios - Output Summary	Half Year Ended 31/12/10 $M	30/06/10 $M	31/12/09 $M
Productivity			
Group operating expenses to total operating income ratio			
Operating expenses	**4,408**	4,333	4,268
Total operating income	**9,704**	9,273	9,550
Operating expenses to total operating income (%)	**45. 4**	46. 7	44. 7
Retail Banking Services operating expenses to total banking income ratio			
Operating expenses	**1,425**	1,414	1,380
Total banking income	**3,652**	3,468	3,560
Operating expenses to total banking income (%)	**39. 0**	40. 8	38. 8
Business and Private Banking operating expenses to total banking income ratio			
Operating expenses	**660**	671	639
Total banking income	**1,518**	1,444	1,448
Operating expenses to total banking income (%)	**43. 5**	46. 5	44. 1
Institutional Banking and Markets operating expenses to total banking income ratio			
Operating expenses	**395**	405	387
Total banking income	**1,260**	1,225	1,366
Operating expenses to total banking income (%)	**31. 3**	33. 1	28. 3
Wealth Management operating expenses to net operating income ratio			
Operating expenses	**619**	609	601
Net operating income	**1,072**	1,001	1,011
Operating expenses to net operating income (%)	**57. 7**	60. 8	59. 4
New Zealand operating expenses to total operating income ratio			
Operating expenses	**348**	342	325
Total operating income	**683**	619	634
Operating expenses to total operating income (%)	**51. 0**	55. 3	51. 3
Bankwest operating expenses to total banking income ratio			
Operating expenses	**428**	437	443
Total banking income	**797**	791	778
Operating expenses to total banking income (%)	**53. 7**	55. 2	56. 9
Net Tangible Assets (NTA) per share			
Net assets	**35,349**	35,570	33,583
Less:			
Intangible assets	**(9,482)**	(9,420)	(9,322)
Non-controlling interests	**(524)**	(523)	(521)
Other equity instruments	**(939)**	(939)	(939)
Total net tangible assets	**24,404**	24,688	22,801
No. of shares at end of period (M)	**1,549**	1,549	1,534
Net tangible assets (NTA) per share ($)	**15. 75**	15. 94	14. 86

Appendices

15. Summary

Group		Page	Half Year Ended 31/12/10	30/06/10	31/12/09	Dec 10 vs Jun 10 %	Dec 10 vs Dec 09 %
Net profit after tax - underlying basis	$M	3	**3,306**	3,089	2,834	7	17
Net profit after tax - cash basis	$M	3	**3,335**	3,158	2,943	6	13
Treasury shares valuation adjustment - after tax	$M	83	**(12)**	8	(52)	large	(77)
Hedging and AIFRS volatility - after tax	$M	3	**(216)**	(160)	177	35	large
Gain/loss disposal controlled entities/investments	$M	83	**(7)**	8	(31)	large	(77)
Tax on New Zealand Structured Finance transactions	$M	3	**-**	-	(171)	large	large
Bankwest non-cash items	$M	3	**(48)**	(264)	48	(82)	large
Net profit after tax - statutory basis	$M	3	**3,052**	2,750	2,914	11	5
Earnings per share - cash basis - basic	cents	4	**214.3**	203.7	191.7	5	12
Dividends per share	cents	4	**132**	170	120	(22)	10
Dividends pay-out ratio - cash basis	%	4	**61.7**	84.0	63.1	large	(140)bpts
Common Equity - Basel II	%	6	**7.35**	6.86	6.83	49 bpts	52 bpts
Tier One Capital - Basel II	%	6	**9.71**	9.15	9.10	56 bpts	61 bpts
Total Capital - Basel II	%	6	**11.50**	11.49	11.63	1 bpt	(13)bpts
Number of full time equivalent staff	No.		**45,025**	45,025	43,423	-	4
Return on equity - cash	%	4	**19.2**	18.9	18.5	30 bpts	70 bpts
Return on equity - underlying	%	92	**19.0**	18.5	17.8	50 bpts	120 bpts
Weighted average number of shares - statutory	M	4	**1,542**	1,535	1,518	-	2
Net tangible assets per share	$	93	**15.75**	15.94	14.86	(1)	6
Net interest income	$M	3	**6,170**	5,806	6,062	6	2
Net interest margin	%	6	**2.12**	2.08	2.18	4 bpts	(6)bpts
Other banking income - cash basis	$M	3	**2,059**	2,034	2,078	1	(1)
Other banking income/total banking income	%		**25.0**	25.9	25.5	(90)bpts	(50)bpts
Operating expense to total operating income	%	6	**45.4**	46.7	44.7	(130)bpts	70 bpts
Average interest earning assets	$M	6	**573,800**	560,197	547,379	2	5
Average interest bearing liabilities	$M	6	**536,948**	529,676	513,136	1	5
Loan impairment expense	$M	3	**722**	692	1,383	4	(48)
Impairment expense annualised as a % of average RWA - Basel II - cash basis (1)	%	11	**0.50**	0.47	0.94	3 bpts	(44)bpts
Impairment expense annualised as a % of average gross loans and acceptances - cash basis (2)	%	11	**0.28**	0.28	0.55	-	(27)bpts
Individually assessed provisions for impairment to gross impaired assets	%	11	**41.84**	38.19	37.78	365 bpts	406 bpts
Risk weighted assets	$M	11	**285,563**	290,821	297,449	(2)	(4)
Retail Banking Services							
Cash net profit after tax	$M	6	**1,383**	1,207	1,237	15	12
Operating expense to total banking income	%	6	**39.0**	40.8	38.8	(180)bpts	20 bpts
Business and Private Banking							
Cash net profit after tax	$M	6	**506**	453	440	12	15
Operating expense to total banking income	%	6	**43.5**	46.5	44.1	(300)bpts	(60)bpts
Institutional Banking and Markets							
Cash net profit after tax	$M	6	**512**	646	553	(21)	(7)
Operating expense to total banking income	%	6	**31.3**	33.1	28.3	(180)bpts	300 bpts

(1) Impairment expense annualised as a percentage of average RWA – Basel II including the Bankwest non-cash loan impairment expense of $304 million was 0.68% for the half year ended 30 June 2010.

(2) Impairment expense annualised as a percentage of average gross loans and acceptances including the Bankwest non-cash loan impairment expense of $304 million was 0.40% for the half year ended 30 June 2010.

15. Summary (continued)

		Page	Half Year Ended 31/12/10	30/06/10	31/12/09	Dec 10 vs Jun 10 %	Dec 10 vs Dec 09 %
Wealth Management							
Cash net profit after tax	$M	6	**359**	339	379	6	(5)
Underlying profit after tax	$M	21	**329**	297	295	11	12
Investment experience after tax	$M	21	**30**	42	84	(29)	(64)
FUA - average	$M	6	**186,849**	181,709	178,738	3	5
FUA - spot	$M	22	**191,454**	179,614	185,699	7	3
Net funds flow	$M	23	**2,995**	(4,775)	1,588	large	89
Average inforce premiums	$M	6	**1,580**	1,541	1,529	3	3
Inforce premiums - spot	$M	22	**1,575**	1,584	1,498	(1)	5
Funds management income to average FUA	%	6	**1. 04**	1. 02	1. 01	2 bpts	3 bpts
Insurance income to average inforce premiums	%	6	**42. 7**	43. 3	45. 8	(60)bpts	(310)bpts
Operating expense to net operating income	%	6	**57. 7**	60. 8	59. 4	(310)bpts	(170)bpts
New Zealand							
Cash net profit after tax	$M	6	**234**	227	161	3	45
Underlying profit after tax	$M	25	**234**	224	163	4	44
FUA - average	$M	6	**7,162**	6,811	6,419	5	12
FUA - spot	$M		**7,277**	7,120	6,824	2	7
Average inforce premiums	$M	6	**442**	442	424	-	4
Inforce premiums - spot	$M		**433**	450	433	(4)	-
Funds management income to average FUA	%	6	**0. 55**	0. 62	0. 77	(7)bpts	(22)bpts
Insurance income to average inforce premiums	%	6	**47. 6**	57. 9	40. 2	large	large
Operating expense to total operating income	%	6	**51. 0**	55. 3	51. 3	(430)bpts	(30)bpts
Bankwest							
Cash net profit after tax	$M	6	**224**	(60)	15	large	large
Operating expense to total banking income	%	6	**53. 7**	55. 2	56. 9	(150)bpts	(320)bpts

16. Foreign Exchange Rates

Exchange Rates Utilised		As at 31/12/10	30/06/10	31/12/09
AUD 1.00 =	USD	**1. 0170**	0. 8559	0. 8970
	GBP	**0. 6587**	0. 5686	0. 5579
	JPY	**82. 8878**	75. 9067	82. 9084
	NZD	**1. 3165**	1. 2318	1. 2343
	HKD	**7. 9094**	6. 6631	6. 9566
	EUR	**0. 7648**	0. 6996	0. 6244
	CAD	**1. 0172**	0. 8987	0. 9449
	CHF	**0. 9542**	0. 9271	0. 9285
	ILS	**3. 6053**	3. 3142	3. 4065
	SGD	**1. 3080**	1. 1968	1. 2594

Appendices

17. Definitions

Term	Description
Bankwest	Bankwest is a full service bank active in all domestic market segments, with lending diversified between the business, rural, housing and personal markets, including a full range of deposit products. Bankwest also provides specialist services in international banking and project finance.
Business and Private Banking	Business and Private Banking provides specialised banking services to relationship managed business and Agribusiness customers, private banking to high net worth individuals and margin lending and trading through CommSec. In addition commission is received for the distribution of retail banking products through the Business and Private Banking network.
Corporate Centre and Eliminations/Unallocated	Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Secretariat and Treasury. Eliminations/Unallocated includes intra-group elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.
Customer satisfaction – external survey	This represents satisfaction with Main Financial Institution (MFI) based on the relationship with the financial institution as measured by Roy Morgan Research. The figures are six months rolling averages and are based on respondents aged 14+. The measure is the percentage of customers who answered as being either “very satisfied” or “fairly satisfied” with their MFI.
Dividend payout ratio	Dividends paid on ordinary shares divided by earnings (earnings are net of dividends on other equity instruments).
DRP	Dividend reinvestment plan.
DRP participation	The percentage of total issued capital participating in the dividend reinvestment plan.
Earnings per share	Calculated in accordance with AASB 133: Earnings per Share.
Expense to income ratio	Represents operating expenses as a percentage of total operating income.
Institutional Banking and Markets	Institutional Banking and Markets services the Group’s major corporate, institutional and government clients using a relationship management model based on industry expertise and local insights. The Total Capital Solutions offering includes debt and equity capital raising, financial and commodities price risk management and transactional banking capabilities. Institutional Banking and Markets has international operations in London, Malta, New York, New Zealand, Singapore, Hong Kong, Japan and Shanghai.
Interest Rate Risk in the Banking Book	Interest rate risk in the banking book is the risk that the Bank’s profit derived from Net Interest Income (interest earned less interest paid), in current and future periods, is adversely impacted from changes in interest rates. This is measured from two perspectives; firstly by quantifying the change in the net present value of the balance sheet’s future earnings potential and secondly, as the anticipated change to the Net Interest Income which is reported in the Bank’s Income Statement. The APS117 IRRBB regulatory capital requirement is calculated using the net present value approach.
IFS Asia	IFS Asia incorporates the Asian retail banking operations (Indonesia, Vietnam and India), investments in Chinese and Vietnamese retail banks and the joint venture life insurance business and life insurance operations in Indonesia. It does not include the Business and Private Banking, Institutional Banking and Markets and Colonial First State Global Asset Management businesses in Asia.
Net profit after tax (“Cash basis”)	Represents net profit after tax and non-controlling interests before Bankwest non-cash items, the tax on New Zealand structured finance transactions, the gain/loss on disposal of controlled entities/investments, treasury shares valuation adjustment and unrealised gains and losses related to hedging and AIFRS volatility.
Net profit after tax (“Statutory basis”)	Represents net profit after tax and non-controlling interests, Bankwest non-cash items, the tax on New Zealand structured finance transactions, the gain/loss on disposal of controlled entities/investments, 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, non-controlling interests, and other equity instruments divided by ordinary shares on issue at the end of the period.
New Zealand	New Zealand includes the Banking, Funds Management and Insurance businesses operating in New Zealand (excluding the international business of Institutional Banking and Markets).
Operating expense to net operating income ratio	Represents operating expenses (excluding volume expenses) as a percentage of total operating income less volume expenses.
Other Overseas	Represents amounts booked in branches and controlled entities outside Australia and New Zealand.

17. Definitions (continued)

Term	Description
Retail Banking Services	Retail Banking Services includes both the manufacturing of home loan, consumer finance and retail deposit products and the sales and servicing of all Retail bank customers. In addition commission is received for the distribution of business and wealth management products through the retail distribution network.
Return on average shareholders' equity – Cash basis	Based on cash net profit after tax and non-controlling interests less other equity instruments' distributions applied to average shareholders' equity, excluding non-controlling interests, other equity instruments and treasury shares.
Return on average shareholders' equity – Statutory basis	Based on net profit after tax ("statutory basis") less other equity instruments' distributions applied to average shareholders' equity, excluding non-controlling interests and other equity instruments.
Staff numbers	Staff numbers include the full time equivalent number of all permanent full time staff, part time staff equivalents and external contractors employed by third party agencies.
Wealth Management	Wealth Management includes the Global Asset Management (including operations in Asia), Platform Administration and Life and General Insurance businesses of the Australian operations.
Weighted average number of shares ("Cash basic")	Includes an adjustment to exclude "Treasury Shares" related to investment in the Bank's shares held by the employee share scheme trust.
Weighted average number of shares ("Statutory basic")	Includes an adjustment to exclude "Treasury Shares" related to investments in the Bank's shares held by both the life insurance statutory funds and by the employee share scheme trust.

18. Market Share Definitions

Retail Banking Services

Home Loans	CBA Total Housing Loans (APRA) + CBA Securitised Housing Loans (APRA) + Home Path Balance Total Housing Loans (incl securitisations) (from RBA which includes NBFI's unlike APRA) (1)
Credit Cards	CBA Personal Credit Card Lending (APRA) Credit Cards excluding those issued to Business with Interest Free + without Interest Free (from RBA which includes NBFI's unlike APRA) (1)
Personal Lending (Other Household Lending)	CBA Term Personal Lending + 88% of Margin Lending balances + Personal Leasing + Revolving credit Other Loans to Households (APRA)
Household Deposits	Total transaction and investment account deposit balances recorded on the domestic books of CBA from individual Australian residents excluding self-managed superannuation funds (as per APRA definitions) Total Bank Household Deposits (from APRA monthly banking statistics)
Retail Deposits	CBA Deposits from Residents excluding those by Banks and Governments and also excluding FX AUD equivalent Total RBA: Current Deposits with banks + Term (excl CD's) + Other with banks (from RBA monthly bulletin statistics) (1)

Business Market Share

Business Lending (APRA)	Loans to residents that are recorded on the domestic books of CBA within the non-financial corporation's sector, where this sector comprises private trading corporations, private unincorporated businesses and commonwealth, state, territory and local government non-financial corporation's (as per lending balances submitted to APRA in ARF 320.0) Total loans to the non-financial corporation's sector for all licensed banks that submit to APRA
Business Lending (RBA)	CBA and CBFC (subsidiary) business lending and credit (specific 'business lending' categories in lodged APRA returns – 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 corporation's sector, where this sector comprises private trading corporations, private unincorporated businesses and commonwealth, state, territory and local government non-financial corporation's (as per deposit balances submitted to APRA in ARF 320.0) Total transaction and non-transaction deposit balances from the non-financial corporation's sector for all licensed banks that submit to APRA
Equities Trading	Twelve months rolling average of total value of equities trades Twelve months rolling average of total value of equities market trades as measured by ASX

Wealth Management

Australian Retail Funds	Total funds in CBA Wealth Management retail investment products (including WM products badged by other parties) Total funds in retail investment products market (from Plan for Life)
FirstChoice Platform	Total funds in FirstChoice platform Total funds in platform/masterfund market (from Plan for Life)
Australia (Total Life Insurance Risk)	Total risk inforce premium of all CBA Group Australian life insurance companies Total risk inforce premium for all Australian life insurance companies (from Plan for Life)
Australia (Individual Life Insurance Risk)	(Individual lump sum + individual risk income) inforce premium of all CBA Group Australian life insurance companies Individual risk inforce premium for all Australian life insurance companies (from Plan for Life)

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

18. Market Share Definitions (continued)

New Zealand

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

Bankwest

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

(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.