

Assets & Liabilities Under Management

Total assets under management grew by 4.5% in the 6 months to close at \$27.6 billion.

Continuing growth in retail funds (including AAA Saver) assisted in the funding of growth in key lending segments. The Bank made increased usage of wholesale funding lines as a cost effective source of funds, given the intensity of competition for retail funds.

The fall in securitisation reflects the run-off in purchased residential portfolios in line with expected performance.

Growth in Business Lending was impacted by the sale of the rural portfolio during the period. The portfolio amounted to approximately \$160 million.

Loans Under Management

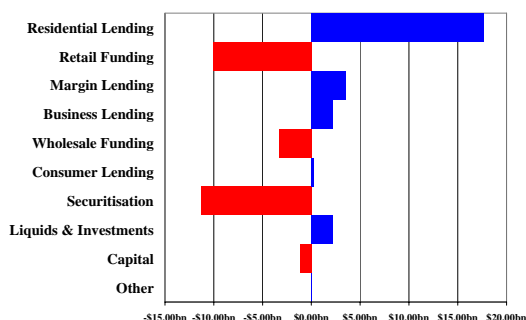
Loans under management grew by \$1.5 billion during the period, an annualised rate of growth of 13.1%.

Annualised growth rates for individual portfolios were:

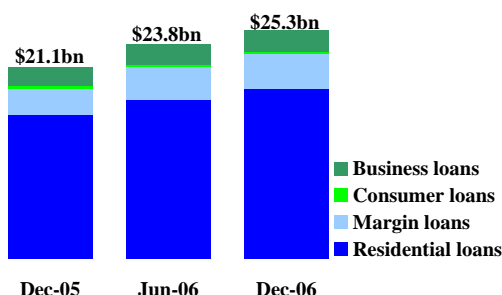
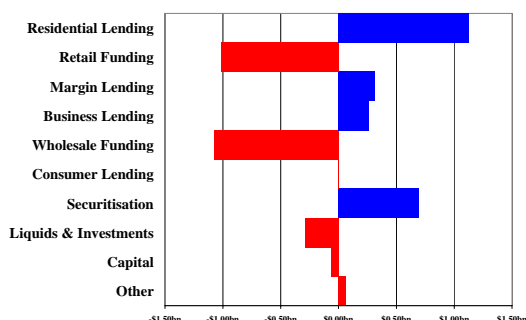
Mortgage loans	12.7%
Business loans	8.0%
Margin loans	17.5%

Assets & Liabilities Under Management at 31 December 2006

Total assets per balance sheet	\$27.3bn
Additional Portfolio Funding loans under management	\$0.3bn
Total assets under management	\$27.6bn

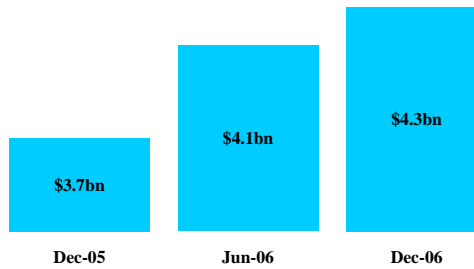


Movements for Period



Residential Loan Approvals

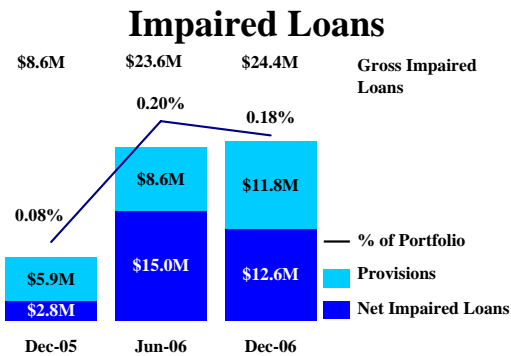
The Bank maintained its focus on ensuring the profitability of new lending with home loan approvals at a level consistent with the previous six months.



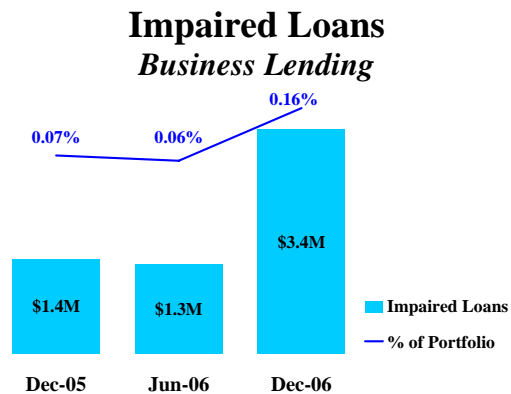
Asset Quality

Impaired loans increased by \$0.8 million to \$24.4 million.

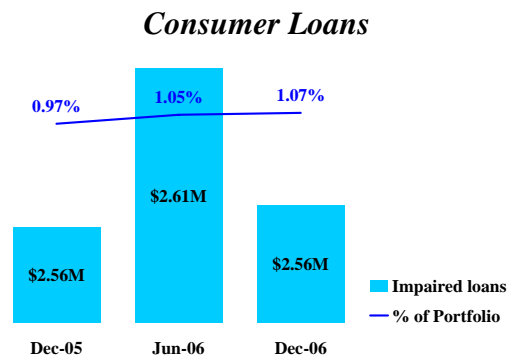
Total impaired loans represented 0.18% of gross loans.



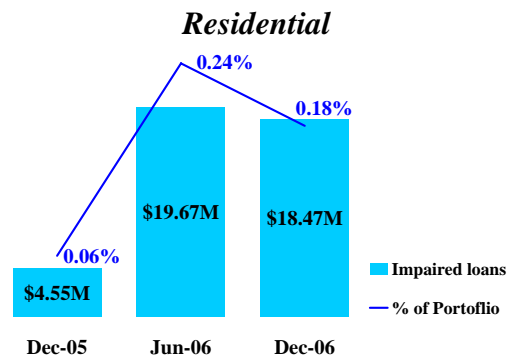
Impaired loans lifted to 0.16% of the portfolio. There were only five Business Lending loans in non-accrual status at the end of December.



Impaired consumer loans remained at normal levels over the period, with the percentage rising primarily as a result of shrinkage of the portfolio.



The percentage and dollar value of residential impaired loans fell over the period.



Non-securitised residential accruing loans past due 90 days and over increased from 0.77% in June 2006 to 0.84%. Adjusted for product and channel mix, this trend is in line with general trends reported by the rating agencies.

Arrears levels for standard documentation loans have trended to more historical levels, with 0.64% of loans past due 90 days and over (up from 0.53% in June 2006). Levels for Lo Doc loans have lifted from 1.3% to 1.4%. Lo Doc loans are less likely to suffer losses due to lower loan-to-valuation ratios.

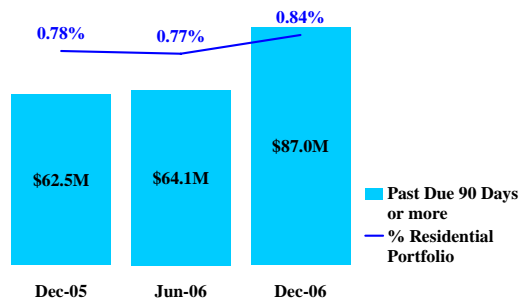
The Bank is confident that its record in achieving a low level of write-offs will continue in spite of the lift in the level of loans in arrears.

The quality of the Bank's portfolio remains strong, with only 6 non-securitised mortgage loans in arrears for 90 days or more, having a loan-to-historic-valuation ratio of greater than 85% and not subject to Lender's Mortgage Insurance.

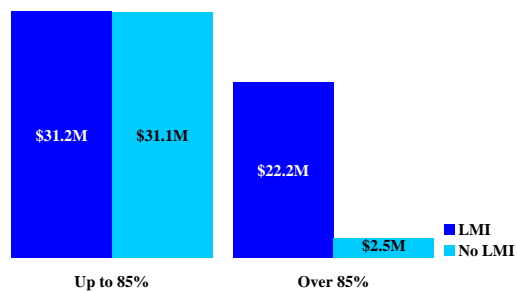
Based upon current valuations for these loans no significant loss is expected.

The collective impairment provision (other) and the general reserve totalled \$49.4 million on a post-tax basis at 31 December 2006, representing 0.51% of risk weighted assets.

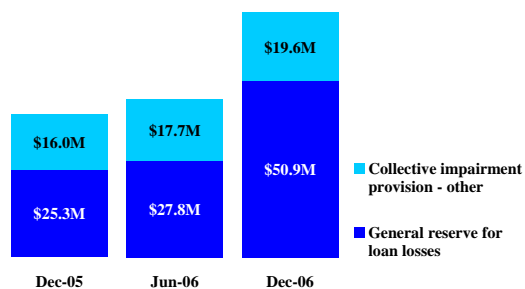
Residential Past Due 90 Days & Over



Residential Past Due 90 Days & Over by LVR & LMI Status



Provisions (Pre-tax basis)



Bad & Doubtful Debts Expense / General Reserve Movement

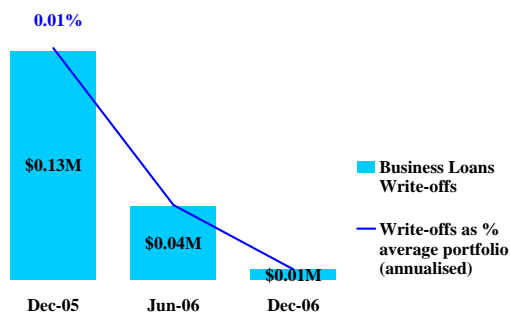
	Half Year	Half Year	Change		Half Year	Change	
	Dec-06	Dec-05	\$M	%	Jun-06	\$M	%
Bad debts written off	3.6	2.8	0.8	27%	3.1	0.5	16%
Release of Provision	(1.5)	(0.7)	(0.8)	117%	(1.1)	(0.4)	36%
Specific provisions	4.8	2.2	2.5	113%	3.9	0.9	23%
Bad debts recovered	(0.6)	(0.3)	(0.3)	74%	(1.0)	0.4	(39%)
Net Specific Provision charge to Profit and Loss	6.3	4.0	2.2	55%	4.9	1.4	28%
Collective Impairment Provision	1.9	1.1	0.7	65%	1.8	0.1	5%
Total per Profit & Loss	8.1	5.2	2.9	57%	6.7	1.4	22%
General Reserve movement (pre-tax)	3.6	0.8	2.8	342%	2.4	1.1	47%
Bad & Doubtful Debts Expense/ General Reserve Movement	11.7	6.0	5.7	96%	9.1	2.6	28%

Expressed as a percentage of total non-securitised loans, net specific provision charges to Profit & Loss remained stable at 0.04%, with the collective impairment provision to Profit and Loss remaining stable at 0.01%.

Bad Debt Write-Offs

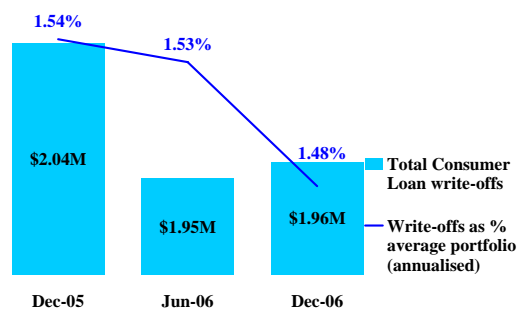
Business Banking write-offs remained at low levels.

Business Banking



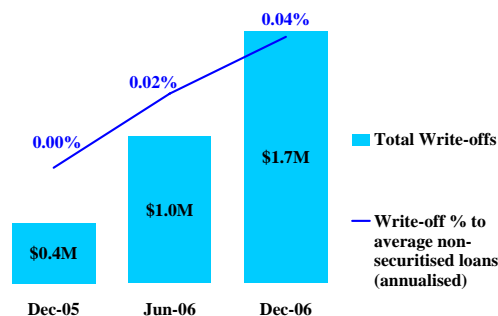
Consumer loan write-offs fell during the period both in terms of absolute dollars and as a percentage.

Consumer Lending



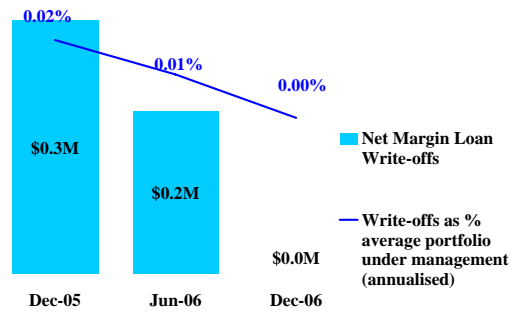
Residential loan write-offs lifted during the period from unsustainably low levels.

Residential Loans



No Margin Loan write-offs were required during the period, reflecting the sound credit and operational risk controls in force within the business.

Margin Lending

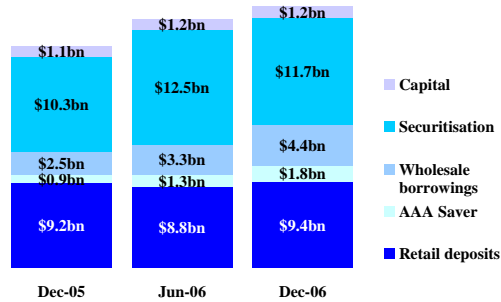


Funding

Overall retail funding grew by \$1.1 billion, with AAA Saver increasing by \$0.5 billion and other retail deposits increasing by \$0.6 billion.

During the year wholesale funding provided a more cost effective source of funding and the Bank adjusted its strategy accordingly.

Sources of Funding

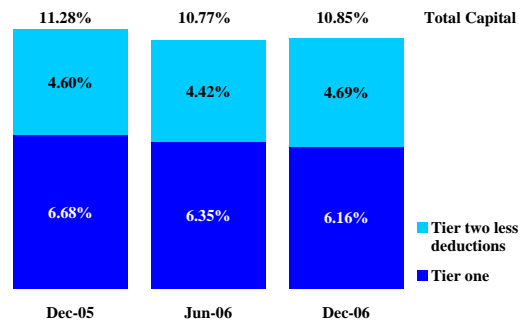


Capital

The Tier 1 ratio remains strong.

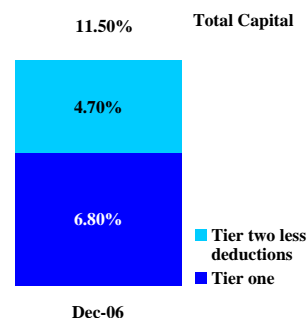
In July 2006, the Bank executed an innovative securitisation transaction that removed \$36.5 million of the Bank's capitalised costs from the balance sheet for capital adequacy purposes.

The Bank currently has transitional relief from APRA totalling \$66 million in respect of changes relating to the introduction of AIFRS.



Impact of deduction of capitalised intermediary payments

The Bank has currently removed \$36.5 million via securitisation. If these costs were totally removed the restated capital adequacy would be as shown in the chart opposite.

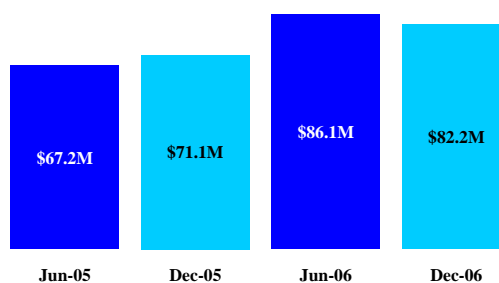


Profitability

	Half Year	Half Year	Change		Half Year	Change	
	Dec-06	Dec-05	\$M	%	Jun-06	\$M	%
Net interest income	135.3	127.4	7.9	6.2%	129.7	5.6	4.3%
Other income	34.8	29.3	5.6	19.1%	32.4	2.5	7.7%
Total operating income	170.1	156.7	13.4	8.6%	162.1	8.0	5.0%
Operating expenses	87.9	85.5	2.3	2.7%	76.0	11.9	15.6%
Underlying earnings	82.2	71.1	11.1	15.6%	86.1	(3.8)	(4.4%)
Amortisation of acquisition costs	3.5	3.5	0.0	0.0%	3.5	0.0	0.0%
Bad & doubtful debts	8.1	5.2	3.0	57.2%	6.7	1.4	21.7%
Profit before tax and significant item	70.6	62.4	8.2	13.1%	75.9	(5.3)	(6.9%)
Income tax	22.8	21.1	1.7	8.2%	22.8	(0.0)	(0.2%)
Profit after tax before significant item	47.8	41.4	6.4	15.5%	53.0	(5.2)	(9.8%)
Significant item after tax gain/(loss)	(4.6)	0.0	(4.6)	n.a.	0.0	(4.6)	n.a.
Step up preference share dividends	(2.8)	(2.6)	(0.2)	6.2%	(2.6)	(0.2)	7.0%
	40.5	38.8	1.7	4.3%	50.5	(10.0)	(19.8%)
Add: Significant item after tax gain/(loss)	4.6	0.0	4.6	n.a.	0.0	4.6	n.a.
Amortisation of acquisition costs	3.5	3.5	0.0	0.0%	3.5	0.0	0.0%
	48.6	42.3	6.3	14.8%	54.0	(5.4)	(10.0%)
Less: Movement in general reserve	2.5	0.6	1.9	342.2%	1.7	0.8	46.6%
Profit after tax on a comparable cash basis	46.1	41.8	4.3	10.4%	52.3	(6.2)	(11.8%)

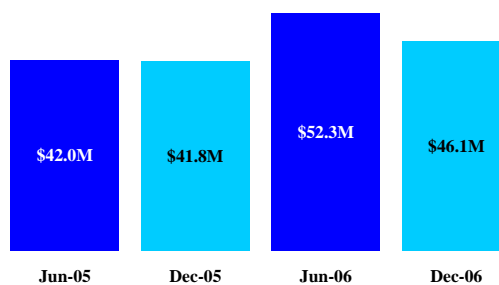
Underlying Earnings

Underlying earnings lifted to \$82.2 million, a 16% increase on the result for the December 2005 half year.



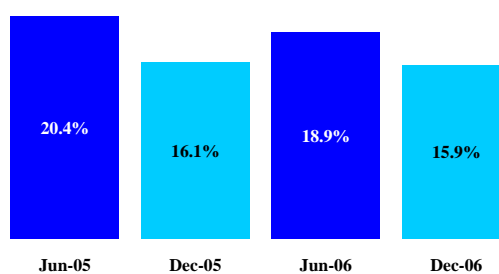
Profit After Tax on a Comparable Cash Basis

Continued growth allowed the Bank to deliver profit after tax on a comparable cash basis of \$46.1 million, an increase of \$4.3 million (10%) on the December 2005 half year.



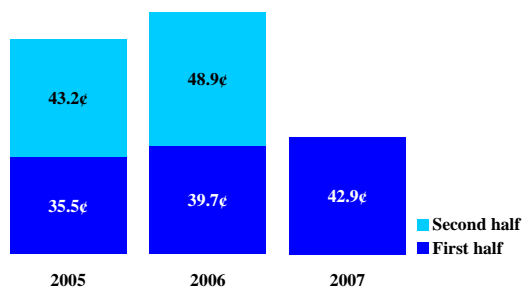
Return on Equity (Cash Basis- excluding significant item)

The Bank delivered a return on ordinary equity (prior to amortisation of acquisition costs) of 15.91% which was in line with the Dec 2005 half year.

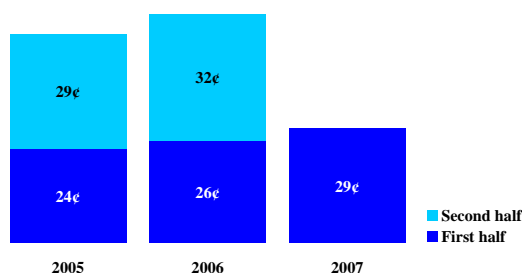


Earnings Per Share (Cash Basis- excluding significant item)

Increased profitability translated into fully diluted cash earnings per share (prior to amortisation of acquisition costs and after general reserve movement) of 42.87 cents, up from 39.7 cents in December 2005 – an increase of 8.0%. As a consequence the Bank has lifted its interim dividend by three cents (12% increase) to 29cents per share.

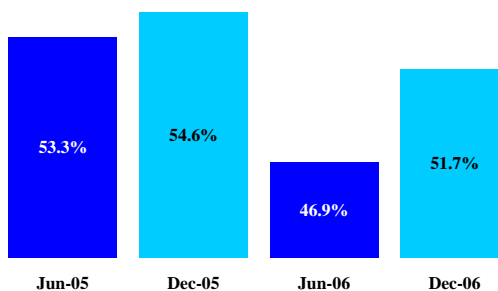


Dividends Per Share



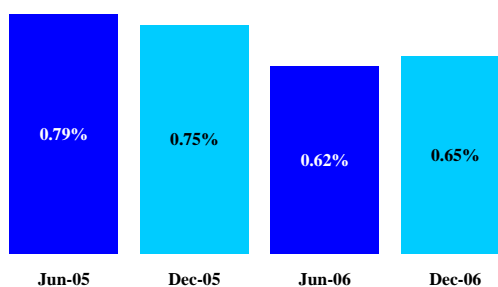
Cost to Income (excluding significant item)

The cost to income ratio continued to improve on a year-on-year basis.

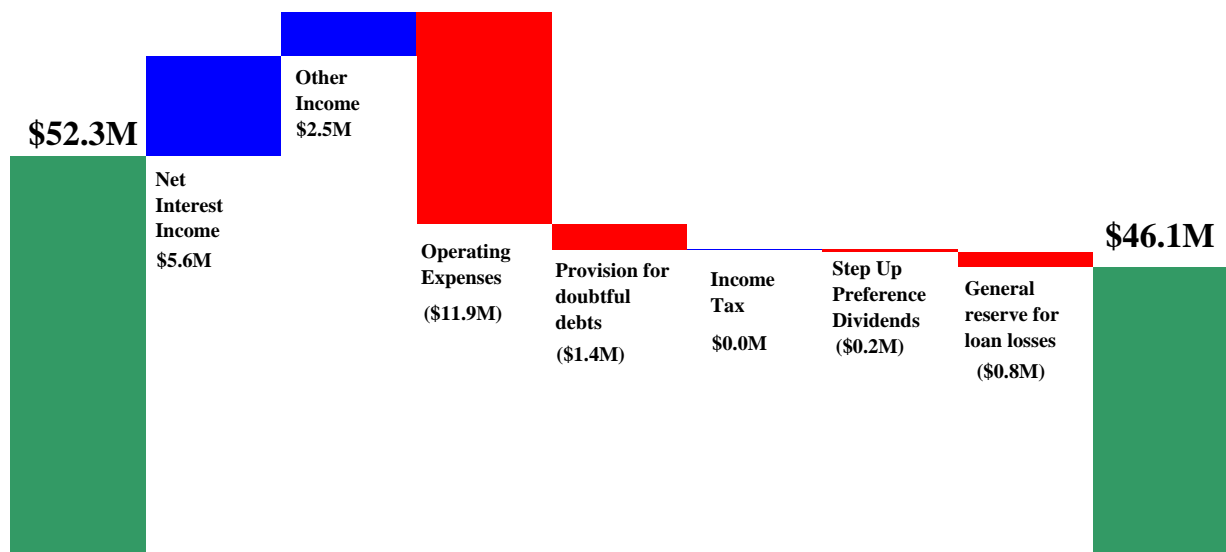


Cost to Assets

The cost to assets ratio fell on a year-on-year basis, consolidating the Bank's position at the leading edge of performance for Australian retail banks.

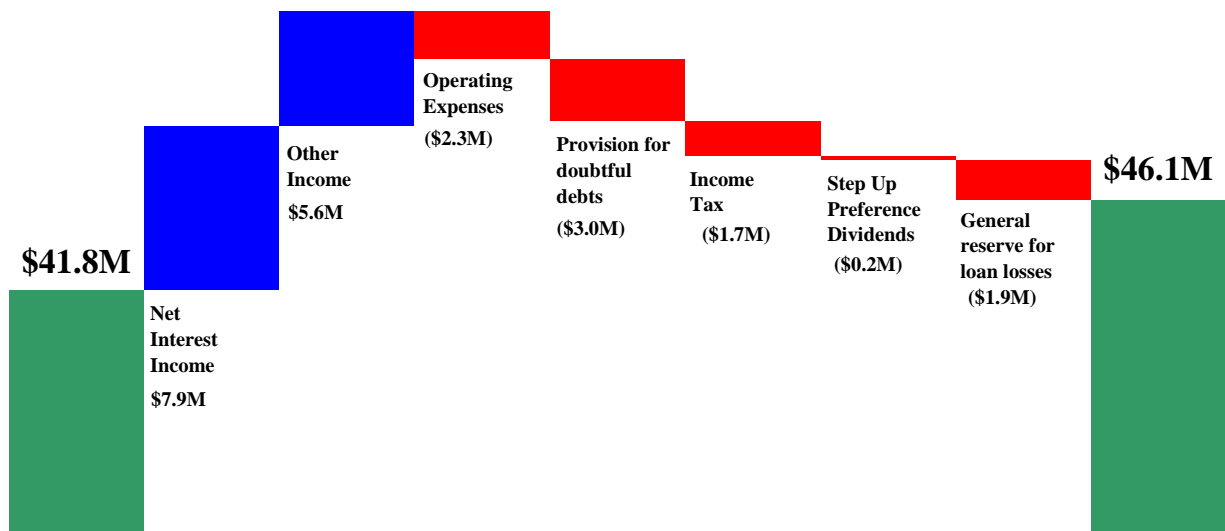


The following charts show the contributing factors to the movement of profit between December 2005 and 2006, and June and December 2006. Comments on individual components follow.



Profit after tax on a comparable cash basis June 2006

Profit after tax on a comparable cash basis December 2006



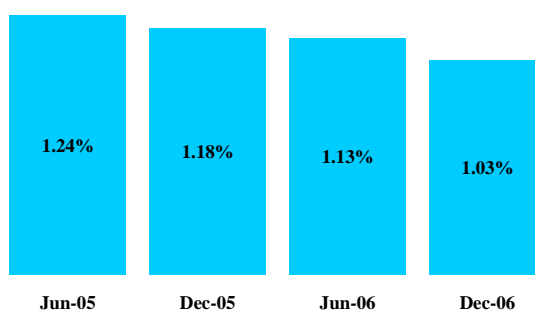
Profit after tax on a comparable cash basis December 2005

Profit after tax on a comparable cash basis December 2006

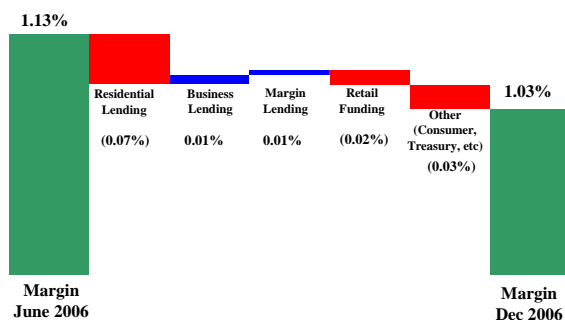
Net Interest Income

The margin fell by ten basis points over the period.

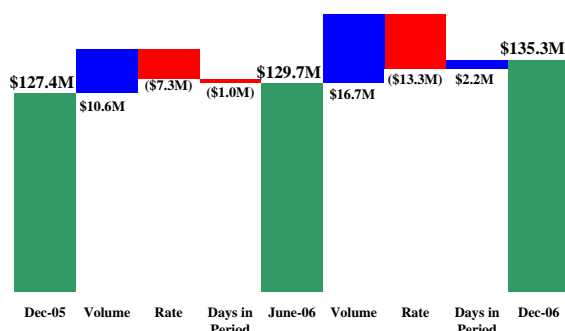
Margin



The chart opposite shows the combined impact of volume and rate changes in various business segments on the overall margin. The Residential Lending business was impacted by the repricing of Lo Doc loans following intense competition in the market. Volume and margin growth in Margin Lending and Business Lending partly offset the fall in Residential Lending.



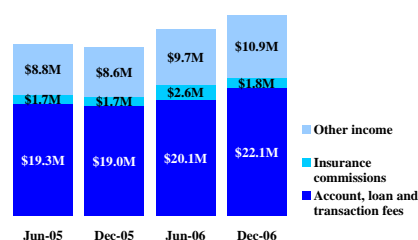
The chart opposite shows the movement in net interest income over the past two half-years and highlights the impact of faster than expected loan repricing in the most recent half.



Other Income

	Half Year	Half Year	Change		Half Year	Change	
	Dec-06	Dec-05	\$M	%	Jun-06	\$M	%
Loan fees	12.0	9.4	2.6	27.3%	10.6	1.4	13.1%
Transaction & account-keeping fees	10.1	9.5	0.6	6.3%	9.5	0.7	7.1%
Other income	9.1	6.8	2.4	35.2%	7.9	1.2	15.1%
Visa income	1.8	1.8	(0.0)	(2.0%)	1.7	0.1	4.3%
Insurance commissions	1.8	1.7	0.1	3.3%	2.6	(0.8)	(32.4%)
Total	34.8	29.3	5.6	19.1%	32.4	2.5	7.7%

Other income grew by 19.1% on a year-on-year basis to \$34.8 million. Growth in loan fees (as a result of increased loan volumes) and fees for funds under management accounted for the majority of the increase.



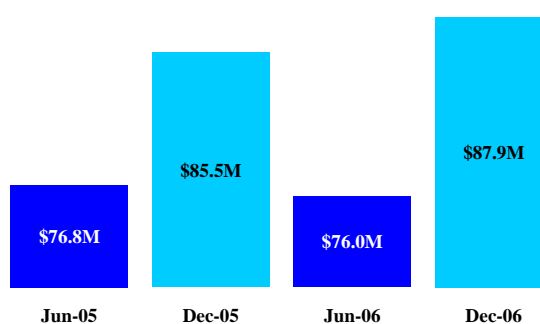
Operating Costs

	Half Year	Half Year	Change		Half Year	Change	
	Dec-06	Dec-05	\$M	%	Jun-06	\$M	%
Staff expenses	54.8	53.5	1.4	2.6%	45.0	9.9	22.0%
Occupancy expenses	4.5	4.5	0.0	0.7%	4.6	(0.0)	(0.9%)
Technology costs	6.0	6.0	(0.0)	(0.2%)	6.2	(0.3)	(4.0%)
Depreciation & amortisation	4.0	3.2	0.7	23.0%	3.5	0.5	13.9%
Communications, printing & stationary	3.9	4.3	(0.3)	(7.3%)	4.1	(0.2)	(4.6%)
Professional fees	7.8	6.7	1.1	17.0%	7.7	0.1	1.6%
Other	6.8	7.4	(0.6)	(8.3%)	4.9	1.9	37.8%
Total	87.9	85.5	2.3	2.7%	76.0	11.9	15.6%

Operating Costs

Operating costs rose by 2.7% on a year-on-year basis, reflecting sound cost control within the Bank's operations.

It is important to note that the Bank continues to ensure that costs grow at a lower rate than both loans under management and operating income. This ensures continuing improvement in the Bank's cost to asset and cost to income ratios.



Comments on individual items are:

- **Staff expenses** grew by 2.6% year-on-year with reductions in staffing levels partly offsetting the impact of pay increases under the Bank's Enterprise Bargaining Agreement.

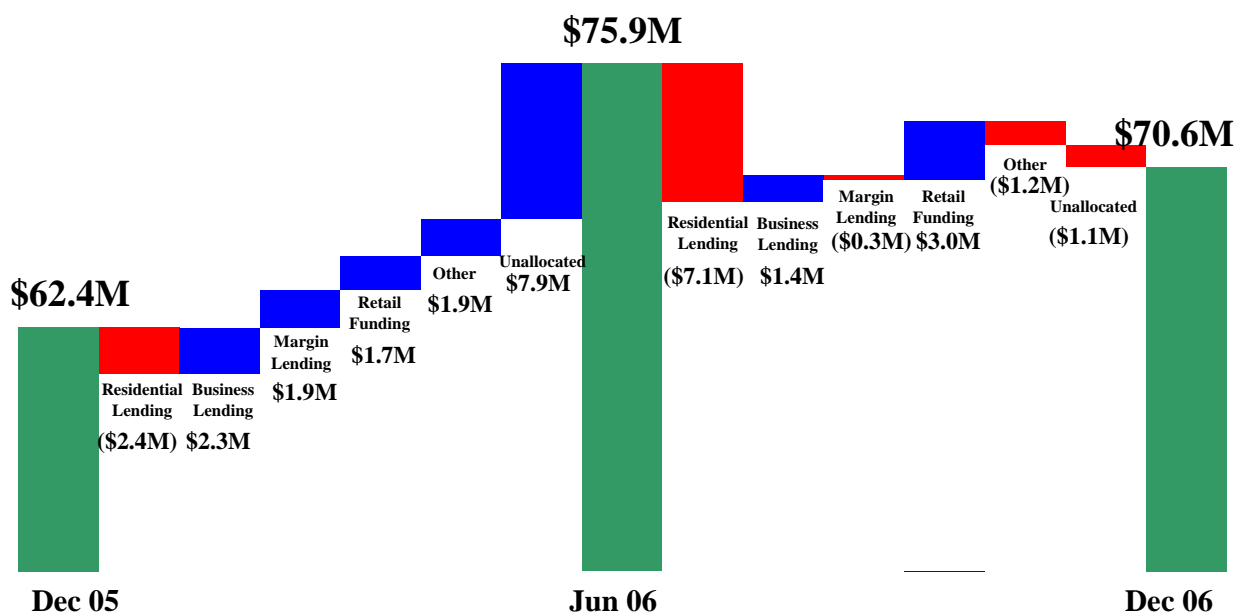
Closing FTE staff numbers fell by 61 over the year. The fall was primarily as a result of the Bank achieving efficiencies in its Processing Centre.

- **Occupancy expenses** grew by only 0.7%.
- **Technology costs** remained stable, while increases in technology investment are reflected in increased depreciation and amortisation costs.
- **Depreciation and amortisation** rose by 23.0% primarily as a result of increased investment in software and technology.
- **Communications, printing and stationary** expenses were well controlled with a fall of 7.3%.
- **Professional fees** rose by 17.0% largely reflecting an increased level of legal fees, partly due to outsourcing of certain components of loan origination.
- **Other expenses** fell by 8.3%.

Segment Results

	Half Year	Half Year	Change		Half Year	Change	
	Dec-06	Dec-05	\$M	%	Jun-06	\$M	%
Residential Lending	22.6	32.1	(9.5)	(29.6%)	29.7	(7.1)	(23.9%)
Business Lending	16.5	12.7	3.7	29.3%	15.1	1.4	9.3%
Margin Lending	15.7	14.0	1.7	12.0%	16.0	(0.3)	(1.6%)
Retail Funding	20.8	16.0	4.7	29.6%	17.7	3.0	17.0%
Other	4.4	3.7	0.6	17.3%	5.6	(1.2)	(21.9%)
Unallocated	(9.3)	(16.2)	6.8	(42.2%)	(8.2)	(1.1)	13.5%
Total	70.6	62.4	8.2	13.1%	75.9	(5.3)	(6.9%)

Contribution to Profit (%)	Half Year	Half Year	Half Year
	Dec-06	Dec-05	Jun-06
Residential Lending	28%	41%	35%
Business Lending	21%	16%	18%
Margin Lending	20%	18%	19%
Retail Funding	26%	20%	21%
Other	6%	5%	7%

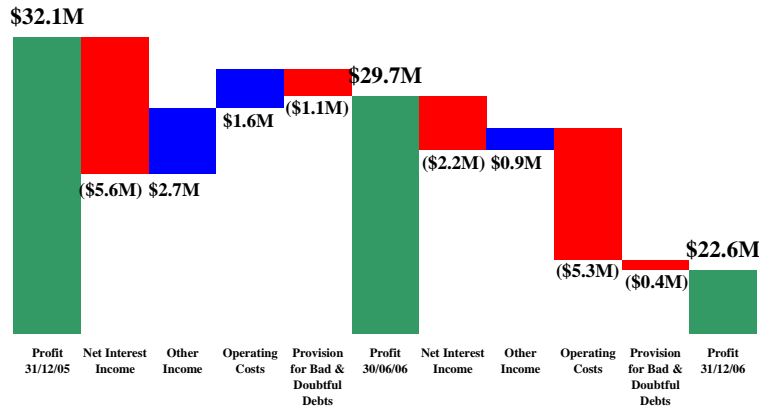


The Bank's continued diversification of its business more than compensated for reduced profitability in Residential Lending. The Bank has previously stated that it expects the contribution from Residential Lending to fall as a share of total earnings as other segments of the business grow at a faster rate.

Residential Lending

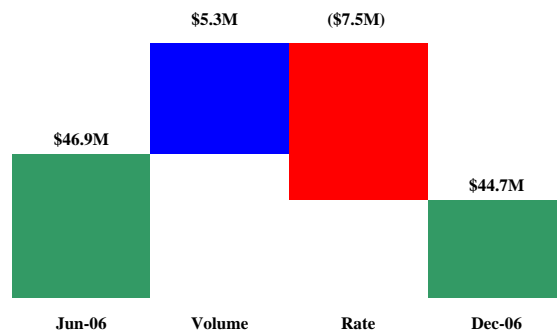
Residential lending	Half Year	Half Year	Change		Half Year	Change	
	Dec-06	Dec-05	\$M	%	Jun-06	\$M	%
Net interest income	44.7	52.5	(7.8)	(14.9%)	46.9	(2.2)	(4.7%)
Other income	15.1	11.5	3.6	30.9%	14.2	0.9	6.0%
Total Income	59.8	64.0	(4.2)	(6.6%)	61.1	(1.3)	(2.2%)
Operating Costs	33.6	29.9	3.8	12.5%	28.3	5.3	18.9%
Underlying Earnings	26.1	34.1	(8.0)	(23.4%)	32.8	(6.7)	(20.4%)
Provision for Bad & Doubtful Debts	3.5	2.0	1.5	73.8%	3.1	0.4	12.9%
Contribution Before Tax	22.6	32.1	(9.5)	(29.6%)	29.7	(7.1)	(23.9%)

Average Assets Under Management	18,088	14,955	16,257
Net Interest Margin	0.49%	0.70%	0.57%
Cost to Income	56.31%	46.71%	46.32%
Cost to Assets	0.37%	0.40%	0.35%



Solid growth in loans under management gave a significant boost to net interest income, but this was offset by a reduction in margin resulting from loan repricing and changes in product mix during the period.

Net Interest Income



Other income increased primarily as a result of increases in the level of up-front fees on loans as a result of increased lending activity compared with the same period in 2005.

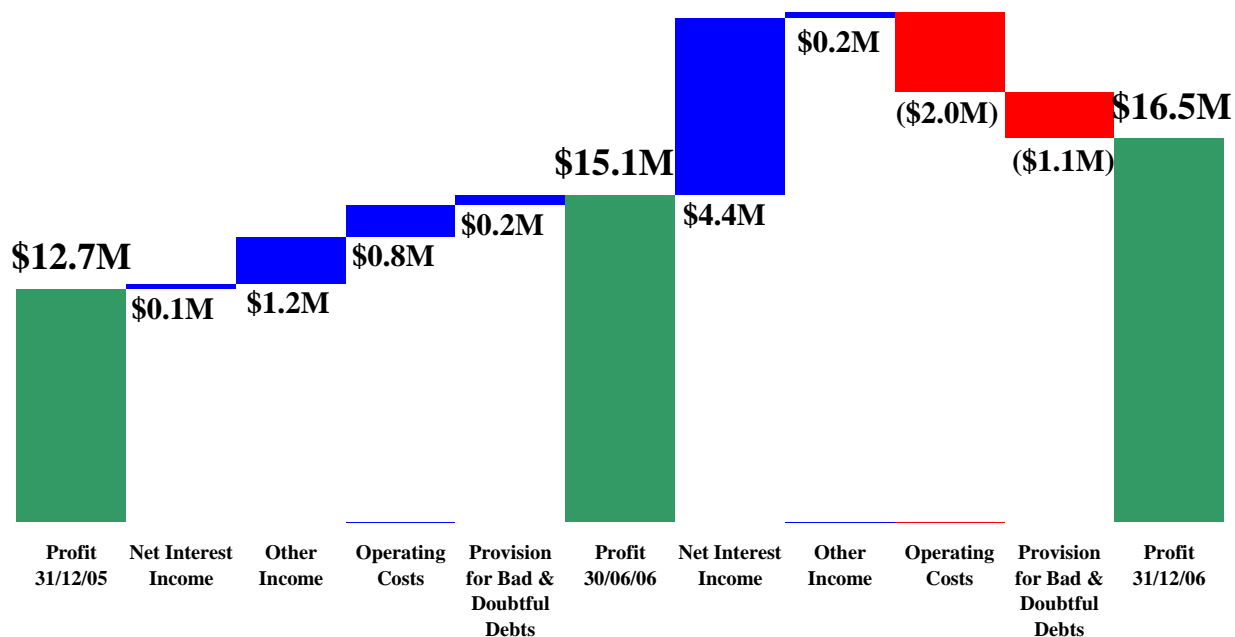
Cost increases also reflect increased lending activity compared with the same period in 2005 and a shift to an increased level of approvals through Brokers, where the Bank bears the cost of managing the loan but also retains the fee income.

The lift in the provision for bad and doubtful debts relates to the increase in the size of the loan portfolio with the provision representing 0.3% of the closing portfolio, stable with 2005 and down on the 0.4% charge in June 2006.

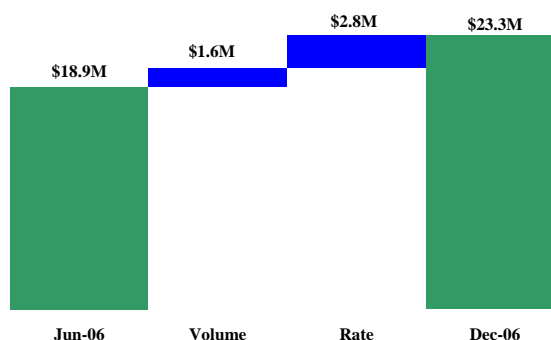
Business Lending

Business lending	Half Year	Half Year	Change		Half Year	Change	
	Dec-06	Dec-05	\$M	%	Jun-06	\$M	%
Net interest income	23.3	18.8	4.5	23.9%	18.9	4.4	23.0%
Other income	3.4	2.0	1.3	64.0%	3.2	0.2	4.9%
Total Income	26.7	20.9	5.8	27.8%	22.1	4.5	20.4%
Operating Costs	9.0	7.8	1.2	14.9%	7.0	2.0	28.1%
Underlying Earnings	17.6	13.0	4.6	35.6%	15.1	2.5	16.8%
Provision for Bad & Doubtful Debts	1.2	0.3	0.9	308.2%	0.1	1.1	1,998.2%
Contribution Before Tax	16.5	12.7	3.7	29.3%	15.1	1.4	9.3%

Average Assets Under Management	2,128	1,977	1,963
Net Interest Margin	2.18%	1.90%	1.93%
Cost to Income	33.79%	37.59%	31.76%
Cost to Assets	0.84%	0.79%	0.72%



Net Interest Income



Sound growth in the portfolio, even after sale of the rural portfolio (totalling \$160 million), gave a boost to net interest income, with increasing margins and a changing product mix also contributing to the increase.

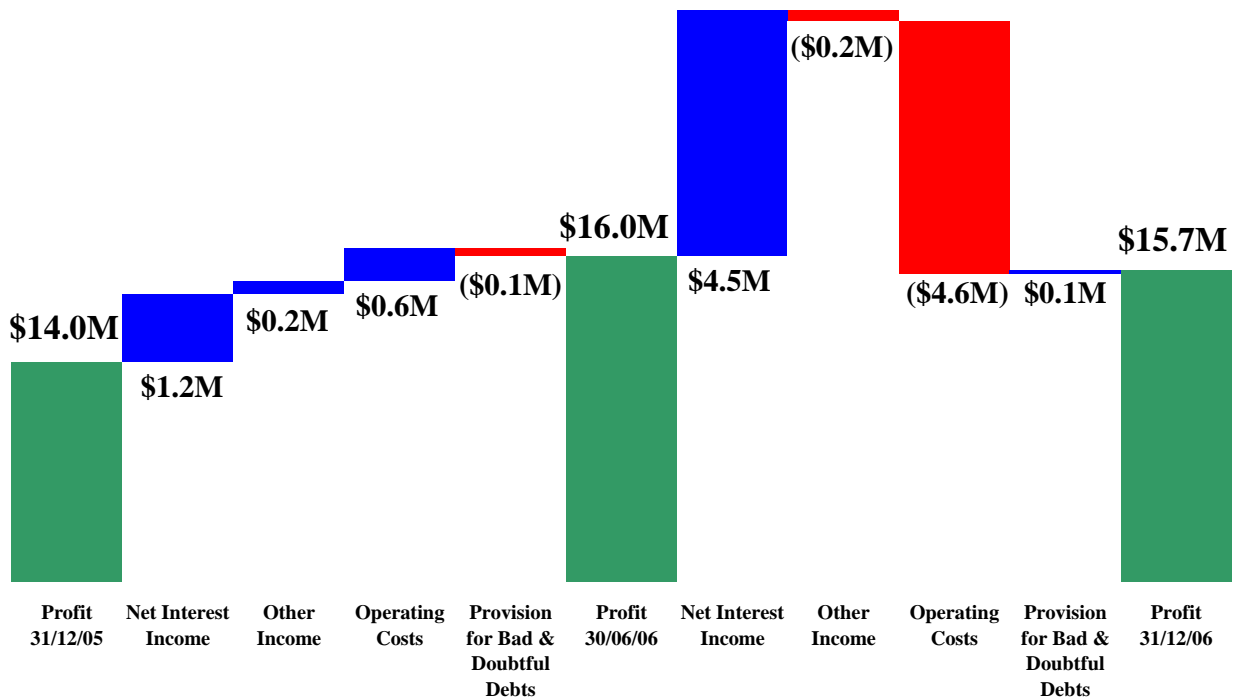
The Portfolio Funding business provided a solid contribution to growth, with funds under management growing to \$1.3 billion at 31 December 2006.

Credit quality remains sound, with only five Business Banking loans classified as non-accrual, totalling \$3.4 million, which represents 0.16% of total loans.

Margin Lending

Margin lending	Half Year	Half Year	Change		Half Year	Change	
	Dec-06	Dec-05	\$M	%	Jun-06	\$M	%
Net interest income	29.0	23.2	5.7	24.7%	24.5	4.5	18.4%
Other income	0.2	0.2	0.0	26.1%	0.4	(0.2)	(45.8%)
Total Income	29.2	23.4	5.8	24.7%	24.9	4.3	17.3%
Operating Costs	13.5	9.5	4.0	42.7%	8.9	4.6	52.4%
Underlying Earnings	15.7	14.0	1.8	12.6%	16.0	(0.3)	(2.1%)
Provision for Bad & Doubtful Debts	0.0	(0.1)	0.1	(100.0%)	0.1	(0.1)	(100.0%)
Contribution Before Tax	15.7	14.0	1.7	12.0%	16.0	(0.3)	(1.6%)

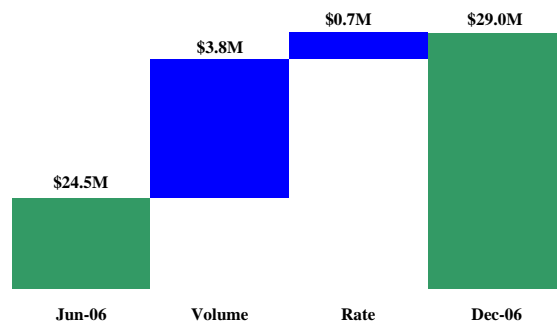
Average Assets Under Management	3,707	2,794	3,212
Net Interest Margin	1.56%	1.66%	1.52%
Cost to Income	46.20%	40.39%	35.57%
Cost to Assets	0.72%	0.67%	0.56%



Net Interest Income

The business experienced an increase in margin over the year. The margin has stabilised over the past six months. The majority of the increase was as a result of portfolio growth.

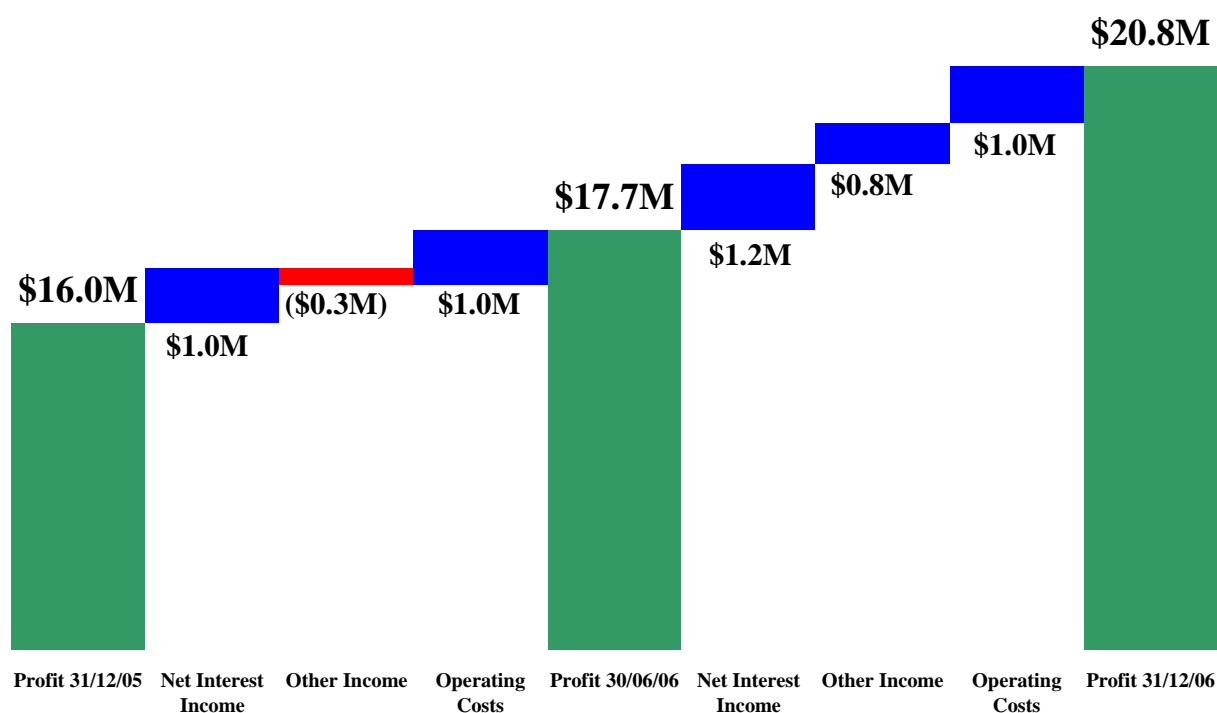
Cost increases are predominantly due to increased investment in technology.



Retail Funding (excluding AAA Saver)

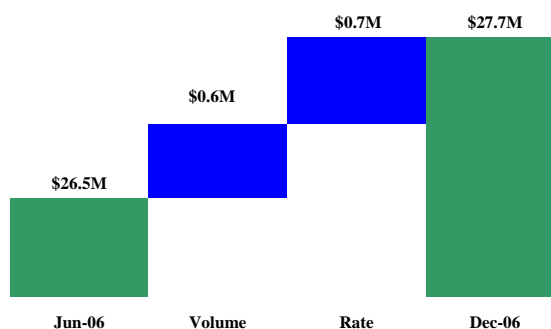
Retail Funding	Half Year	Half Year	Change		Half Year	Change	
	Dec-06	Dec-05	\$M	%	Jun-06	\$M	%
Net interest income	27.7	25.5	2.2	8.7%	26.5	1.2	4.5%
Other income	5.5	5.0	0.5	9.2%	4.7	0.8	16.4%
Total Income	33.2	30.5	2.7	8.8%	31.2	2.0	6.3%
Operating Costs	12.4	14.5	(2.1)	(14.2%)	13.5	(1.0)	(7.8%)
Underlying Earnings	20.8	16.0	4.7	29.6%	17.7	3.0	17.0%
Provision for Bad & Doubtful Debts	0.0	0.0	0.0	n.a.	0.0	0.0	n.a.
Contribution Before Tax	20.8	16.0	4.7	29.6%	17.7	3.0	17.0%

Average Funds Under Management	9,050	9,363	8,866
Net Interest Margin	0.61%	0.54%	0.60%
Cost to Income	37.46%	47.51%	43.19%
Cost to Assets	0.27%	0.31%	0.31%



Net Interest Income

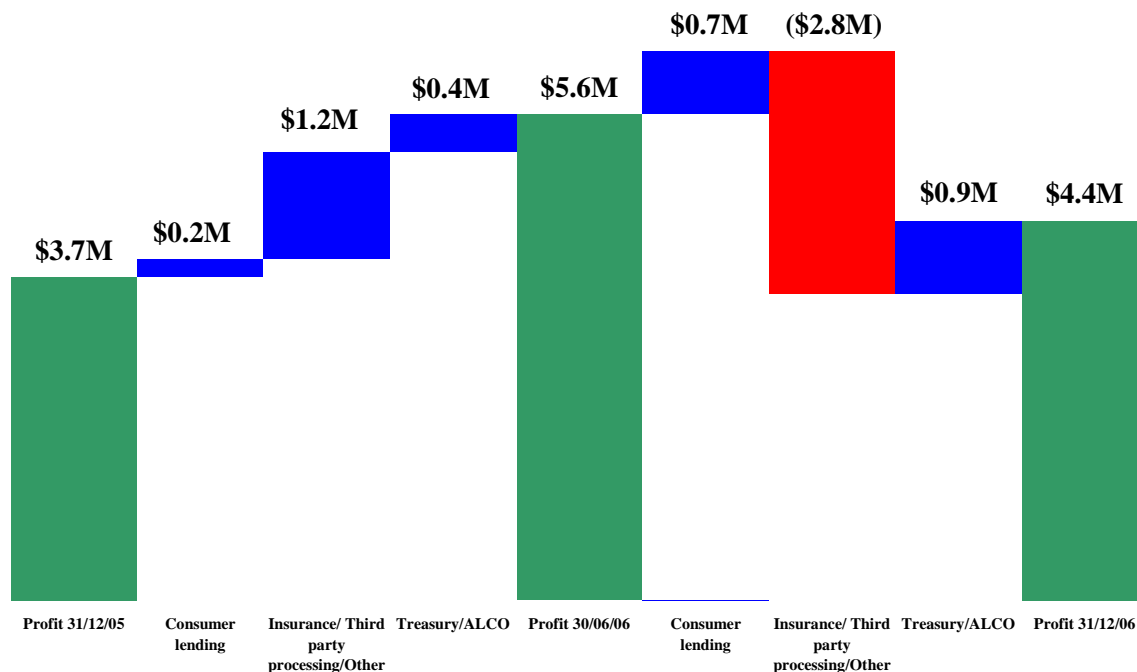
Continuing growth in retail funding, accompanied by a stable margin, resulted in growth in net interest income.



Operating costs fell as a result of a reduction in the level of systems development activities in relation to deposits during the year and a reduced level of promotional costs.

Other

Other	Half Year	Half Year	Change		Half Year	Change	
	Dec-06	Dec-05	\$M	%	Jun-06	\$M	%
Consumer lending	0.0	(0.9)	0.9	(101.8%)	(0.7)	0.7	(102.4%)
Insurance/ Third party processing/Other	0.3	1.8	(1.6)	(85.9%)	3.1	(2.8)	(91.6%)
Treasury/ALCO	4.1	2.8	1.3	45.3%	3.3	0.9	26.0%
Total	4.4	3.7	0.6	17.3%	5.6	(1.2)	(21.9%)



Consumer lending comprises term loans and credit cards with a portfolio totalling \$240 million at the end of December 2006. The Bank is not actively pursuing growth in consumer lending as it does not believe that growth can be justified on a risk/return basis.

The Bank acts as a commission agent for the sale of various general and consumer insurance products.

Third party processing profit is derived from the processing of loans on behalf of GE Money, Homeloans Ltd and UBS.

Treasury/ALCO is responsible for managing the Bank's liquidity, wholesale funding and securitisation operations. Treasury does not undertake trading operations and all liquids are independently marked to market on a daily basis.