Financial Report (U.S Version)
Year Ended 30 June 2011

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The Commonwealth Bank of Australia Financial Report (U.S Version) – Year Ended 30 June 2011, which contains the financial statements for the year ended 30 June 2009, 2010 and 2011 and as of 30 June 2010 and 2011 (the "2011 Financial Report") should be read in conjunction with:

- The Commonwealth Bank of Australia Financial Report (U.S Version)- Year Ended 30 June 2010, which contains the Financial Statements for the years ended 30 June 2008, 2009 and 2010 and as at 30 June 2009 and 2010 (the "2010 Financial Report");
- The Commonwealth Bank of Australia Basel II Pillar 3 Capital Adequacy and Risk Disclosures as at 30 June 2011; and
- The announcement titled "Recent Developments, Commonwealth Bank announces retirement of Ralph Norris and appoints Ian Narev as Chief Executive Officer, dated 22 July 2011";

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

Directors' Report

The Directors of the Commonwealth Bank of Australia submit their report, together with the financial report of the Commonwealth Bank of Australia (the Bank) and of the Group, being the Bank and its controlled entities, for the year ended 30 June 2011.

The names of the Directors holding office during the financial year are set out below, together with details of Directors' experience, qualifications, special responsibilities and organisations in which each of the Directors have declared an interest.

David J Turner, Chairman

Mr Turner was appointed to the Board in August 2006 and has been Chairman since February 2010. He is Chairman of the Board Performance and Renewal Committee and a member of the Risk Committee and the People & Remuneration Committee.

Mr Turner has extensive experience in finance, international business and governance. He was Chairman of Cobham plc from May 2008 until May 2010. He was CEO of Brambles Limited from October 2003 until his retirement in June 2007 and formerly CFO from 2001 to 2003. He was also Finance Director of GKN plc, Finance Director of Booker plc and spent six years with Mobil Oil.

Mr Turner has also been a Non Executive Director of Whitbread plc, Director of the Iron Trades Insurance Group and Member of the Quotations Committee of the London Stock Exchange.

Director: Great Barrier Reef Foundation and O'Connell Street Associates.

Other Interests: Institute of Chartered Accountants in England and Wales (Fellow).

Mr Turner is a resident of New South Wales. Age 66.

Ralph J Norris, KNZM, Managing Director and Chief Executive Officer

Mr Norris was appointed as Managing Director and Chief Executive Officer effective September 2005. From 2002, Mr Norris was Chief Executive Officer and Managing Director of Air New Zealand having been a Director of that Company since 1998. He retired from that Board in 2005 to take up his position with the Group. He is a member of the Risk Committee.

Mr Norris has a 30 year career in Banking. He was Chief Executive Officer of ASB Bank Limited from 1991 until 2001 and Head of International Financial Services from 1999 until 2001.

In 2005, Mr Norris retired from the Board of Fletcher Building Limited where he had been a Director since 2001.

Chairman: Australian Bankers' Association and Comm-Foundation Pty Limited.

Director: Business Council of Australia and Financial Markets Foundation for Children.

Other Interests: New Zealand Institute of Management (Fellow) and New Zealand Computer Society (Fellow).

Mr Norris is a resident of New South Wales. Age 62.

Sir John A Anderson, KBE

Sir John joined the Board in March 2007. He is a member of the Risk Committee and Board Performance and Renewal Committee. Sir John is a highly respected business and community leader, having held many senior positions in the New Zealand finance industry including Chief Executive Officer and Director of ANZ National Bank Limited from 2003 to 2005 and the National Bank of New Zealand Limited from 1989 to 2003.

In 1994, Sir John was awarded Knight Commander of the Civil Division of the Order of the British Empire, and in 2005 received the inaugural Blake Medal for "Outstanding Leadership Contributions to New Zealand".

Chairman: Television New Zealand Limited, New Zealand Venture Investment Fund, National Property Trust Limited and PGG Wrightson Limited.

Other Interests: Institute of Financial Professionals New Zealand (Fellow), Institute of Directors (Fellow), New Zealand Institute of Chartered Accountants (Fellow), Australian Institute of Banking and Finance (Life Member).

Sir John is a resident of Wellington, New Zealand. Age 66.

Colin R Galbraith, AM

Mr Galbraith has been a member of the Board since June 2000 and is a member of the Risk Committee, Audit Committee and Board Performance and Renewal Committee. He is a special advisor for Gresham Partners Limited.

Chairman: BHP Billiton Community Trust.

Director: OneSteel Limited and Australian Institute of Company Directors.

Other Interests: CARE Australia (Director) and Royal Melbourne Hospital Neuroscience Foundation (Trustee).

Mr Galbraith is a resident of Victoria. Age 63.

Jane S Hemstritch

Ms Hemstritch was appointed to the Board effective October 2006. She is Chairman of the People & Remuneration Committee and a member of the Risk Committee.

Ms Hemstritch was Managing Director - Asia Pacific for Accenture Limited from 2004 until her retirement in February 2007. In this role, she was a member of Accenture's global executive leadership team and oversaw the management of Accenture's Asia Pacific business portfolio. She holds a Bachelor of Science Degree in Biochemistry and Physiology and has professional expertise in technology, communications, change management and accounting. She also has experience across the financial services, telecommunications, government, energy and manufacturing sectors and in business expansion in Asia.

Director: The Global Foundation, Victorian Opera Company Limited, Tabcorp Ltd and Santos Ltd.

Other Interests: Institute of Chartered Accountants in Australia (Fellow), Institute of Chartered Accountants in England and Wales (Fellow), Australian Institute of Company Directors (Fellow), Chief Executive Women Inc. (Member), Walter and Eliza Hall Institute Financial Sustainability Committee (Member), Council of Governing Members of The Smith Family and CEDA's Policy and Research Committee (Member) and Council of the National Library of Australia (Member).

Ms Hemstritch is a resident of Victoria. Age 57.

Carolyn H Kay

Ms Kay has been a member of the Board since March 2003 and is also a member of the Audit, People & Remuneration and Risk Committees.

Ms Kay holds Bachelor Degrees in Law and Arts and a Graduate Diploma in Management. She has over 25 years of experience in Finance, particularly in International Finance, including working as both a banker and a lawyer at Morgan Stanley, JP Morgan and Linklaters & Paines in London, New York and Australia.

Director: Allens Arthur Robinson, Brambles Industries Limited, Infrastructure NSW and Sydney Institute.

Other Interests: Australian Institute of Company Directors (Fellow) and Chief Executive Women's Inc (Member).

Ms Kay is a resident of New South Wales. Age 50.

Brian J Long

Mr Long was appointed to the Board effective September 2010.

He is a member of the Audit and Risk Committees.

Mr Long retired as a partner of Ernst & Young in June 2010. Until that time he was the Chairman of both the Global Advisory Council and of the Oceania Area Advisory Council. He was one of the firm's most experienced audit partners with over 30 years experience in serving as audit signing partner on major Australian public companies including those in the financial services, property, insurance and media sectors.

Director: Cantarella Bros, Pty Ltd

Chairman: Ten Network Holdings Limited

Other Interests: Institute of Chartered Accountants in Australia (Fellow), Chairman of United Way Australia, Member of Council and Chairman of Audit Committee for each of the National Library of Australia and the University of NSW.

Mr Long is a resident of New South Wales. Age 65.

Andrew M Mohl

Mr Mohl was appointed to the Board effective July 2008 and is a member of the Risk and People & Remuneration Committees.

He has over 30 years of financial services experience. Mr Mohl was Managing Director and Chief Executive Officer of AMP Limited from October 2002 until December 2007.

Mr Mohl's previous roles at AMP included Managing Director of AMP Financial Services and Managing Director and Chief Investment Officer of AMP Asset Management.

Mr Mohl was a former Group Chief Economist, Chief Manager, Retail Banking and Managing Director of ANZ Funds Management at ANZ Banking Group. He began his career at the Reserve Bank of Australia where his roles included Senior Economist and Deputy Head of Research.

Chairman: Federal Government Export Finance and Insurance Corporation.

Director: AMP Foundation.

Other Interests: Coaching services to Chief executives, Member of the Board of Governors for the Committee of Economic Development of Australia, the Advisory Council of the Australian School of Business at the University of New South Wales and the Corporate Council of the European Australian Business Council.

Mr Mohl is a resident of New South Wales. Age 55.

Directors' Report

Fergus D Ryan

Mr Ryan has been a member of the Board since 2000 and is Chairman of the Audit Committee and a member of the Risk Committee.

He has extensive experience in accounting, audit, finance and risk management. He was a senior partner of Arthur Andersen until his retirement in 1999, after 33 years with that firm, including five years as Managing Partner Australasia. Until 2002, he was Strategic Investment Co-ordinator and Major Projects Facilitator for the Commonwealth Government.

Director: Australian Foundation Investment Company Limited, and Centre for Social Impact.

Other Interests: Chairman of the Advisory Council of the Global Foundation, Committee for Melbourne (Counsellor) and Pacific Institute (Patron).

Mr Ryan is a resident of Victoria. Age 68.

Harrison H Young

Mr Young has been a member of the Board since February 2007. He is Chairman of the Risk Committee and a member of the Audit Committee.

From 2003 to 2007, Mr Young was Chairman of Morgan Stanley Australia, and from 1997 to 2003 Vice Chairman of Morgan Stanley Asia. Prior to that, he spent two years in Beijing as Chief Executive Officer of China International Capital Corporation. From 1991 to 1994 he was a senior officer of the Federal Deposit Insurance Corporation in Washington.

Chairman: NBN Co Limited and Better Place (Australia) Pty Limited.

Director: Bank of England and Financial Services Volunteer Corps.

Mr Young is a resident of Victoria. Age 66.

Launa K Inman

Ms Inman was appointed to the Board effective March 2011. She is a member of the Risk Committee.

Ms Inman has been Managing Director of Target Australia Pty Limited since 2005. Prior to that appointment, Ms Inman was Managing Director of Officeworks.

Ms Inman won the 2003 Telstra Australian Business Woman of the Year and was winner of the Commonwealth Government Private and Corporate Sector Award.

Other Interests: Australian Institute of Company Directors (Member), Chief Executive Women Inc. (Member), Australian Institute of Management (Member) and World Retail Congress Advisory Board (Member).

Ms Inman is a resident of Victoria. Age 55

Other Directorships

The Directors held directorships on listed companies within the last three years as follows:

Director	Company	Date Appointed	Date of Ceasing (if applicable)
D J Turner	Cobham plc	01/12/2007	06/05/2010
J A Anderson	PGG Wrightson Ltd (NZ)	01/04/2010	-
	National Property Trust (NZ)	01/04/2011	-
C R Galbraith	OneSteel Limited	25/10/2000	-
J S Hemstritch	Tabcorp Holdings Limited	13/11/2008	-
	Santos Limited	16/02/2010	-
S C H Kay	Brambles Industries Limited	01/06/2006	-
B J Long	Ten Network Holdings Limited	01/07/2010	-
F D Ryan	Australian Foundation Investments Company Limited	08/08/2001	-

Directors' Meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors during the financial year were:

Director	No. of Meetings Held (1)	No. of Meetings Attended
D J Turner	11	11
R J Norris	11	11
J A Anderson	11	10
C R Galbraith	11	11
J S Hemstritch	11	11
S C H Kay	11	11
B J Long (2)	9	9
A M Mohl	11	11
F D Ryan	11	11
H H Young	11	10
L K Inman(3)	3	3

(1) The number of meetings held during the time the Director was a member of the Board and was eligible to attend.

(2) Mr Long was appointed effective 1 September 2010.

(3) Ms Inman was appointed effective 16 March 2011.

Committee Meetings

	Risk Committee		Audit Committee		People & Remuneration Committee	
Director	No. of Meetings Held (1)	No. of Meetings Attended	No. of Meetings Held (1)	No. of Meetings Attended	No. of Meetings Held (1)	No. of Meetings Attended
D J Turner	6	6	-	-	9	9
R J Norris	6	6	-	-	-	-
J A Anderson	6	5	-	-	-	-
C R Galbraith	6	6	6	6	-	-
J S Hemstritch	6	6	-	-	9	9
S C H Kay	6	5	6	6	9	8
B J Long	5	5	5	5	-	-
A M Mohl	6	6	-	-	9	9
F D Ryan	6	5	6	6	-	-
H H Young	6	6	6	6	-	-
L K Inman	1	1	-	-	-	-

	Board Performance and Renewal Committee	
Director	No. of Meetings Held (1)	No. of Meetings Attended
D J Turner	7	7
J A Anderson	7	7
C R Galbraith	7	7

(1) The number of meetings held during the time the Director was a member of the relevant committee.

Principal Activities

The principal activities of the Group during the financial year were the provision of a broad range of banking and financial products and services to retail, small business, corporate and institutional clients.

The Group conducts its operations primarily in Australia, New Zealand and the Asia Pacific region. It also operates in a number of other countries including the United Kingdom and the United States.

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

Directors' Report

Consolidated Profit

The Group's net profit after income tax and non controlling interests for the year ended 30 June 2011 was $6,394 million (2010: $5,664 million).

This result was achieved in a challenging environment where the impacts of the GFC continue to linger. Credit growth remains at historic lows, business and consumer confidence is fragile and there is significant uncertainty in global markets.

Despite these difficult conditions, the Group, with its well managed, diversified business model and strong and stable financial platform, has delivered another solid result. This has been supported by a continued disciplined approach to the execution of the Group's five strategic priorities and prudent management in uncertain times.

Operating income growth was impacted by a low credit growth environment, strong competition, particularly in the home lending and deposit markets, together with difficult trading conditions for the Markets and Wealth businesses.

Operating expenses were managed tightly, laying the platform for continued investment in the business, including the effective execution of the Core Banking Modernisation initiative which is now past the half way stage, having achieved significant milestones during the year.

Impairment expense continued to decrease as credit quality gradually improved however some of the Group's customers are finding business conditions challenging. The Group has maintained a conservative approach to provisioning.

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

Dividends

The Directors have declared a fully franked (at 30%) final dividend of 188 cents per share amounting to $2,930 million. The dividend will be payable on 6 October 2011 to shareholders on the register at 5pm EST on 19 August 2011.

Dividends paid in the year ended 30 June 2011 were as follows:

- In respect of the year to 30 June 2010, a fully franked final dividend of 170 cents per share amounting to $2,633 million was paid on 1 October 2010. The payment was fully comprised of cash disbursements of $2,633 million. This included $679 million in respect of the DRP which was satisfied in full by an on market purchase and transfer of shares; and
- In respect of the year to 30 June 2011, a fully franked interim dividend of 132 cents per share amounting to $2,045 million was paid on 1 April 2011. The payment comprised direct cash disbursements of $1,532 million, with $513 million being reinvested by participants through the DRP.

Changes in State of Affairs

During the year, the Group continued to make significant progress in implementing a number of initiatives designed to ensure a better service outcome for the Group's customers.

There were no significant changes in the state of affairs of the Group during the financial year.

Events Subsequent to Balance Sheet date

On 22 July 2011, the Board announced the appointment of Ian Narev to the role of Chief Executive Officer of the Bank upon the retirement of Ralph Norris at the end of November 2011.

The Bank expects to issue approximately $733 million of ordinary shares in respect of the DRP for the final dividend for the year ended 30 June 2011.

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

Business Strategies and Future Developments

Accommodation Strategy

The Group continues to implement its property strategy to consolidate the Sydney metropolitan teams across three main precincts: Sydney Central Business District, Sydney Olympic Park and Parramatta. The first teams took occupancy in Commonwealth Bank Place in June 2011 and more than 6,000 of the Group's people will be located there by early 2012.

The buildings in which employees are now being accommodated are either newly constructed or substantially refurbished, providing improved working environments, more efficient use of space and greater open plan and collaborative work spaces.

These changes have not had a material financial impact on the Group's results and it is not anticipated that the future relocation will have a material impact on the Group's results.

Business Strategies

In the opinion of the Directors, disclosure of any further information on likely strategic developments would be unreasonably prejudicial to the interests of the Group.

Environmental Reporting

The Group is subject to the Federal Government's National Greenhouse and Energy Reporting (NGER) scheme. The scheme makes it mandatory for controlling corporations to report annually on greenhouse gas emissions, energy production and energy consumption, if they exceed certain threshold levels. As a result of a long history in voluntary environmental reporting, the Group is well placed to meet the NGER requirements, and has recently updated its energy and emissions data management and reporting systems to comply with the legislation.

The Group is also subject to the Energy Efficiency Opportunities Act 2006 (EEO Act), which encourages large energy-using businesses to improve their energy efficiency.

The Group, including several Colonial First State managed funds, is required to comply with the EEO Act due to exceeding certain energy consumption thresholds.

As required by the EEO Act, the Group lodged a five year energy efficiency assessment plan and reported to Federal Government on 31 December 2008. The Group is subsequently required to report to the Federal Government every three years and to release a public report annually, covering all preceding years' assessment outcomes.

The Group is not subject to any other particular or significant environmental regulation under any law of the Commonwealth or of a State or Territory, but can incur environmental liabilities as a lender. The Group has developed policies to ensure this is managed appropriately.

Directors' Shareholdings and Options

Particulars of shares held by Directors and the Chief Executive Officer in the Commonwealth Bank or in a related body corporate are set out in the Remuneration Report within this report.

No options have previously been granted to the Directors or Chief Executive Officer. Refer to the Remuneration Report within this report for further details.

Options outstanding

As at the date of this report there are 36,100 options outstanding in relation to Commonwealth Bank ordinary shares. The expiry date of the share options is 3 September 2011 and the exercise price is $30.12.

There were 50,000 Commonwealth Bank ordinary shares issued since the end of the financial year as a result of options being exercised.

Persons holding outstanding options and rights in relation to Commonwealth Bank ordinary shares are not entitled to participate in any share issue or interest of the Commonwealth Bank or any other body corporate as a result of those options or share price.

The names of all persons who currently hold options and share rights are entered in the register kept by the Bank pursuant to section 170 of the Corporations Act 2001. This register may be inspected free of charge.

Directors' Interests in Contracts

A number of Directors have given written notices, stating that they hold office in specified companies and accordingly are to be regarded as having an interest in any contract or proposed contract that may be made between the Bank and any of those companies.

Directors' and Officers' Indemnity

The Directors, as named on pages 3 to 5 of this report, and the Secretaries of the Bank, being J D Hatton and C F Collingwood, are indemnified pursuant to the Constitution of Commonwealth Bank of Australia (the Constitution), as are all senior managers of the Bank.

Deeds of Indemnity have been executed by the Bank, consistent with the Constitution, in favour of each Director of the Bank.

An Indemnity Deed Poll has been executed by the Bank, consistent with the Constitution, in favour of each:

- secretary and senior manager of the Bank;
- director, secretary and senior manager of a related body corporate of the Bank; and
- person who, at the prior formal request of the Bank, acts as director, secretary or senior manager of a body corporate which is not a related body corporate of the Bank (in which case the indemnity operates only excess of protection provided by that body corporate).

In the case of a partly-owned subsidiary of the Bank, where a director, secretary or senior manager of that entity is a nominee of a third party body corporate which is not a related body corporate of the Bank the Indemnity Deed Poll will not apply to that person unless the Bank's CEO has certified that the indemnity shall apply to that person.

Directors' and Officers' Insurance

The Bank has, during the financial year, paid an insurance premium in respect of an insurance policy for the benefit of the Bank and those named and referred to above including the directors, secretaries, officers and certain employees of the Bank and related bodies corporate as defined in the insurance policy. The insurance grants indemnity against liabilities permitted to be indemnified by the Bank and the Group under Section 199B of the Corporations Act 2001. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premium.

Rounding and presentation of amounts

The Bank is of the kind of entity referred to in ASIC Class Order 98/100 (as amended) pursuant to section 341(1) of the Corporations Act 2001.

As a result, amounts in this Directors' Report and the accompanying financial statements have been rounded to the nearest million dollars except where otherwise indicated.

The financial information included in this Annual Report, unless otherwise indicated, has been prepared and presented in accordance with Australian Accounting Standards. This ensures compliance with International Financial Reporting Standards.

The Group manages its' business performance using a "cash basis" profit measure. The key items that are excluded from statutory profit for this purpose are non-recurring or not considered representative of the Group's ongoing financial performance. Profit on an "underlying basis" is used primarily in the Wealth Management businesses. It provides a profit measure that excludes the volatility of equity markets on shareholder funds for a measure of core operating performance.

Directors' Report – 2011 Remuneration Report

Message from the People & Remuneration Committee Chairman

Dear Shareholder

The People & Remuneration Committee has conducted reviews of various aspects of remuneration in 2011, as a cornerstone of our governance of CBA Group's remuneration arrangements.

This year we have also closely monitored the evolving regulatory environment and emerging remuneration market practices, both in Australia and other jurisdictions in which we operate.

The Committee reviewed the Remuneration Framework for the CEO and the Group Executives. We also considered potential alternative frameworks.

We concluded that, in this evolving environment, our executive remuneration framework still provides an appropriate balance of short term and long term remuneration, and focuses executives on achieving our business strategy and strategic priorities.

We met with representatives from the Australian Prudential Regulation Authority (APRA) twice during the year to discuss the Group's remuneration arrangements and the Committee's role in managing risk within these arrangements.

During the year we also conducted detailed reviews of the remuneration principles and policies that apply throughout the Commonwealth Bank, as well as the governance of the employee equity plans under which many of our deferred awards are delivered.

At the same time we reviewed our Committee Charter, and recommended only minor adjustments to the Board for approval. Our Charter sets out the Committee's role and responsibilities.

We have introduced improvements to our remuneration framework and practices to provide for the systematic review of performance, risk and compliance across the Group. Further, we have strengthened the Board's existing broad scope to manage individual performance, risk management and compliance through remuneration outcomes and adjustments.

During the year we also conducted a detailed review of our funding policy for our corporate superannuation fund, the OSF. Our revised policy best ensures our superannuation obligations will continue to be properly funded, to the benefit of all employees who choose to be members. This superannuation benefit continues to be an important part of our overall employee value proposition for our employees in Australia.

Throughout the year, the Committee dealt directly with its independent remuneration consultant for input on the various reviews we have undertaken, as well as in relation to the CEO and Group Executives' remuneration plans and outcomes.

While the Committee's remuneration consultant provides insight into market practice, remuneration levels and the very complex components of remuneration, the Committee ultimately formulates its own decisions, independent of its consultant and also independent of management.

The Committee's focus continues to be on achieving the most effective remuneration framework for our varied businesses, with transparency in design, strong governance and risk oversight.

We do this to ensure the Group continues to earn the respect of the community and our customers, while paying our people to drive sustainable value for our shareholders.

Jane Hemstritch
Committee Chairman

The Information Provided in this Report

This report details the Group's remuneration frameworks and 2011 outcomes for Key Management Personnel and Other Executives. The information is set out in four sections:

This report has been prepared and audited in accordance with the requirements of the Corporations Act 2001.

2011 Remuneration in Review

Our remuneration and governance frameworks are designed to deliver on the Board's remuneration philosophies for:

- Non-Executive Directors;
- CEO and Group Executives; and
- Other executives, including those disclosed in this remuneration report.

This section provides shareholders with an update of how those frameworks are meeting the continuing challenges of the economic environment and regulatory change.

We explain how our remuneration frameworks have focused executives' efforts to deliver tangible results to our customers and shareholders, results that are strong relative to our peers, both in terms of our business strategy, and creating sustainable shareholder value.

Non-Executive Directors

Key developments for 2011:

- Brian Long was appointed to the Board effective 1 September 2010, and joined both the Audit and Risk Committees;
- Launa Inman was appointed to the Board effective 16 March 2011, and joined the Risk Committee; and
- AON Hewitt continued as Independent Remuneration Consultant to the People & Remuneration Committee.

Non-Executive Director Remuneration

We continue to retain a strong line-up of skilled, knowledgeable and experienced Directors. Non-Executive Directors are remunerated in their role of providing strategic leadership to the Group. They receive fees which are market competitive compared to other large complex organisations, and managed within a cap approved by shareholders.

Fees also reflect the scope of Directors' roles, and the responsibilities that come with those roles. As is appropriate for such a role, Non-Executive Directors do not receive incentive awards based on performance.

However, Non-Executive Directors continue to align their remuneration to the performance of our share price and dividend yield. They do this by receiving at least 20% of their annual fees as Commonwealth Bank shares.

CEO and Group Executives

Key developments for 2011:

- The Committee reviewed the remuneration framework for the CEO and Group Executives; and
- Barbara Chapman was appointed as Chief Executive and Managing Director of the Group's New Zealand subsidiary ASB Bank Limited, with effect from 26 April 2011.

Key achievements for 2011:

- Our 2011 financial performance was solid;
- We have delivered profitable growth through innovative new product offerings, disciplined margin and cost management, and continued selective expansion into Asia;
- We are progressing towards our customer satisfaction goals;
- We have achieved key milestones in our technology and operations excellence strategy; and
- Our employees are engaged and committed to our business strategy.

The achievements listed above are directly related to our executive remuneration framework. The framework is based on the strategic direction set by the Board, and articulated through its executive remuneration philosophy.

Executive Remuneration Philosophy

1. We provide target remuneration which is market competitive, without putting upward pressure on the market.

The executive remuneration framework has three components:

- Fixed Remuneration (including base remuneration and employer superannuation);
- Short term incentives; and
- Long term incentives.

Together, these components make up an executive's total target remuneration.

When setting our target remuneration levels, we consider the size of the role and its responsibilities. We also consider the market for similar roles. To support this, we participate in a range of executive remuneration surveys.

Our goal is always to remain competitive, and we generally set target remuneration at the market median for similar roles at peer organisations so that we can attract and retain high calibre people.

We also aim to avoid adding pressure to the market. This is particularly important for our most senior roles, given the small size of the market for these types of roles in Australia and New Zealand in particular.

2. We clearly articulate the link between individual and Group performance and individual reward.

We clearly articulate to each executive the performance objectives for each component of their performance-based remuneration.

- ***Short Term Incentives Drive Performance Over the Financial Year.***

Short term incentive performance objectives are managed through a balanced scorecard approach. We select financial and non-financial performance objectives and weight them in support of our overall business strategy.

These performance objectives are then communicated to each executive at the beginning of the performance year. This effectively focuses each executive on our key performance objectives because the short term incentive that they will ultimately receive will depend on Group and individual achievements against those objectives.

Executives' performance evaluations are conducted following the end of each financial year. Performance evaluations for the 2011 financial year were conducted in July 2011. Similarly, performance evaluations for the 2010 financial year were conducted in July 2010.

- ***Long Term Incentives Drive Performance Over Four Years.***

Long term incentives focus the CEO and Group Executives on Group performance over the longer term. Performance hurdles for our long term incentive plan have been specifically chosen to support our business strategy, and to drive the long term creation of shareholder value.

Performance hurdles must be achieved before an executive can receive any value from this portion of their total target remuneration.

Performance is measured over a four year period. For the long term incentive award made during the 2011 financial year:

- One quarter of the award measures our customer satisfaction results relative to the peers with which we compete for customers. Our research demonstrates a direct relationship between high levels of customer satisfaction and high levels of shareholder returns; and
- The other three quarters measures our Total Shareholder Return relative to a set of peer companies with which we compete for capital. Shareholder return is a cornerstone of our remuneration philosophy.

This mix has a greater weighting on shareholder return than the previous year's award. This recognises the considerable achievements already made in Customer Satisfaction by 1 July 2010 (the beginning of the performance period), and sets meaningful goals to focus executives' performance for the four years to 30 June 2014.

3. We actively manage risks associated with delivering and measuring short term performance.

All our activities are carefully managed within our risk appetite, and individual incentive outcomes are reviewed and may be reduced or even eliminated in light of any risk management issues. Risk management is also built into our remuneration framework. Profit After Capital Charge (PACC) is the performance measure that drives short term incentive outcomes. This is important, as PACC is a risk-adjusted measure. That is, it takes into account not just the profit achieved, but also considers the risk to capital that was taken to achieve it.

Risk is also managed by deferring half of the short term incentive of the CEO and each Group Executive for one year.

This deferral serves two key purposes. Firstly, it is an important retention mechanism which helps us manage the risk of losing key executive talent. Secondly, it provides a mechanism for the Board to reduce or cancel the deferred component of a short term incentive where eventual performance outcomes are materially lower than expected.

4. We align rewards with shareholder interests and our business strategy.

We explained above how the performance objectives and hurdles we have selected for our short term and long term incentives align our executives' rewards with:

- shareholder interests, through shareholder returns and other financial performance measures; and
- our business strategy, through customer satisfaction.

Our results for 2011 are strong. Our one year Total Shareholder Return is ranked in the top 25% of our peers. The peer group includes the large financial services companies we compete with for customers and capital. We continue to make progress in Customer Satisfaction across all segments of our business compared with the position of a few years ago.

5. We provide flexibility to meet changing needs and emerging market practice.

The framework also provides flexibility to make additional payments to new executives and key executives at risk of being enticed to other organisations. An appropriate governance framework exists to review and approve (or reject) any such proposed awards.

The framework provides flexibility to tailor remuneration arrangements in specialised parts of our business. This includes the Other Executives disclosed in this report, whose performance related remuneration arrangements recognise the unique market practice of that business segment.

6. We provide appropriate entitlements on termination that do not deliver any windfall payment.

Employment arrangements for the CEO, Group Executives and the Other Executives disclosed in this report are set out in individual employment agreements. These agreements include the terms that will apply when an executive leaves the Group.

Termination entitlements are set out on page 27 of this report. They are appropriate and do not deliver windfall payments on termination. As part of these arrangements, executives who resign or are dismissed forfeit their long term incentive awards.

Where an executive is retrenched or retires, the performance periods of any outstanding long term incentive awards continue unchanged, and the Board retains discretion to pro-rate where appropriate. Performance is measured at the end of the performance period in the normal way, and the Board determines the portion of the remaining award that may vest.

2011 Executive Remuneration Outcomes Summary

CEO & Group Executives

The CEO and Group Executives receive a mix of remuneration, with a portion paid during the year, and a portion received up to four years later, depending on service and performance. This can make it difficult for shareholders to get a clear picture of the actual amount of remuneration an executive received in the financial year in review.

To assist shareholders, table (a) below provides a clear report of the remuneration the CEO and Group Executives actually received in relation to the 2011 financial year. The table sets out base remuneration, employer superannuation, the portion of the 2011 short term incentive that is not required to be deferred, and the value of previous years' deferred short term incentive and long term incentive awards that vested during the 2011 financial year.

The information provided in table (a) is different to the information provided in the statutory remuneration table on page 24, which has been prepared in accordance with the accounting requirements and shows the accounting expense incurred for the 2011 financial year of each component of remuneration.

Table (b) provides a reconciliation in relation to the CEO of the remuneration details set out in table (a) with the remuneration information provided in the statutory remuneration table on page 24.

(a) Remuneration in relation to the 2011 financial year

	Base Remuneration & Superannuation[1] $	2011 STI for Performance to 30 June 2011[2] $	Total cash payments $	Previous years' awards that vested during 2011[3]: 2010 Deferred STI Award $	2008 LTI Award $
Managing Director and CEO					
Ralph Norris	3,120,000	1,638,000	4,758,000	1,944,465	5,780,000
Current Executives					
Simon Blair	800,000	508,667	1,308,667	487,510	-
David Cohen	865,000	523,542	1,388,542	527,692	1,190,000
David Craig	1,350,000	827,213	2,177,213	671,608	1,360,000
Michael Harte	1,050,000	548,888	1,598,888	607,646	1,190,000
Ross McEwan	1,250,000	647,657	1,897,657	767,552	1,700,000
Ian Narev	900,000	488,250	1,388,250	543,683	357,410
Grahame Petersen	1,150,000	488,750	1,638,750	703,589	1,530,000
Ian Saines	1,330,000	613,463	1,943,463	831,515	684,162
Alden Toevs	1,400,000	798,350	2,198,350	895,477	2,067,546

(1) Base Remuneration and Superannuation make up an executive's Fixed Remuneration.

(2) This is the 50% of the 2011 short term incentive (STI) for performance during the 12 months to 30 June 2011, payable following year-end. The remaining 50% is deferred until 1 July 2012.

(3) The value of deferred and/or long term incentive awards that vested during the 2011 financial year. This is calculated as the value of the award that vested, plus any dividends (for equity awards) or interest (for cash awards) accrued during the vesting period.

(b) Cash payments from table (a) and non-cash remuneration expenses for the CEO

		2011 $	Financial year award vests
Cash remuneration received in relation to 2011 - refer to table (a) above		4,758,000	n/a
2011 STI deferred for 12 months at risk		1,638,000	2013
Annual leave and long service leave accruals		330,579	n/a
Other Payments		91,965	n/a
Share based payments: accounting expense for 2011 for LTI awards made over the past 4 years			
2008 GLSP:	Expense reflecting the final vesting level for the award (see page 85)	(963,268)	2012
2009 GLRP:	Expense for 2 awards that may vest subject to improved customer satisfaction performance	1,009,764	2013 & 2014
2009 GLRP:	Expense for 2 awards that may vest subject to improved relative TSR performance	1,157,657	2013 & 2014
2010 GLRP:	Expense for 1 award that may vest subject to improved relative TSR performance	489,404	2015
2010 GLRP:	Expense for 1 award that may vest subject to improved customer satisfaction performance	126,071	2015
Total Accounting Expense as per page 87		**8,638,172**	

Directors' Report – 2011 Remuneration Report

Remuneration Arrangements

This section details the Group's remuneration arrangements for Key Management Personnel (KMP) and Other Executives during the year ended 30 June 2011.

Name	Position	Term
1. Key Management Personel		
Non-Executive Directors		
David Turner	Chairman	Full Year
John Anderson	Director	Full Year
Colin Galbraith	Director	Full Year
Jane Hemstritch	Director	Full Year
Launa Inman	Director (from 16 March 2011)	Part Year
Carolyn Kay	Director	Full Year
Brian Long	Director (from 1 September 2010)	Part Year
Andrew Mohl	Director	Full Year
Fergus Ryan	Director	Full Year
Harrison Young	Director	Full Year
Managing Director and CEO		
Ralph Norris	Managing Director and CEO	Full Year
Group Executives		
Simon Blair	Group Executive, International Financial Services	Full Year
Barbara Chapman	Group Executive, Human Resources and Group Services (until 26 April 2011)	Part Year
David Cohen	Group General Counsel	Full Year
	Acting Group Executive Human Resources (from 26 April 2011)	
David Craig	Group Executive, Financial Services and Chief Financial Officer	Full Year
Michael Harte	Group Executive, Enterprise Services and Chief Information Officer	Full Year
Ross McEwan	Group Executive, Retail Banking Services	Full Year
Ian Narev	Group Executive, Business and Private Banking	Full Year
Grahame Petersen	Group Executive, Wealth Management	Full Year
Ian Saines	Group Executive, Institutional Banking and Markets	Full Year
Alden Toevs	Group Chief Risk Officer	Full Year
2. Other Executives		
Martin Lau	Director, Greater China Equities, First State Investments (FSI)	Full Year
Mark Lazberger	CEO, Colonial First State Global Asset Management (CFSGAM)	Full Year
Stuart Paul	Joint Managing Director Global Emerging Markets Asia Pacific (FSI)	Full Year
Alistair Thompson	Deputy Head of Asia Pacific (FSI)	Full Year

Governance & Risk Management

People & Remuneration Committee

The Group adheres to high standards of corporate governance. The People & Remuneration Committee (the Committee) is responsible for developing the Group's remuneration philosophy, framework and policies for approval by the Board.

The Committee is made up of independent Non-Executive Directors and meets at least four times per year. The CEO attends meetings by invitation, but is absent when matters affect him personally.

The role and responsibilities of the Committee are set out in their Charter, which is reviewed by the Board each year. The Charter is available on the Group's website at www.commbank.com.au/shareholder. In general, the Committee is responsible for recommending to the Board for approval:

- senior executive appointments, and appointments where the remuneration target of the individual exceeds that of the head of their business/service unit;
- remuneration arrangements and all reward outcomes for the CEO, senior direct reports to the CEO and other individuals whose roles may affect the financial soundness of the Group;
- remuneration arrangements for finance, risk & internal control personnel;
- remuneration arrangements for employees who have a significant portion of their total remuneration based on performance; and
- significant changes in remuneration policy and structure, including superannuation, employee equity plans and benefits.

The Committee is also responsible for reviewing and approving Group remuneration policies that apply to subsidiaries of the Group that do not have their own remuneration committees.

Membership

During 2011 the Committee consisted of:

- Jane Hemstritch (Chairman);
- Carolyn Kay;
- Andrew Mohl; and
- David Turner.

Independent Remuneration Consultants

Throughout the year, the People & Remuneration Committee retained AON Hewitt as their independent remuneration consultant.

AON Hewitt is engaged directly by the Committee and any input is provided directly to the Committee Chairman who has the discretion to share this with Management.

During the 2011 financial year the Committee received input directly from AON Hewitt on matters including regulatory developments, emerging and current market practice, alternative short and long term incentive schemes and benchmarking in relation to the remuneration review of the CEO and Group Executives.

While the Committee takes note of the input from AON Hewitt, the Committee itself is responsible for making decisions within the terms of its Charter, including making recommendations in relation to the CEO and Group Executives' remuneration for approval ultimately by the Board.

Risk Management

The Committee has free and unfettered access to all risk, legal and financial control personnel as required. This is documented within the Committee Charter.

The Committee conducts a full review of the Group's Remuneration Policy and practices in December of each year. The Risk Committee is involved in this process to ensure that any risks associated with remuneration arrangements are managed within the Group's risk management framework.

Remuneration Arrangements in Detail

Non-Executive Directors' Remuneration

Non-Executive remuneration is fixed and Directors do not receive incentive based pay. Rather they receive fees for service on the Board and Committees.

The total amount of all fees for Non-Executive Directors is capped by a pool approved by shareholders. The current Non-Executive Director fee pool is $4 million, and was approved by shareholders at the Annual General Meeting held on 13 November 2008.

Fee Structure

The Bank's Non-Executive Directors' receive a base fee for service on the Board and fees for serving on Committees. Different Committees have different fees, according to workload, and there are separate fees for chairing and membership of a Committee. The following table sets out the fee structure for Non-Executive Directors at 30 June 2011, which did not change during the financial year.

	Position	Fees ($)
Board	Chairman	695,000
	Non-Executive Director	210,000
Audit Committee	Chairman	50,000
	Member	25,000
Risk Committee	Chairman	50,000
	Member	25,000
People & Remuneration	Chairman	50,000
Committee	Member	25,000
Board Performance &	Chairman	10,000
Renewal Committee	Member	10,000

The Board Performance and Renewal Committee reviews the Non-Executive Directors' fee schedule annually and assesses fee levels in comparison to market trends.

Superannuation

Non-Executive Directors also receive statutory superannuation contributions of 9% of their superannuation salary, up to the superannuation concessional contribution cap that applies to them. In general, superannuation salary is 80% of their total fees.

Shareholder Alignment

Non-Executive Directors receive 20% of their after-tax annual fees as Commonwealth Bank Shares. These shares cannot be traded until the earlier of a director's retirement from the Board or 10 years from the date the shares are granted.

Service Agreements

Each Non-Executive Director enters into a service agreement with the Bank when they are appointed to the Board. This service agreement is set out in a letter of appointment, and includes the terms of their engagement and their responsibilities. A copy of the pro-forma letter of appointment is provided on the Group's website.

Retirement Benefits

During the year, two Non-Executive Directors held entitlements under the Directors' Retirement Allowance Scheme. This scheme was approved by shareholders at the 1997 Annual General Meeting. However, the Board discontinued the scheme in 2002 and froze entitlements for participating directors at that time. The scheme was also closed to new participants at that time. Frozen entitlements for directors under this scheme are set out in the remuneration disclosures on page 23.

Directors' Report – 2011 Remuneration Report

Executive Remuneration

Remuneration Framework and Pay Mix

The CEO and Group Executives receive an appropriate mix of fixed remuneration and incentive-based remuneration. Incentive-based remuneration includes short term incentives and long term incentives. Performance conditions for these incentives are aligned to the Group's short term and long term business strategies and reflect the Group's strategic priorities.

Financial and non-financial performance measures are set at the beginning of the performance period. Performance against these measures drives the value each individual ultimately receives from their incentive-based remuneration.

Our incentive programmes are designed to discourage excessive risk taking. The Committee has discretion to reduce deferred incentive awards where performance outcomes are materially lower than expected.

Remuneration for the Other Executives disclosed in this report is explained in the following section.

CEO and Group Executives

The following table sets out the mix of each component of the CEO and Group Executives' remuneration, and demonstrates how each component links to our business strategy.

Target Mix	Component	Link to Business Strategy
1/3	Fixed Remuneration, comprising: • Base remuneration • Employer Superannuation	Fixed remuneration targets the median of the market for similar roles in the same country, primarily in large financial services companies.
1/3	Short Term Incentive: • 50% paid after final results • 50% deferred for 12 months	Short term incentives reward financial and non-financial performance over the 12 months to 30 June. We pay the deferred portion after 12 months provided the executive has remained with the Group. The Board retains discretion to reduce the deferred portion if warranted on the basis of realised performance.
1/3	Long term incentive: • 4 year performance period • Split performance hurdle: - Customer satisfaction - Total Shareholder Return	Long term incentive awards are subject to performance hurdles over a period of four years. Executives only receive value from this component if performance hurdles are met at the end of the four year period. Performance hurdles are aligned to: • our business strategy, through the Customer Satisfaction performance hurdle; and • shareholders' interests, through the relative Total Shareholder Return performance hurdle.

CEO and Group Executives' Remuneration in Detail

Fixed Remuneration

The Board sets fixed remuneration for the CEO and Group Executives considering recommendations from the Committee. The Board considers the size and responsibility of each role as well as external benchmarks when setting fixed remuneration levels, in order to maintain market competitiveness.

Fixed remuneration includes cash salary, any salary sacrifice items and employer superannuation contributions. The Group provides employer superannuation contributions of 9% of each executive's superannuation salary, up to the superannuation concessional contribution cap that applies to them

Fixed remuneration is reviewed annually in July. This review takes into account changes in the size or responsibilities of each role. Changes to our remuneration philosophy, and market competitiveness are also taken into account.

Short Term Incentives

Short term incentives reward performance over the financial year to 30 June, within a funding cap set by the Board. Both financial and non financial performance is measured against performance objectives set at the beginning of the year. Financial performance objectives include PACC, which is a risk-adjusted financial measure, and NPAT. Performance objectives are aligned with our business strategy, and are chosen as drivers of long term shareholder value.

Setting Performance Objectives

At the beginning of each financial year, each executive's performance objectives are set. The performance objectives are linked to our strategic priorities. The Committee reviews the performance objectives and measures and recommends them to the Board for approval. For 2011, short term incentive performance measures included:

- Financial objectives:
  - Cash Net Profit After Tax (Cash NPAT);
  - Profit After Capital Charge (PACC); and
  - Profitable Growth.
- Non financial objectives:
  - Increasing customer satisfaction and our reputation;
  - Excellence in technology and operations; and
  - Employee engagement, teamwork and effective talent management.

Financial objectives have a substantial weighting, and non-financial objectives vary by role. Executives managing business units typically have a 50% weighting on direct financial outcomes, while for executives managing support functions the typical weighting is 30%.

Measuring Performance and Determining Short Term Incentive Outcomes

At the end of the financial year, the Board and the Committee review performance against each performance objective. They also receive advice from the Risk Committee on appropriate risk matters to be considered when assessing the performance.

The review by the Board and Committee determines the short term incentive outcome for each executive, within an overall cap.

Depending on performance outcomes, executives may receive 0% to 150% of their 2011 short term incentive target.

The Board recognises that the business environment changes over time and it is not always possible to anticipate these changes. Given this, the Board retains discretion to adjust remuneration outcomes up or down to ensure consistency with the Group's remuneration philosophy, and to prevent any inappropriate reward outcomes.

Payment and Mandatory Deferral

Half the CEO and Group Executives' short term incentive is paid in cash following the annual results announcement, usually in September each year. The other half is deferred for one year. The 2011 deferred component will be paid as cash, and will attract interest at the same rate as a Commonwealth Bank one year term deposit.

The CEO and Group Executives will forfeit the deferred portion if they resign or are dismissed from the Group before the applicable deferral period has passed.

The Board retains discretion to vest deferred amounts, for example in cases of retirement with Board approval. The Board reserves the right to reduce the deferred portion, or reduce future short term incentive outcomes, and receives advice from the Risk Committee each year in this regard.

Other Executives' Remuneration Arrangements

The Other Executives each receive fixed remuneration (including superannuation/pension benefits), a short term incentive and a long term incentive. Their remuneration is set considering the size and responsibility of their role as well as external benchmarks, and is reviewed annually.

Mark Lazberger's short term incentive is determined against a balanced scorecard of financial and non-financial performance measures aligned to the business objectives. Financial measures receive the highest individual weightings, and include Cash NPAT and PACC. Non-financial measures include customer satisfaction, employee engagement and teamwork, talent management, and technology and operations.

One third of Mark Lazberger's short term incentive is received as Commonwealth Bank Shares restricted for three years and subject to service conditions. He also receives a long term incentive, which is described on page 21.

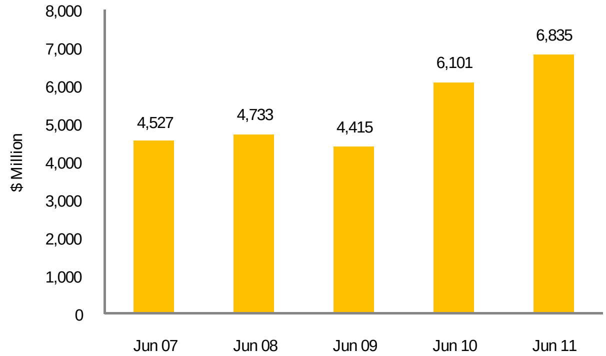
Short term incentives for Martin Lau, Stuart Paul and Alistair Thompson are determined predominantly by one to five year performance against investment benchmarks relevant to the business they operate in. Qualitative factors and behaviours are also considered when determining the amount of their short term incentives.

Directors' Report – 2011 Remuneration Report

2011 Performance Outcomes

The following table provides a summary of performance for the year ended 30 June 2011 against the financial and non-financial performance objectives.

Performance Objective	2011 Achievements
Cash NPAT and PACC	**Our 2011 financial performance was solid** Each year the Board sets challenging financial targets for the CEO and Group Executives, with reference to profit based measures of PACC and Cash NPAT. PACC is an internal measure of profit that takes into account the risk to capital taken to achieve that profit and the Board determined that 2011 performance against this measure was strong. Cash NPAT is $6,835 million, also representing solid 2011 performance. The following graph demonstrates our Cash NPAT performance for 2011 and each of the past four years.



Performance Objective	2011 Achievements
Profitable Growth	**We have delivered profitable growth through innovative new product offerings, disciplined margin and cost management, and continued selective expansion into Asia** Profitable growth is growth which will provide our shareholders with increased returns on their investment by broadening our base in growth markets where the Group can leverage its assets and capabilities, including selected Asian markets, selected business banking segments, and other core domestic sectors. In our retail and business banking areas, we increased volumes in a number of core products and launched innovative new offerings, which supported 16% profit growth in those business units. We have incrementally expanded our capabilities and introduced new products in our corporate and institutional offerings, strengthened our business banking offerings including CommBiz enhancements, and built up our Private Bank financial advisory services. In Asia we progressed our long-term growth strategy, including acquiring a 15% shareholding in Vietnam International Bank and opening three County Banks in China.
Customer Satisfaction and Reputation	**We are progressing towards our customer satisfaction goals** The Group vision is "to be Australia's finest financial services organisation through excelling in customer service". The more satisfied a customer is, the more likely they are to do more business with us. The 2011 customer satisfaction performance targets were based on the Board's assessment of Group performance in customer satisfaction across key segments of our business. • Customer satisfaction in retail banking is measured by Roy Morgan Research[(1)]. During the 2011 financial year the Bank attained the highest score in customer satisfaction for customers who use us as their main financial institution since the inception of the survey, although customer satisfaction declined in the second half of the year; • Customer satisfaction in our wealth management business is measured by the Wealth Insights 2011 Service Level Report, Platforms. This survey measures wealth management service performance of master trusts/wraps in Australia. Under this survey our FirstChoice and FirstWrap platforms are now consistently ranked at or near the top for service amongst financial advisors; • In Institutional Banking, we consistently top the East and Partners survey, ranking number one in the two most important service measures for institutional clients: loyalty to the relationship; and our understanding of each customer's business; and

Performance Objective	2011 Achievements
	• In Business Banking, customer satisfaction is measured by DBM's Business Financial Services Monitor(2) (BFSM). CBA has maintained outright or equal first position in customer satisfaction in both the medium and large segments among the four major banks for 10 out of the past 12 months. At the same time as achieving improvements in customer satisfaction, the average number of products(3) held by each of our Retail customers has also grown. We now have the highest number of products-per-customer of any major bank in Australia at 2.64, ahead of the average of our peers. We have also been recognised with awards including 2011 Money Magazine's Bank of the Year (for the third time in four years), and Australian Banking and Finance's Australian Financial Institution of the Year.
Technology & Operational Excellence	**We achieved key milestones in our Technology & Operations Excellence strategy** The Group's Technology and Operational Excellence initiatives are designed to improve efficiency and productivity levels, while at the same time enhancing the service proposition to customers through more innovative and responsive systems, processes and procedures. The Core Banking Modernisation programme, a four year programme on schedule for completion by the end of 2012, is a key feature of this strategy. The programme will transition our Australian banking business to a completely new customer-centric core operating platform, replacing the myriad of obsolete systems previously operating across the various divisions of the Bank. We made significant progress in this area during 2011, including: • Migrating ten million existing retail bank accounts to the new core banking platform; • Integrating NetBank with our Core Banking systems to provide real-time transactions for personal accounts; and • Starting to integrate the frontline customer interface with core banking to provide better customer service.
Trust & Team Spirit	**Our employees are engaged and committed to our business strategy** Our continuing success is due to the hard work, enthusiasm and commitment of our people, and their commitment to our priorities. We continue to embed a collaborative and customer service culture across the Group. The Board assesses the Group's achievements in this area, with reference to the Group's results in the Gallup worldwide benchmark. The 2011 People & Culture Survey indicates we have maintained strong levels of people engagement. Our people describe our culture as customer focused, collaborative and caring supported by strong positive views of our senior leaders. Gender diversity is a commercial imperative to tap into the entire potential workforce. It is also increasingly seen as an asset to organisations and linked to better economic performance. We believe that women in leadership is a lead indicator of broader diversity in leadership. Our goal, announced in June 2010, is to increase the representation of women in Executive Management and above to 35 per cent by December 2014. Since announcing this goal the Group has lifted the proportion of women in Executive Management by 2%.

(1) Roy Morgan Research, Australians 14+ that have an account relationship with CBA, "Very" or "Fairly" satisfied with their relationship with that financial institution, six months to October 2011.

(2) DBM Business Financial Services Monitor (June 2011), average satisfaction rating of each financial institution's MFI business customers across all Australian businesses, 6 month rolling average. Rank is among four major banks. Medium segment includes businesses with annual turnover from $5m to less than $50m. Large segment includes businesses with annual turnover $50m and above.

(3) Roy Morgan Research, Australians 14+, Banking and Finance products per Banking and Finance customers, six months rolling average to June 2011.

Long Term Incentives

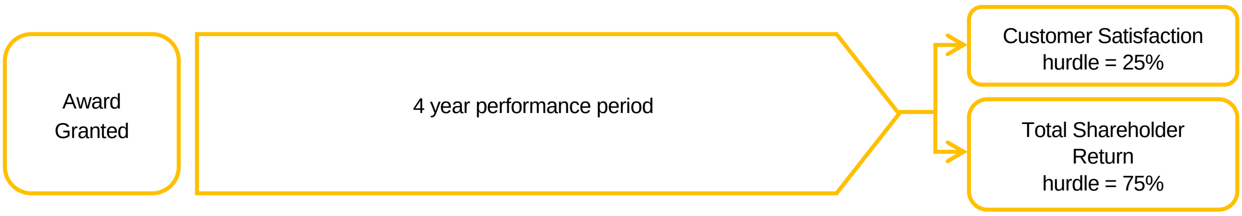
Long term incentives reward sustained performance over the longer term, and are subject to performance hurdles designed to build shareholder value and achieve the Group's long term business objectives. An overview of the CEO and Group Executives' long term incentive awards in progress during the 2011 financial year is set out in the following table. Further information is provided in the table below regarding the equity plans under which each award has been made.

Overview of long term incentive awards outstanding during the 2011 Financial Year

Performance Period Ends	Equity Plan	Performance Hurdles	Progress
1 July 2011	Group Leadership Share Plan (GLSP)	• Growth in PACC • NPAT growth relative to peer group • Customer Satisfaction ranking relative to peer group	Based on performance against the respective hurdles, 25% of the award vested on 1 July 2011
30 June 2012	Group Leadership Reward Plan (GLRP)	Each award is split and tested: • 50% Total Shareholder Return relative to peer group • 50% Customer Satisfaction ranking relative to peer group	In progress
30 June 2013	Group Leadership Reward Plan (GLRP)	Each award is split and tested: • 50% Total Shareholder Return relative to peer group • 50% Customer Satisfaction ranking relative to peer group	In progress
30 June 2014	Group Leadership Reward Plan (GLRP)	Each award is split and tested: • 25% Customer Satisfaction ranking relative to peer group • 75% Total Shareholder Return relative to peer group	In progress

2011 Financial Year GLRP Award

CEO and Group Executives received long term incentive awards under the GLRP during the 2011 financial year. These GLRP awards may deliver value to executives after a four year performance period, subject to meeting performance hurdles. The timing and performance hurdle mix for the GLRP award made during the 2011 financial year are set out in the following diagram.



The key features of the GLRP awards during the 2011 financial year are set out in the following table.

Feature	Description
Instrument	Reward Rights. Each Reward Right entitles the executive to receive one Commonwealth Bank ordinary share in the future, subject to meeting performance hurdles set out below.
Determining the number of Reward Rights	The number of Reward Rights each executive receives depends on their long term incentive target. The number of Reward Rights received is calculated taking into account the expected number of shares to vest at the end of the performance period.
Performance Period	The performance period for awards made in 2011 is four years, starting at the beginning of the financial year in which the award is made.

Feature	Description
Performance Hurdles	One quarter of each award is subject to a performance hurdle which measures the Group's Customer Satisfaction achievements relative to a peer group. The remaining three quarters is subject to a performance hurdle which measures the Group's Total Shareholder Return relative to a separate peer group. <u>Peer Groups for the long term incentive awarded during the 2011 financial year</u> • The peer group for the Customer Satisfaction performance hurdle includes Australia & New Zealand Banking Group Limited (ANZ), National Australia Bank Limited (NAB), and Westpac Banking Corporation (WBC) and other key competitors for our wealth business such as AMP Limited and Macquarie Group Limited. • The peer group for the Total Shareholder Return performance hurdle is made up of the 20 largest companies listed on the Australian Securities Exchange at the beginning of the performance period, after excluding resources companies and CBA. The peer group at the time of grant for the most recent award included: AGL Energy Limited, AMP Limited, Australia and New Zealand Banking Group Limited, AXA Asia Pacific Holdings Limited, Brambles Industries Limited, Coca Cola Amatil Limited, CSL Limited, Foster's Group Limited, Insurance Australia Group Limited, Leighton Holdings Limited, Macquarie Group Limited, National Australia Bank Limited, QBE Insurance Group Limited, Stockland, Suncorp-Metway Limited, Telstra Corporation Limited, Wesfarmers Limited, Westfield Group, Westpac Banking Corporation and Woolworths Limited.
Vesting Framework	<u>Vesting Framework for the long term incentive awarded during the 2011 financial year</u> *(i) Customer Satisfaction hurdle (25% of the award)* • For this part of the GLRP awarded during 2011: - Full vesting applies if the Group is ranked first relative to our peers in each of the three surveys; - 75% will vest if the Group is ranked first across two of the three surveys; - 50% will vest if the Group is ranked at least second across the three surveys; - The Board will exercise discretion to determine the portion to vest where our ranking has improved, but in a different variation than those described above; and - None of the Reward Rights in this portion of the award will vest where the Board determines that our overall Customer Satisfaction at the end of the performance period is worse than it was at the beginning. *(ii) Total Shareholder Return hurdle (75% of the award)* • Full vesting is achieved if the Group's Total Shareholder Return is ranked in the top quarter of the peer group (i.e. 75th percentile or higher); • If the Group is ranked at the median, half the Reward Rights will vest; • Vesting increases on a sliding scale if the Group is ranked between the median and below the 75th percentile; and • No Reward Rights in this part of the award will vest if the Group's Total Shareholder Return is ranked below the median of the peer group. The Board retains discretion to take into account unforeseen changes or events, and to prevent any unintended outcomes.
Who calculates the performance results	Customer satisfaction is measured with reference to three separate independent surveys provided by: • Roy Morgan Research, which measures customer satisfaction across the retail bank base; • DBM, Business Financial Services Monitor, which measures business banking customer satisfaction; and • Wealth Insights 2011 Service Level Report, Platforms, which measures wealth management service performance of master trusts/wraps in Australia. Total Shareholder Return is calculated independently by Standard & Poors.
Board discretion	Where an executive leaves prior to the end of the performance period, they will generally forfeit that award unless the Board determines otherwise, in which case the terms of any portion that is not forfeited will continue unchanged, including any performance conditions. Any portion of the award that vests may be satisfied by cash rather than shares. The Board also retains sole discretion to determine the amount of any award that may vest (if any) to prevent any unintended outcomes, or in the event of a corporate restructuring or event, e.g. a takeover.
Expiry	At the end of the applicable performance period, any Reward Rights that have not vested will expire.

Previous and Other Long Term Incentive Plans

The Group regularly reviews remuneration arrangements to ensure they continue to align with and support our strategic objectives. The Group introduced the GLRP for long term incentive awards to the CEO and Group Executives during the 2010 financial year. Prior years' long term incentive awards were made under the Group Leadership Share Plan (GLSP). The GLSP is now closed to new offers, and the final award completed its performance period on 1 July 2011.

Group Leadership Share Plan (GLSP)

During the 2008 and 2009 financial years, long term incentive awards were made under the GLSP. Details of the GLSP were provided to shareholders in the Remuneration Reports for those years, and a summary of the key features is provided below.

Under the GLSP, executives were awarded rights to receive Commonwealth Bank ordinary shares in the future, subject to meeting set performance hurdles over a three year period.

- The GLSP award made during the 2008 financial year reached the end of its performance period during the 2011 financial year. Performance and vesting results are set out on page 22; and
- The GLSP award made during the 2009 financial year reached the end of its performance period on 1 July 2011 (i.e. during the 2012 financial year).

The number of shares each executive ultimately receives under the GLSP is determined in three steps:

- The Group's growth in PACC is measured and determines the size of the rights pool. The rights pool was subject to a cap of $34.0 million for the 2008 financial year award, and for the 2009 financial year award the cap is $36.1 million;
- The Group's cash NPAT growth is measured. The rate of growth must be greater than the average of the peer group (ANZ, WBC, NAB and St. George) or nothing will vest; and
- Provided the relative NPAT growth hurdle is met, the Group's customer satisfaction ranking relative to the peer group drives the portion of the rights pool that will vest, according to the following scale:

	Percentage of rights pool to vest (1)	
Customer Satisfaction ranking	2008 financial year award	2009 financial year award
1	100%	100%
2	75%	75%
3	50%	50%
4	30%	Nil
5	Nil	Nil

(1) The vesting scale for each award is different, because it is determined with reference to the Group's position relative to the peer group at the time of each invitation.

The number of shares an executive ultimately receives is calculated by dividing their individual portion of the GLSP rights pool by the market value of Commonwealth Bank ordinary shares at the end of the performance period.

The Board retains discretion to take into account unforeseen changes, and prevent any unintended outcomes.

Long Term Incentive Plans for Other Executives

In line with our philosophy of providing flexible and effective reward structures linked to our business strategy, the Group provides tailored long term incentive arrangements for the Other Executives in this report.

Mark Lazberger participates in the Colonial First State Global Asset Management (CFSGAM) cash-settled long term incentive plan. Under this plan participants share in the growth of CFSGAM profit over a three year period.

The purpose of this plan is retention and motivation of key employees with specific and unique skill sets highly valued in the market, and alignment of their reward with the success of the business.

The decision of investors to grant an investment mandate to CFSGAM is dependent on their confidence in the investment capability, experience and long term tenure of individual fund managers.

Awards made under this plan during 2011 have a three year vesting period and are not subject to further performance hurdles once awarded.

Martin Lau, Stuart Paul and Alistair Thompson participate in a profit share arrangement in the Global Emerging Markets Asia Pacific (GEM AP) business in CFSGAM.

The purpose of the profit share arrangement is to reward and retain key talent in that business. Each year allocations are made from a pool that reflects a percentage of profit generated by this part of the CFSGAM business. Allocations to participants are co-invested in GEM AP funds and allocations may vest after three years.

Hedging

All employees are prohibited from hedging, or otherwise limiting, their exposure to risk in relation to unvested shares, options or rights issued or acquired under the Group's employee equity arrangements. The Board has discretion under respective employee equity plan rules to enforce this policy.

Executives who report to the CEO are also prohibited from using instruments or arrangements for margin borrowing, short selling or stock lending in relation to any securities of the Bank or of any other member of the Group. These restrictions are set out in the Group's Securities Trading Policy.

Group Performance Relating to Long Term Incentives

Group Leadership Share Plan (GLSP)

Executives only receive value from their long term incentive awards when performance hurdles are met.

During the 2011 financial year, the long term incentive award made under the GLSP during the 2008 financial year reached its performance test date. The performance hurdles relating to this award are described in the previous section.

Performance outcomes relating to the 2008 financial year GLSP award

- The Group achieved PACC growth over the performance period of $2.4 billion. Based on this performance, the maximum rights pool was achieved in relation to the 2008 financial year GLSP award;
- The Group's NPAT growth over the performance period was greater than the average of the peer group, which was a requirement before any vesting could occur; and
- The Board determined that the Group's overall Customer Satisfaction ranking was third against the peer group.

The Board reviewed the performance outcomes following the end of the performance period relating to the 2008 financial year GLSP award. They also considered whether there were any issues that may warrant the Board exercising discretion in relation to vesting outcomes. Based on this review, no discretion was exercised, and 50% of the available rights pool vested. This resulted in a total distribution of $14.8 million during the 2011 financial year.

Performance relating to the 2009 financial year GLSP award

The GLSP award granted during the 2009 financial year reached the end of its three-year performance period on 1 July 2011.

- The Group achieved strong PACC growth over the performance period of $2.2 billion. Based on this performance, the maximum rights pool was achieved in relation to the 2009 financial year GLSP award;
- The Group's NPAT growth over the performance period was greater than the average of the peer group, which was a requirement before any vesting could occur; and
- The Group's customer satisfaction ranking for Wealth customers was first out of the peer group, while the satisfaction ranking for business customers was equal second in the peer group and for retail customers, fifth in the peer group. The Board determined that the Group's overall Customer Satisfaction ranking was fourth against the peer group.

Since the year end, the Board has reviewed this performance against the financial and customer satisfaction hurdles. In considering overall performance the Board also noted that:

- The Group's Total Shareholder Return for the three years exceeded its peers';
- The Group's return on equity has been amongst the highest of any major international bank; and
- Retail customer satisfaction improved from 70% to 75% over the period.

After consideration, the Board has exercised its discretion to determine that 25% of the available pool will vest. This will result in a total distribution of $8.5 million during the 2012 financial year.

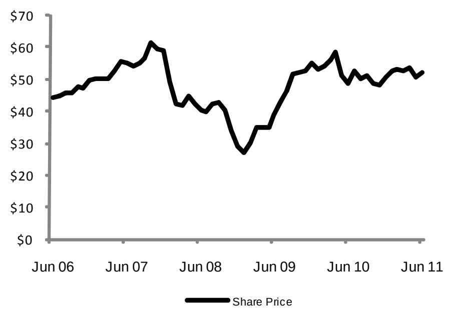
Group Leadership Reward Plan (GLRP)

The GLRP is the Group's current LTI plan for the CEO and Group Executives. Awards under the GLRP are subject to performance hurdles of relative Customer Satisfaction and Total Shareholder Return.

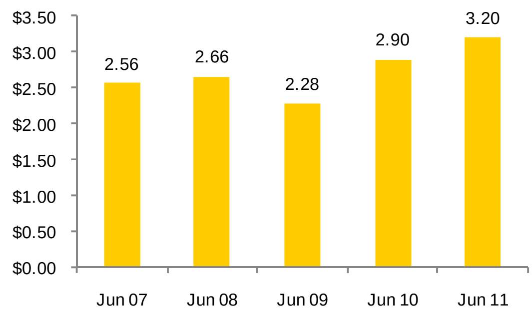
We continue to make progress in Customer Satisfaction across all segments of our business.

Total Shareholder Return measures a company's share price movement, dividends and any return of capital over a specific period. The Commonwealth Bank's share price movement and dividends per share for the five year period to June 2011 are shown in the following graphs.

Share Price



CBA Dividends Per Share



Directors' Report – 2011 Remuneration Report

Statutory Remuneration Disclosures

Remuneration of Non-Executive Directors

Individual remuneration details for Non-Executive Directors for the year ended 30 June 2011.

	Short Term Benefits	Post employment Benefits		Share-based payments	
	Cash (1)	Super-annuation (2)	Retiring Allowance Paid	Non-executive Directors' Share Plan (3)	Total Accounting Expense (4)
	$	$	$	$	$
Chairman					
David Turner (5)					
2011	**608,360**	**50,000**	**-**	**151,000**	**809,360**
2010	353,933	47,854	-	88,483	490,270
Non-Executive Directors					
John Anderson					
2011	**196,000**	**17,640**	**-**	**49,000**	**262,640**
2010	180,232	16,221	-	45,058	241,511
Colin Galbraith (6)					
2011	**216,000**	**19,440**	**-**	**54,000**	**289,440**
2010	205,111	18,460	-	51,278	274,849
Jane Hemstritch					
2011	**228,000**	**20,520**	**-**	**57,000**	**305,520**
2010	205,618	18,506	-	51,404	275,528
Launa Inman					
2011	**54,071**	**4,866**	**-**	**13,518**	**72,455**
Carolyn Kay					
2011	**228,000**	**20,520**	**-**	**57,000**	**305,520**
2010	214,692	19,322	-	53,673	287,687
Brian Long					
2011	**168,175**	**15,136**	**-**	**42,044**	**225,355**
Andrew Mohl					
2011	**192,000**	**34,720**	**-**	**52,000**	**278,720**
2010	179,700	33,613	-	48,925	262,238
Fergus Ryan (6)					
2011	**228,000**	**20,520**	**-**	**57,000**	**305,520**
2010	216,506	19,486	-	54,127	290,119
Harrison Young					
2011	**228,000**	**20,520**	**-**	**57,000**	**305,520**
2010	216,506	19,486	-	54,127	290,119

(1) Cash includes base fees and committee fees paid as cash.

(2) Superannuation arrangements include statutory superannuation contributions and any allocations made by way of salary sacrifice.

(3) Non-Executive Directors receive 20% of their total annual fees as Commonwealth Bank shares under the Non-Executive Directors' Share Plan. The amount shown in the table is the pre-tax portion of fees received as shares. However, the number of shares each Non-Executive Director receives is calculated on a post-tax basis.

(4) Former Directors' 2010 comparative remuneration expense included John Schubert (former Chairman) $1,085,980, and Reg Clairs $401,126.

(5) David Turner was appointed Chairman on 10 February 2010, and his 2010 fees represent only a part-year as Chairman.

(6)These Directors are entitled to a retirement allowance, which was frozen in 2002. The entitlements are Colin Galbraith ($159,092) and Fergus Ryan ($168,263).

Remuneration of Executives

The following table sets out remuneration disclosures for the CEO, Group Executives (who are KMP), and the Other Executives for the year ended 30 June 2011. The table has been prepared in accordance with the accounting requirements and does not represent the remuneration each individual executive actually received during the year. Details of the remuneration the CEO and Group Executives received in relation to the 2011 performance year are set out in the tables on page 12.

In the table below, where a component of remuneration (such as an equity award) vests over a number of years and some of the vesting period fell during 2011, we are required to show the portion of the expense relating to the 2011 year. In some cases, where performance differs from expectations we may be required to recognise a greater or lesser final expense. This has occurred during the 2010 and 2011 financial years in relation to vesting of the GLSP awards that were awarded during the 2008 and 2009 financial years. The 2010 year figure under 'LTI Performance Rights at Risk' shows the impact of a higher than expected financial performance for the 2008 award, while the 2011 year figure in the same column shows a partial reversal in the 2011 year of amounts previously recognised for the 2009 award due to lower than expected customer satisfaction performance.

	Short Term Benefits					Post employment	Long-term benefits	Share-based payments			
	Cash Fixed (1) ($)	Non Monetary Fixed (2) ($)	Cash STI Payment At Risk (3) ($)	STI Deferred At Risk (4) ($)	Other (5) ($)	Superannuation fixed (6) ($)	Other (7) ($)	LTI Performance Rights At Risk (8) ($)	LTI Reward Shares/Rights At Risk (9) ($)	LTI Performance Units At Risk (10) ($)	Total Accounting Expense (11) ($)
Managing Director and CEO											
Ralph Norris											
2011	**3,316,557**	**-**	**1,638,000**	**1,638,000**	**91,965**	**50,000**	**84,022**	**(963,268)**	**2,782,896**	**-**	**8,638,172**
2010(12)	3,128,875	-	1,852,500	1,852,500	441	50,000	85,891	6,415,735	2,771,804	-	16,157,746
Group Executives											
Simon Blair											
2011	**807,534**	**13,398**	**508,667**	**508,667**	**23,057**	**50,000**	**21,483**	**-**	**437,060**	**-**	**2,369,866**
2010	746,742	14,078	464,453	464,453	-	49,338	17,219	-	228,441	-	1,984,724
Barbara Chapman (13)											
2011	**734,524**	**13,398**	**431,420**	**431,420**	**38,297**	**41,096**	**6,346**	**(166,344)**	**652,789**	**-**	**2,182,946**
2010	865,094	13,231	517,969	517,969	20,744	25,000	151,926	1,334,602	630,874	-	4,077,409
David Cohen											
2011	**877,521**	**13,398**	**523,542**	**523,542**	**24,958**	**50,000**	**22,152**	**(203,063)**	**775,585**	**-**	**2,607,635**
2010	811,941	25,237	502,734	502,734	-	50,000	15,811	1,334,602	493,756	-	3,736,815
David Craig											
2011	**1,411,998**	**13,398**	**827,213**	**827,213**	**31,764**	**50,000**	**65,468**	**(225,625)**	**1,035,096**	**-**	**4,036,525**
2010	1,047,974	13,231	639,844	639,844	-	50,000	27,859	1,506,616	791,291	-	4,716,659
Michael Harte											
2011	**1,103,630**	**16,835**	**548,888**	**548,888**	**51,653**	**25,000**	**28,200**	**(203,063)**	**903,749**	**-**	**3,023,780**
2010	970,037	14,341	578,906	578,906	24,475	25,000	15,540	1,334,602	671,174	-	4,212,981
Ross McEwan											
2011	**1,292,055**	**13,398**	**647,657**	**647,657**	**45,257**	**50,000**	**59,553**	**(258,717)**	**1,126,515**	**-**	**3,623,375**
2010	1,205,475	13,045	731,250	731,250	12,815	50,000	30,344	1,815,846	718,201	121,487	5,429,713
Ian Narev											
2011	**943,236**	**13,515**	**488,250**	**488,250**	**34,944**	**25,000**	**17,179**	**(129,358)**	**800,825**	**-**	**2,681,841**
2010	845,414	13,182	517,969	517,969	10,505	43,182	11,743	374,100	516,871	-	2,850,935
Grahame Petersen											
2011	**1,185,050**	**15,929**	**488,750**	**488,750**	**33,277**	**50,000**	**76,738**	**(258,717)**	**1,033,458**	**-**	**3,113,235**
2010	1,100,413	14,666	670,313	670,313	-	50,000	53,602	1,709,081	914,029	-	5,182,417
Ian Saines											
2011	**1,347,899**	**13,398**	**613,463**	**613,463**	**39,327**	**87,313**	**44,610**	**(129,358)**	**1,215,626**	**-**	**3,845,741**
2010	1,274,982	11,832	792,188	792,188	-	85,101	73,266	374,100	832,237	-	4,235,894
Alden Toevs											
2011	**1,445,329**	**14,047**	**798,350**	**798,350**	**98,862**	**50,000**	**36,948**	**(187,618)**	**1,302,760**	**-**	**4,357,028**
2010	1,415,581	14,341	853,125	853,125	1,011,765	50,000	536,909	506,339	837,902	-	6,079,087
Other Executives (14)											
Martin Lau											
2011	**290,887**	**-**	**290,887**	**-**	**-**	**58,177**	**-**	**-**	**-**	**6,997,852**	**7,637,803**
Mark Lazberger											
2011	**797,177**	**15,929**	**816,015**	**408,007**	**-**	**25,000**	**681,773**	**-**	**-**	**2,750,000**	**5,493,901**
2010	791,835	12,038	807,934	403,967	-	25,000	1,261,296	-	-	2,500,000	5,802,070
Stuart Paul											
2011	**422,754**	**-**	**422,754**	**-**	**-**	**78,327**	**-**	**-**	**-**	**7,284,428**	**8,208,263**
Alistair Thompson											
2011	**537,824**	**-**	**537,824**	**-**	**-**	**177,482**	**-**	**-**	**-**	**4,635,522**	**5,888,652**

(1) Cash Fixed remuneration is the total cost of salary, including annual leave accruals and any salary sacrificed benefits. For Ralph Norris annual leave accrual was $246,557.

(2) Non Monetary Fixed represents the cost of car parking (including associated fringe benefits tax).

(3) 2011 Cash STI payment includes, for the CEO and Group Executives 50%, Mark Lazberger 66.6%, and the remaining Other Executives all of their STI award in recognition of performance for the year ended 30 June 2011.

(4) STI Deferred includes the compulsory 12 month deferral of 50% (2010: 50%) of the CEO and Group Executives' STI payments, and for Mark Lazberger the compulsory three year deferral of 33.4% (2010: 33.4%) of his STI payment, in each case for performance for the year ended 30 June 2011.

(5) Other Short Term Benefits relate to company funded benefits (including associated fringe benefits tax where applicable). These benefits include preparation of Australian taxation returns for expatriates, club memberships, and relocation costs. This item also includes interest accrued in relation to the CEO and Group Executives' 2010 STI deferred award which vested on 1 July 2011.

(6) Superannuation arrangements include superannuation or pension contributions, including any voluntary contributions.

(7) Includes long service entitlements accrued during the year. For Mark Lazberger this also includes amounts relating to his sign-on arrangements. For Alden Toevs, the 2010 comparative figure includes amounts relating to retention arrangements.

(8) This includes the 2011 expense for Performance Rights awarded under the GLSP during the 2009 financial year (now closed to new offers).

(9) This includes the 2011 expense for Reward Shares/Rights awarded during the 2010 and 2011 financial years under the GLRP.

(10) For Ross McEwan the 2010 figure includes the 2010 expense for a cash-based long term incentive award received during the 2007 financial year. For Mark Lazberger, this represents awards made under the CFSGAM long term incentive plan. For Martin Lau, Stuart Paul and Alistair Thompson, this represents awards made under the GEM AP profit share scheme.

(11) The percentage of 2011 remuneration related to performance was: Ralph Norris 59%, Simon Blair 61%, Barbara Chapman 62%, David Cohen 62%, David Craig 61%, Michael Harte 59%, Martin Lau 95%, Mark Lazberger 72%, Ross McEwan 60%, Ian Narev 61%, Stuart Paul 94%, Grahame Petersen 56%, Ian Saines 60%, Alistair Thompson 88% and Alden Toevs 62%. None of the remuneration was received as options.

(12) CEO and Group Executive Cash Fixed for 2010 reflects voluntary pay-cuts of 10% and 5% respectively from 1 July 2009 to 31 December 2009 during the worst of the global financial crisis.

(13) The remuneration disclosed for Barbara Chapman relates to the period she was a KMP of the Group, prior to her appointment to the role of Chief Executive and Managing Director of the Group's New Zealand subsidiary ASB Bank Limited.

(14) The five executives who received the highest remuneration for the year ended 30 June 2011 as defined in the Section 300A of the Corporations Act 2001, include Martin Lau, Mark Lazberger, Stuart Paul, Alistair Thompson and Ralph Norris.

STI Allocations to Executives for the Year Ended 30 June 2011

	STI Target	Maximum STI Potential (1)	STI Paid (2)		STI Portion Deferred (3)	
	($)	(%)	(%)	($)	(%)	($)
Managing Director and CEO						
Ralph Norris	3,120,000	150%	50%	1,638,000	50%	1,638,000
Group Executives						
Simon Blair	800,000	150%	50%	508,667	50%	508,667
Barbara Chapman	880,000	150%	50%	431,420	50%	431,420
David Cohen	865,000	150%	50%	523,542	50%	523,542
David Craig	1,350,000	150%	50%	827,213	50%	827,213
Michael Harte	1,050,000	150%	50%	548,888	50%	548,888
Ross McEwan	1,250,000	150%	50%	647,657	50%	647,657
Ian Narev	900,000	150%	50%	488,250	50%	488,250
Grahame Petersen	1,150,000	150%	50%	488,750	50%	488,750
Ian Saines	1,330,000	150%	50%	613,463	50%	613,463
Alden Toevs	1,400,000	150%	50%	798,350	50%	798,350
Other Executives						
Mark Lazberger	n/a	n/a	67%	816,015	33%	408,007
Martin Lau	n/a	n/a	100%	290,887	-	-
Stuart Paul	n/a	n/a	100%	422,754	-	-
Alistair Thompson	n/a	n/a	100%	537,824	-	-

(1) The maximum STI is represented as a percentage of Fixed Remuneration. The minimum STI potential is $nil.

(2) Includes the annual cash award immediately payable in recognition of performance for the year ended 30 June 2011.

(3) This represents the portion of STI that is deferred. The Executive will need to be an employee of the Group at the end of the respective deferral period to receive this payment.

Equity Awards Received as Remuneration

The following table sets out the number and value of equity awards that were granted, exercised, or forfeited/lapsed during 2011. It also shows the number of awards made in previous years that vested during 2011. Further information about equity holdings of KMP are provided in Note 44 to the financial statements.

		Granted during 2011		Previous years' awards that vested during 2011 (1)	Forfeited or lapsed during 2011	
Name	Class	(Units)	($)	(Units)	(Units)	($)
Managing Director and CEO						
Ralph Norris	Reward Shares/Rights	85,976	3,561,986	-	-	-
	Deferred Shares	-	-	-	-	-
	Ordinary Shares	-		117,056	-	-
Group Executives						
Simon Blair	Reward Shares/Rights	22,046	913,358	-	-	-
	Deferred Shares	-	-	-	-	-
	Ordinary Shares	-	-	-	-	-
Barbara Chapman	Reward Shares/Rights	24,250	1,004,670	-	-	-
	Deferred Shares	-	-	-	-	-
	Ordinary Shares	-		24,100	-	-
David Cohen	Reward Shares/Rights	23,837	987,563	-	-	-
	Deferred Shares	-	-	-	-	-
	Ordinary Shares	-		24,100	-	-
David Craig	Reward Shares/Rights	37,202	1,534,533	-	-	-
	Deferred Shares	-	-	-	-	-
	Ordinary Shares	-		27,543	-	-
Michael Harte	Reward Shares/Rights	28,935	1,198,781	-	-	-
	Deferred Shares	-	-	-	-	-
	Ordinary Shares	-		24,100	-	-
Ross McEwan	Reward Shares/Rights	34,446	1,427,090	-	-	-
	Deferred Shares	-	-	-	-	-
	Ordinary Shares	-		34,429	-	-
Ian Narev	Reward Shares/Rights	24,801	1,027,502	-	-	-
	Deferred Shares	-		6,610	-	-
	Ordinary Shares	-	-	-	-	-
Grahame Petersen	Reward Shares/Rights	31,690	1,312,909	-	-	-
	Deferred Shares	-	-	-	-	-
	Ordinary Shares	-		30,986	-	-
Ian Saines	Reward Shares/Rights	36,650	1,518,402	-	-	-
	Deferred Shares	-		12,653	-	-
	Ordinary Shares	-	-	-	-	-
Alden Toevs	Reward Shares/Rights	38,579	1,598,332	-	-	-
	Deferred Shares	-		37,784	-	-
	Ordinary Shares	-	-	-	-	-
Other Executive (2)						
Mark Lazberger	Reward Shares	-	-	23,463	-	-
	Deferred Shares	8,180	404,010	-	-	-
	Ordinary Shares	-	-	-	-	-

(1) Previous year's awards that vested include long term incentive and other deferred awards. There are no instruments on issue for the executives shown that would require the exercise of a right to receive an ordinary share.

(2) Martin Lau, Stuart Paul and Alistair Thompson have no equity holdings under any CBA Employee Share Plans.

Directors' Report – 2011 Remuneration Report

Equity Awards Outstanding during 2011 – Fair Value Assumptions

The fair value of LTI awards granted has been calculated using a Monte-Carlo simulation method incorporating the assumptions below:

	Assumptions							
Award type	Grant Date	Fair Value ($)	Exercise Price ($)	Performance Period End	Expected Life (years)	Expected Dividend Yield (%)	Expected Volatility (%)	Risk free rate (%)
GLRP - Reward Rights(1)	10/03/2011	$51.30	Nil	30/06/2014	3.3	Nil	30	5.5
GLRP - Reward Rights(2)	10/03/2011	$36.51	Nil	30/06/2014	3.3	Nil	30	5.5
GLRP - Reward Rights(1)	27/09/2010	$52.86	Nil	30/06/2014	3.8	Nil	30	5.5
GLRP - Reward Rights(2)	27/09/2010	$37.62	Nil	30/06/2014	3.8	Nil	30	5.5
GLRP - Reward Shares(1)	25/09/2009	$51.30	Nil	30/06/2012	2.8	Nil	30	5.1
GLRP - Reward Shares(2)	25/09/2009	$36.52	Nil	30/06/2012	2.8	Nil	30	5.1
GLRP - Reward Shares(1)	25/09/2009	$51.30	Nil	30/06/2013	3.8	Nil	30	5.4
GLRP - Reward Shares(2)	25/09/2009	$37.24	Nil	30/06/2013	3.8	Nil	30	5.4
GLSP - Performance Rights	3/12/2008	$26.20	Nil	1/07/2011	2.6	6.75	30	4.7

(1) The performance hurdle for this portion of the GLRP award is Customer Satisfaction relative to our peers.

(2) The performance hurdle for this portion of the GLRP award is Total Shareholder Return relative to our peers.

Termination Arrangements

The Group's executive contracts provide for the following termination arrangements for current KMP and the Other Executives

Name	Contract Type (1)	Notice	Severance (2)
Managing Director & CEO			
Ralph Norris(3)	Permanent	6 months	n/a
Group Executives			
Simon Blair	Permanent	6 months	6 months
Barbara Chapman(4)	Permanent	6 months	6 months
David Cohen	Permanent	6 months	6 months
David Craig	Permanent	6 months	6 months
Michael Harte	Permanent	6 months	6 months
Ross McEwan	Permanent	6 months	6 months
Ian Narev	Permanent	6 months	6 months
Grahame Petersen	Permanent	6 months	6 months
Ian Saines	Permanent	6 months	6 months
Alden Toevs	Permanent	6 months	n/a
Other Executive			
Mark Lazberger	Permanent	3 months	3 months
Martin Lau	Permanent	9 months	9 months
Stuart Paul	Permanent	6 months	6 months
Alistair Thompson	Permanent	9 months	9 months

(1) Permanent contracts are ongoing until notice is given by either party.

(2) Severance applies where termination is initiated by the Group, other than for misconduct or unsatisfactory performance.

(3) Termination benefits for Ralph Norris when he retires on 30 November 2011 will be consistent with the Group's remuneration policy as outlined in this report.

(4) Termination arrangements for Barbara Chapman relate to her period as a KMP in her role as Group Executive Human Resources and Group Services until 26 April 2011.

Executives receive their statutory entitlements of accrued annual leave, long service leave and superannuation benefits when they leave the Group. Those executives who cease employment with the Group during a performance year (i.e. 1 July to 30 June) will generally not receive a short term incentive payment for that year except if they leave due to retrenchment, retirement or death.

Loans to KMP

Information on loans to KMP, including loan amounts, interest charged, and loan balances outstanding are set out in Note 44 to the financial statements.

Glossary of Key Terms

To assist readers, key terms and abbreviations used in the remuneration report are set out below.

Term	Definition
Base Remuneration	Cash and non-cash remuneration paid regularly with no performance conditions.
Board	The Board of Directors of the Group.
Fixed Remuneration	Consists of Base Remuneration plus employer contributions to superannuation.
Group	Commonwealth Bank of Australia and its subsidiaries.
Group Executive	Key Management Personnel who are also members of the Group's Executive Committee.
Group Leadership Reward Plan (GLRP)	The Group's long term incentive plan from 1 July 2009 for the CEO and Group Executives.
Group Leadership Share Plan (GLSP)	The Group's previous long term incentive plan applying to grants made in the 2008 and 2009 financial years for the CEO and Group Executives.
Key Management Personnel (KMP)	Persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.
Long Term Incentive (LTI)	A remuneration arrangement which grants benefits to participating executives that may vest if, and to the extent that, performance hurdles are met over a period of three or more years. The Group's long term incentive plans include the GLRP, and the closed GLSP and ERP.
NPAT	Net profit after tax.
Other Executives	Those executives who are not Key Management Personnel but are amongst the "Company Executives" or "Group Executives" as defined by the Corporations Act 2001 and for whom disclosure is required in accordance with section 300A(1)(c) of the Corporations Act 2001.
Performance Rights	Rights to acquire a Commonwealth Bank of Australia ordinary share with no payment by the recipient if relevant performance hurdles are met.
PACC	Profit after capital charge.
Remuneration	All forms of consideration paid, payable or provided by the Group, or on behalf of the Group, in exchange for services rendered to the Group. In reading this report, the term "remuneration" means the same as the term "compensation" for the purposes of the Corporations Act 2001 and the accounting standard AASB124.
Remuneration Mix	The relative weighting of each component of remuneration (Fixed Remuneration, STI and LTI).
Reward Shares	Shares in the Bank granted under the GLRP during the 2010 financial year and subject to performance hurdles.
Reward Rights	Rights to ordinary shares in the Bank granted under the GLRP during the 2011 financial year and subject to performance hurdles.
Salary Sacrifice	An arrangement where an employee agrees to forego part of his or her cash component of Base Remuneration in return for non-cash benefits of a similar value.
Short Term Incentive (STI)	Remuneration paid with direct reference to the Group's and the individual's performance over one financial year.
Total Shareholder Return (TSR)	TSR measures a company's share price movement, dividend yield and any return of capital over a specific period.

Company Secretaries

The details of the Bank's Company Secretaries, including their experience and qualifications are set out below.

John Hatton has been Company Secretary of the Commonwealth Bank of Australia since 1994. From 1985 until 1994, he was a solicitor with the Bank's Legal Department.

He has a Bachelor of Laws degree from Sydney University and was admitted as a solicitor in New South Wales. He is a Fellow of Chartered Secretaries Australia and a Member of the Australian Institute of Company Directors.

Carla Collingwood was appointed a Company Secretary to the Bank in July 2005.

From 1994 until 2005, she was a solicitor with the Bank's Legal Department, before being appointed to the position of General Manager, Secretariat. She holds a Bachelor of Laws degree (Hons.) and a Graduate Diploma in Company Secretary Practice from Chartered Secretaries Australia. She is a Graduate of the Australian Institute of Company Directors.

Non-Audit Services

Amounts paid or payable to PricewaterhouseCoopers (PwC) for audit and non-audit services provided during the year, as set out in Note 34 to the Financial Statements are as follows:

	2011 $'000
Project assurance services	2,780
Taxation services	3,051
Controls review and related work	135
Other	693
Total non-audit services (1)	**6,659**
Total audit and audit related services	**22,442**

(1) An additional amount of $1,713,328 was paid to PwC for non audit services provided to entities not consolidated into the Financial Statements.

Auditor's Declaration of Independence

We have obtained an independence declaration from our external auditor as presented on the following page.

Auditor Independence

The Bank has in place an Independent Auditor Services Policy, details of which are set out in the Corporate Governance section of this Annual Report, to assist in ensuring the independence of the Bank's external auditor.

The Audit Committee has considered the provision, during the year, of non-audit services by PwC and has concluded that the provision of those services did not compromise the auditor independence requirements of the Corporations Act 2001.

The Audit Committee advised the Board accordingly and, after considering the Committee's advice, the Board of Directors agreed that it was satisfied that the provision of the non-audit services by PwC during the year was compatible with the general standard of independence imposed by the Corporations Act 2001.

The Directors are satisfied that the provision of the non-audit services during the year did not compromise the auditor independence requirements of the Corporations Act 2001. The reasons for this are as follows:

- The operation of the Independent Auditor Services Policy during the year to restrict the nature of non-audit services engagements, to prohibit certain services and to require Audit Committee pre-approval for all such engagements; and
- The relative quantum of fees paid for non-audit services compared to the quantum for audit and audit related services.

The above Directors' statements are in accordance with the advice received from the Audit Committee.

Signed in accordance with a resolution of the Directors.

D J Turner

Chairman

10 August 2011

R J Norris

Managing Director and Chief Executive Officer

10 August 2011

Auditor's Independence Declaration

As lead auditor for the audit of the Commonwealth Bank of Australia for the year ended 30 June 2011, 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

RChowdry

Rahoul Chowdry
Partner
PricewaterhouseCoopers

Sydney
10 August 2011

PricewaterhouseCoopers

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

Financial Statements

Income Statements

For the year ended 30 June 2011

		Group			Bank	
		2011	2010	2009	2011	2010
	Note	$M	$M	$M	$M	$M
Interest income	2	**37,304**	32,215	31,519	**32,945**	27,754
Interest expense	2	**(24,697)**	(20,293)	(21,218)	**(23,163)**	(18,603)
Net interest income		**12,607**	11,922	10,301	**9,782**	9,151
Other banking income		**3,630**	4,208	3,914	**5,617**	5,260
Net banking operating income		**16,237**	16,130	14,215	**15,399**	14,411
Funds management income		**1,996**	1,906	1,618	**-**	-
Investment revenue/(expense)		**854**	975	(859)	**-**	-
Claims and policyholder liability (expense)/revenue		**(808)**	(953)	731	**-**	-
Net funds management operating income	2	**2,042**	1,928	1,490	**-**	-
Premiums from insurance contracts		**1,884**	1,794	1,651	**-**	-
Investment revenue/(expense)		**547**	687	(232)	**-**	-
Claims and policyholder liability expense from insurance contracts		**(1,313)**	(1,251)	(650)	**-**	-
Net insurance operating income	2	**1,118**	1,230	769	**-**	-
Total net operating income	2	**19,397**	19,288	16,474	**15,399**	14,411
Gain on acquisition of controlled entities		**-**	-	983	**-**	-
Impairment expense	2,14	**(1,280)**	(2,379)	(3,048)	**(1,080)**	(1,193)
Operating expenses	2	**(9,060)**	(8,716)	(7,960)	**(6,113)**	(5,917)
Net profit before income tax	2	**9,057**	8,193	6,449	**8,206**	7,301
Corporate tax expense	5	**(2,481)**	(2,383)	(1,860)	**(1,726)**	(1,686)
Policyholder tax (expense)/benefit	5	**(166)**	(130)	164	**-**	-
Net profit after income tax		**6,410**	5,680	4,753	**6,480**	5,615
Non-controlling interests		**(16)**	(16)	(30)	**-**	-
Net profit attributable to Equity holders of the Bank		**6,394**	5,664	4,723	**6,480**	5,615

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

		Group		
		2011	2010	2009
	Note	Cents per share		
Earnings per share:				
Basic	7	**411. 2**	367. 9	328. 5
Fully diluted	7	**395. 1**	354. 2	313. 4

Financial Statements

Statements of Comprehensive Income

For the year ended 30 June 2011

	Group			Bank	
	2011 $M	2010 $M	2009 $M	2011 $M	2010 $M
Profit from ordinary activities after income tax for the financial year	**6,410**	5,680	4,753	**6,480**	5,615
Other comprehensive income/(expense):					
Actuarial gains and losses from defined benefit superannuation plans	**(89)**	(64)	(739)	**(89)**	(64)
Gains and losses on cash flow hedging instruments:					
Recognised in equity	**(754)**	(239)	(1,630)	**(748)**	11
Transferred to Income Statement	**769**	828	(21)	**650**	208
Gains and losses on available-for-sale investments:					
Recognised in equity	**124**	327	10	**264**	160
Transferred to Income Statement on disposal	**(24)**	(24)	(24)	**(24)**	(16)
Transferred to Income Statement on impairment	**-**	2	37	**-**	-
Revaluation of properties	**6**	50	(25)	**9**	39
Foreign currency translation reserve	**(546)**	(19)	168	**(204)**	(67)
Income tax on items transferred directly to/from equity:					
Foreign currency translation reserve	**16**	(1)	94	**10**	1
Available-for-sale investments revaluation reserve	**(28)**	(77)	(37)	**(73)**	(33)
Revaluation of properties	**-**	(9)	9	**-**	(7)
Cash flow hedge reserve	**-**	(193)	497	**23**	(71)
Other comprehensive income/(expense) net of income tax	**(526)**	581	(1,661)	**(182)**	161
Total comprehensive income for the financial year	**5,884**	6,261	3,092	**6,298**	5,776
Total comprehensive income for the financial year is attributable to:					
Equity holders of the Bank	**5,868**	6,245	3,062	**6,298**	5,776
Non-controlling interests	**16**	16	30	**-**	-
Total comprehensive income for the financial year	**5,884**	6,261	3,092	**6,298**	5,776

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

Balance Sheets

As at 30 June 2011

		Group		Bank	
		2011	2010	2011	2010
	Note	$M	$M	$M	$M
Assets					
Cash and liquid assets	8	**13,241**	10,119	**10,979**	8,711
Receivables due from other financial institutions	9	**10,393**	10,072	**10,123**	9,766
Assets at fair value through Income Statement:	10				
Trading		**20,469**	22,851	**17,765**	18,775
Insurance		**14,998**	15,940	**-**	-
Other		**824**	654	**300**	-
Derivative assets	11	**30,317**	27,689	**30,731**	27,363
Available-for-sale investments	12	**45,171**	32,915	**75,699**	65,779
Loans, bills discounted and other receivables	13	**500,057**	493,459	**387,888**	377,195
Bank acceptances of customers		**10,734**	11,569	**10,734**	11,569
Shares in and loans to controlled entities	49	**-**	-	**47,357**	49,809
Property, plant and equipment	15	**2,366**	2,351	**1,526**	1,506
Investment in associates	43	**1,712**	1,490	**1,343**	1,194
Intangible assets	16	**9,603**	9,420	**3,726**	3,382
Deferred tax assets	5	**1,300**	1,270	**1,112**	1,242
Other assets	17	**6,681**	6,482	**4,917**	4,706
		667,866	646,281	**604,200**	580,997
Assets held for sale	18	**33**	49	**33**	49
Total assets		**667,899**	646,330	**604,233**	581,046
Liabilities					
Deposits and other public borrowings	19	**401,147**	374,663	**332,964**	307,844
Payables due to other financial institutions	20	**15,899**	12,608	**15,686**	12,422
Liabilities at fair value through Income Statement	21	**10,491**	15,342	**4,700**	4,613
Derivative liabilities	11	**33,976**	24,884	**32,817**	23,689
Bank acceptances		**10,734**	11,569	**10,734**	11,569
Due to controlled entities		**-**	-	**52,353**	52,411
Current tax liabilities	22	**1,222**	1,056	**1,133**	1,016
Deferred tax liabilities	22	**301**	221	**-**	-
Other provisions	23	**1,277**	1,197	**957**	934
Insurance policy liabilities	33	**13,652**	14,592	**-**	-
Debt issues	24	**118,652**	130,210	**94,385**	107,039
Managed funds units on issue		**1,048**	880	**-**	-
Bills payable and other liabilities	25	**10,652**	10,025	**9,348**	10,733
		619,051	597,247	**555,077**	532,270
Loan capital	26	**11,561**	13,513	**11,808**	13,575
Total liabilities		**630,612**	610,760	**566,885**	545,845
Net assets		**37,287**	35,570	**37,348**	35,201
Shareholders' Equity					
Share capital:					
Ordinary share capital	28	**23,602**	23,081	**23,896**	23,379
Other equity instruments	28	**939**	939	**1,895**	1,895
Reserves	27	**392**	1,089	**1,964**	2,047
Retained profits	27	**11,826**	9,938	**9,593**	7,880
Shareholders' equity attributable to Equity holders of the Bank		**36,759**	35,047	**37,348**	35,201
Non-controlling interests	30	**528**	523	**-**	-
Total Shareholders' equity		**37,287**	35,570	**37,348**	35,201

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

Financial Statements

Statements of Changes in Equity

For the year ended 30 June 2011

							Group
	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 financial year	-	-	645	5,600	**6,245**	16	**6,261**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid	-	-	-	(3,621)	**(3,621)**	-	**(3,621)**
Dividend reinvestment plan (net of issue costs)	1,457	-	-	-	**1,457**	-	**1,457**
Other equity movements:							
Share based payments	2	-	125	-	**127**	-	**127**
(Purchase)/sale and vesting of treasury shares	(20)	-	-	-	**(20)**	-	**(20)**
Other changes	-	-	(197)	134	**(63)**	(13)	**(76)**
As at 30 June 2010	23,081	939	1,089	9,938	**35,047**	523	**35,570**
Total comprehensive income for the financial year	**-**	**-**	**(437)**	**6,305**	**5,868**	**16**	**5,884**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid	**-**	**-**	**-**	**(4,707)**	**(4,707)**	**-**	**(4,707)**
Dividend reinvestment plan (net of issue costs)	**511**	**-**	**-**	**-**	**511**	**-**	**511**
Other equity movements:							
Share based payments	**6**	**-**	**10**	**-**	**16**	**-**	**16**
(Purchase)/sale and vesting of treasury shares	**4**	**-**	**-**	**-**	**4**	**-**	**4**
Other changes	**-**	**-**	**(270)**	**290**	**20**	**(11)**	**9**
As at 30 June 2011	**23,602**	**939**	**392**	**11,826**	**36,759**	**528**	**37,287**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Statements of Changes in Equity (continued)

For the year ended 30 June 2011

	Ordinary share capital $M	Other equity instruments $M	Reserves $M	Retained profits $M	Bank Shareholders' equity attributable to Equity holders of the Bank $M
As at 30 June 2009	21,825	1,895	1,697	6,009	31,426
Total comprehensive income for the financial year	-	-	225	5,551	5,776
Transactions with equity holders in their capacity as equity holders:					
Dividends paid	-	-	-	(3,587)	(3,587)
Dividend reinvestment plan (net of issue costs)	1,457	-	-	-	1,457
Other equity movements:					
Share based payments	2	-	125	-	127
Sale/(purchase) and vesting of treasury shares	95	-	-	-	95
Other changes	-	-	-	(93)	(93)
As at 30 June 2010	23,379	1,895	2,047	7,880	35,201
Total comprehensive income for the financial year	**-**	**-**	**(93)**	**6,391**	**6,298**
Transactions with equity holders in their capacity as equity holders:					
Dividends paid	**-**	**-**	**-**	**(4,678)**	**(4,678)**
Dividend reinvestment plan (net of issue costs)	**511**	**-**	**-**	**-**	**511**
Other equity movements:					
Share based payments	**6**	**-**	**10**	**-**	**16**
Sale/(purchase) and vesting of treasury shares	**-**	**-**	**-**	**-**	**-**
Other changes	**-**	**-**	**-**	**-**	**-**
As at 30 June 2011	**23,896**	**1,895**	**1,964**	**9,593**	**37,348**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

		Group		
		2011	2010	2009
	Note	Cents per share		
Dividends per share attributable to shareholders of the Bank:				
Ordinary shares	6	**320**	290	228
Trust preferred securities		**6,020**	6,715	8,142

Financial Statements

Statements of Cash Flows [1] [3]

For the year ended 30 June 2011

		Group			Bank	
		2011	2010	2009	2011	2010
	Note	$M	$M	$M	$M	$M
Cash flows from operating activities						
Interest received		**36,961**	31,663	31,745	**32,542**	27,197
Interest paid		**(24,278)**	(19,387)	(20,986)	**(22,814)**	(17,625)
Other operating income received		**5,725**	5,573	5,551	**3,558**	3,181
Expenses paid		**(8,474)**	(7,766)	(7,334)	**(5,837)**	(4,988)
Income taxes paid		**(2,370)**	(2,022)	(2,043)	**(2,087)**	(1,628)
Net decrease/(increase)in assets at fair value through Income Statement (excluding life insurance)		**4,452**	(2,466)	4,864	**1,531**	(3,962)
Net increase/(decrease) in liabilities at fair value through Income Statement:						
Life insurance:						
Investment income		**552**	335	275	**-**	-
Premiums received [2]		**2,200**	2,094	2,063	**-**	-
Policy payments [2]		**(3,374)**	(3,901)	(3,144)	**-**	-
Other liabilities at fair value through Income Statement		**(4,317)**	(1,200)	287	**13**	1,260
Cash flows from operating activities before changes in operating assets and liabilities		**7,077**	2,923	11,278	**6,906**	3,435
Changes in operating assets and liabilities arising from cash flow movements						
Movement in available-for-sale investments:						
Purchases		**(62,733)**	(60,021)	(37,200)	**(49,182)**	(36,325)
Proceeds from sale		**4,440**	4,107	4,996	**3,919**	4,095
Proceeds at or close to maturity		**45,417**	44,201	22,189	**34,718**	26,635
Net change in deposits with regulatory authorities		**(72)**	-	25	**(14)**	2
Net increase in loans, bills discounted and other receivables		**(11,489)**	(28,999)	(52,878)	**(11,842)**	(25,159)
Net decrease/(increase) in receivables due from other financial institutions not at call		**1,115**	2,725	(5,575)	**1,134**	2,641
Net (increase)/decrease in securities purchased under agreements to resell		**(2,834)**	776	(507)	**(2,194)**	751
Life insurance business:						
Purchase of insurance assets at fair value through Income Statement		**(4,101)**	(5,660)	(11,950)	**-**	-
Proceeds from sale/maturity of insurance assets at fair value through Income Statement		**5,914**	8,384	14,478	**-**	-
Net decrease/(increase) in other assets		**201**	254	(77)	**41**	193
Net increase in deposits and other public borrowings		**31,893**	8,852	47,394	**29,066**	5,321
Net increase/(decrease) in payables due to other financial institutions not at call		**5,112**	(1,157)	(8,012)	**4,532**	(1,112)
Net (decrease)/increase in securities sold under agreements to repurchase		**(1,698)**	(2,814)	6,985	**(1,963)**	(2,650)
Net decrease/(increase) in other liabilities		**(575)**	(240)	344	**(618)**	1,309
Changes in operating assets and liabilities arising from cash flow movements		**10,590**	(29,592)	(19,788)	**7,597**	(24,299)
Net cash provided by/(used in) operating activities	46(a)	**17,667**	(26,669)	(8,510)	**14,503**	(20,864)
Cash flows from investing activities						
Payments for acquisition of controlled entities		**-**	-	(1,741)	**-**	-
Net proceeds from disposal of controlled entities	46(c)	**19**	(11)	-	**-**	44
Net proceeds from disposal of entities and businesses (net of cash disposals)		**15**	(22)	-	**-**	-
Dividends received		**26**	71	76	**2,210**	1,648
Net amounts received from/(paid to) controlled entities		**-**	-	-	**394**	(23,823)
Proceeds from sale of property, plant and equipment		**27**	70	9	**7**	61
Purchases of property, plant and equipment		**(443)**	(293)	(987)	**(277)**	(230)
Payments for acquistions of investments in associates/joint ventures		**(164)**	(414)	(144)	**(148)**	(396)
Purchase of intangible assets		**(533)**	(454)	(405)	**(487)**	(427)
Sale/(purchase) of assets held for sale		**12**	542	(22)	**12**	346
Net cash (used in)/provided by investing activities		**(1,041)**	(511)	(3,214)	**1,711**	(22,777)

(1) It should be noted that the Group does not use these accounting Statements of Cash Flows in the internal management of its liquidity positions.
(2) Represents gross premiums and policy payments before splitting between policyholders and shareholders.
(3) Comparative information for all periods has been restated to conform with presentation in the current period.

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

Statements of Cash Flows (continued) [(1) (2)]

For the year ended 30 June 2011

		Group			Bank	
		2011	2010	2009	2011	2010
	Note	$M	$M	$M	$M	$M
Cash flows from financing activities						
Proceeds from issue of shares (net of issue costs)		**6**	2	4,830	**5**	2
Dividends paid (excluding Dividend Reinvestment Plan)		**(4,188)**	(2,149)	(2,620)	**(4,157)**	(2,119)
Net proceeds from issuance of debt securities		**(8,321)**	30,128	10,253	**(8,092)**	43,042
Net sale/(purchase) of treasury shares		**4**	(20)	(14)	**-**	95
Issue of loan capital		**-**	3,707	500	**-**	3,707
Redemption of loan capital		**(1,064)**	(1,760)	(1,250)	**(911)**	(1,760)
Other		**(52)**	3	(54)	**(214)**	284
Net cash (used in)/provided by financing activities		**(13,615)**	29,911	11,645	**(13,369)**	43,251
Net increase/(decrease) in cash and cash equivalents		**3,011**	2,731	(79)	**2,845**	(390)
Cash and cash equivalents at beginning of year		**4,917**	2,186	2,265	**3,046**	3,436
Cash and cash equivalents at end of year	46(b)	**7,928**	4,917	2,186	**5,891**	3,046

(1) It should be noted that the Group does not use these accounting Statements of Cash Flows in the internal management of its liquidity positions.
(2) Comparative information for all periods has been restated to conform with presentation in the current period.

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

Notes to the Financial Statements

Note 1 Accounting Policies

The Financial Statements of the Commonwealth Bank of Australia (the Bank) and the Bank and its subsidiaries (the Group) for the year ended 30 June 2011, were approved and authorised for issue by the Board of Directors on 10 August 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. The address of its registered office is Ground Floor, Tower 1, 201 Sussex Street, Sydney, NSW 2000, Australia.

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

(a) Bases of Accounting

This General Purpose Financial Report for the year ended 30 June 2011 has been prepared in accordance with Australian Accounting Standards (the standards), which include Australian Interpretations by virtue of AASB 1048 'Interpretation and Application of Standards', and the requirements of the Corporations Act 2001.

The basis of the standards is the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). As a result of complying with the standards, the Group Financial Statements comply with IFRS, and interpretations as issued by the International Financial Reporting Interpretations Committee (IFRIC).

(b) Basis of Preparation

The principal accounting policies adopted in the preparation of this financial report and that of the previous financial year are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The assets and liabilities are presented in order of liquidity on the Balance Sheet.

Historical Cost Convention

This financial report has been prepared under the historical cost convention, as modified by the revaluation of investment securities available for sale and certain other assets and liabilities (including derivative instruments) at fair value.

Use of Estimates and Assumptions

The preparation of the financial report requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are discussed in Note 1 (jj).

Comparatives

Where necessary, comparative information has been restated to conform with changes in presentation in the current year.

Rounding of Amounts

The Bank is of a kind referred to in ASIC Class Order 98/0100 (as amended), relating to the rounding off of amounts in the Financial Report. Amounts in the Financial Report have been rounded off in accordance with that Class Order to the nearest million dollars unless otherwise indicated.

The Financial Report is presented in Australian dollars.

Segment Reporting

Operating segments are reported based on the Group's organisational and management structures. Senior management review the Group's internal reporting based around these segments, in order to assess performance and allocate resources.

All transactions between segments are conducted on an arm's length basis, with inter-segment revenue and costs being eliminated in "Other".

Changes in Accounting Policies

The Group has continued to apply the accounting policies used for the 2010 Annual Report and has adopted the following amendments to the standards, which are of a technical or clarifying nature and do not have a material impact on the Bank or the Group:

- AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project';
- 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 Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments' and AASB 2009-13 'Amendments to Australian Accounting Standards arising from Interpretation 19'; and
- AASB 2010-3 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'.

Future Accounting Developments

The following amendments to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2011 or later periods, but have not been adopted. They are not expected to result in significant changes to the Group's accounting policies.

- AASB 124 'Related Party Disclosures' and AASB 2009-12 'Amendments to Australian Accounting Standards';
- AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project';
- AASB 2010-5 'Amendments to Australian Accounting Standards';
- AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets';
- AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets';
- AASB 2011-1 'Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project';
- AASB 11 'Joint Arrangements';
- AASB 13 'Fair Value Measurement'; and
- AASB 1054 'Australian Additional Disclosures'.

Note 1 Accounting Policies (continued)

AASB 9 'Financial Instruments' contains new requirements for classification, measurement and de-recognition of financial assets and liabilities, replacing the corresponding requirements in AASB 139 'Financial Instruments: Recognition and Measurement'. It will introduce significant changes in the way that the Group accounts for financial instruments.

Adoption of the standard is not mandatory until accounting periods beginning on or after 1 January 2013 however early adoption is permitted. The key changes include:

- Financial assets: financial assets will be classified as either amortised cost or fair value through Income Statement, except for certain non-trading equity investments which may be classified as fair value through Other Comprehensive Income (OCI); and
- Financial liabilities: gains and losses on own credit arising from financial liabilities designated at fair value through profit or loss will be excluded from the Income Statement and instead taken to OCI.

By June 2012, it is expected that IFRS 9 'Financial Instruments' will include new requirements for impairment, offsetting and hedge accounting. It will introduce significant changes in the way that the Group accounts for financial instruments. The key changes proposed relate to:

- Impairment: both expected losses and incurred losses will be reflected in impairment allowances for loans and advances;
- Hedge accounting: hedge accounting will be more closely aligned with financial risk management; and
- Offsetting: the conditions for offsetting financial assets and financial liabilities in the Balance Sheet will be clarified.

AASB 10 'Consolidated Financial Statements' introduces control as the single basis for consolidation for all entities, regardless of the nature of the investee. AASB 10 replaces those parts of AASB 127 'Consolidated and Separate Financial Statements' that address when and how an investor should prepare consolidated financial statements and replaces SIC-12 'Consolidation – Special Purpose Entities' in its entirety.

This approach comprises a series of indicators of control, requiring an analysis of all facts and circumstances and the application of judgement in making the control assessment.

Concurrent with the issue of AASB 10, the following standards were also issued:

- AASB 11 'Joint Arrangements';
- AASB 12 'Disclosure of Interests in Other Entities';
- AASB 127 'Separate Financial Statements', amended for the issuance of AASB 10; and
- AASB 128 'Investments in Associates', amended for conforming changes based on the issuance of AASB 10 and AASB 11.

Each of these standards has an effective date for annual periods beginning on or after 1 January 2013, with early adoption permitted so long as each of the standards in this package is also applied early.

The key changes include:

- Using control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12;
- The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee, and the ability to use power over the investee to affect the investor's returns; and
- An investor would reassess whether it controls an investee if there is a change in facts and circumstances.

AASB 12 'Disclosure of Interests in Other Entities' applies to entities that have an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. It serves to integrate the disclosure requirements of interests in other entities, currently included in several standards, and also adds additional requirements in a number of areas. The disclosure requirements are extensive and significant effort will be required to accumulate the necessary information.

AASB 119 'Employee Benefits' has been amended, which will result in changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. These changes could affect a number of performance indicators, and significantly increase the volume of disclosures. The key changes include:

- Annual expense for a funded benefit plan will include net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability. This will replace the finance charge and expected return on plan assets, and may increase the benefit expense; and
- Benefit cost will be split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost, settlements and curtailments); and (ii) finance expense or income.

The amendment is effective for periods beginning on or after 1 January 2013, with early adoption being permitted.

AASB 101 'Presentation of Financial Statements' has been amended. The amendment changes the disclosure of items presented in OCI in the Statement of Comprehensive Income.

The key changes include:

- Items are presented separately, in two groups in OCI, based on whether or not they may be recycled to profit or loss in the future; and
- Where OCI items have been presented before tax, the amount of tax related to the two groups will need to be shown.

The amendment is effective for annual periods beginning on or after 1 July 2012, with early adoption permitted.

In addition to the above, the IASB plans to issue new standards on Leases, Insurance Contracts and Revenue Recognition. The Group will consider the financial impacts of these new standards as they are finalised.

(c) Principles of Consolidation

Subsidiaries

The consolidated Financial Report comprises the financial report of the Bank and its subsidiaries. Subsidiaries are all those entities (including special purpose entities) over which the Bank has the power to govern directly or indirectly the decision-making in relation to financial and operating policies, so as to require those entities to conform with the Bank's objectives. The effects of all transactions between entities in the Group are eliminated in full. Non-controlling interests in the results and equity of subsidiaries, where the parent owns less than 100 per cent of the issued capital, are shown separately in the consolidated Income Statement and consolidated Balance Sheet, respectively.

Where control of an entity was obtained during the financial year, its results have been included in the consolidated Income Statement from the date on which control commenced.

Note 1 Accounting Policies (continued)

Where control of an entity ceased during the financial year, its results are included for that part of the financial year during which control existed.

Impairment of Subsidiaries

Investments in subsidiaries are tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the investments' carrying amount exceeds its recoverable amount (which is the higher of fair value less costs to sell and value in use). At each Balance Sheet date, the investments in subsidiaries that have been impaired are reviewed for possible reversal of the impairment.

Interests in Associates and Joint Ventures Accounted for Using the Equity Method

Associates and joint ventures are entities over which the Group has significant influence or joint control, but not control, and are accounted for under the equity method. The equity method of accounting is applied in the consolidated Financial Report and involves the recognition of the Group's share of its associates' and joint ventures' post-acquisition profits or losses in the Income Statement, and its share of post acquisition movements in OCI.

(d) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for each major revenue stream as follows:

Interest Income

Interest income is brought to account using the effective interest method. The effective interest method calculates the amortised cost of a financial instrument and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. Fees and transaction costs associated with loans, are capitalised and included in the effective interest rate and recognised in the Income Statement, over the expected life of the instrument. Interest income on finance leases is brought to account progressively over the life of the lease, consistent with the outstanding investment balance.

Fee and Commission Income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability are capitalised and included in the effective interest rate and recognised in the Income Statement over the expected life of the instrument.

Commitment fees to originate a loan, which is unlikely to be drawn down, are recognised as fee income as the service is provided.

Fees and commissions that relate to the execution of a significant act (for example, advisory or arrangement services, placement fees and underwriting fees) are recognised when the significant act has been completed. Fees charged for providing ongoing services (for example, maintaining and administering existing facilities) are recognised as income over the period the service is provided.

Other Income

Trading income is recognised when earned based on changes in fair value of financial instruments and is recorded from trade date.

(e) Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is the Bank's functional and presentation currency.

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities resulting from foreign currency transactions are subsequently translated at the spot rate at reporting date.

Exchange differences arising on the settlement of monetary items, or on translating monetary items at rates different to those at which they were initially recognised or included in a previous financial report, are recognised in the Income Statement in the period in which they arise.

Translation differences on non-monetary items, such as derivatives measured at fair value through Income Statement, are reported as part of the fair value gain or loss on these items. Translation differences on non-monetary items measured at fair value through equity, such as equities classified as available-for-sale financial assets, are recognised in equity through OCI.

Foreign Operations

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy), that have a functional currency different from the Group's presentation currency, are translated into the Group's presentation currency as follows:

- Assets and liabilities of each foreign operation are translated at the rates of exchange at Balance Sheet date;
- Revenue and expenses of each foreign operation are translated at the average exchange rate for the period, unless this average is not a reasonable approximation of the rate prevailing on transaction date, in which case revenue and expenses are translated at the exchange rate at transaction date; and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

When a foreign operation is disposed of, exchange differences are recognised in the Income Statement as part of the gain or loss on sale.

(f) Cash and Liquid Assets

Cash and liquid assets include cash at branches, cash at banks, nostro balances, money at short call with an original maturity of three months or less and securities held under reverse repurchase agreements. They are measured at face value, or the gross value of the outstanding balance. Interest is recognised in the Income Statement using the effective interest method.

Note 1 Accounting Policies (continued)

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

(g) Receivables From Other Financial Institutions

Receivables from other financial institutions include loans, deposits with regulatory authorities and settlement account balances due from other banks. They are measured at amortised cost using the effective interest rate method.

(h) Financial Instruments

Financial Assets

The accounting policy for each class of financial instrument is detailed below.

The Group classifies its financial assets in the following categories: financial assets at fair value through Income Statement, derivative assets, loans and receivables, and available-for-sale investments. Management determines the classification of its financial assets at initial recognition.

Purchases and sales of financial assets at fair value through Income Statement, and available-for-sale are recognised on trade date, the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets at fair value through Income Statement are recognised initially at fair value.

All other financial assets are recognised initially at fair value, as well as directly attributable transaction costs. Financial assets are derecognised, when the rights to receive cash flows from the financial assets have expired, or where the Group has transferred substantially all the risks and rewards of ownership.

The Group has not classified any of its financial assets as held to maturity investments.

Financial Liabilities

The Group classifies its financial liabilities in the following categories: liabilities at fair value through Income Statement, liabilities at amortised cost and derivative liabilities.

Financial liabilities are initially recognised at fair value less transaction costs, except where they are designated at fair value, in which case, transaction costs are expensed as incurred. They are subsequently measured at amortised cost, except for derivatives and liabilities at fair value, which are held at fair value through Income Statement. Financial liabilities are recognised when an obligation arises and derecognised when it is discharged.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability; The difference in the respective carrying amounts is recognised in Income Statement.

Offsetting

Financial assets and liabilities are offset where there is a legally enforceable right to set off, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Recognition of Deferred Day One Profit or Loss

The best evidence of fair value at initial recognition is the transaction price, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets.

The Group enters into transactions where fair value is determined using valuation models, for which not all inputs are market observable prices or rates. Such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as 'day one profit or loss', is not recognised immediately in the Income Statement.

The timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement. The financial instrument is subsequently measured at fair value, adjusted for the deferred day one profit or loss. Subsequent changes in fair value are recognised immediately in the Income Statement, without reversal of deferred day one profits or losses.

Derecognition of Financial Assets

Financial assets are derecognised either when sold, or when the rights to receive cash flows from the financial assets, have expired or have been transferred, or when the Group has transferred substantially all the risks and rewards of ownership. In transactions where substantially all the risks and rewards are neither retained nor transferred, the Group derecognises assets., or when control is retained the assets are recognised to the extent of the Group's continuing involvement.

(i) Assets at Fair Value Through Income Statement

Assets classified at fair value through Income Statement include assets held for trading and assets that, upon initial recognition are designated by the Group as at fair value through Income Statement. Designation is made, when it reduces significant accounting mismatches between assets and related liabilities, the group of financial assets are managed and their performance is evaluated on a fair value basis, or where the asset is a contract which contains an embedded derivative.

These assets are recognised on trade date at fair value, with transaction costs including brokerage, commissions and fees expensed through the Income Statement. Subsequent to initial recognition, where an active market exists, fair value is measured using quoted market bid prices. In a trading portfolio with offsetting risk positions, quoted mid prices, where available, are used to measure fair value.

Non-market quoted assets are valued using valuation techniques based on market observable inputs. In a limited number of instances, valuation techniques are based on non-market observable inputs.

Subsequent to initial recognition, changes in fair value are recognised in other operating income. Dividends earned, are recorded in other operating income. Interest earned, is recorded within net interest earnings, using the effective interest method.

Note 1 Accounting Policies (continued)

In addition, the Group measures bills discounted intended to be sold into the market at fair value, which are classified within loans, bills discounted and other receivables.

Assets classified at fair value through Income Statement are further classified into three sub-categories: trading, insurance and other.

Trading

Trading assets are debt and equity securities, that are actively traded.

Insurance

Insurance assets are investments that back life insurance contracts and life investment contracts.

Other

Other investments include financial assets, which the Group has designated at fair value through Income Statement at inception, to either eliminate an accounting mismatch or as they are managed on a fair value basis.

(j) Available-for-Sale Investments

Available-for-sale investments are public and other debt and equity securities that are not classified at fair value through Income Statement or as loans and receivables.

Available-for-sale investments are initially recognised at fair value including transaction costs. Subsequent to initial recognition, where an active market exists, fair value is measured using quoted market bid prices. Quoted mid prices, where available, are used to measure fair value in a portfolio with offsetting risk positions.

Non-market quoted instruments are valued using valuation techniques, based on observable inputs. In a limited number of instances, valuation techniques are not based on observable market data.

Equity investments classified as available for sale, whose fair value cannot be reliably measured, are valued at cost. Gains and losses arising from changes in fair value, are recognised in the available-for-sale investments' reserve within equity, net of applicable income taxes until such investments are sold, collected, otherwise disposed of, or become impaired. Interest, premiums and dividends are recognised in income when earned.

Available-for-sale investments are tested for impairment in line with Note 1 (n).

Upon disposal or impairment, the accumulated change in fair value within the available-for-sale investments' reserve is transferred to the Income Statement and reported within other operating income.

(k) Repurchase Agreements

Securities sold under agreements to repurchase, are recognised within the available-for-sale investments or assets at fair value through Income Statement categories and accounted for accordingly.

A liability is recognised within deposits in respect of the obligation to repurchase. Securities held under reverse repurchase agreements are recorded within cash and liquid assets.

(l) Loans, Bills Discounted and Other Receivables

Loans, bills discounted and other receivables are non-derivative financial assets, with fixed and determinable payments that are not quoted in an active market. They are measured at amortised cost, with the exception of bills discounted, which are measured at fair value.

Loans, bills discounted and other receivables include overdrafts, home loans, credit card and other personal lending, term loans, bill financing, redeemable preference shares, securities and finance leases. Initially recognised at fair value, including direct and incremental transaction costs, loans and receivables are subsequently measured at amortised cost using the effective interest method and are presented net of provisions for impairment. Bills discounted (bank acceptances) intended to be sold into the market are measured at fair value until sold.

Non-Performing Facilities

Individual provisions for impairment are recognised to reduce the carrying amount of loans, bills discounted and other receivables to their estimated recoverable amounts. Individually significant provisions are calculated based on discounted cash flows.

The unwinding of the discount, from initial recognition of impairment through to recovery of the written down amount, is recognised as interest income. In subsequent periods, interest in arrears/due on non-performing facilities is recognised in the Income Statement using the original effective interest rate.

Restructured Facilities

When the original contractual terms of facilities (primarily loans) are modified, they become classified as restructured.

These facilities continue to accrue interest, as long as the facility is performing in accordance with the restructured terms. If performance is not maintained, or collection of interest and/or principal is no longer probable, the facility will be returned to the non-performing classification. Facilities are generally kept as non-performing until they are returned to a performing basis.

Assets Acquired Through Securities Enforcement (AATSE)

Assets acquired in satisfaction of facilities in default (primarily loans) are recorded at net market value at the date of acquisition. Any difference between the carrying amount of the facility and the net market value of the assets acquired is represented as an individually assessed provision or written off. AATSE are further classified as Other Real Estate Owned or Other Assets Acquired Through Security Enforcement in the Balance Sheet.

Impairment of Loans, Bills Discounted and Other Receivables

The Group has individually assessed and collective provisions for impairment as explained in Note 1 (n).

(m) Leases

When the Group is a lessor, leases are classified as either finance leases or operating leases. Under a finance lease, substantially all the risks and rewards incidental to legal ownership, are transferred to the lessee. In contrast, an operating lease exists where the leased assets are allocated to the lessor.

In its capacity as a lessor, the Group recognises the assets held under finance leases in the Balance Sheet, as loans at an amount equal to the net investment in the lease.

Note 1 Accounting Policies (continued)

The recognition of finance income is based on a pattern reflecting a constant periodic return on the Group's net investment in the finance leases. Finance lease income is included within interest income in the Income Statement.

In its capacity as a lessor, the Group recognises the assets held under operating leases in the Balance Sheet as property, plant and equipment and depreciates the assets accordingly.

Operating lease revenue is recognised in the Income Statement on a straight line basis over the lease term.

When the Group is a lessee, it engages in operating leases for which rental expense is recognised on a straight line basis over the lease term.

(n) Provisions for Impairment

Financial Assets

Financial assets, excluding derivative assets and assets at fair value through Income Statement, are reviewed at each Balance Sheet date, to determine whether there is objective evidence of impairment. A financial asset, or portfolio of financial assets, is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment. This can arise as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the Balance Sheet date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated. If any such indication exists, the asset's carrying amount is written down to the asset's estimated recoverable amount.

Loans, Bills Discounted and Other Receivables

The Group assesses at each Balance Sheet date whether there is any objective evidence of impairment. If there is objective evidence that an impairment loss on loans, bills discounted and other receivables has been incurred, 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 (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short-term balances are not discounted.

Loans and bills discounted are presented net of provisions for loan impairment. The Group has individually assessed provisions and collectively assessed provisions. Individually assessed provisions are made against financial assets that are individually significant, or which have been individually assessed as impaired.

All other loans and advances that do not have an individually assessed provision, are assessed collectively for impairment. Collective provisions are maintained to reduce the carrying amount of portfolios of similar loans and advances to their estimated recoverable amounts at the Balance Sheet date.

The expected future cash flows for portfolios of assets with similar credit risk characteristics, are estimated on the basis of historical loss experience. Loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the loss experience is based and to remove the effects of conditions in the period that do not currently exist. Increases or decreases in the provision amount are recognised in the Income Statement.

Available-for-Sale Investments

The Group assesses at each Balance Sheet date, whether there is any objective evidence of impairment. For available-for-sale debt securities, the Group uses the same indicators as loans, bills discounted and other receivables. For available-for-sale equity securities, a significant or prolonged decline in the fair value below the cost is considered in determining whether the asset is impaired. If any such evidence exists for available-for-sale securities, cumulative losses are removed from equity and recognised in the Income Statement. If, in a subsequent period, the fair value of an available-for-sale debt security increases and the increase can be linked objectively to an event occurring after the impairment event, the impairment is reversed through the Income Statement. However, impairment losses on available-for-sale equity securities are not reversed through the Income Statement.

Goodwill, Intangibles and Other Non-Financial Assets

Goodwill and intangible assets that have an indefinite useful life, are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable.

All definite useful life intangibles, are tested for impairment, should an event or change in circumstance indicate that the carrying amount may not be recoverable.

If any such indications exist, the asset's carrying amount is written down to the asset's estimated recoverable amount and the loss is recognised in the Income Statement in the period in which it occurs.

The carrying amounts of the Group's other non-financial assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its recoverable amount. Impairment losses are recognised in the Income Statement. The recoverable amount of an asset or CGU is the greater of the fair value less cost to sell, or value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets. Assets (other than goodwill) that have previously been impaired, are reviewed for possible reversal of the impairment at each reporting date. A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. However, the reversal is not to an amount higher than the carrying amount that would have been determined, net of amortisation or depreciation, if no impairment loss had been recognised in prior years.

Off Balance Sheet Items

Guarantees and other contingent liabilities are accounted for as off balance sheet items. Provisioning for these exposures is calculated under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'.

Note 1 Accounting Policies (continued)

The receivable for an off balance sheet item, only crystallises when the facility is drawn upon. Generally. therefore, it will not be appropriate to provision for these assets under an incurred loss model.

The Group however, has determined that it is appropriate to include these assets in an impairment calculation where a customer has been downgraded. A risk rated model is used to calculate these provisions (e.g. Collective Provision = Probability of Default (PD) x Loss Given Default x Exposure At Default). The PD is based on the remaining life of the exposure, capped at five years.

These provisions are disclosed as other liabilities as there are no on balance sheet assets to offset these provisions against.

(o) Bank Acceptances of Customers

The exposure arising from the acceptance of bills of exchange that are sold into the market is recognised as a liability. An asset of equal value is recognised to reflect the offsetting claim against the drawer of the bill. Bank acceptances generate fee income that is recognised in the Income Statement when earned.

(p) Shares in and Loans to Controlled Entities

Investments in controlled entities are initially recorded at cost and subsequently held at the lower of cost and recoverable amount.

(q) Assets Classified as Held for Sale

Assets are classified as held for sale, when their carrying amounts are expected to be recovered principally through sale within twelve months. They are measured at the lower of carrying amount and fair value less costs to sell, unless the nature of the assets requires they be measured in line with another accounting standard.

Assets classified as held for sale are neither amortised nor depreciated.

(r) Property, Plant and Equipment

The Group measures its property assets (land and buildings) at fair value, based on independent market valuations.

Revaluation adjustments are generally reflected in the asset revaluation reserve, except to the extent they reverse a revaluation decrease of the same asset previously recognised in the Income Statement. Gains or losses on disposals, are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Realised amounts in the asset revaluation reserve are transferred to the capital reserve.

Equipment is measured at cost less accumulated depreciation and provision for impairment. Depreciation is calculated using the straight line method to allocate the cost of assets less any residual value over the estimated useful economic life.

Computer software is capitalised at cost and classified as property, plant and equipment where it is integral to the operation of associated hardware.

The useful lives of major depreciable asset categories are as follows:

Buildings	Up to 30 years
Fixtures and fittings	10 – 20 years
Leasehold improvements	Lesser of unexpired lease term or lives as above
Furniture and equipment	3 - 8 years

Depreciation rates and methods are reviewed on a timely basis to take account of any change in circumstances.

No depreciation is charged on freehold land, although, in common with all long-lived assets, it is subject to impairment testing, if deemed appropriate. Property, plant and equipment are periodically reviewed for impairment. Where an indication of impairment exists and the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately through the Income Statement to its recoverable amount.

(s) Business Combinations

Business combinations are accounted for using the acquisition method. Cost is measured as the aggregate of the fair values of assets given, equity instruments issued, or liabilities incurred or assumed at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at the fair value on the acquisition date. The acquirer can elect, on a transaction-by-transaction basis, to measure any non-controlling interest either at fair value, or at the non-controlling interest's proportionate share of the fair value of the identifiable assets and liabilities. The excess of the cost of acquisition over the fair value of the acquirer's share of the identifiable net assets acquired, is recorded as goodwill. If the cost of acquisition is less than the acquirer's share of the fair value of the identifiable net assets of the business acquired, the difference is recognised directly in the consolidated Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

(t) Intangibles

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the consolidated entity's share of the net identifiable assets of the acquired entity at the date of acquisition. Goodwill arising from business combinations is included in intangible assets on the Balance Sheet. Goodwill arising from acquisitions of associates is included in the carrying amount of investments in associates.

Computer Software Costs

Certain internal and external costs directly incurred in acquiring and developing software, are capitalised and amortised over the estimated useful life, a period of three to twelve years.

Costs incurred on software maintenance are expensed as incurred.

Core Deposits

Core deposits have been recognised following the acquisition of Bankwest and represent the value of the deposit base acquired in the business combination. Initially recognised at fair value, they are subsequently amortised over the estimated useful life of seven years.

Brand Names

Brand names are recognised when acquired in a business combination. Initially recognised at fair value, they are considered to have an indefinite useful life as there is no foreseeable limit to the period over which the brand name is expected to generate cash flows.

Note 1 Accounting Policies (continued)

Management Fee Rights

Management fee rights are recognised when acquired as part of a business combination and are considered to have an indefinite useful life under the contractual terms of the management agreements.

Other Intangibles

Other intangibles predominantly comprise customer lists. Customer relationships acquired as part of a business combination, are initially measured at fair value at the date of acquisition and subsequently measured at cost less accumulated amortisation and any impairment losses. Amortisation is calculated based on the timing of projected cash flows of the relationships over their estimated useful lives.

(u) Deposits From Customers

Deposits and other public borrowings include certificates of deposits, term deposits, savings deposits, other demand deposits and debentures. They are initially recognised at fair value, including directly attributable transaction costs and subsequently measured at amortised cost. Interest and yield related fees are recognised on an effective interest basis.

(v) Payables to Other Financial Institutions

Payables to other financial institutions include deposits, vostro balances and settlement account balances due to other banks. Initially they are recognised at fair value, including directly attributable transaction costs. They are subsequently recognised at amortised cost. Interest and yield related fees are recognised using the effective interest method.

(w) Liabilities at Fair Value Through Income Statement

The Group designates certain liabilities at fair value through Income Statement on origination, where those liabilities are managed on a fair value basis, or where the liabilities eliminate an accounting mismatch. Initially they are recognised on trade date at fair value, with transaction costs being taken directly to the Income Statement. Subsequently, they are measured at fair value using quoted market offer prices, where an active market exists. Quoted mid prices, where available, are used to measure liabilities with offsetting risk positions in a portfolio at fair value.

Non-market quoted instruments are valued using valuation techniques based on observable inputs existing at Balance Sheet date. In a limited number of instances, valuation techniques are based on non-market data.

(x) Income Taxes

Income tax on the profit and loss for the period, comprises current and deferred tax.

Income tax is recognised in the Income Statement, except to the extent that it relates to items recognised directly in OCI, in which case it is recognised in the Statement of Comprehensive Income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the Balance Sheet date which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is recognised only to the extent it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Commonwealth Bank of Australia Tax Consolidated Group elected to be taxed as a single entity under the tax consolidation system with effect from 1 July 2002.

The Group has formally notified the Australian Taxation Office of its adoption of the tax consolidation regime. In addition, the measurement and disclosure of deferred tax assets and liabilities has been performed in accordance with the principles in AASB 112 ‘Income Taxes’, and on a modified stand alone basis under UIG 1052 ‘Tax Consolidation Accounting’.

Any current tax liabilities/assets (after the elimination of intra-group transactions) and deferred tax assets arising from unused tax losses assumed by the Bank from the subsidiaries in the tax consolidated group are recognised in conjunction with any tax funding arrangement amounts.

Any difference between these amounts is recognised by the Bank as an equity contribution to, or distribution from, the subsidiary.

The Bank recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from subsidiaries are recognised by the Bank only.

The members of the tax consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts.

(y) Employee Benefits

Annual Leave

The provision for annual leave represents the current outstanding liability to employees at Balance Sheet date.

Long Service Leave

The provision for long service leave is discounted to the present value, is subject to actuarial review and is maintained at a level that accords with actuarial advice.

Other Employee Benefits

The provision for other employee entitlements represents liabilities for a subsidy to a registered health fund with respect to retired and current employees, and employee incentives under employee share plans and bonus schemes.

Note 1 Accounting Policies (continued)

The Group engages in share based remuneration in respect of services received from certain employees. The share based remuneration may be cash settled or equity settled. The fair value of equity settled remuneration is calculated at grant date and amortised to the Income Statement over the vesting period, with a corresponding increase in the employee compensation reserve. For these awards, market vesting conditions, such as share price performance conditions, are taken into account when estimating the fair value. Non–market vesting conditions, such as service conditions, are taken into account by adjusting the number of the equity instruments included in the measurement of the expense.

Cash settled remuneration is recognised as a liability and remeasured to fair value until settled, with changes in the fair value recognised as an expense.

Defined Benefit Superannuation Plans

The Group currently sponsors two defined benefit superannuation plans for its employees. The assets and liabilities of these plans are legally held in separate trustee-administered funds. They are calculated separately for each plan, by assessing the fair value of plan assets and deducting the amount of future benefit that employees have earned in return for their service in current and prior periods discounted to present value. The discount rate is the yield at Balance Sheet date on government securities, which have terms to maturity approximating to the terms of the related liability.

The defined benefit superannuation plan surpluses and/or deficits, are calculated by fund actuaries. Contributions to all superannuation plans are made in accordance with the rules of the plans. As the Australian plan is in surplus, no funding is currently necessary.

Actuarial gains and losses related to defined benefit superannuation plans, are directly recorded in retained profits through OCI.

The net surpluses or deficits that arise within defined benefit superannuation plans, are recognised and disclosed separately in other assets or bills payable and other liabilities.

Defined Contribution Superannuation Plans

The Group sponsors a number of defined contribution superannuation plans. Certain plans permit employees to make contributions and earn matching or other contributions from the Group.

The Group recognises contributions due, in respect of the accounting period in the Income Statement. Any contributions unpaid at the Balance Sheet date are included as a liability.

(z) Provisions

Provision for Dividends

A provision for dividend payable is recognised when dividends are declared by the Directors.

Provisions for Restructuring

Provisions for restructuring are recognised where there is a detailed formal plan for restructure and a demonstrated commitment to that plan.

Provision for Self-Insurance

The provision for self-insurance covers certain non-lending losses and non-transferred insurance risks. Actuarial reviews are carried out at regular intervals with provisioning effected in accordance with actuarial advice.

(aa) Debt Issues

Debt issues are short and long term debt issues of the Group, including commercial paper, notes, term loans and medium term notes issued by the Group. Commercial paper, floating, fixed and structured debt issues are recorded at cost or amortised cost using the effective interest method.

Premiums, discounts and associated issue expenses are recognised in the Income Statement, using the effective interest method, from the date of issue, to ensure that securities attain their redemption values by maturity date.

Interest is recognised in the Income Statement using the effective interest method. Any profits or losses arising from redemption prior to maturity are taken to the Income Statement in the period in which they are realised.

Where the Group has designated debt instruments at fair value through Income Statement, the changes in fair value are recognised in the Income Statement.

Embedded derivatives with economic characteristics and risks that are not closely related to the economic characteristics and risks of the host instruments are separated from the debt issues.

Hedging

The Group hedges interest rate and foreign currency risk on certain debt issues. When hedge accounting is applied to fixed rate debt issues, the carrying values are adjusted for changes in fair value related to the hedged risks, rather than carried at amortised cost.

(bb) Loan Capital

Loan capital is debt issued by the Group with terms and conditions that qualify for inclusion as capital, under APRA Prudential Standards. It is initially recorded at fair value, plus directly attributable transaction costs and thereafter at amortised cost using the effective interest method.

(cc) Shareholders' Equity

Ordinary shares are recognised at the amount paid up per ordinary share, net of directly attributable issue costs.

Where the Bank or other members of the Group, purchase shares in the Bank, the consideration paid, is deducted from total shareholders' equity and the shares are treated as treasury shares until they are subsequently sold, reissued or cancelled. Where such shares are sold or reissued, any consideration received, is included in shareholders' equity.

The general reserve is derived from revenue profits and is available for dividend payments except for undistributable profits in respect of the Group's life insurance businesses.

The capital reserve is derived from capital profits and is available for dividend payments.

(dd) Derivative Financial Instruments

Derivative financial instruments are contracts whose value is derived from one or more underlying price, index or other variables. They include foreign exchange contracts, forward rate agreements, futures, options and interest rate, currency, equity and credit swaps. Derivatives are entered into for trading purposes or for hedging purposes. Derivatives entered into as economic hedges that do not qualify for hedge accounting are classified as other derivatives.

Note 1 Accounting Policies (continued)

Derivative financial instruments are recognised initially at the fair value of consideration given or received. Subsequent gains or losses are recognised in the Income Statement, unless designated within a cash flow hedging relationship.

Where an active market exists, fair value is measured based on quoted market prices. Non-market quoted instruments are valued using valuation techniques. Included in the determination of the fair value of derivatives is a credit valuation adjustment to reflect the credit worthiness of the counterparty.

Derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative.

Swaps

Interest rate swap receipts and payments are recognised within net interest income, using the effective interest method as interest of the designated hedged item or class of items being hedged over the term for which the swap is effective as a hedge. Revaluation gains and losses are recognised within other operating income.

Similarly with cross currency swaps, interest rate receipts and payments are recognised on the same basis as for interest rate swaps. In addition, the initial principal flows are revalued to fair value at the current market exchange rate with revaluation gains and losses recognised in the Income Statement against revaluation losses and gains of the underlying hedged item or class of items.

Derivative Financial Instruments Utilised for Hedging Relationships

The Group uses derivatives to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions.

Where derivatives are held for risk management purposes and when transactions meet the required criteria, the Group applies fair value hedge accounting, cash flow hedge accounting, or hedging of a net investment in a foreign operation as appropriate to the risks being hedged.

Fair Value Hedges

Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in the Income Statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge relationship no longer meets the criteria for hedge accounting, it is discontinued. For fair value hedges of interest rate risk, the fair value adjustment to the hedged item is amortised to the Income Statement over the period to maturity of the previously designated hedge relationship using the effective interest method. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the Income Statement.

Cash Flow Hedges

Changes in fair value associated with the effective portion of a derivative designated as a cash flow hedge, are recognised in the Cash Flow Hedge Reserve, in equity. Ineffective portions are recognised immediately in the Income Statement. Amounts deferred in equity are transferred to the Income Statement in the period in which the hedged forecast transaction takes place.

When a hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the period in which the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is recycled immediately to the Income Statement.

Net Investment Hedges

Gains and losses on derivative contracts relating to the effective portion of the net investment hedge are recognised in the foreign currency translation reserve in equity. Ineffective portions are recognised immediately in the Income Statement. Gains and losses accumulated in equity are included in the Income Statement when the foreign subsidiary or branch is disposed of.

Embedded Derivatives

In certain instances, a derivative may be embedded within a host contract. If the host contract is not carried at fair value through Income Statement and the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, the embedded derivative is separated from the host contract. It is then accounted for as a stand-alone derivative instrument at fair value.

(ee) Commitments to Extend Credit, Letters of Credit, Guarantees, Warranties and Indemnities Issued

Contingent liabilities are possible obligations, whose existence will be confirmed only by uncertain future events, or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised, but are disclosed, unless they are remote.

Financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities, and to other parties in connection with the performance of customers under obligations related to contracts, advance payments made by other parties, tenders, retentions and the payment of import duties.

Financial guarantee contracts are initially recognised at fair value.

Subsequent to initial recognition, financial guarantees are measured at the higher of the initial measurement amount, less amortisation calculated to recognise fee income earned, and the best estimate of the expenditure required to settle any financial obligation at the Balance Sheet date.

Any increase in the liability relating to financial guarantees is recognised in the Income Statement. Any liability remaining, is recognised in the Income Statement when the guarantee is discharged, cancelled or expires.

(ff) Life and General Insurance Business

Life Insurance Business

The life insurance business is comprised of insurance contracts and investment contracts as defined in AASB 4 'Insurance Contracts'. The following are key accounting policies in relation to the life insurance business.

Notes to the Financial Statements

Note 1 Accounting Policies (continued)

Disclosure

The consolidated financial statements include the assets, liabilities, income and expenses of the life insurance business conducted by a subsidiary of the Bank in accordance with AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 1038 'Life Insurance Contracts' respectively. These amounts represent the total life insurance business of the subsidiary, including underlying amounts that relate to both policyholders and shareholders of the life insurance business.

Investment Assets

Investment assets are carried at fair value through Income Statement. Fair values of quoted investments in active markets are based on current bid prices. If the relevant market is not considered active (and for unlisted securities), fair value is established by using valuation techniques, including recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Changes in fair values are recognised in the Income Statement in the financial period in which the changes occur.

Restriction on Assets

Investments held in the Life Funds can only be used within the restrictions imposed under the Life Insurance Act 1995. The main restrictions are that the assets in a fund can only be used to meet the liabilities and expenses of the fund, acquire investments to further the business of the fund or pay distributions when solvency and capital adequacy requirements allow. Shareholders can only receive a distribution when the capital adequacy requirements of the Life Insurance Act 1995 are met.

Policy Liabilities

Life insurance liabilities are measured as the accumulated benefits to policyholders in accordance with AASB 139 and AASB 1038, which apply to investment contracts and insurance liabilities, respectively. Life insurance contract liabilities are measured at the net present value of future receipts from and payments to policyholders using a risk free discount rate (or expected fund earning rate where benefits are contractually linked to the asset performance), and are calculated in accordance with the principles of Margin on Services (MoS) profit reporting as set out in Prudential Standard LPS 1.04 'Valuation of Policy Liabilities' (LPS 1.04) issued by APRA.

Life investment contract liabilities are measured at fair value in accordance with AASB 139 as liabilities at fair value.

Returns on all investments controlled by life insurance entities within the Group are recognised as revenue. Investments in the Group's own equity instruments held within the life insurance statutory funds and other funds are treated as Treasury Shares.

Initial entry fee income on investment contracts issued by life insurance entities is recognised upfront, where the Group provides financial advice. Other entry fees are deferred and recognised over the life of the underlying investment contract. Participating benefits vested in relation to the financial year, other than transfers from unvested policyholder benefits liabilities, are recognised as expenses.

Reinsurance contracts entered into are recognised on a gross basis.

Premiums and Claims

Premiums and claims are separated on a product basis into their revenue, expense and change in liability components, unless the separation is not practicable, or the components cannot be reliably measured.

(i) Life insurance contracts

Premiums received for providing services and bearing risks are recognised as revenue. Premiums with a regular due date are recognised as revenue on a due and receivable basis. Premiums with no due date are recognised on a cash received basis. Insurance contract claims are recognised as an expense when a liability has been established.

(ii) Life investment contracts

Premiums received include the fee portion of the premium recognised as revenue over the period the underlying service is provided and the deposit portion recognised as an increase in investment contract liabilities. Premiums with no due date are recognised on a cash received basis.

Fees earned for managing the funds invested are recognised as revenue. Claims under investment contracts represent withdrawals of investment deposits and are recognised as a reduction in investment contract liabilities.

Life Insurance Liabilities and Profit

Life insurance contract policy liabilities are calculated in a way that allows for the systematic release of planned profit margins as services are provided to policy owners and the revenues relating to those services are received. Selected profit carriers including premiums and anticipated policy payments are used to determine profit recognition.

Investment assets are held in excess of those required to meet life insurance contract and investment contract liabilities. Investment earnings are directly influenced by market conditions and as such this component of profit varies from year to year.

Participating Policies

Life insurance contract policy liabilities attributable to participating policies include the value of future planned shareholder profit margins and an allowance for future supportable bonuses.

The value of supportable bonuses and planned shareholder profit margins account for all profit on participating policies based on best estimate assumptions.

Under the MOS profit recognition methodology, the value of supportable bonuses and the shareholder profit margin relating to a reporting year will emerge as planned profits in that year.

Life Insurance Contract Acquisition Costs

Acquisition costs for life insurance contracts include the fixed and variable costs of acquiring new business. These costs are effectively deferred through the determination of life insurance contract liabilities at the Balance Sheet date to the extent that they are deemed recoverable from the expected future profits of an amount equivalent to the deferred cost.

Deferred acquisition costs are amortised over the expected life of the life insurance contract.

Note 1 Accounting Policies (continued)

Life Investment Contract Acquisition Costs

Acquisition costs for investment contracts include the variable costs of acquiring new business. However, the deferral of investment contract acquisition costs is limited by the application of AASB 118 'Revenue' to the extent that only incremental transaction costs (for example commissions and volume bonuses) are deferred. The investment contract liability calculated in accordance with AASB 139 is no less than the contract surrender value.

Managed Funds Units on Issue – Held by Non-controlling Unit-Holders

The life insurance statutory funds and other funds include controlling interests in trusts and companies, and the total amounts of each underlying asset, liability, revenue and expense of the controlled entities are recognised in the Group's consolidated Financial Statements.

When a controlled unit trust is consolidated, the share of the unit-holder liability attributable to the Group is eliminated but amounts due to external unit-holders remain as liabilities in the Group's consolidated balance sheet. The share of the net assets of controlled companies attributable to non-controlling unit-holders is disclosed separately on the Balance Sheet.

In the Income Statement, the net profit or loss of the controlled entities relating to non-controlling interests is eliminated before arriving at the net profit or loss attributable to Equity holders of the Bank.

General Insurance Business

Premium Revenue

Premium revenue comprises amounts charged to policyholders, including fire service levies, but excludes taxes collected on behalf of third parties. The earned portion of premiums received and receivable is recognised as revenue. Premium revenue is earned from the date of attachment of risk and over the term of the policies written, based on assessment of the likely pattern in which risk will emerge. The portion not earned as determined by the above methods is recognised as unearned premium liability.

Unearned Premium Liability

The adequacy of the unearned premium liability is assessed by considering current estimates of all expected future cash flows relating to future claims covered by current insurance contracts.

If the present value of the expected future cash flows relating to future claims, plus the additional risk margin to reflect the inherent uncertainty in the estimate, exceeds the unearned premium liability less related deferred acquisition costs, then the unearned premium liability is deemed deficient. Any deficiency is recognised immediately in the Income Statement as an expense, both gross and net of reinsurance. The deficiency is recognised by writing down any related deferred acquisition costs, with any excess being recorded on the Balance Sheet as an unexpired risk liability.

Reinsurance

Premium ceded to reinsurers is recognised as an expense from the attachment date over the period of indemnity of the reinsurance contract, in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance premium is treated at the Balance Sheet date as deferred reinsurance.

Claims Expense

Claims expense and a liability for outstanding claims are recognised in respect of all business. The liability covers claims reported but not yet paid, incurred but not reported claims (IBNR) and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is determined having regard to an independent actuarial assessment. The liability is measured as the estimate of the present value of the expected future payments against claims incurred at the Balance Sheet date, with an additional risk margin to allow for the inherent uncertainty in the estimate. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement, such as inflation. The expected future payments are discounted to present value at the Balance Sheet date using market-determined, risk-adjusted discount rates.

A risk margin is applied to the outstanding claims liability, sufficient to ensure the probability of adequacy of the liabilities to a 75% confidence level.

Acquisition Costs

Acquisition costs include brokerage and other selling and underwriting costs incurred in obtaining general insurance premiums. A portion of acquisition costs relating to unearned premium revenue is recognised as an asset. Deferred acquisition costs are amortised over the financial years expected to benefit from the expenditure and are stated at the lower of cost and recoverable value.

(gg) Asset Securitisation

The Group conducts an asset securitisation programme through which it packages and sells assets as securities to investors.

The Group is entitled to any residual income of the programme after all payments due to investors and costs of the programme have been met. Therefore the Group is considered to hold the majority of the residual risks and benefits within the entities through which asset securitisation is conducted and so it consolidates these entities.

Liabilities associated with asset securitisation entities and related issue costs are accounted for on an amortised cost basis using the effective interest method. Interest rate swaps and liquidity facilities are provided at arm's length to the programme by the Group in accordance with APRA Prudential Guidelines.

Derivatives return the risks and rewards of ownership of the securitised assets to the Group and consequently the Group cannot derecognise these assets. An imputed liability is recognised inclusive of the derivative and any related fees.

For further details on the treatment of consolidated securitised entities, refer to Note 1 (c).

(hh) Fiduciary Activities

Certain controlled entities within the Group, act as Responsible Entity, Trustee and/or Manager for a number of wholesale, superannuation and investment funds, trusts and approved deposit funds.

The assets and liabilities of these trusts and funds are not included in the consolidated Financial Statements as the Group does not have direct or indirect control of the trusts and funds. Commissions and fees earned in respect of the activities are included in the Income Statement of the Group.

(ii) Earnings Per Share

Basic earnings per share is calculated by dividing the Group's profit attributable to ordinary equity holders, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing the Group's profit attributable to ordinary equity holders, after deducting interest on the convertible redeemable loan capital instruments, by the weighted average number of ordinary shares adjusted for the effect of dilutive options and dilutive convertible non-cumulative redeemable loan capital instruments.

(jj) Critical Accounting Policies and Estimates

The application of the Group's accounting policies requires the use of judgement, estimates and assumptions. If different assumptions or estimates were applied, the resulting values would change, impacting the net assets and income of the Group.

Management discusses the accounting policies, which are sensitive to the use of judgement, estimates and assumptions with the Board Audit Committee.

Provisions for Impairment of Financial Assets

Provisions for impairment of financial assets are raised where there is objective evidence of impairment and at an amount adequate to cover assessed credit related losses. In addition, provisions are raised where no objective evidence of impairment exists for an individually assessed financial asset, but for which a loss event has occurred which is likely to result in a loss within a group of financial assets.

Credit losses arise primarily from loans, but also from other credit instruments such as bank acceptances, contingent liabilities, guarantees and other financial instruments and AATSE.

Individually Assessed Provisions

Individually assessed provisions are raised where there is objective evidence of impairment,that is where the Group does not expect to receive all of the cash flows contractually due.

Individually assessed provisions are made against individual risk rated credit facilities where a loss of $20,000 or more is expected. The provisions are established based primarily on estimates of the realisable (fair) value of collateral taken and are measured as the difference between a financial asset's carrying amount and the present value of the expected future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short term balances are not discounted.

Collective Provision

All other loans and receivables that do not have an individually assessed provision are assessed collectively for impairment.

The collective provision is maintained to reduce the carrying amount of portfolios of similar loans and receivables to their estimated recoverable amounts at the Balance Sheet date.

The evaluation process is subject to a series of estimates and judgements. In the risk rated segment, the risk rating system, including the frequency of default and loss given default rates, loss history, and the size, structure and diversity of individual credits are considered. Current developments in portfolios (industry, geographic and term) are reviewed.

In the statistically managed (retail) segment, the history of defaults and losses, and the size, structure and diversity of portfolios are considered.

In addition, management considers overall indicators of portfolio performance, quality and economic conditions.

Changes in these estimates could have a direct impact on the level of provision determined.

The amount required to bring the collective provision to the level assessed is recognised in the Income Statement as set out in Note 14.

Life Insurance Policyholder Liabilities

Life insurance policyholder liabilities are accounted for under AASB 1038 'Life Insurance Contracts'. A significant area of judgement is in the determination of policyholder liabilities, which involve actuarial assumptions.

The areas of judgement where key actuarial assumptions are made in the determination of policyholder liabilities are:

- Business assumptions including:
  - Amount, timing and duration of claims/policy payments;
  - Policy lapse rates; and
  - Acquisition and long term maintenance expense levels.
- Long term economic assumptions for discount and interest rates, inflation rates and market earnings rates; and
- Selection of methodology, either projection or accumulation method. The selection of the method is generally governed by the product type.

The determination of assumptions relies on making judgements on variances from long term assumptions. Where experience differs from long term assumptions:

- Recent results may be a statistical aberration; or
- There may be a commencement of a new paradigm requiring a change in long term assumptions.

The Group's actuaries arrive at conclusions regarding the statistical analysis using their experience and judgement.

Additional information on the accounting policy is set out in Note 1 (ff).

Consolidation of Special Purpose Entities

The Group assesses, at inception and periodically, whether a special purpose entity should be consolidated based on the risks and rewards of each entity and whether the majority pass to the Group. Such assessments are predominantly required in the context of the Group's securitisation programme and structured transactions.

Financial Instruments at Fair Value

A significant portion of financial instruments are carried on the Balance Sheet at fair value.

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Note 1 Accounting Policies (continued)

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Data inputs that the Group relies upon when valuing financial instruments relate to counterparty credit risk, volatility, correlation and extrapolation.

Periodically, the Group calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Goodwill

The carrying value of goodwill is reviewed annually and is written down, to the extent that it is no longer supported by probable future benefits.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing, which is undertaken at the lowest level at which goodwill is monitored for internal management reporting purposes.

Impairment testing of purchased goodwill is performed annually, or more frequently when there is an indication that the goodwill may be impaired, by comparing the recoverable amount of the CGU with the current carrying amount of its net assets, including goodwill. Where the current carrying value is greater than recoverable amount, a charge for impairment of goodwill will be recorded in the Income Statement.

Additional information on goodwill impairment testing is included in Note 16.

Provisions (Other than Loan Impairment)

Provisions are held in respect of a range of future obligations such as employee entitlements, restructuring costs and non-lending losses. Provisions carried for long service leave are supported by an independent actuarial report. Some of the provisions involve significant judgement about the likely outcome of various events and estimated future cash flows.

The deferral of these benefits involves the exercise of management judgements about the ultimate outcomes of the transactions. Payments which are expected to be incurred later than one year are discounted at a rate which reflects both current interest rates and the risks specific to that provision.

Taxation

Provisions for taxation require significant judgement with respect to outcomes that are uncertain. For such uncertainties, the Group has estimated its tax provisions based on its expected outcomes.

Superannuation Obligations

The Group currently sponsors two defined benefit plans as described in Note 1(y) and Note 42. For each of these plans, actuarial valuations of the plan's obligations and the fair value measurements of the plan's assets are performed semi-annually in accordance with the requirements of AASB 119 'Employee Benefits'.

The actuarial valuation of plan obligations is dependent upon a series of assumptions, the key ones being price inflation, earnings growth, mortality, morbidity and investment returns assumptions. Different assumptions could significantly alter the amount of the difference between plan assets and obligations, and the superannuation cost charged to the Income

Notes to the Financial Statements

Note 2 Profit

Profit before income tax has been determined as follows:

	Group			Bank	
	2011	2010	2009	2011	2010
	$M	$M	$M	$M	$M
Interest Income					
Loans and bills discounted	**34,192**	29,849	28,438	**26,319**	22,382
Other financial institutions	**92**	141	434	**87**	115
Cash and liquid assets	**291**	192	510	**235**	150
Assets at fair value through Income Statement	**877**	793	1,236	**749**	616
Available-for-sale investments	**1,852**	1,240	901	**3,987**	3,102
Controlled entities	**-**	-	-	**1,568**	1,389
Total interest income (1)	**37,304**	32,215	31,519	**32,945**	27,754
Interest Expense					
Deposits (3)	**17,347**	13,830	14,216	**16,914**	13,329
Other financial institutions	**222**	164	509	**184**	145
Liabilities at fair value through Income Statement (3)	**590**	764	1,021	**218**	130
Debt issues	**5,891**	4,920	4,767	**4,920**	4,002
Controlled entities	**-**	-	-	**263**	360
Loan capital	**647**	615	705	**664**	637
Total interest expense (2)	**24,697**	20,293	21,218	**23,163**	18,603
Net interest income	**12,607**	11,922	10,301	**9,782**	9,151
Other Operating Income					
Lending fees	**1,467**	1,435	1,396	**1,333**	1,250
Commissions	**1,946**	2,006	2,027	**1,426**	1,413
Trading income	**717**	597	741	**639**	588
Net gain/(loss) on disposal of available-for-sale investments	**24**	27	(12)	**24**	14
Net loss on other non-fair valued financial instruments	**(4)**	(52)	(9)	**(11)**	(15)
Net hedging ineffectiveness	**4**	(62)	(18)	**14**	(60)
Net (loss)/gain on other fair valued financial instruments:					
Fair value through Income Statement (4)	**(2)**	8	(66)	**2**	(13)
Reclassification of net interest on swaps (5)	**(498)**	(259)	(275)	**(382)**	(148)
Non-trading derivatives (6)	**(301)**	217	(187)	**(348)**	147
Dividends - Controlled entities	**-**	-	-	**2,155**	1,641
Dividends - Other	**5**	5	14	**36**	7
Net loss on sale of property, plant and equipment	**(6)**	(4)	(11)	**(6)**	(4)
Funds management and investment contract income:					
Fees receivable on trust and other fiduciary activities	**1,662**	1,493	1,291	**-**	-
Other	**380**	435	199	**-**	-
Insurance contracts income	**1,118**	1,230	769	**-**	-
Other (7)	**278**	290	314	**735**	440
Total other operating income	**6,790**	7,366	6,173	**5,617**	5,260
Total net operating income	**19,397**	19,288	16,474	**15,399**	14,411
Gain on acquisition of controlled entities	**-**	-	983	**-**	-
Impairment expense					
Loan impairment expense	**1,280**	2,379	2,683	**1,080**	1,193
Available-for-sale debt securities impairment expense	**-**	-	365	**-**	-
Total impairment expense (Note 14)	**1,280**	2,379	3,048	**1,080**	1,193

(1) Total interest income for financial assets that are not at fair value through profit or loss is $36,427 million (2010: $31,422 million, 2009: $30,283 million) for the Group and $32,196 million (2010: $27,138 million) for the Bank.

(2) Total interest expense for financial liabilities that are not at fair value through profit or loss is $24,107 million (2010: $19,669 million, 2009: $20,197 million) for the Group and $22,945 million (2010 $18,473 million) for the Bank.

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

(4) The net gain on financial assets and liabilities designated at fair value was $102 million (2010: $140 million) for the Group and $77 million (2010: $31 million) for the Bank.

(5) Relates to certain economic hedges which do not qualify for IFRS hedge accounting.

(6) Non-trading derivatives are held for risk management purposes.

(7) The Group result in 2011 includes $10 million loss on disposal of controlled entities, refer to note 46 for further details.

Note 2 Profit (continued)

	Group 2011 $M	Group 2010 $M	Group 2009 $M	Bank 2011 $M	Bank 2010 $M
Staff Expenses					
Salaries and wages	**4,081**	3,845	3,405	**2,761**	2,536
Share-based compensation	**156**	130	125	**96**	82
Superannuation - defined contribution plans	**48**	48	44	**(33)**	(27)
Superannuation - defined benefit plan	**137**	103	14	**137**	103
Provisions for employee entitlements	**88**	58	88	**54**	39
Payroll tax	**213**	202	188	**153**	140
Fringe benefits tax	**38**	40	36	**30**	31
Other staff expenses	**110**	157	94	**77**	106
Total staff expenses	**4,871**	4,583	3,994	**3,275**	3,010
Occupancy and Equipment Expenses					
Operating lease rentals	**532**	527	488	**406**	392
Depreciation:					
Buildings	**35**	30	29	**27**	26
Leasehold improvements	**103**	98	85	**81**	75
Equipment	**82**	90	89	**54**	57
Operating lease assets	**42**	45	37	**19**	24
Repairs and maintenance	**87**	84	80	**65**	67
Other	**112**	103	102	**71**	63
Total occupancy and equipment expenses	**993**	977	910	**723**	704
Information Technology Services					
Application, maintenance and development	**235**	209	167	**151**	135
Data processing	**267**	227	202	**266**	225
Desktop	**120**	141	141	**114**	131
Communications	**221**	199	179	**188**	160
Amortisation of software assets	**183**	178	122	**143**	134
IT equipment depreciation	**78**	75	62	**63**	57
Total information technology services	**1,104**	1,029	873	**925**	842
Other Expenses					
Postage	**112**	115	121	**89**	88
Stationery	**84**	97	100	**62**	74
Fees and commissions:					
Fees payable on trust and other fiduciary activities	**537**	497	453	**-**	-
Other	**318**	367	359	**490**	584
Advertising, marketing and loyalty	**457**	398	475	**320**	285
Amortisation of intangible assets (excluding software and merger related amortisation)	**15**	27	17	**-**	-
Non-lending losses	**83**	103	86	**65**	78
Other	**317**	408	391	**149**	237
Total other expenses	**1,923**	2,012	2,002	**1,175**	1,346
Total expenses	**8,891**	8,601	7,779	**6,098**	5,902
Investment and restructuring					
Integration expenses	**94**	40	112	**15**	15
Merger related amortisation [1]	**75**	75	37	**-**	-
One-off expenses	**-**	-	32	**-**	-
Total investment and restructuring	**169**	115	181	**15**	15
Total operating expenses	**9,060**	8,716	7,960	**6,113**	5,917
Profit before income tax	**9,057**	8,193	6,449	**8,206**	7,301
Net hedging ineffectiveness comprises:					
Gain/(Loss) on fair value hedges:					
Hedging instruments	**(417)**	771	543	**(391)**	738
Hedged items	**427**	(838)	(569)	**410**	(810)
Cash flow hedge ineffectiveness	**(6)**	5	8	**(5)**	12
Net hedging ineffectiveness	**4**	(62)	(18)	**14**	(60)

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

Note 3 Income from Ordinary Activities

	Group			Bank	
	2011	2010	2009	2011	2010
	$M	$M	$M	$M	$M
Banking					
Interest income	**37,304**	32,215	31,519	**32,945**	27,754
Fees and commissions	**3,413**	3,441	3,423	**2,759**	2,663
Trading income	**717**	597	741	**639**	588
Net gain/(loss) on disposal of available-for-sale investments recognised in Income Statement	**24**	27	(12)	**24**	14
Net loss on other non-fair valued financial instruments	**(4)**	(52)	(9)	**(11)**	(15)
Net hedging ineffectiveness	**4**	(62)	(18)	**14**	(60)
Net (loss)/gain on other fair valued financial instruments:					
Fair value through Income Statement	**(2)**	8	(66)	**2**	(13)
Reclassification of net interest on swaps [1]	**(498)**	(259)	(275)	**(382)**	(148)
Non-trading derivatives	**(301)**	217	(187)	**(348)**	147
Dividends	**5**	5	14	**2,191**	1,648
Net loss on sale of property, plant and equipment	**(6)**	(4)	(11)	**(6)**	(4)
Other	**278**	290	314	**735**	440
	40,934	36,423	35,433	**38,562**	33,014
Funds Management, Investment Contract and Insurance Contract Revenue					
Funds management and investment contract income including premiums	**1,996**	1,906	1,618	**-**	-
Insurance contract premiums and related income	**1,884**	1,794	1,651	**-**	-
Funds management claims and policyholder liability revenue	**-**	-	731	**-**	-
Investment income	**1,401**	1,662	-	**-**	-
	5,281	5,362	4,000	**-**	-
Total income	**46,215**	41,785	39,433	**38,562**	33,014

(1) Relates to certain economic hedges which do not qualify for IFRS hedge accounting.

Note 4 Average Balances and Related Interest

The following tables list 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. Averages used were predominantly daily averages. Interest is accounted for based on product yield. Trading gains and losses are disclosed as Trading income within Other operating income.

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

The overseas component 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 increased by 25 basis points during the year while rates in New Zealand decreased by 25 basis points.

									Group
			2011			2010			2009
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest earning assets	$M	$M	%	$M	$M	%	$M	$M	%
Cash and liquid assets									
Australia	**4,583**	**194**	**4. 2**	3,674	146	4. 0	8,353	324	3. 9
Overseas	**7,522**	**97**	**1. 3**	7,644	46	0. 6	6,683	186	2. 8
Receivables due from other financial institutions									
Australia	**6,324**	**50**	**0. 8**	7,253	63	0. 9	9,205	227	2. 5
Overseas	**8,113**	**42**	**0. 5**	6,645	78	1. 2	7,238	207	2. 9
Assets at fair value through Income Statement - Trading									
Australia	**15,028**	**711**	**4. 7**	15,587	585	3. 8	17,614	922	5. 2
Overseas	**5,186**	**138**	**2. 7**	5,944	175	2. 9	4,378	231	5. 3
Assets at fair value through Income Statement - Other									
Australia	**-**	**-**	**-**	117	12	10. 3	799	3	0. 4
Overseas	**1,442**	**28**	**1. 9**	1,157	21	1. 8	2,507	80	3. 2
Available-for-sale investments									
Australia	**33,362**	**1,776**	**5. 3**	23,360	1,166	5. 0	10,553	628	6. 0
Overseas	**5,601**	**76**	**1. 4**	5,485	74	1. 3	7,831	273	3. 5
Loans, bills discounted and other receivables									
Australia (1) (3)	**436,988**	**30,493**	**7. 0**	419,667	25,872	6. 2	344,534	23,098	6. 7
Overseas (3)	**52,220**	**3,151**	**6. 0**	57,202	3,470	6. 1	61,553	4,584	7. 4
Intragroup assets									
Australia	**2,506**	**22**	**0. 9**	-	-	-	-	-	-
Overseas	**-**	**-**	**-**	12,343	20	0. 2	12,023	158	1. 3
Total interest earning assets and interest income including intragroup	**578,875**	**36,778**	**6. 4**	566,078	31,728	5. 6	493,271	30,921	6. 3
Intragroup eliminations	**(2,506)**	**(22)**	**0. 9**	(12,343)	(20)	0. 2	(12,023)	(158)	1. 3
Total interest earning assets and interest income (2)	**576,369**	**36,756**	**6. 4**	553,735	31,708	5. 7	481,248	30,763	6. 4
Securitisation home loan assets	**9,705**	**574**	**5. 9**	10,967	534	4. 9	12,279	742	6. 0

(1) Excludes amortisation of acquisition related fair value adjustments made to fixed interest financial instruments.

(2) Used for calculating net interest margin.

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

Note 4 Average Balances and Related Interest (continued)

			Group
	2011	2010	2009
	Average Balance	Average Balance	Average Balance
Non-interest earning assets	$M	$M	$M
Bank acceptances			
Australia	**11,332**	12,559	16,983
Overseas	**-**	-	-
Assets at fair value through Income Statement - Insurance			
Australia	**13,656**	15,512	17,370
Overseas	**2,069**	2,166	2,316
Property, plant and equipment			
Australia	**1,854**	1,933	1,744
Overseas	**181**	191	199
Other assets			
Australia	**41,661**	42,444	48,487
Overseas	**8,782**	6,152	9,393
Provisions for impairment			
Australia	**(5,205)**	(4,904)	(2,492)
Overseas	**(299)**	(338)	(299)
Total non-interest earning assets	**74,031**	75,715	93,701
Total assets	**660,105**	640,417	587,228
Percentage of total assets applicable to overseas operations (%)	**13.8**	14.4	17.3

Note 4 Average Balances and Related Interest (continued)

Interest bearing liabilities	2011 Average Balance $M	2011 Interest $M	2011 Average Rate %	2010 Average Balance $M	2010 Interest $M	2010 Average Rate %	Group 2009 Average Balance $M	Group 2009 Interest $M	Group 2009 Average Rate %
Time deposits									
Australia (1) (2)	**185,243**	**10,984**	**5.9**	168,832	8,673	5.1	133,580	8,398	6.3
Overseas (2)	**32,708**	**1,121**	**3.4**	32,455	1,255	3.9	30,160	1,625	5.4
Savings deposits									
Australia (1) (2)	**76,644**	**2,482**	**3.2**	72,396	1,797	2.5	69,758	1,574	2.3
Overseas (2)	**6,772**	**205**	**3.0**	7,215	204	2.8	7,117	342	4.8
Other demand deposits									
Australia (1) (2)	**82,040**	**2,477**	**3.0**	82,867	1,953	2.4	74,952	2,256	3.0
Overseas (2)	**2,462**	**79**	**3.2**	2,799	87	3.1	3,451	160	4.6
Payables due to other financial institutions									
Australia	**3,912**	**136**	**3.5**	5,296	110	2.1	4,974	160	3.2
Overseas	**10,763**	**86**	**0.8**	9,448	54	0.6	13,871	349	2.5
Liabilities at fair value through Income Statement									
Australia (2)	**4,526**	**215**	**4.8**	3,580	150	4.2	3,831	159	4.2
Overseas (2)	**8,729**	**375**	**4.3**	12,494	614	4.9	13,595	862	6.3
Debt issues									
Australia	**107,136**	**5,316**	**5.0**	91,223	4,291	4.7	65,109	3,624	5.6
Overseas	**5,534**	**25**	**0.5**	18,678	105	0.6	20,763	417	2.0
Loan capital									
Australia	**7,130**	**382**	**5.4**	9,370	367	3.9	9,455	507	5.4
Overseas	**5,244**	**272**	**5.2**	4,685	255	5.4	3,642	202	5.5
Intragroup borrowings									
Australia	**-**	**-**	**-**	12,343	20	0.2	12,023	158	1.3
Overseas	**2,506**	**22**	**0.9**	-	-	-	-	-	-
Interest bearing liabilities and interest expense including intragroup	**541,349**	**24,177**	**4.5**	533,681	19,935	3.7	466,281	20,793	4.5
Intragroup eliminations	**(2,506)**	**(22)**	**0.9**	(12,343)	(20)	0.2	(12,023)	(158)	1.3
Total interest bearing liabilities and interest expense	**538,843**	**24,155**	**4.5**	521,338	19,915	3.8	454,258	20,635	4.6
Securitisation debt issues	**8,920**	**517**	**5.8**	9,927	459	4.6	12,042	684	5.7

(1) Excludes amortisation of acquisition related fair value adjustments made to fixed interest financial instruments.

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

Non-interest bearing liabilities	2011 Average Balance $M	2010 Average Balance $M	Group 2009 Average Balance $M
Deposits not bearing interest			
Australia	**6,989**	6,638	5,940
Overseas	**1,535**	1,458	1,438
Liabilities on Bank acceptances			
Australia	**11,332**	12,559	16,983
Overseas	**-**	-	-
Insurance policy liabilities			
Australia	**13,114**	14,432	16,510
Overseas	**1,361**	1,548	1,766
Other liabilities			
Australia	**33,517**	32,914	42,939
Overseas	**8,425**	6,069	6,163
Total non-interest bearing liabilities	**76,273**	75,618	91,739
Total liabilities	**624,036**	606,883	558,039
Shareholders' equity	**36,069**	33,534	29,189
Total liabilities and Shareholders' equity	**660,105**	640,417	587,228
Total liabilities applicable to overseas operations (%)	**13.4**	16.0	18.3

Note 4 Average Balances and Related Interest (continued)

Net interest margin	Avg Bal 2011 $M	Interest 2011 $M	Yield 2011 %	Avg Bal 2010 $M	Interest 2010 $M	Yield 2010 %
			Group			
Total interest earning assets excluding securitisation	**576,369**	**36,756**	**6. 38**	553,735	31,708	5. 73
Total interest bearing liabilities excluding securitisation	**538,843**	**24,155**	**4. 48**	521,338	19,915	3. 82
Net interest income and interest spread (excluding securitisation)		**12,601**	**1. 90**		11,793	1. 91
Benefit of free funds			**0. 29**			0. 22
Net interest margin			**2. 19**			2. 13

Geographical analysis of key categories	Avg Bal 2011 $M	Interest 2011 $M	Yield 2011 %	Avg Bal 2010 $M	Interest 2010 $M	Yield 2010 %
			Group			
Loans, bills discounted and other receivables						
Australia (1)	**436,988**	**30,493**	**6. 98**	419,667	25,872	6. 16
Overseas (1)	**52,220**	**3,151**	**6. 03**	57,202	3,470	6. 07
Total	**489,208**	**33,644**	**6. 88**	476,869	29,342	6. 15
Other interest earning assets						
Australia	**59,297**	**2,731**	**4. 61**	49,991	1,972	3. 94
Overseas	**27,864**	**381**	**1. 37**	26,875	394	1. 47
Total	**87,161**	**3,112**	**3. 57**	76,866	2,366	3. 08
Total interest bearing deposits						
Australia (1)	**343,927**	**15,943**	**4. 64**	324,095	12,423	3. 83
Overseas (1)	**41,942**	**1,405**	**3. 35**	42,469	1,546	3. 64
Total	**385,869**	**17,348**	**4. 50**	366,564	13,969	3. 81
Other interest bearing liabilities						
Australia (1)	**122,704**	**6,049**	**4. 93**	109,469	4,918	4. 49
Overseas (1)	**30,270**	**758**	**2. 50**	45,305	1,028	2. 27
Total	**152,974**	**6,807**	**4. 45**	154,774	5,946	3. 84

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

Overseas intra-group borrowings have been adjusted into the interest spread and margin calculations to more appropriately reflect the overseas cost of funds.

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.

Changes in Net Interest Income: Volume and Rate Analysis

The following tables show the movement in interest income and expense due to changes in volume and interest rates. Volume variances reflect the change in interest from the prior year due to movement in the average balance. Rate variance reflects the change in interest from the prior year due to changes in interest rates.

Volume and rate variance for total interest earning assets and interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

Change in net interest income	June 2011 vs June 2010 $M	June 2010 vs June 2009 $M
		Group
Due to changes in average volume of interest earning assets	**488**	1,535
Due to changes in interest margin	**320**	130
Change in net interest income	**808**	1,665

Note 4 Average Balances and Related Interest (continued)

Changes in net interest income: Volume and rate analysis	June 2011 vs June 2010 Volume $M	Rate $M	Total $M	June 2010 vs June 2009 Volume $M	Rate $M	Total $M
Interest Earning Assets						
Cash and liquid assets						
Australia	**37**	**11**	**48**	(183)	5	(178)
Overseas	**(1)**	**52**	**51**	16	(156)	(140)
Receivables due from other financial institutions						
Australia	**(8)**	**(5)**	**(13)**	(33)	(131)	(164)
Overseas	**12**	**(48)**	**(36)**	(12)	(117)	(129)
Assets at fair value through Income Statement - Trading						
Australia	**(24)**	**150**	**126**	(92)	(245)	(337)
Overseas	**(21)**	**(16)**	**(37)**	64	(120)	(56)
Assets at fair value through Income Statement - Other						
Australia	**(6)**	**(6)**	**(12)**	(37)	46	9
Overseas	**5**	**2**	**7**	(34)	(25)	(59)
Available-for-sale investments						
Australia	**516**	**94**	**610**	701	(163)	538
Overseas	**2**	**-**	**2**	(57)	(142)	(199)
Loans, bills discounted and other receivables						
Australia (1)	**1,138**	**3,483**	**4,621**	4,834	(2,060)	2,774
Overseas (1)	**(301)**	**(18)**	**(319)**	(294)	(820)	(1,114)
Intragroup loans						
Australia	**11**	**11**	**22**	-	-	-
Overseas	**(10)**	**(10)**	**(20)**	3	(141)	(138)
Changes in interest income including intragroup	**765**	**4,285**	**5,050**	4,323	(3,516)	807
Intragroup eliminations	**(1)**	**(1)**	**(2)**	(3)	141	138
Changes in interest income	**1,370**	**3,678**	**5,048**	4,392	(3,447)	945
Securitisation home loan assets	**(69)**	**109**	**40**	(72)	(136)	(208)
Interest Bearing Liabilities and Loan Capital						
Time deposits						
Australia (1)	**908**	**1,403**	**2,311**	2,014	(1,739)	275
Overseas (1)	**9**	**(143)**	**(134)**	106	(476)	(370)
Savings deposits						
Australia (1)	**121**	**564**	**685**	63	160	223
Overseas (1)	**(13)**	**14**	**1**	4	(142)	(138)
Other demand deposits						
Australia (1)	**(22)**	**546**	**524**	212	(515)	(303)
Overseas (1)	**(11)**	**3**	**(8)**	(25)	(48)	(73)
Payables due to other financial institutions						
Australia	**(38)**	**64**	**26**	8	(58)	(50)
Overseas	**9**	**23**	**32**	(68)	(227)	(295)
Liabilities at fair value through Income Statement						
Australia (1)	**42**	**23**	**65**	(4)	(5)	(9)
Overseas (1)	**(173)**	**(66)**	**(239)**	(68)	(180)	(248)
Debt issues						
Australia	**769**	**256**	**1,025**	1,341	(674)	667
Overseas	**(67)**	**(13)**	**(80)**	(27)	(285)	(312)
Loan capital						
Australia	**(104)**	**119**	**15**	(4)	(136)	(140)
Overseas	**30**	**(13)**	**17**	57	(4)	53
Intragroup borrowings						
Australia	**(10)**	**(10)**	**(20)**	3	(141)	(138)
Overseas	**11**	**11**	**22**	-	-	-
Changes in interest expense including intragroup	**314**	**3,928**	**4,242**	2,762	(3,620)	(858)
Intragroup eliminations	**(1)**	**(1)**	**(2)**	(3)	141	138
Changes in interest expense	**727**	**3,513**	**4,240**	2,804	(3,524)	(720)
Changes in net interest income	**488**	**320**	**808**	1,535	130	1,665
Securitisation debt issues	**(54)**	**112**	**58**	(109)	(116)	(225)

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

Notes to the Financial Statements

Note 4 Average Balances and Related Interest (continued)

Geographical analysis of key categories	Group 2011 %	2010 %	2009 %
Australia			
Interest spread (1)	**1.95**	2.04	1.93
Benefit of interest-free liabilities, provisions and equity (2)	**0.30**	0.19	0.21
Net interest margin (3)	**2.25**	2.23	2.14
Overseas			
Interest spread (1)	**1.50**	1.09	1.32
Benefit of interest-free liabilities, provisions and equity (2)	**0.25**	0.27	0.40
Net interest margin (3)	**1.75**	1.36	1.72
Group			
Interest spread (1)	**1.90**	1.91	1.84
Benefit of interest-free liabilities, provisions and equity (2)	**0.29**	0.22	0.26
Net interest margin (3)	**2.19**	2.13	2.10

(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 year.

Note 5 Income Tax

The income tax expense for the year is determined from the profit before income tax as follows:

	Group			Bank	
	2011	2010	2009	2011	2010
	$M	$M	$M	$M	$M
Profit before Income Tax	**9,057**	8,193	6,449	**8,206**	7,301
Prima facie income tax at 30%	**2,717**	2,458	1,935	**2,462**	2,190
Effect of amounts which are non-deductible/ (assessable) in calculating taxable income:					
Taxation offsets and other dividend adjustments	**(7)**	(18)	(59)	**(646)**	(493)
Tax adjustment on policyholder income	**116**	91	(115)	**-**	-
Bankwest - Gain on acquisition	**-**	-	76	**-**	-
Tax losses not previously brought to account	**(6)**	(4)	-	**(2)**	-
Tax losses assumed by the Bank under UIG 1052	**-**	-	-	**(29)**	(31)
Offshore tax rate differential	**(55)**	(66)	(55)	**(6)**	(11)
Offshore banking unit	**(17)**	(32)	(56)	**(17)**	(32)
Investment allowance	**(2)**	(57)	(28)	**-**	(31)
Effect of changes in tax rates (1)	**3**	(12)	-	**1**	-
Income tax under/(over) provided in previous years (2)	**(71)**	164	5	**(47)**	(22)
Other	**(31)**	(11)	(7)	**10**	116
Total income tax expense	**2,647**	2,513	1,696	**1,726**	1,686
Corporate tax expense	**2,481**	2,383	1,860	**1,726**	1,686
Policyholder tax expense/(benefit)	**166**	130	(164)	**-**	-
Total income tax expense	**2,647**	2,513	1,696	**1,726**	1,686

	Group			Bank	
Income tax expense attributable to profit from ordinary activities	2011 $M	2010 $M	2009 $M	2011 $M	2010 $M
Australia					
Current tax expense	**2,246**	1,903	2,265	**1,684**	1,363
Deferred tax expense/(benefit)	**59**	150	(886)	**5**	275
Total Australia	**2,305**	2,053	1,379	**1,689**	1,638
Overseas					
Current tax expense	**336**	435	201	**40**	34
Deferred tax expense/(benefit)	**6**	25	116	**(3)**	14
Total overseas	**342**	460	317	**37**	48
Total income tax expense	**2,647**	2,513	1,696	**1,726**	1,686

	Group			Bank	
	2011	2010	2009	2011	2010
Effective Tax Rate	%	%	%	%	%
Total – corporate (2)	**27. 9**	29. 6	28. 1	**21. 0**	23. 1
Retail Banking Services – corporate (4)	**29. 7**	30. 1	29. 7	**n/a**	n/a
Business and Private Banking – corporate (4)	**28. 6**	28. 8	28. 1	**n/a**	n/a
Institutional Banking and Markets – corporate (4)	**23. 7**	22. 4	large	**n/a**	n/a
Wealth Management – corporate	**28. 1**	28. 0	30. 1	**n/a**	n/a
New Zealand – corporate (1) (2)	**24. 0**	56. 9	23. 8	**n/a**	n/a
Bankwest – corporate (3)	**34. 7**	22. 5	35. 4	**n/a**	n/a

(1) The New Zealand corporate tax rate was reduced from 30% to 28% for tax years starting on or after 1 April 2011. This charge is effective for the Group from 1 July 2011.

(2) The year ended 30 June 2010 includes the impact of the tax on New Zealand structured finance transactions of $171 million.

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

(4) Comparative effective tax rates have been adjusted for the impact of business resegmentation.

Note 5 Income Tax (continued)

	Group 2011 $M	Group 2010 $M	Group 2009 $M	Bank 2011 $M	Bank 2010 $M
Deferred tax asset balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement:					
Provision for employee benefits	**375**	364	338	**322**	313
Provisions for impairment on loans, bills discounted and other receivables	**1,387**	1,476	1,336	**823**	813
Other provisions not tax deductible until expense incurred	**202**	193	243	**87**	109
Recognised value of tax losses carried forward	**1**	3	6	**1**	3
Financial instruments	**15**	259	424	**12**	202
Other	**183**	291	422	**130**	195
Total amount recognised in the Income Statement	**2,163**	2,586	2,769	**1,375**	1,635
Amounts recognised directly in equity:					
Foreign currency translation reserve	**-**	3	3	**-**	-
Cash flow hedge reserve	**224**	212	255	**216**	186
Employee compensation reserve	**11**	12	3	**11**	12
Avaliable-for-sale investments reserve	**4**	3	9	**2**	29
Total amount recognised directly in equity	**239**	230	270	**229**	227
Total deferred tax assets (before set off)	**2,402**	2,816	3,039	**1,604**	1,862
Set off of tax (1)	**(1,102)**	(1,546)	(1,386)	**(492)**	(620)
Net deferred tax assets	**1,300**	1,270	1,653	**1,112**	1,242
Deferred tax liability balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement:					
Impact of TOFA adoption	**30**	-	-	**30**	-
Lease financing	**370**	347	299	**167**	144
Defined benefit superannuation plan surplus	**(93)**	(51)	(33)	**(93)**	(51)
Intangible assets	**134**	145	176	**-**	-
Financial instruments	**77**	639	567	**15**	238
Other	**572**	371	273	**85**	50
Total amount recognised in the Income Statement	**1,090**	1,451	1,282	**204**	381
Amounts recognised directly in equity:					
Revaluation of properties	**70**	73	63	**55**	57
Foreign currency translation reserve	**14**	-	-	**-**	-
Cash flow hedge reserve	**21**	55	36	**6**	7
Defined benefit superannuation plan surplus	**116**	135	171	**116**	135
Avaliable-for-sale investments reserve	**92**	53	2	**111**	40
Total amount recognised directly in equity	**313**	316	272	**288**	239
Total deferred tax liabilities (before set off)	**1,403**	1,767	1,554	**492**	620
Set off of tax (1)	**(1,102)**	(1,546)	(1,386)	**(492)**	(620)
Net deferred tax liabilities (Note 22)	**301**	221	168	**-**	-
Deferred tax assets opening balance:	**1,270**	1,653	76	**1,242**	1,628
Movement in temporary differences during the year:					
Provisions for employee benefits	**11**	26	44	**9**	18
Provisions for impairment on loans, bills discounted and other receivables	**(89)**	140	813	**10**	(76)
Other provisions not tax deductible until expense incurred	**9**	(50)	51	**(22)**	(30)
Recognised value of tax losses carried forward	**(2)**	(3)	-	**(2)**	(2)
Financial instruments	**(234)**	(214)	529	**(187)**	(71)
Other	**(109)**	(122)	254	**(66)**	12
Set off of tax (1)	**444**	(160)	(114)	**128**	(237)
Deferred tax assets closing balance	**1,300**	1,270	1,653	**1,112**	1,242
Deferred tax liabilities opening balance:	**221**	168	266	**-**	40
Movement in temporary differences during the year:					
Impact of TOFA adoption	**30**	-	-	**30**	-
Property asset revaluations	**(3)**	10	4	**(2)**	6
Lease financing	**23**	48	12	**23**	32
Defined benefit superannuation plan surplus	**(61)**	(54)	(323)	**(61)**	(54)
Intangible assets	**(11)**	(31)	152	**-**	-
Financial instruments	**(543)**	142	168	**(153)**	203
Other	**201**	98	3	**35**	10
Set off of tax (1)	**444**	(160)	(114)	**128**	(237)
Deferred tax liabilities closing balance (Note 22)	**301**	221	168	**-**	-

(1) Deferred tax assets and liabilities are set off where they relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities within the same taxable group.

Note 5 Income Tax (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group			Bank	
	2011	2010	2009	2011	2010
Deferred tax assets not taken to account	$M	$M	$M	$M	$M
Tax losses and other temporary differences on revenue account	**101**	110	100	**85**	99
Tax losses on capital account	**40**	14	-	**17**	-
Total	**141**	124	100	**102**	99

	Group			Bank	
	2011	2010	2009	2011	2010
Expiration of deferred tax assets not taken to account	$M	$M	$M	$M	$M
At Balance Sheet date carry-forward losses expired as follows:					
From one to two years	**-**	-	-	**-**	-
From two to four years	**18**	2	1	**2**	2
After four years	**83**	108	99	**83**	97
Losses that do not expire under current tax legislation	**40**	14	-	**17**	-
Total	**141**	124	100	**102**	99

Potential deferred tax assets of the Group arose from:

- Capital losses arising under the tax consolidation system; and
- Tax losses and temporary differences in offshore centres.

These deferred assets have not been recognised because it is not considered probable that future taxable profit will be available against which they can be realised.

These potential tax benefits will only be obtained if:

- Future capital gains and assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised is derived;
- Compliance with the conditions for claiming capital losses and deductions imposed by tax legislation is continued; and
- No changes in tax legislation adversely affect the Group in realising the benefit from deductions for the losses.

Tax Consolidation

Tax consolidation legislation has been enacted to allow Australian resident entities to elect to consolidate and be treated as single entities for Australian tax purposes. The Commonwealth Bank of Australia elected to be taxed as a single entity with effect from 1 July 2002.

The Bank has recognised a tax consolidation contribution to the wholly-owned tax consolidated entity of $84 million (2010: $84 million).

The Bank is the head entity of the tax consolidated group and has entered into tax funding and tax sharing agreements with its eligible Australian resident subsidiaries. The terms and conditions of these agreements are set out in note 1(x). The amount receivable by the Bank under the tax funding agreement was $280 million as at 30 June 2011 (2010: $439 million receivable). This balance is included in 'Other assets' in the Bank's separate Balance Sheet.

Taxation of Financial Arrangements (TOFA)

The new tax regime for financial instruments TOFA began to apply to the Tax Consolidated Group from 1 July 2010. The regime allows a closer alignment of the tax and accounting recognition and measurement of financial arrangements and their related flows. Following adoption, deferred tax balances from financial arrangements progressively reverse over a four year period.

Notes to the Financial Statements

Note 6 Dividends

	Group 2011 $M	Group 2010 $M	Group 2009 $M	Bank 2011 $M	Bank 2010 $M
Ordinary Shares					
Interim ordinary dividend (fully franked) (2011: 132 cents; 2010: 120 cents, 2009: 113 cents)					
Interim ordinary dividend paid - cash component only	**1,532**	1,067	1,257	**1,532**	1,067
Interim ordinary dividend paid - dividend reinvestment plan	**513**	774	405	**513**	774
Total dividend paid	**2,045**	1,841	1,662	**2,045**	1,841
Other Equity Instruments					
Dividend paid	**42**	47	57	**-**	-
Total dividend provided for, reserved or paid	**2,087**	1,888	1,719	**2,045**	1,841
Other provision carried	**37**	29	18	**37**	29
Dividend proposed and not recognised as a liability (fully franked) (2011: 188 cents, 2010: 170 cents, 2009: 115 cents) (1)	**2,930**	2,633	1,747	**2,930**	2,633
Provision for dividends					
Opening balance	**29**	18	5	**29**	18
Provision made during the year	**4,678**	3,588	3,691	**4,678**	3,588
Provision used during the year	**(4,670)**	(3,577)	(3,678)	**(4,670)**	(3,577)
Closing balance (Note 23)	**37**	29	18	**37**	29

(1) The 2011 final dividend will be satisfied by cash disbursements and the issue of ordinary shares through the Dividend Reinvestment Plan (DRP). The 2010 final dividend was satisfied by cash disbursements of $2,633 million including the on market purchase and transfer of $679 million of shares to participating shareholders under the DRP. The 2009 final dividend was satisfied by cash disbursements of $1,058 million and the issue of $685 million of ordinary shares through the DRP.

Dividend Franking Account

After fully franking the final dividend to be paid for the year, the amount of credits available, at the 30% tax rate as at 30 June 2011 to frank dividends for subsequent financial years, is $510 million (2010: $446 million). This figure is based on the franking accounts of the Bank at 30 June 2011, adjusted for franking credits that will arise from the payment of income tax payable on profits for the year, franking debits that will arise from the payment of dividends proposed, 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 the Bank to be able to continue to fully frank future dividend payments. These calculations have been based on the taxation law as at 30 June 2011.

Dividend History

Half year ended	Cents Per Share	Date Paid	Half-year Payout Ratio (1) %	Full Year Payout Ratio (1) %	DRP Price $	DRP Participation Rate (2) %
31 December 2008	113	23/03/2009	65.3	-	28.45	24.4
30 June 2009	115	01/10/2009	82.4	73.1	44.48	39.4
31 December 2009	120	01/04/2010	63.7	-	53.56	42.0
30 June 2010	170	01/10/2010	96.6	79.7	51.75	25.8
31 December 2010	132	01/04/2011	67.5	-	52.92	25.1
30 June 2011 (3)	188	-	88.2	78.3	-	-

(1) Dividend Payout Ratio: dividends divided by statutory earnings.
(2) DRP Participation Rate: the percentage of total issued share capital participating in the DRP.
(3) Dividend expected to be paid on 6 October 2011.

Note 7 Earnings Per Share

Earnings per ordinary share	2011	2010	2009
	Group		
	Cents per share		
Basic	**411.2**	367.9	328.5
Fully diluted	**395.1**	354.2	313.4

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares on issue during the year, excluding the number of ordinary shares purchased and held as treasury shares.

Diluted earnings per share amounts are calculated by dividing net profit attributable to ordinary equity holders of the Bank (after deducting interest on the convertible redeemable loan capital instruments) by the weighted average number of ordinary shares issued during the year (adjusted for the effects of dilutive options and dilutive convertible non-cumulative redeemable loan capital instruments).

Reconciliation of earnings used in calculation of earnings per share	2011	2010	2009
	Group		
	$M	$M	$M
Profit after income tax	**6,410**	5,680	4,753
Less: Other equity instrument dividends	**(42)**	(47)	(57)
Less: Non-controlling interests	**(16)**	(16)	(30)
Earnings used in calculation of basic earnings per share	**6,352**	5,617	4,666
Add: Profit impact of assumed conversions of loan capital	**235**	190	187
Earnings used in calculation of fully diluted earnings per share	**6,587**	5,807	4,853

	2011	2010	2009
	Number of Shares		
	M	M	M
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**1,545**	1,527	1,420
Effect of dilutive securities - executive share plans and convertible loan capital instruments	**123**	113	128
Weighted average number of ordinary shares used in the calculation of fully diluted earnings per share	**1,668**	1,640	1,548

Note 8 Cash and Liquid Assets

	Group 2011	Group 2010	Bank 2011	Bank 2010
	$M	$M	$M	$M
Australia				
Notes, coins and cash at banks	**1,894**	3,090	**1,604**	2,737
Money at short call	**-**	1	**-**	-
Securities purchased under agreements to resell	**4,116**	3,141	**4,117**	3,175
Bills received and remittances in transit	**183**	111	**10**	74
Total Australia	**6,193**	6,343	**5,731**	5,986
Overseas				
Notes, coins and cash at banks	**3,530**	2,195	**2,499**	1,290
Money at short call	**1,105**	1,019	**967**	905
Securities purchased under agreements to resell	**2,400**	540	**1,782**	530
Bills received and remittances in transit	**13**	22	**-**	-
Total overseas	**7,048**	3,776	**5,248**	2,725
Total cash and liquid assets	**13,241**	10,119	**10,979**	8,711

Notes to the Financial Statements

Note 9 Receivables Due from Other Financial Institutions

	Group		Bank	
	2011	2010	2011	2010
	$M	$M	$M	$M
Australia				
Placements with and loans to other financial institutions	**5,203**	5,355	**5,204**	5,337
Total Australia	**5,203**	5,355	**5,204**	5,337
Overseas				
Deposits with regulatory authorities [1]	**116**	44	**16**	3
Other placements with and loans to other financial institutions	**5,074**	4,673	**4,903**	4,426
Total overseas	**5,190**	4,717	**4,919**	4,429
Total receivables from other financial institutions	**10,393**	10,072	**10,123**	9,766

(1) Required by law for the Group to operate in certain regions.

The majority of the above amounts are expected to be recovered within twelve months of the Balance Sheet date.

Note 10 Assets at Fair Value through Income Statement

	Group		Bank	
	2011	2010	2011	2010
	$M	$M	$M	$M
Trading	**20,469**	22,851	**17,765**	18,775
Insurance	**14,998**	15,940	**-**	-
Other financial assets designated at fair value	**824**	654	**300**	-
Total assets at fair value through Income Statement [1]	**36,291**	39,445	**18,065**	18,775

(1) In addition to the assets above, the Group also measures bills discounted that are intended to be sold into the market at fair value. These are classified within Loans, bills discounted and other receivables (refer to Note 13).

	Group		Bank	
	2011	2010	2011	2010
Trading	$M	$M	$M	$M
Australia				
Market quoted:				
Australian public securities				
Commonwealth and State Government	**8,160**	6,078	**8,160**	6,078
Local and semi-government	**3,264**	2,990	**3,264**	2,990
Bills of exchange	**521**	579	**521**	579
Certificates of deposit	**149**	4,352	**149**	4,352
Medium term notes	**1,955**	1,273	**1,955**	1,273
Equity investments and other securities	**1,100**	422	**1,095**	418
Non-market quoted:				
Commercial paper	**-**	321	**-**	321
Other securities	**80**	45	**79**	44
Total Australia	**15,229**	16,060	**15,223**	16,055
Overseas				
Market quoted:				
Government securities	**2,424**	3,354	**1,475**	1,792
Eurobonds	**352**	247	**352**	247
Certificates of deposit	**1,201**	1,473	**-**	-
Floating rate notes	**532**	339	**532**	339
Commercial paper	**127**	335	**127**	335
Other securities	**4**	4	**-**	-
Non-market quoted:				
Government securities	**73**	66	**-**	-
Corporate bonds	**406**	910	**-**	-
Floating rate notes	**31**	43	**-**	-
Commercial paper	**84**	12	**50**	-
Other securities	**6**	8	**6**	7
Total overseas	**5,240**	6,791	**2,542**	2,720
Total trading assets	**20,469**	22,851	**17,765**	18,775

The above amounts are expected to be recovered within twelve months of the Balance Sheet date.

Note 10 Assets at Fair Value through Income Statement (continued)

Insurance	Investments Backing Life Risk Contracts 2011 $M	Investments Backing Life Investment Contracts 2011 $M	Total 2011 $M	Investments Backing Life Risk Contracts 2010 $M	Investments Backing Life Investment Contracts 2010 $M	Total 2010 $M
Equity Security Investments:						
Direct	**405**	**781**	**1,186**	315	660	975
Indirect	**629**	**3,403**	**4,032**	618	3,508	4,126
Total equity security investments	**1,034**	**4,184**	**5,218**	933	4,168	5,101
Debt Security Investments:						
Direct	**688**	**630**	**1,318**	824	571	1,395
Indirect	**2,011**	**4,496**	**6,507**	1,979	5,100	7,079
Total debt security investments	**2,699**	**5,126**	**7,825**	2,803	5,671	8,474
Property Investments:						
Direct	**16**	**88**	**104**	15	60	75
Indirect	**293**	**536**	**829**	366	868	1,234
Total property investments	**309**	**624**	**933**	381	928	1,309
Other Assets	**138**	**884**	**1,022**	175	881	1,056
Total life insurance investment assets	**4,180**	**10,818**	**14,998**	4,292	11,648	15,940

Of the above amounts, $1,876 million is expected to be recovered within twelve months of the Balance Sheet date (2010: $2,102 million).

Direct investments refer to positions held directly in the issuer of the investment. Indirect investments refer to investments that are held through unit trusts or similar investment vehicles.

Investments held in the Australian statutory funds may only be used within the restrictions imposed under the Life Insurance Act 1995. Refer to note 1(ff) for further details.

Other [(1)]	Group 2011 $M	Group 2010 $M	Bank 2011 $M	Bank 2010 $M
Government securities	**300**	-	**300**	-
Fair value structured transactions	**-**	100	**-**	-
Receivables due from financial institutions	**465**	447	**-**	-
Term loans	**59**	107	**-**	-
Total other assets at fair value through Income Statement	**824**	654	**300**	-

(1) Designated at Fair Value through Income Statement at inception as they are managed by the Group on a fair value basis or to eliminate an accounting mismatch.

Of the above amounts $524 million is expected to be recovered within twelve months of the Balance Sheet date by the Group (2010: $654 million). All amounts are expected to be recovered after twelve months of the Balance Sheet date by the Bank.

The change in fair value of loans and receivables designated at Fair Value through Income Statement due to changes in credit risk for the Group resulted in a gain of $1 million for the year (2010: $4 million), and was insignificant for the Bank for the year ending 30 June 2011. The cumulative net loss attributable to changes in credit risk for loans and receivables designated at fair value since initial recognition for the Group is $nil (2010: $1 million), and was insignificant for the Bank for the year ending 30 June 2011. These values have been calculated by determining the changes in credit spread implicit in the fair value of the instrument.

The maximum exposure to credit risk of loans and receivables designated at Fair Value through Income Statement is equal to the carrying value.

Note 11 Derivative Financial Instruments

Derivative Contracts

Derivatives are classified as "Held for Trading", "Held for Hedging", or "Other". Held for Trading derivatives are contracts entered into in order to meet customers' needs, or to undertake market making and positioning activities. Held for Hedging derivatives are instruments held for risk management purposes which meet the criteria for hedge accounting. Derivatives entered into as economic hedges that do not qualify for hedge accounting are classified as Other.

Derivatives Transacted for Hedging Purposes

There are three types of allowable hedging relationships: fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation. For details on the accounting treatment of each type of hedging relationship refer to Note 1 (dd).

Fair Value Hedges

Fair value hedges are used by the Group to manage exposure to changes in the fair value of an asset, liability or unrecognised firm commitment. Changes in fair values can arise from fluctuations in interest or foreign exchange rates. The Group principally uses interest rate swaps, cross currency swaps and futures to protect against such fluctuations.

All gains and losses associated with the ineffective portion of fair value hedge relationships are recognised immediately as 'Other operating income' in the Income Statement. Ineffectiveness recognised in the Income Statement in the current year amounted to a $10 million net gain for the Group (2010: $67 million net loss) and $19 million net gain for the Bank (2010: $72 million net loss).

Cash Flow Hedges

Cash flow hedges are used by the Group to manage exposure to volatility in future cash flows which may result from fluctuations in interest or exchange rates on financial assets, liabilities or highly probable forecast transactions. The Group principally uses interest rate and cross currency swaps to protect against such fluctuations. Ineffectiveness recognised in the Income Statement in the current year amounted to a $6 million loss for the Group (2010: $5 million gain) and $5 million loss for the Bank (2010: $12 million gain).

Amounts accumulated in Other Comprehensive Income in respect of cash flow hedges are recycled to the Income Statement when the forecast transaction occurs. Underlying cash flows from cash flow hedges are expected to occur in the following periods:

	Exchange Rate Related Contracts		Interest Rate Related Contracts		Group Total	
	2011 $M	2010 $M	2011 $M	2010 $M	2011 $M	2010 $M
6 months	**(13)**	(43)	**(13)**	(85)	**(26)**	(128)
6 months - 1 year	**(6)**	-	**(92)**	(65)	**(98)**	(65)
1 - 2 years	**(12)**	-	**(189)**	(198)	**(201)**	(198)
2 - 5 years	**(156)**	9	**191**	(158)	**35**	(149)
After 5 years	**(229)**	8	**(43)**	(44)	**(272)**	(36)
Net deferred (losses)/gains	**(416)**	(26)	**(146)**	(550)	**(562)**	(576)

	Exchange Rate Related Contracts		Interest Rate Related Contracts		Bank Total	
	2011 $M	2010 $M	2011 $M	2010 $M	2011 $M	2010 $M
6 months	**-**	-	**(1)**	(105)	**(1)**	(105)
6 months - 1 year	**(6)**	-	**(36)**	(19)	**(42)**	(19)
1 - 2 years	**(12)**	-	**(139)**	(85)	**(151)**	(85)
2 - 5 years	**(154)**	9	**127**	(163)	**(27)**	(154)
After 5 years	**(238)**	(1)	**(84)**	(87)	**(322)**	(88)
Net deferred (losses)/gains	**(410)**	8	**(133)**	(459)	**(543)**	(451)

Net Investment Hedges

The Group uses foreign exchange forward transactions to minimise its exposure to the currency translation risk of certain net investments in foreign operations.

In the current and prior year, there have been no material gains or losses as a result of ineffective net investment hedges.

Note 11 Derivative Financial Instruments (continued)

The notional (face) and fair value of derivative financial instruments are set out in the following tables:

						Group
			2011			2010
	Face Value	Fair Value Asset	Fair Value Liability	Face Value	Fair Value Asset	Fair Value Liability
Derivative assets and liabilities	$M	$M	$M	$M	$M	$M
Held for trading	**2,491,015**	**27,315**	**(25,337)**	2,319,176	23,091	(20,695)
Held for hedging	**379,464**	**2,858**	**(8,194)**	294,529	4,260	(3,865)
Other derivatives	**13,841**	**144**	**(445)**	29,997	338	(324)
Total derivative assets/(liabilities)	**2,884,320**	**30,317**	**(33,976)**	2,643,702	27,689	(24,884)

						Group
			2011			2010
	Face Value	Fair Value Asset	Fair Value Liability	Face Value	Fair Value Asset	Fair Value Liability
Derivatives held for trading	$M	$M	$M	$M	$M	$M
Exchange rate related contracts:						
Forward contracts	**898,879**	**5,178**	**(6,423)**	1,076,395	5,611	(4,471)
Swaps	**435,868**	**12,818**	**(10,386)**	377,637	6,882	(6,344)
Futures	**4,310**	**1**	**-**	1,282	1	-
Options purchased and sold	**33,308**	**684**	**(966)**	4,215	509	(513)
Total exchange rate related contracts	**1,372,365**	**18,681**	**(17,775)**	1,459,529	13,003	(11,328)
Interest rate related contracts:						
Forward contracts	**67,367**	**7**	**(6)**	60,710	7	(8)
Swaps	**876,728**	**7,985**	**(7,051)**	709,749	9,377	(8,823)
Futures	**99,877**	**2**	**(2)**	51,394	1	(2)
Options purchased and sold	**58,742**	**350**	**(301)**	24,302	416	(284)
Total interest rate related contracts	**1,102,714**	**8,344**	**(7,360)**	846,155	9,801	(9,117)
Credit related contracts:						
Swaps	**8,176**	**47**	**(49)**	10,317	110	(99)
Total credit related contracts	**8,176**	**47**	**(49)**	10,317	110	(99)
Equity related contracts:						
Swaps	**274**	**-**	**-**	83	-	-
Options purchased and sold	**914**	**15**	**(55)**	244	7	(49)
Total equity related contracts	**1,188**	**15**	**(55)**	327	7	(49)
Commodity related contracts:						
Swaps	**4,224**	**200**	**(74)**	1,649	167	(99)
Futures	**1,018**	**1**	**-**	-	-	-
Options purchased and sold	**1,330**	**27**	**(24)**	1,199	3	(3)
Total commodity related contracts	**6,572**	**228**	**(98)**	2,848	170	(102)
Total derivative assets/(liabilities) held for trading	**2,491,015**	**27,315**	**(25,337)**	2,319,176	23,091	(20,695)

Derivative assets and liabilities held for trading are expected to be recovered or due to be settled within twelve months of the Balance Sheet date.

Notes to the Financial Statements

Note 11 Derivative Financial Instruments (continued)

						Group
			2011			2010
	Face Value	Fair Value Asset	Fair Value Liability	Face Value	Fair Value Asset	Fair Value Liability
Derivatives held for hedging	$M	$M	$M	$M	$M	$M
Fair value hedges						
Exchange rate related contracts:						
Forward contracts	**19**	**1**	**-**	19	-	(1)
Swaps	**36,765**	**1,338**	**(3,874)**	30,493	2,013	(1,605)
Total exchange rate related contracts	**36,784**	**1,339**	**(3,874)**	30,512	2,013	(1,606)
Interest rate related contracts:						
Swaps	**28,624**	**458**	**(552)**	33,933	1,041	(456)
Futures	**1,784**	**-**	**(5)**	2,600	-	(21)
Total interest rate related contracts	**30,408**	**458**	**(557)**	36,533	1,041	(477)
Equity related contracts:						
Swaps	**457**	**53**	**(8)**	635	32	(32)
Total equity related contracts	**457**	**53**	**(8)**	635	32	(32)
Total fair value hedges	**67,649**	**1,850**	**(4,439)**	67,680	3,086	(2,115)
Cash flow hedges						
Exchange rate related contracts:						
Swaps	**24,986**	**116**	**(2,691)**	19,267	70	(180)
Total exchange rate related contracts	**24,986**	**116**	**(2,691)**	19,267	70	(180)
Interest rate related contracts:						
Swaps	**286,801**	**892**	**(1,060)**	207,553	1,104	(1,567)
Total interest rate related contracts	**286,801**	**892**	**(1,060)**	207,553	1,104	(1,567)
Total cash flow hedges	**311,787**	**1,008**	**(3,751)**	226,820	1,174	(1,747)
Net investment hedges						
Exchange rate related contracts:						
Forward contracts	**28**	**-**	**(4)**	29	-	(3)
Total exchange rate related contracts	**28**	**-**	**(4)**	29	-	(3)
Total net investment hedges	**28**	**-**	**(4)**	29	-	(3)
Total derivative assets/(liabilities) held for hedging	**379,464**	**2,858**	**(8,194)**	294,529	4,260	(3,865)

The majority of derivative assets and liabilities held for hedging are expected to be recovered or due to be settled after twelve months of the Balance Sheet date.

						Group
			2011			2010
	Face Value	Fair Value Asset	Fair Value Liability	Face Value	Fair Value Asset	Fair Value Liability
Other derivatives	$M	$M	$M	$M	$M	$M
Exchange rate related contracts:						
Forward contracts	**644**	**5**	**(45)**	5,707	84	(63)
Swaps	**4,559**	**63**	**(317)**	3,337	130	(74)
Total exchange rate related contracts	**5,203**	**68**	**(362)**	9,044	214	(137)
Interest rate related contracts:						
Forward contracts	**77**	**-**	**-**	4,222	-	-
Swaps	**8,201**	**59**	**(71)**	15,195	108	(159)
Futures	**-**	**-**	**-**	1,108	-	(3)
Options purchased and sold	**5**	**-**	**(5)**	6	1	(5)
Total interest rate related contracts	**8,283**	**59**	**(76)**	20,531	109	(167)
Identified embedded derivatives	**355**	**17**	**(7)**	422	15	(20)
Total other derivatives	**13,841**	**144**	**(445)**	29,997	338	(324)

The majority of other derivative assets and liabilities are expected to be recovered or due to be settled after twelve months of the Balance Sheet date.

Note 11 Derivative Financial Instruments (continued)

						Bank
			2011			2010
	Face Value	Fair Value Asset	Fair Value Liability	Face Value	Fair Value Asset	Fair Value Liability
Derivative assets and liabilities	$M	$M	$M	$M	$M	$M
Held for trading	**2,671,461**	**28,036**	**(24,928)**	2,499,704	23,300	(20,195)
Held for hedging	**350,377**	**2,687**	**(7,864)**	278,367	4,054	(3,456)
Other derivatives	**442**	**8**	**(25)**	493	9	(38)
Total derivative assets/(liabilities)	**3,022,280**	**30,731**	**(32,817)**	2,778,564	27,363	(23,689)

						Bank
			2011			2010
	Face Value	Fair Value Asset	Fair Value Liability	Face Value	Fair Value Asset	Fair Value Liability
Derivatives held for trading	$M	$M	$M	$M	$M	$M
Exchange rate related contracts:						
Forward contracts	**896,291**	**5,154**	**(6,402)**	1,073,995	5,596	(4,448)
Swaps	**434,185**	**12,756**	**(10,135)**	375,656	6,836	(6,178)
Futures	**4,310**	**1**	**-**	1,282	1	-
Options purchased and sold	**33,257**	**684**	**(966)**	4,184	508	(512)
Derivatives held with controlled entities	**137,187**	**1,405**	**(482)**	169,602	895	(389)
Total exchange rate related contracts	**1,505,230**	**20,000**	**(17,985)**	1,624,719	13,836	(11,527)
Interest rate related contracts:						
Forward contracts	**66,634**	**6**	**(6)**	60,345	7	(8)
Swaps	**856,631**	**7,181**	**(6,194)**	664,946	8,472	(7,826)
Futures	**98,861**	**1**	**-**	46,932	-	-
Options purchased and sold	**58,419**	**349**	**(298)**	24,084	414	(283)
Derivatives held with controlled entities	**69,672**	**210**	**(244)**	65,030	284	(301)
Total interest rate related contracts	**1,150,217**	**7,747**	**(6,742)**	861,337	9,177	(8,418)
Credit related contracts:						
Swaps	**8,121**	**46**	**(49)**	10,317	110	(99)
Total credit related contracts	**8,121**	**46**	**(49)**	10,317	110	(99)
Equity related contracts:						
Swaps	**274**	**-**	**-**	83	-	-
Options purchased and sold	**914**	**15**	**(55)**	244	7	(49)
Total equity related contracts	**1,188**	**15**	**(55)**	327	7	(49)
Commodity related contracts:						
Swaps	**4,224**	**200**	**(74)**	1,649	167	(99)
Futures	**1,018**	**1**	**-**	-	-	-
Options purchased and sold	**1,324**	**27**	**(22)**	1,189	3	(3)
Derivatives held with controlled entities	**139**	**-**	**(1)**	166	-	-
Total commodity related contracts	**6,705**	**228**	**(97)**	3,004	170	(102)
Total derivative assets/(liabilities) held for trading	**2,671,461**	**28,036**	**(24,928)**	2,499,704	23,300	(20,195)

Derivative assets and liabilities held for trading are expected to be recovered or due to be settled within twelve months of the Balance Sheet date.

Note 11 Derivative Financial Instruments (continued)

	Bank 2011			Bank 2010		
	Face Value	Fair Value Asset	Fair Value Liability	Face Value	Fair Value Asset	Fair Value Liability
Derivatives held for hedging	$M	$M	$M	$M	$M	$M
Fair value hedges						
Exchange rate related contracts:						
Forward contracts	**19**	**1**	**-**	19	-	(1)
Swaps	**36,765**	**1,338**	**(3,874)**	30,493	2,013	(1,605)
Total exchange rate related contracts	**36,784**	**1,339**	**(3,874)**	30,512	2,013	(1,606)
Interest rate related contracts:						
Swaps	**23,378**	**246**	**(486)**	30,061	828	(405)
Futures	**1,784**	**-**	**(5)**	2,600	-	(21)
Derivatives held with controlled entities	**280**	**71**	**-**	667	93	-
Total interest rate related contracts	**25,442**	**317**	**(491)**	33,328	921	(426)
Equity related contracts:						
Swaps	**457**	**53**	**(8)**	635	32	(32)
Total equity related contracts	**457**	**53**	**(8)**	635	32	(32)
Total fair value hedges	**62,683**	**1,709**	**(4,373)**	64,475	2,966	(2,064)
Cash flow hedges						
Exchange rate related contracts:						
Swaps	**24,327**	**105**	**(2,680)**	18,835	70	(160)
Derivatives held with controlled entities	**2,512**	**123**	**(9)**	2,638	22	(7)
Total exchange rate related contracts	**26,839**	**228**	**(2,689)**	21,473	92	(167)
Interest rate related contracts:						
Swaps	**259,864**	**739**	**(802)**	190,558	979	(1,224)
Derivatives held with controlled entities	**991**	**11**	**-**	1,861	17	(1)
Total interest rate related contracts	**260,855**	**750**	**(802)**	192,419	996	(1,225)
Total cash flow hedges	**287,694**	**978**	**(3,491)**	213,892	1,088	(1,392)
Total derivative assets/(liabilities) held for hedging	**350,377**	**2,687**	**(7,864)**	278,367	4,054	(3,456)

The majority of derivative assets and liabilities held for hedging are expected to be recovered or due to be settled after twelve months of the Balance Sheet date.

	Bank 2011			Bank 2010		
	Face Value	Fair Value Asset	Fair Value Liability	Face Value	Fair Value Asset	Fair Value Liability
Other derivatives	$M	$M	$M	$M	$M	$M
Interest rate related contracts:						
Swaps	**94**	**1**	**(13)**	72	-	(11)
Options purchased and sold	**5**	**-**	**(5)**	6	1	(5)
Derivatives held with controlled entities	**2**	**2**	**-**	6	4	(2)
Total interest rate related contracts	**101**	**3**	**(18)**	84	5	(18)
Identified embedded derivatives	**341**	**5**	**(7)**	409	4	(20)
Total other derivatives	**442**	**8**	**(25)**	493	9	(38)

The majority of other derivative assets and liabilities are expected to be recovered or due to be settled after twelve months of the Balance Sheet date.

Note 12 Available-for-Sale Investments

	Group		Bank	
	2011	2010	2011	2010
	$M	$M	$M	$M
Australia				
Market quoted:				
Australian public securities:				
Local and semi-government	**14,768**	12,503	**13,376**	12,153
Shares and equity investments	**418**	283	**354**	222
Certificates of deposit	**4,640**	2,595	**4,466**	-
Eurobonds	**1,707**	1,843	**601**	-
Medium term notes	**10,029**	8,228	**10,029**	8,228
Floating rate notes	**4,535**	1,235	**-**	-
Other securities	**207**	205	**4**	4
Non-market quoted:				
Australian public securities:				
Local and semi-government	**83**	84	**-**	-
Medium term notes	**132**	54	**784**	872
Shares and equity investments	**15**	166	**5**	156
Mortgage backed securities (1)	**2,139**	1,066	**41,318**	39,973
Other securities	**3**	2	**-**	-
Total Australia	**38,676**	28,264	**70,937**	61,608
Overseas				
Market quoted:				
Government securities	**5,288**	1,259	**4,005**	863
Shares and equity investments	**23**	26	**-**	-
Certificates of deposit	**692**	879	**690**	875
Eurobonds	**16**	2,368	**16**	2,369
Medium term notes	**1**	-	**1**	-
Floating rate notes	**-**	85	**-**	64
Other securities	**120**	34	**-**	-
Non-market quoted:				
Government securities	**19**	-	**-**	-
Corporate bonds	**208**	-	**-**	-
Other securities	**128**	-	**50**	-
Total overseas	**6,495**	4,651	**4,762**	4,171
Total available-for-sale investments	**45,171**	32,915	**75,699**	65,779

(1) Included within Mortgage backed securities of the Bank are $37,105 million (2010: $37,105 million) of residential mortgage backed securities held within securitisation vehicles for potential repurchase by the Reserve Bank of Australia.

The following amounts are expected to be recovered within twelve months of the Balance Sheet date: for Group $12,499 million (2010: $10,317 million); for Bank $9,132 million (2010: $5,408 million).

Revaluation of Available-for-sale investments resulted in a gain of $124 million (2010: $327 million) for the Group and a gain of $264 million (2010: $160 million) for the Bank recognised directly in equity. As a result of sale, derecognition or impairment during the year of Available-for-sale investments the following amounts were removed from equity and reported in Income Statement for the year; Group: $24 million net gain (2010: $22 million), Bank $24 million net gain (2010: $16 million).

Proceeds received from settlement at or close to maturity of Available-for-sale investments for the Group were $45,417 million (2010: $44,201 million) and for the Bank were $34,718 million (2010: $26,635 million).

Proceeds from sale of Available-for-sale investments for the Group were $4,440 million (2010: $4,107 million) and for the Bank were $3,919 million (2010: $4,095 million).

Note 12 Available-for-Sale Investments (continued)

	Group As at 30 June 2011			
	Amortised Cost $M	Gross Unrealised Gains $M	Gross Unrealised Losses $M	Fair Value $M
Australia				
Australian Public Securities:				
Local and semi-government	14,582	286	(17)	14,851
Certificates of deposit	4,640	-	-	4,640
Eurobonds	1,695	15	(3)	1,707
Medium term notes	10,126	62	(27)	10,161
Floating rate notes	4,511	55	(29)	4,537
Mortgage backed securities	2,148	1	(10)	2,139
Other securities and equity investments	546	103	(8)	641
Total Australia	38,248	522	(94)	38,676
Overseas				
Government securities	5,301	24	(18)	5,307
Certificates of deposit	692	-	-	692
Corporate bonds	222	2	-	224
Floating rate notes	77	1	-	78
Other securities and equity investments	181	13	-	194
Total overseas	6,473	40	(18)	6,495
Total available-for-sale investments	44,721	562	(112)	45,171

Maturity Distribution and Weighted Average Yield

	Group Maturity Period at 30 June 2011											
	0 to 3 months		3 to 12 months		1 to 5 years		5 to 10 years		10 or more years		Non-Maturing	Total
	$M	%	$M	%	$M	%	$M	%	$M	%	$M	$M
Australia												
Australian Public Securities:												
Local and semi-government	-	-	202	5.05	7,294	5.62	6,123	6.05	1,232	6.07	-	14,851
Certificates of deposit	2,746	5.03	1,894	5.09	-	-	-	-	-	-	-	4,640
Eurobonds	120	5.33	248	5.36	1,339	5.93	-	-	-	-	-	1,707
Medium term notes	80	5.56	839	5.46	9,037	5.54	205	7.47	-	-	-	10,161
Floating rate notes	363	5.06	1,181	5.44	2,993	5.35	-	-	-	-	-	4,537
Mortgage backed securities	-	-	-	-	-	-	-	-	2,139	5.33	-	2,139
Other securities and equity investments	199	4.78	-	-	10	0.01	-	-	-	-	432	641
Total Australia	3,508	-	4,364	-	20,673	-	6,328	-	3,371	-	432	38,676
Overseas												
Government securities	2,188	0.59	1,664	1.56	968	2.67	487	4.36	-	-	-	5,307
Certificates of deposit	520	0.30	172	0.30	-	-	-	-	-	-	-	692
Corporate bonds	-	-	-	-	224	6.39	-	-	-	-	-	224
Floating rate notes	-	-	-	-	78	3.95	-	-	-	-	-	78
Other securities and equity investments	60	4.13	25	0.06	86	0.12	-	-	-	-	23	194
Total overseas	2,768	-	1,861	-	1,356	-	487	-	-	-	23	6,495
Total available-for-sale investments	6,276	-	6,225	-	22,029	-	6,815	-	3,371	-	455	45,171

Note 12 Available-for-Sale Investments (continued)

	Amortised Cost $M	Gross Unrealised Gains $M	Gross Unrealised Losses $M	Fair Value $M
	Group As at 30 June 2010			
Australia				
Australian Public Securities:				
Local and semi-government	12,363	245	(21)	12,587
Certificates of deposit	2,596	-	(1)	2,595
Eurobonds	1,826	17	-	1,843
Medium term notes	8,261	61	(40)	8,282
Floating rate notes	1,218	17	-	1,235
Mortgage backed securities	1,081	4	(19)	1,066
Other securities and equity investments	542	114	-	656
Total Australia	27,887	458	(81)	28,264
Overseas				
Government securities	1,258	1	-	1,259
Certificates of deposit	879	-	-	879
Eurobonds	2,355	17	(4)	2,368
Floating rate notes	86	-	(1)	85
Other securities and equity investments	52	8	-	60
Total overseas	4,630	26	(5)	4,651
Total available-for-sale investments	32,517	484	(86)	32,915

Maturity Distribution and Weighted Average Yield

	0 to 3 months $M	0 to 3 months %	3 to 12 months $M	3 to 12 months %	1 to 5 years $M	1 to 5 years %	5 to 10 years $M	5 to 10 years %	10 or more years $M	10 or more years %	Non-Maturing $M	Total $M
	Group Maturity Period at 30 June 2010											
Australia												
Australian Public Securities:												
Local and semi-government	150	4. 55	215	5. 82	6,155	5. 64	4,975	6. 03	1,092	5. 84	-	12,587
Certificates of deposit	2,241	4. 73	354	4. 94	-	-	-	-	-	-	-	2,595
Eurobonds	361	4. 79	952	5. 04	530	5. 73	-	-	-	-	-	1,843
Medium term notes	379	5. 47	1,212	4. 86	6,389	5. 27	302	6. 95	-	-	-	8,282
Floating rate notes	-	-	275	3. 95	960	4. 05	-	-	-	-	-	1,235
Mortgage backed securities	-	-	-	-	-	-	-	-	1,066	5. 21	-	1,066
Other securities and equity investments	2	3. 27	197	4. 91	8	0. 01	-	-	-	-	449	656
Total Australia	3,133	-	3,205	-	14,042	-	5,277	-	2,158	-	449	28,264
Overseas												
Government securities	452	1. 97	683	1. 64	124	5. 07	-	-	-	-	-	1,259
Certificates of deposit	785	0. 40	94	0. 67	-	-	-	-	-	-	-	879
Eurobonds	136	3. 63	1,762	0. 41	23	5. 50	447	4. 00	-	-	-	2,368
Floating rate notes	-	-	64	2. 10	21	1. 16	-	-	-	-	-	85
Other securities and equity investments	-	-	-	-	36	4. 68	-	-	-	-	24	60
Total overseas	1,373	-	2,603	-	204	-	447	-	-	-	24	4,651
Total available-for-sale investments	4,506	-	5,808	-	14,246	-	5,724	-	2,158	-	473	32,915

Notes to the Financial Statements

Note 13 Loans, Bills Discounted and Other Receivables

	Group		Bank	
	2011	2010	2011	2010
	$M	$M	$M	$M
Australia				
Overdrafts	**21,930**	19,924	**20,892**	18,767
Home loans [1]	**306,250**	292,140	**259,685**	249,134
Credit card outstandings	**10,798**	10,200	**9,495**	8,881
Lease financing	**4,404**	4,657	**2,633**	2,194
Bills discounted [2]	**14,820**	14,379	**14,820**	14,379
Term loans	**96,097**	101,794	**75,509**	77,105
Other lending	**1,310**	1,288	**777**	748
Other securities	**4**	564	**-**	562
Total Australia	**455,613**	444,946	**383,811**	371,770
Overseas				
Overdrafts	**629**	652	**-**	-
Home loans	**29,591**	31,433	**374**	392
Credit card outstandings	**572**	589	**-**	-
Lease financing	**468**	570	**100**	68
Term loans	**20,468**	23,052	**8,119**	9,383
Other lending	**-**	27	**-**	25
Total overseas	**51,728**	56,323	**8,593**	9,868
Gross loans, bills discounted and other receivables	**507,341**	501,269	**392,404**	381,638
Less				
Provisions for Loan Impairment (Note 14):				
Collective provision	**(3,022)**	(3,436)	**(1,905)**	(1,964)
Individually assessed provisions	**(2,125)**	(1,992)	**(1,081)**	(978)
Unearned income:				
Term loans	**(1,153)**	(1,213)	**(1,088)**	(1,106)
Lease financing	**(984)**	(1,169)	**(442)**	(395)
	(7,284)	(7,810)	**(4,516)**	(4,443)
Net loans, bills discounted and other receivables	**500,057**	493,459	**387,888**	377,195

(1) The Group has entered into securitisation transactions on residential mortgage loans that do not qualify for derecognition. The Group is entitled to any residual income of the securitisation programme after all payments due to investors and costs of the programme have been met, to this extent the Group retains credit and liquidity risk. In addition, derivatives return the interest rate and foreign currency risk to the Group. The carrying value of assets that did not qualify for derecognition for the Group were $11,296 million (2010: $9,696 million) and for the Bank were $7,691 million (2010: $5,963 million). The carrying value of liabilities associated with non-derecognised assets for the Group were $10,231 million (2010: $8,772 million) and for the Bank were $7,507 million (2010: $6,117 million).

(2) The Group measures bills discounted intended to be sold into the market at fair value and includes these within loans, bills discounted and other receivables to reflect the nature of the lending arrangement.

The following amounts, based on behavioural terms and current market conditions, are expected to be recovered within twelve months of the Balance Sheet date for Group $180,038 million (2010: $173,459 million) and for Bank $128,375 million (2010: $118,520 million).

Note 13 Loans, Bills Discounted and Other Receivables (continued)

Finance Lease Receivables

The Group and the Bank provide finance leases to a broad range of clients to support financing needs in acquiring movable assets such as trains, aircraft, ships and major production and manufacturing equipment.

Finance lease receivables are included within loans, bills discounted and other receivables to customers.

	Group		Bank	
	2011	2010	2011	2010
Finance Leases	$M	$M	$M	$M
Minimum lease payments receivable:				
Not later than one year	**1,389**	1,360	**830**	637
Later than one year but not later than five years	**2,516**	2,803	**1,574**	1,357
Later than five years	**967**	1,064	**329**	268
Total finance leases	**4,872**	5,227	**2,733**	2,262

	Group 2011			Group 2010		
	Gross investment in finance lease receivable	Unearned income	Present value of minimum lease payment receivable	Gross investment in finance lease receivable	Unearned income	Present value of minimum lease payment receivable
	$M	$M	$M	$M	$M	$M
Not later than one year	**1,389**	**(259)**	**1,130**	1,360	(298)	1,062
One year to five years	**2,516**	**(541)**	**1,975**	2,803	(688)	2,115
Over five years	**967**	**(184)**	**783**	1,064	(183)	881
	4,872	**(984)**	**3,888**	5,227	(1,169)	4,058

	Bank 2011			Bank 2010		
	Gross investment in finance lease receivable	Unearned income	Present value of minimum lease payment receivable	Gross investment in finance lease receivable	Unearned income	Present value of minimum lease payment receivable
	$M	$M	$M	$M	$M	$M
Not later than one year	**830**	**(120)**	**710**	637	(104)	533
One year to five years	**1,574**	**(244)**	**1,330**	1,357	(247)	1,110
Over five years	**329**	**(78)**	**251**	268	(44)	224
	2,733	**(442)**	**2,291**	2,262	(395)	1,867

Notes to the Financial Statements

Note 13 Loans, Bills Discounted and Other Receivables (continued)

	Group			
	Maturity Period at 30 June 2011			
	Maturing 1 Year or Less	Maturing Between 1 & 5 Years	Maturing After 5 Years	Total
Industry	$M	$M	$M	$M
Australia				
Sovereign	2,015	80	117	2,212
Agriculture	3,009	1,087	1,182	5,278
Bank and other financial	7,870	1,142	974	9,986
Home loans	6,057	17,490	282,703	306,250
Construction	1,547	722	608	2,877
Personal	4,332	10,955	2,122	17,409
Asset financing	3,004	5,134	190	8,328
Other commercial and industrial	62,815	28,692	11,766	103,273
Total Australia	90,649	65,302	299,662	455,613
Overseas				
Sovereign	2,636	1,470	497	4,603
Agriculture	1,944	1,255	1,721	4,920
Bank and other financial	2,619	1,790	2,579	6,988
Home loans	7,630	4,283	17,678	29,591
Construction	166	72	84	322
Personal	540	13	6	559
Asset financing	258	659	339	1,256
Other commercial and industrial	1,261	1,978	250	3,489
Total overseas	17,054	11,520	23,154	51,728
Gross loans, bills discounted and other receivables	107,703	76,822	322,816	507,341

Interest rate				
Australia	76,178	48,445	262,556	387,179
Overseas	12,426	8,576	14,585	35,587
Total variable interest rates	88,604	57,021	277,141	422,766
Australia	14,471	16,857	37,106	68,434
Overseas	4,628	2,944	8,569	16,141
Total fixed interest rates	19,099	19,801	45,675	84,575
Gross loans, bills discounted and other receivables	107,703	76,822	322,816	507,341

Note 13 Loans, Bills Discounted and Other Receivables (continued)

	Group			
	Maturity Period at 30 June 2010			
	Maturing 1 Year or Less	Maturing Between 1 & 5 Years	Maturing After 5 Years	Total
Industry	$M	$M	$M	$M
Australia				
Sovereign	96	557	918	1,571
Agriculture	2,564	1,225	1,369	5,158
Bank and other financial	6,796	1,635	790	9,221
Home loans	7,522	18,291	266,327	292,140
Construction	1,591	1,204	643	3,438
Personal	3,750	10,161	2,068	15,979
Asset financing	3,057	5,315	249	8,621
Other commercial and industrial	58,699	35,493	14,626	108,818
Total Australia	84,075	73,881	286,990	444,946
Overseas				
Sovereign	822	240	151	1,213
Agriculture	2,194	1,444	1,812	5,450
Bank and other financial	1,997	2,027	2,320	6,344
Home loans	6,621	4,695	20,117	31,433
Construction	226	121	125	472
Personal	688	127	7	822
Asset financing	205	384	179	768
Other commercial and industrial	3,320	5,049	1,452	9,821
Total overseas	16,073	14,087	26,163	56,323
Gross loans, bills discounted and other receivables	100,148	87,968	313,153	501,269

Interest rate				
Australia	68,950	49,268	244,487	362,705
Overseas	9,121	9,051	10,831	29,003
Total variable interest rates	78,071	58,319	255,318	391,708
Australia	15,125	24,613	42,503	82,241
Overseas	6,952	5,036	15,332	27,320
Total fixed interest rates	22,077	29,649	57,835	109,561
Gross loans, bills discounted and other receivables	100,148	87,968	313,153	501,269

Notes to the Financial Statements

Note 14 Provisions for Impairment

	Group			Bank	
	2011	2010	2009	2011	2010
Provisions for impairment losses	$M	$M	$M	$M	$M
Collective provision					
Opening balance	**3,461**	3,225	1,466	**1,989**	2,090
Acquisitions	**-**	-	250	**-**	-
Net collective provision funding	**45**	901	1,176	**305**	460
Impairment losses written off	**(646)**	(734)	(472)	**(529)**	(617)
Impairment losses recovered	**206**	77	73	**176**	58
Fair value and other	**(23)**	(8)	732	**(15)**	(2)
Closing balance	**3,043**	3,461	3,225	**1,926**	1,989
Individually assessed provisions					
Opening balance	**1,992**	1,729	279	**978**	1,020
Acquisitions	**-**	-	380	**-**	-
Net new and increased individual provisioning	**1,602**	1,862	1,686	**996**	1,003
Write-back of provisions no longer required	**(367)**	(384)	(179)	**(221)**	(270)
Discount unwind to interest income	**(147)**	(169)	(45)	**(72)**	(86)
Fair value and other	**374**	293	279	**153**	161
Impairment losses written off	**(1,329)**	(1,339)	(671)	**(753)**	(850)
Closing balance	**2,125**	1,992	1,729	**1,081**	978
Total provisions for impairment losses	**5,168**	5,453	4,954	**3,007**	2,967
Less: Off balance sheet provisions	**(21)**	(25)	(30)	**(21)**	(25)
Total provisions for loan impairment	**5,147**	5,428	4,924	**2,986**	2,942

	Group			Bank	
	2011	2010	2009	2011	2010
Provision ratios	%	%	%	%	%
Collective provision as a % of gross loans and acceptances	**0. 59**	0. 67	0. 66	**0. 48**	0. 51
Collective provision as a % of risk weighted assets - Basel II	**1. 08**	1. 19	1. 12	**n/a** (1)	n/a (1)
Total provision as a % of credit risk weighted assets - Basel II	**2. 09**	2. 12	1. 92	**n/a** (1)	n/a (1)
Individually assessed provisions for impairment as a % of gross impaired assets	**40. 12**	38. 19	41. 07	**35. 89**	36. 04
Total provisions for impairment losses as a % of gross loans and acceptances	**1. 00**	1. 06	1. 01	**0. 75**	0. 75

(1) Basel II ratios are not calculated for the Bank legal entity as this is not a regulated structure for capital reporting purposes. For further details refer to Note 31.

Note 14 Provisions for Impairment (continued)

Loan impairment expense	Group 2011 $M	Group 2010 $M	Group 2009 $M	Bank 2011 $M	Bank 2010 $M
Net collective provision funding	**45**	901	1,176	**305**	460
Net new and increased individual provisioning	**1,602**	1,862	1,686	**996**	1,003
Write-back of individually assessed provisions	**(367)**	(384)	(179)	**(221)**	(270)
Total loan impairment expense	**1,280**	2,379	2,683	**1,080**	1,193
Available-for-sale debt securities impairment expense	**-**	-	365	**-**	-
Total impairment expense	**1,280**	2,379	3,048	**1,080**	1,193

Individually assessed provisions by industry classification	Group 2011 $M	Group 2010 $M	Group 2009 $M	Group 2008 $M	Group 2007 $M
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**87**	75	77	4	3
Bank and other financial	**254**	254	483	27	2
Home loans	**202**	150	82	34	23
Construction	**133**	132	104	1	1
Personal	**11**	21	23	9	5
Asset financing	**37**	15	31	12	13
Other commercial and industrial	**1,307**	1,268	760	161	39
Total Australia	**2,031**	1,915	1,560	248	86
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**11**	15	9	-	-
Bank and other financial	**1**	1	68	4	1
Home loans	**25**	12	10	7	4
Construction	**-**	-	-	8	-
Personal	**-**	-	-	2	1
Asset financing	**-**	-	-	2	1
Other commercial and industrial	**57**	49	82	8	7
Total overseas	**94**	77	169	31	14
Total individually assessed provisions	**2,125**	1,992	1,729	279	100

Note 14 Provisions for Impairment (continued)

Loans written off by industry classification	2011 $M	2010 $M	2009 $M	2008 $M	2007 $M
					Group
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**10**	10	2	3	1
Bank and other financial	**107**	383	110	5	-
Home loans	**84**	95	36	23	20
Construction	**89**	72	4	1	1
Personal	**567**	651	496	364	408
Asset financing	**26**	72	58	49	49
Other commercial and industrial	**989**	604	255	34	30
Total Australia	**1,872**	1,887	961	479	509
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**17**	7	-	-	-
Bank and other financial	**1**	50	86	4	-
Home loans	**26**	25	18	1	-
Construction	**1**	-	4	1	-
Personal	**22**	18	14	13	7
Asset financing	**-**	-	-	-	-
Other commercial and industrial	**36**	86	60	5	3
Total overseas	**103**	186	182	24	10
Gross loans written off	**1,975**	2,073	1,143	503	519
Recovery of amounts previously written off					
Australia	**199**	70	70	73	99
Overseas	**7**	7	3	4	4
Total amounts recovered	**206**	77	73	77	103
Net loans written off	**1,769**	1,996	1,070	426	416

Loans recovered by industry classification	2011 $M	2010 $M	2009 $M	2008 $M	2007 $M
					Group
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**-**	-	1	-	1
Bank and other financial	**3**	-	1	-	1
Home loans	**43**	3	1	1	1
Construction	**-**	-	-	1	1
Personal	**134**	59	52	61	77
Asset financing	**2**	3	5	5	10
Other commercial and industrial	**17**	5	10	5	8
Total Australia	**199**	70	70	73	99
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**-**	-	-	-	-
Bank and other financial	**-**	-	-	-	-
Home loans	**-**	-	-	-	-
Construction	**-**	-	-	-	-
Personal	**7**	6	3	3	4
Asset financing	**-**	-	-	-	-
Other commercial and industrial	**-**	1	-	1	-
Total overseas	**7**	7	3	4	4
Total loans recovered	**206**	77	73	77	103

Note 15 Property, Plant and Equipment

	Group		Bank	
	2011	2010	2011	2010
	$M	$M	$M	$M
Land				
At 30 June 2011 valuation	**269**	-	**191**	-
At 30 June 2010 valuation	**-**	275	**-**	193
Closing balance	**269**	275	**191**	193
Buildings				
At 30 June 2011 valuation	**388**	-	**309**	-
At 30 June 2010 valuation	**-**	429	**-**	336
Closing balance	**388**	429	**309**	336
Total land and buildings	**657**	704	**500**	529
Leasehold Improvements				
At cost	**1,276**	1,167	**1,019**	948
Provision for depreciation	**(662)**	(600)	**(518)**	(483)
Closing balance	**614**	567	**501**	465
Equipment				
At cost	**1,385**	1,380	**911**	839
Provision for depreciation	**(1,028)**	(990)	**(667)**	(574)
Closing balance	**357**	390	**244**	265
Assets Under Lease				
At cost	**884**	817	**332**	297
Provision for depreciation	**(146)**	(127)	**(51)**	(50)
Closing balance	**738**	690	**281**	247
Total property, plant and equipment	**2,366**	2,351	**1,526**	1,506

The majority of the above amounts have expected useful lives longer than twelve months after the Balance Sheet date.

There are no significant items of property, plant and equipment that are currently under construction.

Land and buildings are carried at fair value based on independent valuations performed during the year, refer Note 1(r).

	Group		Bank	
	2011	2010	2011	2010
Carrying value at cost	$M	$M	$M	$M
Land	**128**	134	**67**	69
Buildings	**325**	332	**253**	253
Total land and buildings at cost	**453**	466	**320**	322

Notes to the Financial Statements

Note 15 Property, Plant and Equipment (continued)

Reconciliation of the carrying amounts of Property, Plant and Equipment is set out below:

	Group		Bank	
	2011	2010	2011	2010
	$M	$M	$M	$M
Land				
Carrying amount at the beginning of the year	**275**	277	**193**	198
Transfers to assets held for sale	**(4)**	(8)	**(4)**	(8)
Net disposals / transfers	**(3)**	(4)	**(1)**	(1)
Net revaluations	**3**	9	**3**	4
Foreign currency translation adjustment	**(2)**	1	**-**	-
Carrying amount at the end of the year	**269**	275	**191**	193
Buildings				
Carrying amount at the beginning of the year	**429**	395	**336**	318
Additions	**1**	45	**1**	34
Transfers to assets held for sale	**(1)**	(24)	**(1)**	(24)
Net disposals / transfers	**(5)**	(5)	**(4)**	(3)
Net revaluations	**2**	47	**4**	37
Depreciation	**(35)**	(30)	**(27)**	(26)
Foreign currency translation adjustment	**(3)**	1	**-**	-
Carrying amount at the end of the year	**388**	429	**309**	336
Leasehold Improvements				
Carrying amount at the beginning of the year	**567**	596	**465**	485
Additions	**138**	78	**125**	57
Net disposals / transfers	**21**	(8)	**(7)**	(2)
Net revaluations	**(3)**	(2)	**-**	-
Depreciation	**(103)**	(98)	**(81)**	(75)
Foreign currency translation adjustment	**(6)**	1	**(1)**	-
Carrying amount at the end of the year	**614**	567	**501**	465
Equipment				
Carrying amount at the beginning of the year	**390**	427	**265**	271
Additions	**161**	147	**98**	115
Net disposals / transfers	**(30)**	(19)	**(2)**	(7)
Depreciation	**(160)**	(165)	**(117)**	(114)
Foreign currency translation adjustment	**(4)**	-	**-**	-
Carrying amount at the end of the year	**357**	390	**244**	265
Assets Under Lease				
Carrying amount at the beginning of the year	**690**	777	**247**	300
Additions	**143**	22	**53**	22
Net disposals / transfers	**-**	(51)	**-**	(51)
Depreciation	**(42)**	(45)	**(19)**	(24)
Foreign currency translation adjustment	**(53)**	(13)	**-**	-
Carrying amount at the end of the year	**738**	690	**281**	247

Note 16 Intangible Assets

	Group 2011 $M	Group 2010 $M	Bank 2011 $M	Bank 2010 $M
Intangible Assets				
Goodwill	**7,399**	7,473	**2,522**	2,522
Computer software costs	**1,297**	950	**1,204**	860
Core deposits (1)	**317**	388	**-**	-
Management fee rights (2)	**311**	311	**-**	-
Brand name (3)	**186**	186	**-**	-
Other (4)	**93**	112	**-**	-
Total intangible assets	**9,603**	9,420	**3,726**	3,382
Goodwill				
Purchased goodwill	**7,399**	7,473	**2,522**	2,522
Total goodwill	**7,399**	7,473	**2,522**	2,522
Computer Software Costs				
Cost	**1,895**	1,551	**1,563**	1,241
Accumulated amortisation	**(598)**	(562)	**(359)**	(342)
Accumulated impairment	**-**	(39)	**-**	(39)
Total computer software costs	**1,297**	950	**1,204**	860
Core Deposits (1)				
Cost	**495**	495	**-**	-
Accumulated amortisation	**(178)**	(107)	**-**	-
Total core deposits	**317**	388	**-**	-
Management Fee Rights (2)				
Cost	**311**	311	**-**	-
Total management fee rights	**311**	311	**-**	-
Brand Name (3)				
Cost	**186**	186	**-**	-
Total brand name	**186**	186	**-**	-
Other (4)				
Cost	**203**	203	**-**	-
Accumulated amortisation	**(110)**	(91)	**-**	-
Total other	**93**	112	**-**	-
Goodwill				
Opening balance	**7,473**	7,473	**2,522**	2,522
Foreign currency translation adjustments	**(74)**	-	**-**	-
Total goodwill	**7,399**	7,473	**2,522**	2,522
Computer Software Costs				
Opening balance	**950**	673	**860**	579
Additions:				
From acquisitions	**48**	28	**26**	3
From internal development (5)	**482**	427	**461**	412
Amortisation	**(183)**	(178)	**(143)**	(134)
Total computer software costs	**1,297**	950	**1,204**	860

(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 was acquired on 19 December 2008 with a useful life of seven years based on the weighted average attrition rates of the Bankwest deposit portfolio.

(2) Management fee rights associated with the Wealth Management CGU 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 names represent 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, as there is no foreseeable limit to the period over which the brand name is expected to generate cash flows. The asset is not subject to amortisation, but is subjected to annual impairment testing. No impairment was required as a result of this test.

(4) Other includes the value of credit card relationships acquired from Bankwest. This value represents future net income generated from the relationships that existed at Balance Sheet date. The assets have a useful life of ten years based on the attrition rates of the Bankwest credit cardholders.

(5) Due primarily to the Core Banking Modernisation project.

Notes to the Financial Statements

Note 16 Intangible Assets (continued)

	Group 2011	Group 2010	Bank 2011	Bank 2010
	$M	$M	$M	$M
Core Deposits				
Opening balance	**388**	460	**-**	-
Amortisation	**(71)**	(72)	**-**	-
Total core deposits	**317**	388	**-**	-
Other				
Opening balance	**112**	142	**-**	-
Amortisation	**(19)**	(30)	**-**	-
Total other	**93**	112	**-**	-

Goodwill allocation to the following cash generating units:

	Group 2011	Group 2010
	$M	$M
Retail Banking Services [1]	**4,149**	4,149
Business and Private Banking	**297**	297
Wealth Management [2]	**2,287**	2,358
New Zealand	**666**	669
Total	**7,399**	7,473

(1) The allocation to Retail Banking Services includes goodwill related to the acquisitions of Colonial and State Bank of Victoria.

(2) The allocation to Wealth Management principally relates to the goodwill on acquisition of Colonial.

Impairment Tests for Goodwill and Intangible Assets with Indefinite Lives

To assess whether goodwill is impaired, the carrying amount of a cash generating unit is compared to the recoverable amount, determined based on fair value less cost to sell, using an earnings multiple applicable to that type of business, or actuarial assessments that were consistent with externally sourced information.

Key Assumptions Used in Fair Value Less Cost to Sell Calculations

Earnings multiples relating to the Group's Banking (Retail Banking Services, Business and Private Banking and New Zealand) and Wealth Management cash-generating units are sourced from publicly available data associated with valuations performed on recent businesses displaying similar characteristics to those cash-generating units, and are applied to current earnings.

The New Zealand Life Insurance component of the New Zealand cash-generating unit is valued via an actuarial assessment.

The key assumptions used when completing the actuarial assessment include new business multiples, discount rates, investment market returns, mortality, morbidity, persistency and expense inflation. These have been determined by reference to historical company and industry experience and publicly available data.

Note 17 Other Assets

		Group		Bank	
		2011	2010	2011	2010
	Note	$M	$M	$M	$M
Accrued interest receivable		**2,354**	2,130	**2,395**	2,109
Defined benefit superannuation plan surplus	42	**76**	316	**76**	316
Accrued fees/reimbursements receivable		**900**	899	**250**	287
Securities sold not delivered		**2,063**	1,682	**1,266**	863
Intragroup current tax receivable		**-**	-	**281**	439
Current tax assets		**105**	64	**-**	-
Prepayments		**344**	356	**277**	285
Other		**839**	1,035	**372**	407
Total other assets		**6,681**	6,482	**4,917**	4,706

Other than the defined benefit superannuation plan surplus, the above amounts are expected to be recovered within twelve months of the Balance Sheet date.

Note 18 Assets Held for Sale

	Group		Bank	
	2011	2010	2011	2010
	$M	$M	$M	$M
Available-for-sale investments (1)	**29**	40	**29**	40
Land and Buildings	**4**	9	**4**	9
Total assets held for sale (2)	**33**	49	**33**	49

(1) The remaining balance relates to FS Media Works Fund I, LP.

(2) Impairments were recognised on Assets held for sale of $10 million during the year ended 30 June 2011 (30 June 2010: $11 million). These impairments are included in Funds management and investment contract income - other for the Group and net gain/(loss) on other non-fair valued financial instruments for the Bank.

Note 19 Deposits and Other Public Borrowings

	Group		Bank	
	2011	2010	2011	2010
	$M	$M	$M	$M
Australia				
Certificates of deposit	**45,544**	40,891	**46,522**	41,695
Term deposits	**137,192**	122,712	**113,124**	97,750
On demand and short term deposits	**169,190**	158,874	**151,317**	143,402
Deposits not bearing interest	**7,630**	7,236	**7,628**	6,848
Securities sold under agreements to repurchase	**3,696**	5,440	**3,696**	5,528
Total Australia	**363,252**	335,153	**322,287**	295,223
Overseas				
Certificates of deposit	**4,700**	7,849	**4,345**	7,442
Term deposits	**22,304**	20,119	**6,020**	4,299
On demand and short term deposits	**8,866**	9,664	**115**	640
Deposits not bearing interest	**1,658**	1,558	**92**	5
Securities sold under agreements to repurchase	**367**	320	**105**	235
Total overseas	**37,895**	39,510	**10,677**	12,621
Total deposits and other public borrowings	**401,147**	374,663	**332,964**	307,844

The majority of the amounts are due to be settled within twelve months of the Balance Sheet date.

Note 19 Deposits and Other Public Borrowings (continued)

Maturity Distribution of Certificates of Deposit and Term Deposits

					Group At 30 June 2011
	Maturing Three Months or Less $M	Maturing Between Three & Six Months $M	Maturing Between Six & Twelve Months $M	Maturing after Twelve Months $M	Total $M
Australia					
Certificates of deposit [1]	**30,153**	**5,329**	**1,423**	**8,639**	**45,544**
Term deposits	**77,771**	**22,190**	**31,598**	**5,633**	**137,192**
Total Australia	**107,924**	**27,519**	**33,021**	**14,272**	**182,736**
Overseas					
Certificates of deposit [1]	**3,349**	**1,072**	**223**	**56**	**4,700**
Term deposits	**13,967**	**4,001**	**2,692**	**1,644**	**22,304**
Total overseas	**17,316**	**5,073**	**2,915**	**1,700**	**27,004**
Total certificates of deposits and term deposits	**125,240**	**32,592**	**35,936**	**15,972**	**209,740**

(1) All certificates of deposit issued by the Group are for amounts greater than $100,000.

Note 20 Payables due to Other Financial Institutions

	Group 2011 $M	Group 2010 $M	Bank 2011 $M	Bank 2010 $M
Australia	**5,967**	4,285	**5,868**	4,265
Overseas	**9,932**	8,323	**9,818**	8,157
Total payables due to other financial institutions	**15,899**	12,608	**15,686**	12,422

The majority of the above amounts are due to be settled within twelve months of the Balance Sheet date.

Note 21 Liabilities at Fair Value through Income Statement

	Group 2011 $M	Group 2010 $M	Bank 2011 $M	Bank 2010 $M
Deposits and other borrowings [1]	**3,028**	3,551	**-**	-
Debt instruments [1]	**3,232**	7,838	**469**	660
Trading liabilities	**4,231**	3,953	**4,231**	3,953
Total liabilities at fair value through Income Statement	**10,491**	15,342	**4,700**	4,613

(1) Designated at fair value through Income Statement at inception as they are managed by the Group on a fair value basis. Designating these liabilities at fair value through Income Statement has also eliminated an accounting mismatch created by measuring assets and liabilities on a different basis.

Of the above amounts, trading liabilities are due to be settled within twelve months of the Balance Sheet date for the Group and the Bank. The majority of the other amounts are due to be settled within twelve months of the Balance Sheet date for the Group and after twelve months of the Balance Sheet date for the Bank.

The change in fair value for those liabilities designated as fair value through Income Statement due to credit risk for the Group is a $6 million loss (2010: $27 million gain) and for the Bank is a $5 million loss (2010: $29 million gain), which has been calculated by determining the changes in credit spreads implicit in the fair value of the instruments issued. The cumulative change in fair value due to changes in credit risk for the Group is a $16 million gain (2010: $18 million) and for the Bank is a $15 million gain (2010: $15 million).

The amount that would be contractually required to be paid at maturity to the holders of the financial liabilities designated at fair value through Income Statement for the Group is $10,463 million (2010: $15,293 million) and for the Bank is $4,678 million (2010: $4,595 million).

Note 22 Tax Liabilities

	Group		Bank	
	2011	2010	2011	2010
	$M	$M	$M	$M
Australia				
Current tax liability	**1,108**	1,004	**1,118**	1,000
Total Australia	**1,108**	1,004	**1,118**	1,000
Overseas				
Current tax liability	**114**	52	**15**	16
Deferred tax liability (Note 5)	**301**	221	**-**	-
Total overseas	**415**	273	**15**	16
Total tax liabilities	**1,523**	1,277	**1,133**	1,016

Note 23 Other Provisions

		Group		Bank	
		2011	2010	2011	2010
	Note	$M	$M	$M	$M
Long service leave		**396**	355	**362**	318
Annual leave		**255**	241	**209**	200
Other employee entitlements		**65**	68	**65**	67
Restructuring costs		**121**	96	**56**	73
General insurance claims		**193**	191	**-**	-
Self insurance/non-lending losses		**49**	57	**45**	53
Dividends	6	**37**	29	**37**	29
Other		**161**	160	**183**	194
Total other provisions		**1,277**	1,197	**957**	934

Provisions due to be settled within twelve months of the Balance Sheet date for the Group were $989 million (2010: $908 million) and for the Bank were $685 million (2010: $660 million).

	Group		Bank	
	2011	2010	2011	2010
Reconciliation	$M	$M	$M	$M
Restructuring costs:				
Opening balance	**96**	182	**73**	148
Additional provisions	**61**	10	**6**	1
Amounts utilised during the year	**(36)**	(94)	**(23)**	(75)
Release of provision	**-**	(2)	**-**	(1)
Closing balance	**121**	96	**56**	73
General insurance claims:				
Opening balance	**191**	185	**-**	-
Additional provisions	**96**	114	**-**	-
Amounts utilised during the year	**(94)**	(109)	**-**	-
Transfer of provision	**-**	1	**-**	-
Closing balance	**193**	191	**-**	-
Self insurance/non-lending losses:				
Opening balance	**57**	56	**53**	54
Additional provisions	**11**	11	**11**	9
Amounts utilised during the year	**(10)**	(5)	**(10)**	(5)
Release of provision	**(9)**	(5)	**(9)**	(5)
Closing balance	**49**	57	**45**	53
Other:				
Opening balance	**160**	149	**194**	112
Additional provisions	**134**	176	**48**	145
Acquisitions	**-**	1	**-**	1
Amounts utilised during the year	**(120)**	(116)	**(39)**	(16)
Release of provision	**(13)**	(50)	**(20)**	(48)
Closing balance	**161**	160	**183**	194

Note 23 Other Provisions (continued)

Provision Commentary

Restructuring Costs

Provisions are recognised for restructuring activities when a detailed plan has been developed and a valid expectation that the plan will be carried out is held by those affected by it. The majority of the provision is expected to be used within 12 months of the Balance Sheet date.

General Insurance Claims

This provision is to cover future claims on general insurance contracts that have been incurred but not reported.

Self Insurance and Non-Lending Losses

This provision covers certain non-transferred insurance risk and non-lending losses. The self insurance provision is reassessed annually in consultation with actuarial advice.

Note 24 Debt Issues

	Group		Bank	
	2011	2010	2011	2010
	$M	$M	$M	$M
Short term debt issues	**51,463**	49,757	**39,246**	39,644
Long term debt issues	**67,189**	80,453	**55,139**	67,395
Total debt issues	**118,652**	130,210	**94,385**	107,039
Short Term Debt Issues				
AUD commercial paper	**123**	494	**52**	312
USD commercial paper	**28,937**	20,423	**25,925**	19,839
EUR commercial paper	**2,005**	1,981	**1,077**	36
GBP commercial paper	**4,913**	4,980	**882**	139
Other currency commercial paper	**143**	88	**99**	23
Long term debt issues with less than one year to maturity	**15,342**	21,791	**11,211**	19,295
Total short term debt issues	**51,463**	49,757	**39,246**	39,644
Long Term Debt Issues				
USD medium term notes	**31,389**	41,074	**29,727**	38,577
AUD medium term notes	**9,507**	9,796	**2,678**	2,820
NZD medium term notes	**2,384**	1,112	**542**	320
JPY medium term notes	**8,265**	8,808	**8,207**	8,550
GBP medium term notes	**1,707**	1,558	**1,362**	1,152
EUR medium term notes	**7,973**	11,044	**7,009**	9,077
Other currencies medium term notes	**5,922**	6,971	**5,572**	6,809
Offshore loans (all JPY)	**42**	90	**42**	90
Total long term debt issues	**67,189**	80,453	**55,139**	67,395
Maturity Distribution of Debt Issues (1)				
Less than three months	**27,721**	27,939	**20,993**	19,840
Between three and twelve months	**23,742**	21,818	**18,253**	19,804
Between one and five years	**48,259**	61,741	**38,991**	49,831
Greater than five years	**18,930**	18,712	**16,148**	17,564
Total debt issues	**118,652**	130,210	**94,385**	107,039

(1) Represents the contractual maturity of the underlying instrument.

The Bank's debt issues include a Euro Medium Term Note programme under which it may issue notes up to an aggregate amount outstanding of USD 70 billion. The Bank also has a U.S. Medium Term Note programme under which it may issue notes up to an aggregate amount outstanding of USD 50 billion. Notes issued under debt programmes are both fixed and variable rate. Interest rate risk associated with the notes is incorporated within the Bank's interest rate risk framework.

Where any debt issue is booked in an offshore branch or subsidiary, the amounts have first been converted into the functional currency of the branch at a branch defined exchange rate, before being converted into the AUD equivalent.

Where proceeds have been employed in currencies other than that of the ultimate repayment liability, swaps or other risk management arrangements have been entered into.

Note 24 Debt Issues (continued)

Short term borrowings	Group 2011	2010	2009
	$M (except where indicated)		
USD Commercial Paper			
Outstanding at period end (1)	**28,937**	20,423	20,419
Maximum amount outstanding at any month end (2)	**29,023**	23,319	23,428
Average amount outstanding (2)	**22,362**	20,707	15,995
Weighted average interest rate on:			
Average amount outstanding	**0.4%**	0.3%	1.6%
Outstanding at period end	**0.3%**	0.5%	0.4%
EUR Commercial Paper			
Outstanding at period end (1)	**2,005**	1,981	566
Maximum amount outstanding at any month end (2)	**3,001**	2,930	692
Average amount outstanding (2)	**1,498**	1,751	536
Weighted average interest rate on:			
Average amount outstanding	**0.8%**	0.5%	0.7%
Outstanding at period end	**1.2%**	0.4%	0.6%
AUD Commercial Paper			
Outstanding at period end (1)	**123**	494	258
Maximum amount outstanding at any month end (2)	**424**	658	1,059
Average amount outstanding (2)	**178**	446	395
Weighted average interest rate on:			
Average amount outstanding	**4.9%**	4.0%	6.7%
Outstanding at period end	**5.6%**	4.7%	3.2%
GBP Commercial Paper			
Outstanding at period end (1)	**4,913**	4,980	609
Maximum amount outstanding at any month end (2)	**5,588**	5,208	1,257
Average amount outstanding (2)	**3,776**	3,110	907
Weighted average interest rate on:			
Average amount outstanding	**0.8%**	0.6%	0.8%
Outstanding at period end	**0.9%**	0.7%	0.7%
Other Currency Commercial Paper			
Outstanding at period end (1)	**143**	88	-
Maximum amount outstanding at any month end (2)	**247**	253	-
Average amount outstanding (2)	**91**	136	-
Weighted average interest rate on:			
Average amount outstanding	**0.3%**	0.6%	-
Outstanding at period end	**0.8%**	1.3%	-

(1) The amount outstanding at period end is measured at amortised cost.

(2) The maximum and average amounts over the period are reported on a face value basis because the carrying values of these amounts are not available. Any differences between face value and carrying value would not be material given the short term nature of the borrowings.

Exchange rates utilised (End of day, Sydney time)	Currency	As At 30 June 2011	As At 30 June 2010
AUD 1.00 =	USD	**1.0740**	0.8559
	EUR	**0.7410**	0.6996
	GBP	**0.6677**	0.5686
	JPY	**86.3984**	75.9067
	NZD	**1.2944**	1.2318

Note 24 Debt Issues (continued)

Guarantee Arrangements

Commonwealth Bank of Australia

Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding (Guarantee Scheme)

The Bank issued debt under its programmes which has the benefit of a guarantee by the Australian Government announced on 12 October 2008 and formally commenced on 28 November 2008. On 7 February 2010 it was announced that the Guarantee Scheme would close to new liabilities from 31 March 2010.

The arrangements were provided in a Deed of Guarantee dated 20 November 2008, Scheme Rules and in additional documentation for offers to residents of the United States and other jurisdictions.

The text of the Guarantee Scheme documents can be found at the Australian Government Guarantee website at www.guaranteescheme.gov.au. Fees are payable in relation to the Guarantee Scheme, calculated by reference to the term and amount of the liabilities guaranteed and the Bank's credit rating.

Existing guaranteed debt issued by the Bank remains guaranteed until maturity.

Separate arrangements apply for accounts with the Bank for deposit balances per depositor totalling up to and including $1 million (until 12 October 2011) under the Financial Claim Scheme (FCS). Such deposits are guaranteed without charge. The Australian Government is in the process of reviewing the FCS, issuing a consultation paper in May 2011 detailing potential changes to the FCS which include lowering the $1 million cap. The operation of the current FCS is expected to be reviewed during the next financial year.

Guarantee under the Commonwealth Bank Sale Act

Historically, the due payment of all monies payable by the Bank was guaranteed by the Commonwealth of Australia under section 117 of the Commonwealth Banks Act 1959 (as amended) at 30 June 1996. With the sale of the Commonwealth's shareholding in the Bank this guarantee has been progressively phased out under transitional arrangements found in the Commonwealth Bank Sale Act 1995.

Demand deposits are no longer guaranteed by the Commonwealth under this guarantee. However, term deposits outstanding at 19 July 1999 and debt issues payable by the Bank under a contract entered into prior to 19 July 1996 and outstanding at 19 July 1999 remain guaranteed until maturity.

State Bank of NSW (also known as Colonial State Bank)

New South Wales legislation provides, in general terms, for a guarantee by the NSW Government of all funding liabilities and off-balance sheet products (other than demand deposits) incurred or issued prior to 31 December 1997 by the State Bank of New South Wales (SBNSW) until maturity and a guarantee for demand deposits accepted by SBNSW up to 31 December 1997. Other obligations incurred before 31 December 1994 are also guaranteed to their maturity. On 4 June 2001 the Commonwealth Bank of Australia became the successor in law to SBNSW pursuant to the Financial Sector (Transfers of Business) Act 1999. The NSW Government guarantee of the liabilities and products as described above continues unchanged by the succession.

Note 25 Bills Payable and Other Liabilities

		Group		Bank	
		2011	2010	2011	2010
	Note	$M	$M	$M	$M
Bills payable		**867**	805	**733**	691
Accrued interest payable		**3,709**	3,233	**2,917**	2,452
Accrued fees and other items payable		**1,807**	1,906	**1,172**	1,301
Defined benefit superannuation plan deficit	42	**83**	82	**83**	82
Securities purchased not delivered		**2,600**	1,754	**1,813**	918
Other		**1,586**	2,245	**2,630**	5,289
Total bills payable and other liabilities		**10,652**	10,025	**9,348**	10,733

Other than the defined benefit superannuation plan deficit, the above amounts are expected to be settled within twelve months of the Balance Sheet date.

Note 26 Loan Capital

		Currency		Group		Bank	
				2011	2010	2011	2010
		Amount (M)	Footnotes	$M	$M	$M	$M
Tier One Loan Capital							
Exchangeable	FRN	USD 38	(1)	**35**	44	**35**	44
Exchangeable	FRN	USD 64	(2)	**-**	75	**-**	75
Undated	FRN	USD 100	(3)	**93**	117	**93**	117
Undated	TPS	USD 550	(4)	**512**	642	**512**	642
Undated	PERLS III	AUD 1,166	(5)	**1,156**	1,154	**1,156**	1,154
Undated	PERLS IV	AUD 1,465	(6)	**1,458**	1,456	**1,458**	1,456
Undated	PERLS V	AUD 2,000	(7)	**1,978**	1,963	**1,971**	1,953
Undated	TPS	USD 700	(8)	**-**	-	**647**	813
Total Tier One loan capital				**5,232**	5,451	**5,872**	6,254
Tier Two Loan Capital							
AUD demoninated			(9)	**1,499**	1,799	**1,499**	1,799
USD demoninated			(10)	**1,396**	1,819	**1,396**	1,819
JPY denominated			(11)	**843**	1,103	**750**	985
GBP denominated			(12)	**224**	262	**224**	262
NZD denominated			(13)	**556**	747	**270**	284
EUR denominated			(13)	**1,343**	1,422	**1,343**	1,422
CAD denominated			(13)	**288**	666	**288**	666
Total Tier Two loan capital				**6,149**	7,818	**5,770**	7,237
Fair value hedge adjustments				**180**	244	**166**	84
Total loan capital				**11,561**	13,513	**11,808**	13,575

(1) USD 300 million undated Floating Rate Notes (FRNs) issued 11 July 1988 exchangeable into dated FRNs.

Outstanding notes at 30 June 2011 were undated USD 38 million.

(2) USD 400 million undated FRNs issued 22 February 1989 exchangeable into dated FRNs.

All of the outstanding notes (USD 64 million) were redeemed in February 2011.

(3) USD 100 million undated capital notes issued on 15 October 1986.

The Bank has entered into agreements with the Commonwealth of Australia relating to each of the above issues (the "Agreements") which provide that, if certain events occur, the Bank may issue either fully paid ordinary shares to the Commonwealth of Australia or (with the consent of the Commonwealth of Australia) a renounceable rights issue for fully paid ordinary shares to all shareholders, at the prevailing market price for the Bank's shares, up to an amount equal to the outstanding principal value of the relevant note issue or issues plus any accrued interest which is declared due and payable. The capital so raised must be used to pay the amounts due and payable.

Any one or more of the following events may trigger the issue of shares to the Commonwealth of Australia or a rights issue:

- A relevant event of default occurs in respect of a note issue and the Trustee of the relevant notes gives notice to the Bank that the notes are immediately due and payable;
- The most recent audited annual Financial Statements of the Group show a loss (as defined in the Agreements); or
- The Bank does not declare a dividend in respect of its ordinary shares

The relevant events of default differ depending on the relevant Agreement. In summary, they cover events such as failure of the Bank to meet its monetary obligation in respect of the relevant notes; the insolvency of the Bank; any law being passed to dissolve the Bank or the Bank ceasing to carry on general Banking business in Australia; and the Commonwealth of Australia ceasing to guarantee the relevant notes.

In relation to Dated FRNs which have matured to date, the Bank and the Commonwealth agreed to amend the relevant Agreement to reflect that the Commonwealth of Australia was not called upon to subscribe for fully paid ordinary shares up to an amount equal to the principal value of the maturing FRNs.

(4) TPS 2003

On 6 August 2003 a wholly owned entity of the Bank (CBA Capital Trust) issued USD 550 million of perpetual trust preferred securities which can be redeemed after the first 12 years. The securities were issued into the US capital markets and are subject to Delaware and New York law.

Each trust preferred security represents a beneficial ownership interest in the assets of CBA Capital Trust, a statutory trust established under Delaware law. The sole assets of CBA Capital Trust are the funding preferred securities issued by CBA Funding Trust, which represent preferred beneficial ownership interests in the assets of CBA Funding Trust, and a limited CBA guarantee. The securities qualify as innovative residual Tier One capital of the Bank.

CBA Funding Trust applied all of the proceeds from the sale of the funding preferred securities to purchase convertible notes from the Bank's New Zealand branch.

The trust preferred securities provide for a semi-annual cash distribution in arrears at the annual rate of 5.805%. The distributions on the trust preferred securities are non-cumulative. CBA Capital Trust's ability to pay distributions on the trust preferred securities is ultimately dependent upon the ability of CBA to make interest payments on the convertible notes.

Note 26 Loan Capital (continued)

The Bank's New Zealand branch will make interest payments on the convertible notes only if and when declared by the Board of Directors of the Bank. The Board of Directors is not permitted, unless approved by APRA, to declare interest.

If interest is not paid on the convertible notes on an interest payment date, holders will not receive a distribution on the trust preferred securities and, unless at the time of the non-payment the Bank is prevented by applicable law from issuing the CBA preference shares, convertible notes will automatically convert into CBA preference shares, which will result in mandatory redemption of the trust preferred securities for American Depository Shares (ADS). Automatic conversion into CBA preference shares will also occur on the occurrence of certain other events, including a number of events specified by APRA.

No later than 35 business days prior to 30 June 2015, holders may deliver a notice to the Bank requiring it to exchange each trust preferred security for ordinary shares. The Bank may satisfy the obligation to deliver ordinary shares by either delivering the applicable number of ordinary shares or by arranging for the sale of the trust preferred securities at par and delivering the proceeds to the holder. Subject to the approval of APRA, holders may exchange trust preferred securities for the Bank's ordinary shares earlier than 30 June 2015 if, prior to that date, a takeover bid or scheme of arrangement in relation to a takeover has occurred.

If CBA Capital Trust is liquidated, dissolved or wound up and its assets are distributed, for each trust preferred security owned, the holder is entitled to receive the stated liquidation amount of U.S. $1,000, plus the accrued but unpaid distribution for the then current distribution period. Holders may not receive the full amount payable on liquidation if CBA Capital Trust does not have enough funds.

The trustees of CBA Capital Trust can elect to dissolve CBA Capital Trust and distribute the funding preferred securities if at any time certain changes in tax law or other tax-related events or the specified changes in U.S. Investment Company law occur.

Neither the trust preferred securities nor the funding preferred securities can be redeemed at the option of their holders. Other than in connection with an acceleration of the principal of the convertible notes upon the occurrence of an event of default, neither the trust preferred securities nor the funding preferred securities are repayable in cash unless the Bank's New Zealand branch, at its sole option, redeems the convertible notes.

The Bank's New Zealand branch may redeem the convertible notes for cash: (a) before 30 June 2015, in whole, but not in part, and only if the specified changes in tax law or other tax-related events, the specified changes in U.S. investment Company law and, changes in the "Tier One" regulatory capital treatment of the convertible notes, or certain corporate transactions involving a takeover bid or a scheme of arrangement in relation to a takeover described in this offering memorandum occur; and (b) at any time on or after 30 June 2015. The Bank's New Zealand branch must first obtain the approval of APRA to redeem the convertible notes for cash.

The Bank guarantees:

- Semi-annual distributions on the funding preferred securities by CBA Funding Trust to CBA Capital Trust to the extent CBA Funding Trust has funds available for distribution;
- Semi-annual distributions on the trust preferred securities by CBA Capital Trust to the extent CBA Capital Trust has funds available for distribution;
- The redemption amount due to CBA Capital Trust if CBA Funding Trust is obligated to redeem the funding preferred securities for cash and to the extent CBA Funding Trust has funds available for payment;
- The redemption amount due if CBA Capital Trust is obligated to redeem the trust preferred securities for cash and to the extent CBA Capital Trust has funds available for payment;
- The delivery of ADS to CBA Capital Trust by CBA Funding Trust if CBA Funding Trust is obligated to redeem the funding preferred securities for ADS and to the extent that CBA Funding Trust has ADS available for that redemption;
- The delivery of ADS by CBA Capital Trust if CBA Capital Trust is obligated to redeem the trust preferred securities for ADS and to the extent that CBA Capital Trust has ADS available for that redemption;
- The delivery of funding preferred securities by CBA Capital Trust upon dissolution of CBA Capital Trust as a result of a tax event or an event giving rise to a more than insubstantial risk that CBA Capital Trust is or will be considered an Investment Company which is required to be registered under the Investment Company Act;
- The payment of the liquidation amount of the funding preferred securities if CBA Funding Trust is liquidated, to the extent that CBA Funding Trust has funds available after payment of its creditors; and
- The liquidation amount of the trust preferred securities if CBA Capital Trust is liquidated, to the extent that CBA Capital Trust has funds available after payment of its creditors.

The Bank's guarantee does not cover the non-payment of distributions on the funding preferred securities to the extent that CBA Funding Trust does not have sufficient funds available to pay distributions on the funding preferred securities.

Trust preferred securities have limited voting rights.

Trust preferred securities have the right to bring a direct action against the Bank if:

- The Bank's New Zealand branch does not pay interest or the redemption price of the convertible notes to CBA Funding Trust in accordance with their terms;
- The Bank's New Zealand branch does not deliver ADS representing preference shares to CBA Funding Trust in accordance with the terms of the convertible notes;
- The Bank does not perform its obligations under its guarantees with respect to the trust preferred securities and the funding preferred securities; or
- The Bank does not deliver cash or ordinary shares on 30 June 2015.

(5) PERLS III

On 6 April 2006 a wholly owned entity of the Bank (Preferred Capital Limited "PCL") issued $1,166 million of Perpetual Exchangeable Repurchaseable Listed Shares (PERLS III). PERLS III are preference shares in a special purpose Company, (the ordinary shares of which are held by the Bank), perpetual in nature, offering a non-cumulative floating rate distribution payable quarterly. PERLS III were issued into the Australian capital markets and are subject to Australian law. They qualify as innovative residual Tier One capital of the Bank.

Note 26 Loan Capital (continued)

The Dividends paid to PERLS III Holders will be primarily sourced from interest paid on the Convertible Notes issued by CBA NZ to PCL. The payment of interest on the underlying Convertible Notes and Dividends on PERLS III are not guaranteed and are subject to a number of conditions including the availability of profits and the Board (of the Bank in relation to Convertible Note interest, or of PCL in relation to PERLS III Dividends) resolving to make the payment.

The Dividend Rate is a floating rate calculated for each Dividend Period as the sum of the Margin per annum plus the Market Rate per annum multiplied by (1 – Tax Rate). The Initial Margin is 1.05% over Bank Bill Swap Rate and the Step-up Margin, effective from the "Step-up Date" on 6 April 2016, is the Initial Margin plus 1.00% per annum.

If each PERLS III Holder is not paid a dividend in full within 20 Business Days of the Dividend Payment Date, the Bank is prevented from paying any interest, dividends or distributions, or undertaking certain other transactions, in relation to any securities of the Bank that rank for interest payments or distributions equally with, or junior to, the Convertible Notes or Bank PERLS III Preference Shares. This Dividend Stopper applies until an amount in aggregate equal to the full dividend on PERLS III for four consecutive dividend periods has been paid to PERLS III Holders.

PERLS III will automatically exchange for Bank PERLS III Preference Shares:

- On a failure by PCL to pay a Dividend;
- At any time at the Bank's discretion; or
- 10 Business Days before the Conversion Date.

Subject to APRA approval, PCL may elect to exchange PERLS III for the Conversion Number of Bank Ordinary Shares or $200 cash for each PERLS III:

- On the Step-up Date or any Dividend Payment Date after the Step-up Date; or
- If a Regulatory Event or Tax Event occurs.

PERLS III will automatically exchange for Bank Ordinary Shares if:

- An APRA Event occurs;
- A Default Event occurs; or
- A Change of Control Event occurs.

PERLS III will be automatically exchanged for Bank PERLS III Preference Shares no later than 10 Business Days prior to 6 April 2046 (if they have not been exchanged before that date).

Holders are not entitled to request exchange or redemption of PERLS III or Bank PERLS III Preference Shares.

Holders of PERLS III are entitled to vote at a general meeting of PCL on certain issues. PERLS III holders have no rights at any meeting of the Bank.

(6) PERLS IV

On 12 July 2007 the Bank issued $1,465 million of Perpetual Exchangeable Resalable Listed Securities (PERLS IV). PERLS IV are stapled securities comprising an unsecured subordinated note issued by the Bank's New York branch and a convertible preference share issued by the Bank. These securities are perpetual in nature, offer a non-cumulative floating distribution rate payable quarterly. PERLS IV were issued into the Australian capital markets and are subject to Australian law. They qualify as non-innovative residual Tier One capital of the Bank.

The payment of interest on the underlying convertible notes and dividends on PERLS IV are not guaranteed and are subject to a number of conditions including the availability of profits and the ability of the Board to stop payments.

The distribution rate is a floating rate calculated for each distribution period as the sum of the Bank Bill Swap Rate plus 1.05% per annum, multiplied by (1 – Tax Rate).

Distributions paid to holders will be interest on notes until an Assignment Event, and dividends on preference shares after the Assignment Event. Upon an Assignment Event, the notes are de-stapled from the preference shares and are assigned to the Bank and investors continue to hold preference shares.

If distributions on PERLS IV are not paid in full within 20 business days of the payment date, an Assignment Event will occur and the Bank is prevented from paying any interest, dividends or distributions in relation to any securities of the Bank that rank equally with or junior to the preference shares. This "dividend stopper" applies until:

- A Special Resolution of Holders authorising the payment, capital return, buy-back, redemption or repurchase is approved, and APRA does not otherwise object;
- An Optional Dividend of an amount in aggregate equal to the unpaid amount for the preceding four consecutive Distribution Periods has been paid to Holders;
- Four consecutive Dividends scheduled to be payable on PERLS IV thereafter have been paid in full; or
- All PERLS IV have been exchanged.

PERLS IV are expected to be exchanged for cash or converted into ordinary shares of the Bank on 31 October 2012. However, exchange may not occur if certain conditions are not met. On 31 October 2012;

- The Bank may arrange a resale by requiring all Holders to sell their PERLS IV to a third party for $200 (the face value);
- If the Bank does not arrange a resale, an Assignment Event will occur and PERLS IV will convert into a variable number of ordinary shares of the Bank subject to some conditions relating to the ordinary share price at the time;
- If these conversion conditions are not satisfied on that date, then the conversion date moves to the next distribution payment date on which they are satisfied; and
- In certain circumstances, where the conversion conditions are not satisfied, the Bank may (subject to APRA's prior approval) elect to repurchase all PERLS IV for $200 each.

The Bank may, subject to APRA's prior approval, elect to exchange all PERLS IV for cash and/or ordinary shares if any of the following occurs:

- Tax Event;
- Regulatory Event; and
- Non-Operating Holding Company (NOHC) Event.

The Bank's ability to convert PERLS IV on the occurrence of any of these events is subject to the same conversion conditions as mentioned above.

If a change of control event occurs, Holders will receive cash for all of their PERLS IV (subject to APRA's approval).

Holders are not entitled to request exchange or redemption of PERLS IV.

Note 26 Loan Capital (continued)

Holders of PERLS IV have no right to vote at any meeting of the Bank except in the following specific circumstances:

- during a period during which a Dividend (or part of a Dividend) in respect of the Preference Shares is in arrears;
- on a proposal to reduce the Bank's share capital;
- on a proposal that affects rights attached to Preference Shares;
- on a resolution to approve the terms of a buy-back agreement;
- on a proposal to wind up the Bank;
- on a proposal for the disposal of the whole of the Bank's property, business and undertaking; and
- during the winding-up of the Bank.

(7) PERLS V

On 14 October 2009 the Bank issued $2,000 million of Perpetual Exchangeable Resalable Listed Securities (PERLS V). PERLS V are stapled securities comprising an unsecured subordinated note issued by the Bank's New Zealand branch and a convertible preference share issued by the Bank. These securities are perpetual in nature, offer a non-cumulative floating distribution rate payable quarterly. PERLS V were issued into the Australian capital markets and are subject to Australian law. They qualify as non-innovative residual Tier One capital of the Bank.

The payment of interest on the underlying convertible notes and dividends on PERLS V are not guaranteed and are subject to a number of conditions including the availability of profits and the ability of the Board to stop payments.

The distribution rate is a floating rate calculated for each distribution period as the sum of the Bank Bill Swap Rate plus 3.40% per annum, multiplied by (1 – Tax Rate).

Distributions paid to holders will be interest on notes until an Assignment Event, and dividends on preference shares after the Assignment Event. Upon an Assignment Event, the notes are de-stapled from the preference shares and are assigned to the Bank and investors continue to hold preference shares.

If distributions on PERLS V are not paid in full within 20 business days of the payment date, an Assignment Event will occur and the Bank is prevented from paying any interest, dividends or distributions in relation to any securities of the Bank that rank equally with or junior to the preference shares. This "dividend stopper" applies until:

- A Special Resolution of Holders authorising the payment, capital return, buy-back, redemption or repurchase is approved, and APRA does not otherwise object;
- An Optional Dividend of an amount in aggregate equal to the unpaid amount for the preceding four consecutive Distribution Periods has been paid to Holders;
- Four consecutive Dividends scheduled to be payable on PERLS V thereafter have been paid in full; or
- All PERLS V have been exchanged.

PERLS V are expected to be exchanged for cash or converted into ordinary shares of the Bank on 31 October 2014. However, exchange may not occur if certain conditions are not met. On 31 October 2014:

- The Bank may arrange a resale by requiring all Holders to sell their PERLS V to a third party for $200 (the face value);
- If the Bank does not arrange a resale, an Assignment Event will occur and PERLS V will convert into a variable number of ordinary shares of the Bank subject to some conditions relating to the ordinary share price at the time;
- In certain circumstances, where the conversion conditions are not satisfied, the Bank may (subject to APRA's prior approval) elect to repurchase all PERLS V for $200 each; or
- If PERLS V are not exchanged on this date, the same possible outcomes will apply to each subsequent distribution payment date until exchange occurs.

The Bank may, subject to APRA's prior approval, elect to exchange all PERLS V for cash and/or ordinary shares if any of the following occurs:

- Tax Event;
- Regulatory Event; and
- Non-Operating Holding Company (NOHC) Event.

The Bank's ability to convert PERLS V on the occurrence of any of these events is subject to the same conversion conditions as mentioned above.

If an Acquisition Event occurs, Holders will receive cash or ordinary shares for all of their PERLS V (subject to APRA's approval).

Holders are not entitled to request exchange or redemption of PERLS V.

Holders of PERLS V have no right to vote at any meeting of the Bank except in the following specific circumstances:

- during a period during which a Dividend (or part of a Dividend) in respect of the Preference Shares is in arrears;
- on a proposal to reduce the Bank's share capital;
- on a proposal that affects rights attached to Preference Shares;
- on a resolution to approve the terms of a buy-back agreement;
- on a proposal to wind up the Bank;
- on a proposal for the disposal of the whole of the Bank's property, business and undertaking; and
- during the winding-up of the Bank.

(8) TPS 2006

On 15 March 2006 a wholly owned entity of the Bank (CBA Capital Trust II) issued USD 700 million ($942 million) of perpetual trust preferred securities which can be redeemed after the first 10 years. The securities were issued into the US capital markets and are subject to Delaware and New York law.

Each trust preferred security represents a preferred beneficial ownership interest in the assets of CBA Capital Trust II, a statutory trust established under Delaware law. The sole assets of the CBA Capital Trust II are USD subordinated notes issued by a New Zealand subsidiary of the Bank, preference shares issued by the Bank, and a limited guarantee by the Bank's New Zealand branch. Each subordinated note held by CBA Capital Trust II forms a unit with a Bank preference share held by CBA Capital Trust II. The trust preferred securities form part of the Bank's innovative residual Tier One capital.

The Bank's New Zealand subsidiary applied the proceeds of its subordinated note issue to CBA Capital Trust II to purchase USD notes from the Bank's New Zealand branch.

Cash distributions on the trust preferred securities are at the fixed rate of 6.024% are payable semi-annually to 15 March 2016. After that date, cash distributions on the trust preferred securities will accrue at the rate of LIBOR plus 1.740% per annum payable quarterly in arrears.

Note 26 Loan Capital (continued)

Cash distributions on the trust preferred securities will be limited to the interest the Bank's New Zealand subsidiary pays on the subordinated notes, payments in respect of interest on the subordinated notes by the Bank's New Zealand branch as guarantor under the subordinated notes guarantee and, after 15 March 2016, the dividends the Bank pays on the Bank preference shares. Payments in respect of cash distributions will be guaranteed on a subordinated basis by the Bank, as guarantor, but only to the extent CBA Capital Trust II has funds sufficient for the payment.

There are restrictions on the Bank's New Zealand subsidiary's ability to make payments on the subordinated notes, the Bank's New Zealand branch's ability to make payments on the Bank's New Zealand branch notes and the subordinated notes guarantee and the Bank's ability to make payments on the Bank preference shares. Distributions on the trust preferred securities are not cumulative.

Failure to pay in full a distribution within 21 business days will result in the distribution to holders of one Bank preference share for each trust preferred security held in redemption of the trust preferred securities.

If CBA Capital Trust II is liquidated, dissolved or wound up and its assets are distributed, for each trust preferred security, holders are entitled to receive the stated liquidation amount of USD 1,000, plus the accrued but unpaid distribution for the then current distribution payment period, after it has paid liabilities it owes to its creditors.

The trust preferred securities are subject to redemption for cash, qualifying Tier One securities or Bank preference shares if the Bank redeems or varies the terms of the Bank preference shares. The trust preferred securities are also subject to redemption if any other Assignment Event occurs.

If the Bank preference shares are redeemed for qualifying Tier One securities or the terms thereof are varied, holders will receive one Bank preference share or USD 1,000 liquidation amount or similar amount of qualifying Tier One securities for each trust preferred security held.

Holders of trust preferred securities generally will not have any voting rights except in limited circumstances.

The holders of a majority in liquidation amount of the trust preferred securities, acting together as a single class, however, have the right to direct the time, method and place of conducting any proceeding for any remedy available to the property trustee of CBA Capital Trust II or direct the exercise of any trust or power conferred upon the property trustee of CBA Capital Trust II, as holder of the subordinated notes and the Bank preference shares.

Trust preferred securities holders have the right to bring a direct action against:

- The Bank's New Zealand subsidiary if the Bank's New Zealand subsidiary does not pay when due, interest on the subordinated notes or certain other amounts payable under the subordinated notes to CBA Capital Trust II in accordance with their terms;
- The Bank if it does not perform its obligations under the trust guarantee; and
- The Bank's New Zealand branch or the Bank if the Bank's New Zealand branch does not perform its obligations under the subordinated notes guarantee or under the Bank's New Zealand branch notes.

The Bank will guarantee the trust preferred securities:

- Cash distributions on the trust preferred securities by CBA Capital Trust II to holders of trust preferred securities on distribution payment dates, to the extent CBA Capital Trust II has funds available for distribution;
- The cash redemption amount due to holders of trust preferred securities if CBA Capital Trust II is obligated to redeem the trust preferred securities for cash, to the extent CBA Capital Trust II has funds available for distribution;
- The delivery of Bank preference shares or qualifying Tier One securities to holders of trust preferred securities if CBA Capital Trust II is obligated to redeem the trust preferred securities for Bank preference shares or qualifying Tier One securities, to the extent CBA Capital Trust II has or is entitled to receive such securities available for distribution; and
- The payment of the liquidation amount of the trust preferred securities if CBA Capital Trust II is liquidated, to the extent that CBA Capital Trust II has funds available for distribution.

The trust guarantee does not cover the failure to pay distributions or make other payments or distributions on the trust preferred securities to the extent that CBA Capital Trust II does not have sufficient funds available to pay distributions or make other payments or deliveries on the trust preferred securities.

Upon the occurrence of an Assignment Event, with respect to the subordinated notes comprising a part of the units CBA Capital Trust II holds to which such Assignment Event applies:

- The subordinated notes will detach from the Bank's preference shares that are part of those units and automatically be transferred to CBA;
- If the Assignment Event is the cash redemption of the Bank preference shares, upon receipt, CBA Capital Trust II will pay to the holders of the trust preferred securities called for redemption the cash redemption price for those Bank preference shares and the accrued and unpaid interest on the subordinated notes that were part of the units with those Bank preference shares; and
- If the Assignment Event is not the cash redemption of Bank preference shares, CBA Capital Trust II will deliver to all holders of trust preferred securities in redemption thereof one Bank preference share for each USD 1,000 liquidation preference of trust preferred securities to be redeemed or, if qualifying Tier One securities are delivered, USD 1,000 liquidation amount or similar amount of qualifying Tier One securities for each USD 1,000 liquidation amount of trust preferred securities to be redeemed, and the Bank preference shares or qualifying Tier One securities will accrue non-cumulative dividends or similar amounts at the rate of 6.024% per annum to but excluding 15 March 2016 and at the rate of LIBOR plus 1.740% per annum thereafter.

If the Bank is liquidated, holders of Bank preference shares will be entitled to receive an amount equal to a liquidation preference out of surplus assets of USD 1,000 per Bank preference share plus accrued and unpaid dividends for the then current dividend payment period plus any other dividends or other amounts to which the holder is entitled under the Constitution.

Note 26 Loan Capital (continued)

Subject to APRA's prior approval, prior to the occurrence of an Assignment Event that applies to all of the subordinated notes, the Bank may pay an optional dividend on the Bank preference shares if the Bank's New Zealand subsidiary or the Bank's New Zealand branch, as guarantor, has failed to pay in full interest on the subordinated notes or the Bank has failed to pay in full dividends on the Bank preference shares on any interest payment date and/or dividend payment date.

On or after 15 March 2016, the Bank may redeem the Bank preference shares for cash, in whole or in part, on any date selected by the Bank at a redemption price equal to USD 1,000 per share plus any accrued and unpaid dividends for the then current dividend payment period, if any.

Prior to 15 March 2016, the Bank may redeem the Bank preference shares for cash, vary the terms of the preference shares or redeem the preference shares for qualifying Tier One securities, in whole but not in part, on any date selected by the Bank:

- If the Bank preference shares are held by CBA Capital Trust II, upon the occurrence of a trust preferred securities tax event, an adverse tax event, an investment Company event or a regulatory event; or
- If the Bank preference shares are not held by CBA Capital Trust II, upon the occurrence of a preference share withholding tax event, an adverse tax event or a regulatory event.

Holders of Bank preference shares will be entitled to vote together with the holders of CBA ordinary shares on the basis of one vote for each Bank preference share:

- During a period in which a dividend (or part of a dividend) in respect of the Bank preference shares is in arrears;
- On a proposal to reduce share capital;
- On a proposal that affects rights attached to the Bank preference shares;
- On a resolution to approve the terms of a Buy-back agreement;
- On a proposal for the disposal of the whole of the Group's property, business and undertaking; and
- On a proposal to wind up and during the winding up of the Group.

The rights attached to the Bank preference shares may not be changed except with any required regulatory approvals and with the consent in writing of the holders of at least 75% of the Bank preference shares.

The Bank's New Zealand subsidiary may not make payments on the subordinated notes, the Bank's New Zealand branch may not make payments on the subordinated notes guarantee or the Bank's New Zealand branch notes, and the Bank may not make payments on the Bank preference shares if an APRA condition exists; if the Bank's stopper resolution has been passed and not been rescinded or if the Bank's New Zealand subsidiary, the Bank's New Zealand branch or the Bank, as the case may be, is prohibited from making such a payment by instruments or other obligations of the Bank.

If distributions, interest or dividends are not paid in full on a payment date; the redemption price is not paid or securities are not delivered in full on a redemption date for the trust preferred securities or the Bank preference shares, then the Bank may not pay any interest; declare or pay any dividends or distributions from the income or capital of the Bank, or return any capital or undertake any buy-backs, redemptions or repurchases of existing capital securities or any securities, or instruments of the Bank that by their terms rank or are expressed to rank equally with or junior to the Bank's New Zealand branch notes or the Bank preference shares for payment of interest, dividends or similar amounts unless and until:

- In the case of any non-payment of distributions on the trust preferred securities on any distribution payment date, on or within 21 business days after any distribution payment date, CBA Capital Trust II or the Bank, as guarantor, has paid in full to the holders of the trust preferred securities any distributions owing in respect of that distribution payment date through the date of actual payment in full;
- In the case of any non-payment of a dividend on the Bank preference shares on any dividend payment date, the Bank has paid (a) that dividend in full on or within 21 business days after that dividend payment date, (b) an optional dividend equal to the unpaid amount of scheduled dividends for the 12 consecutive calendar months prior to the payment of such dividend or (c) dividends on the Bank preference shares in full on each dividend payment date during a 12 consecutive month period;
- In the case of any non-payment of interest on the subordinated notes on any interest payment date, (a) on or within 21 business days after any interest payment date, (i) the Bank's New Zealand subsidiary or the Bank's New Zealand branch, as guarantor, has paid in full to the holders of the subordinated notes any interest and other amounts owing in respect of that interest payment date (excluding defaulted note interest) through the date of actual payment in full or (ii) with the prior approval of APRA, the Bank has paid in full to holders of the subordinated notes an assignment prevention optional dividend in an amount equal to such interest and any other amounts, or (b) the Bank has paid dividends on the Bank preference shares in full on each dividend payment date during a 12 consecutive month period; and
- In the case of any non-payment of the redemption price or non-delivery of the securities payable or deliverable with respect to Bank preference shares or the trust preferred securities, such redemption price or securities have been paid or delivered in full, as applicable; then there are restrictions on the Bank paying any interest on equal ranking or junior securities.

Note 26 Loan Capital (continued)

(9) AUD denominated Tier Two Loan Capital issuances

- $275 million extendible floating rate note issued December 1989, due December 2014.

The Bank has entered into a separate agreement with the Commonwealth of Australia relating to the above issue (the "Agreement") which provides that, if certain events occur, the Bank may issue either fully paid ordinary shares to the Commonwealth of Australia or (with the consent of the Commonwealth of Australia) a renounceable rights issue for fully paid ordinary shares to all shareholders, at the prevailing market price for the Bank's shares, up to an amount equal to the outstanding principal value of the note issue plus any accrued interest declared due and payable. The capital so raised must be used to pay the amounts due and payable. Events that will trigger the issue of shares include a failure to pay interest due within 7 business days of the due date.

Other outstanding notes at 30 June 2011 were:

- $25 million subordinated FRN, issued April 1999, due April 2029;
- $200 million subordinated floating rate notes, issued September 2006, due September 2016;
- $500 million subordinated notes, issued May 2007, due May 2017; split into $150 million fixed rate notes and $350 million floating rate notes; and
- $500 million subordinated floating rate notes, issued September 2008, due September 2018.

(10) USD denominated Tier Two Loan Capital issuances

- USD 350 million subordinated fixed rate note, issued June 2003, due June 2018;
- USD 200 million subordinated notes, issued June 2006, due July 2016;
- USD 300 million subordinated floating rate notes, issued September 2006, due September 2016; and
- USD 650 million subordinated floating rate notes, issued December 2006, due December 2016.

(11) JPY denominated Tier Two Loan Capital issuances

- JPY 20 billion perpetual subordinated EMTN, issued February 1999;
- JPY 30 billion subordinated EMTN, issued October 1995 due October 2015;
- JPY 10 billion subordinated notes, issued November 2005, due November 2035;
- JPY 5 billion subordinated loan, issued March 2006, due March 2018; and
- JPY 9 billion perpetual subordinated notes, issued May 1996.

(12) GBP denominated Tier Two Loan Capital issuances

GBP 150 million subordinated EMTN, issued June 2003, due December 2023.

(13) Other currencies Tier Two Loan Capital issuances

- EUR 1,000 million subordinated notes, issued August 2009, due August 2019;
- CAD 300 million subordinated notes, issued October 2007, due October 2017;
- NZD 350 million subordinated notes, issued May 2005, due April 2015.
- On 18 May 2005 a wholly owned entity of the Bank (CBA Capital Australia Limited) issued NZD 350 million redeemable preference shares. Each redeemable preference share is a fixed term obligation of CBA Capital Australia Limited paying quarterly cumulative dividends until maturity. The redeemable preference shares:
  - are not guaranteed by the Bank;
  - were issued into the New Zealand capital markets;
  - are subject to New Zealand and New South Wales law; and
  - form part of the Bank's Lower Tier Two capital.
- CBA Capital Australia applied all of the proceeds from the sale of the redeemable preference shares to invest in redeemable preference shares issued by CBA Capital Australia (No 2) Pty Ltd, which in turn invested the proceeds in NZD subordinated notes issued by the Bank's New Zealand branch.
- The Dividend Rate is calculated for each Dividend Period as the sum of the Margin per annum plus the Market Rate per annum multiplied by (1 – Tax Rate). The Margin is 0.75% per annum. The Market Rate is the New Zealand 1 year swap rate. CBA Capital Australia's ability to pay dividends is ultimately dependent upon the ability of the Bank's New Zealand branch to make payments on the NZD subordinated notes, and subject to the directors discretion not to pay or to defer the payment.
- The redeemable preference shares are to be redeemed or repurchased by CBA Capital Australia on 15 April 2015. Subject to APRA approval and the requisite notice, CBA Capital Australia is also entitled to redeem or repurchase the redeemable preference shares earlier on each 15 April until maturity, or if a regulatory or tax event occurs.
- NZD 370 million subordinated notes, issued November 2007, due November 2017.

Notes to the Financial Statements

Note 27 Shareholders' Equity

	Group		Bank	
	2011	2010	2011	2010
	$M	$M	$M	$M
Ordinary Share Capital [1]				
Opening balance	**23,081**	21,642	**23,379**	21,825
Dividend reinvestment plan (net of issue costs) [3]	**511**	1,457	**511**	1,457
Exercise of executive options under employee share ownership schemes	**6**	2	**6**	2
Sale/(purchase) and vesting of treasury shares[2]	**4**	(20)	**-**	95
Closing balance	**23,602**	23,081	**23,896**	23,379
Other Equity Instruments [1]				
Opening balance	**939**	939	**1,895**	1,895
Closing balance	**939**	939	**1,895**	1,895
Retained Profits				
Opening balance	**9,938**	7,825	**7,880**	6,009
Actuarial losses from defined benefit superannuation plans	**(89)**	(64)	**(89)**	(64)
Realised gains and dividend income on treasury shares [1]	**20**	30	**-**	-
Operating profit attributable to Equity holders of the Bank	**6,394**	5,664	**6,480**	5,615
Total available for appropriation	**16,263**	13,455	**14,271**	11,560
Transfers from/(to) general reserve	**270**	197	**-**	-
Transfers from employee compensation reserve	**-**	(93)	**-**	(93)
Interim dividend - cash component	**(1,532)**	(1,067)	**(1,532)**	(1,067)
Interim dividend - dividend reinvestment plan [3]	**(513)**	(774)	**(513)**	(774)
Final dividend - cash component	**(2,633)**	(1,058)	**(2,633)**	(1,058)
Final dividend - dividend reinvestment plan [4]	**-**	(688)	**-**	(688)
Other dividends	**(29)**	(34)	**-**	-
Closing balance	**11,826**	9,938	**9,593**	7,880

(1) Refer Note 28.

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

(3) The declared dividend includes an amount attributable to the DRP of $513 million (Interim 2010/2011), with $511 million issued in ordinary shares due to rounding under the plan rules. The rounding amount will be included in the next DRP allocations.

(4) The DRP in respect of the 2010 final dividend was satisfied in full by an on market purchase and transfer of shares to participating shareholders.

Note 27 Shareholders' Equity (continued)

	Group		Bank	
	2011	2010	2011	2010
Reserves	$M	$M	$M	$M
General Reserve				
Opening balance	**1,248**	1,445	**570**	570
Appropriation (to)/from retained profits	**(270)**	(197)	**-**	-
Closing balance	**978**	1,248	**570**	570
Capital Reserve				
Opening balance	**319**	299	**1,567**	1,550
Revaluation surplus on sale of property	**9**	20	**9**	17
Closing balance	**328**	319	**1,576**	1,567
Asset Revaluation Reserve				
Opening balance	**194**	173	**163**	148
Revaluation of properties	**6**	50	**9**	39
Transfers on sale of properties	**(9)**	(20)	**(9)**	(17)
Tax on revaluation of properties	**-**	(9)	**-**	(7)
Closing balance	**191**	194	**163**	163
Foreign Currency Translation Reserve				
Opening balance	**(553)**	(533)	**(136)**	(70)
Currency translation adjustments of foreign operations	**(559)**	(41)	**(216)**	(63)
Currency translation on net investment hedge	**13**	(4)	**12**	(4)
Transfer to Income Statement on disposal of foreign operations	**-**	26	**-**	-
Tax on translation adjustments	**16**	(2)	**10**	-
Tax on net investment hedge movement	**-**	1	**-**	1
Closing balance	**(1,083)**	(553)	**(330)**	(136)
Cash Flow Hedge Reserve				
Opening balance	**(417)**	(813)	**(312)**	(460)
Gains and losses on cash flow hedging instruments:				
Recognised in equity	**(754)**	(239)	**(748)**	11
Transferred to Income Statement				
Interest income	**(41)**	(864)	**24**	(683)
Interest expense	**810**	1,692	**626**	891
Tax on cash flow hedging instruments	**-**	(193)	**23**	(71)
Closing balance	**(402)**	(417)	**(387)**	(312)
Employee Compensation Reserve				
Opening balance	**125**	-	**125**	-
Current period movement	**10**	125	**10**	125
Closing balance	**135**	125	**135**	125
Available-for-Sale Investments Reserve				
Opening balance	**173**	(55)	**70**	(41)
Net gains and losses on revaluation of available-for-sale investments	**124**	327	**264**	160
Net gains and losses on available-for-sale investments transferred to Income Statement on disposal	**(24)**	(24)	**(24)**	(16)
Net gains and losses on available-for-sale investments transferred to Income Statement for impairment	**-**	2	**-**	-
Tax on available-for-sale investments	**(28)**	(77)	**(73)**	(33)
Closing balance	**245**	173	**237**	70
Total reserves	**392**	1,089	**1,964**	2,047
Shareholders' equity attributable to Equity holders of the Bank	**36,759**	35,047	**37,348**	35,201
Shareholders' equity attributable to non-controlling interests	**528**	523	**-**	-
Total shareholders' equity	**37,287**	35,570	**37,348**	35,201

Notes to the Financial Statements

Note 28 Share Capital

Issued and paid up ordinary capital	Group 2011 $M	Group 2010 $M	Bank 2011 $M	Bank 2010 $M
Ordinary Share Capital				
Opening balance (excluding Treasury Shares deduction)	**23,379**	21,920	**23,379**	21,920
Dividend reinvestment plan: Final dividend prior year (1)	**-**	685	**-**	685
Dividend reinvestment plan: Interim dividend (2)	**511**	772	**511**	772
Exercise of executive options under employee share ownership	**6**	2	**6**	2
Closing balance (excluding Treasury Shares deduction)	**23,896**	23,379	**23,896**	23,379
Less: Treasury Shares (3)	**(294)**	(298)	**-**	-
Closing balance	**23,602**	23,081	**23,896**	23,379

(1) The DRP in respect of the 2010 final dividend was satisfied in full by an on market purchase and transfer of shares to participating shareholders.

(2) The declared dividend includes an amount attributable to the DRP of $513 million (interim 2010/2011), with $511 million issued in ordinary shares due to rounding under the plan rules. The rounding amounts will be included in the next DRP allocations.

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

Number of shares on issue	Group 2011 Shares	Group 2010 Shares	Bank 2011 Shares	Bank 2010 Shares
Opening balance (excluding Treasury Shares deduction)	**1,548,737,374**	1,518,801,069	**1,548,737,374**	1,518,801,069
Dividend reinvestment plan issues:				
2008/2009 Final dividend fully paid ordinary shares $44.48	**-**	15,412,513	**-**	15,412,513
2009/2010 Interim dividend fully paid ordinary shares $53.56	**-**	14,421,452	**-**	14,421,452
2009/2010 Final dividend fully paid ordinary shares $51.75 (1)	**-**	-	**-**	-
2010/2011 Interim dividend fully paid ordinary shares $52.92	**9,682,670**	-	**9,682,670**	-
Exercise of executive options under employee share ownership schemes	**217,200**	102,340	**217,200**	102,340
Closing balance (excluding Treasury Shares deduction)	**1,558,637,244**	1,548,737,374	**1,558,637,244**	1,548,737,374
Less: Treasury Shares	**(6,363,549)**	(6,647,087)	**-**	-
Closing balance	**1,552,273,695**	1,542,090,287	**1,558,637,244**	1,548,737,374

(1) The DRP in respect of the 2010 final dividend was satisfied in full by an on market purchase and transfer of shares to participating shareholders.

Ordinary Share Capital

Ordinary shares have no par value and the company does not have a limited amount of share capital.

Ordinary shares entitle holders to receive dividends payable to ordinary shareholders and to participate in the proceeds available to ordinary shareholders on winding up of the Company in proportion to the number of fully paid ordinary shares held.

On a show of hands every holder of fully paid ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll one vote for each share held.

Other equity instruments	Group 2011	Group 2010	Bank 2011	Bank 2010
	$M	$M	$M	$M
Issued and paid up	**939**	939	**1,895**	1,895
	Shares	Shares	Shares	Shares
Number of shares	**700,000**	700,000	**1,400,000**	1,400,000

Trust Preferred Securities 2006

On 15 March 2006 the Bank issued USD 700 million ($947 million) of trust preferred securities into the U.S. capital markets. These securities offer a non-cumulative fixed rate of distribution of 6.024% per annum payable semi-annually.

These securities qualify as Tier One Capital of the Bank. A related instrument was issued by the Bank to a subsidiary for $956 million and eliminates on consolidation.

Note 28 Share Capital (continued)

Dividends

The Directors have declared a fully franked final dividend of 188 cents per share amounting to $2,930 million. The dividend will be payable on 6 October 2011 to shareholders on the register at 5pm EST on 19 August 2011.

The Board determines the dividends 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 expectation; and
- Earnings per share growth.

Dividends paid since the end of the previous financial year

- A fully franked final dividend of 170 cent per share amounting to $2,633 million was paid on 1 October 2010. This was satisfied by cash disbursements of $2,633 million including the on market purchase and transfer of $679 million of shares to participating shareholders under the DRP; and
- A fully franked interim dividend of 132 cents per share amounting to $2,045 million was paid on 1 April 2011. The payment comprised cash disbursements of $1,532 million with $513 million being reinvested by participants through the DRP.

Dividend Reinvestment Plan

The Bank expects to issue around $733 million of shares in respect of the DRP for the final dividend for the year ended 30 June 2011.

Record date

The register closes for determination of dividend entitlement and for participation in the DRP at 5pm EST on 19 August 2011 at Link Market Services Limited, Locked Bag A14, Sydney South, 1235.

Ex-dividend Date

The ex-dividend date is 15 August 2011.

Note 29 Share Based Payments

The Group operates a number of cash and equity settled share plans as detailed below.

Overview of changes for 2011

The Group introduced two new plans during the year:

- The Employee Share Plan (ESP), used for the mandatory deferral of a portion of senior employees' short term incentives (STI), sign-on incentive and retention awards; and
- The Employee Salary Sacrifice Share Plan (ESSSP), used for voluntary employee equity participation.

These replaced similar previous plans which have been closed to new offers and grandfathered. Awards were made for the first time under the ESP and ESSSP during the 2011 financial year.

Employee Share Acquisition Plan

Under the Employee Share Acquisition Plan (ESAP), eligible employees have the opportunity to receive up to $1,000 worth of shares each year (at no cost to them) if the Group meets the required performance hurdles.

To be eligible for an award each employee must achieve a minimum level of performance and service. The value of the shares an individual receives is determined by the Group's performance against a hurdle. The performance hurdle is growth in annual profit of the greater of 5% or the consumer price index (CPI) change plus 2%, and is subject to Board discretion.

The number of shares a participant receives is calculated by dividing the award amount by the average price paid for Bank shares purchased during the purchase period preceding the grant date. Shares granted are restricted from sale until the earlier of three years or until such time as the participant ceases employment with the Group. Participants receive full dividend entitlements and voting rights attached to those shares. The Group achieved the performance target for 2010 resulting in $1,000 worth of shares being awarded to each eligible employee.

The September 2009 award represents a partial grant of approximately $600 worth of shares to each employee.

The following table provides details of shares granted under the ESAP during the current and previous financial years ended 30 June.

Period	Allocation date	Participants	Number of shares allocated by participant	Total number of shares allocated	Issue price $	Total fair value $
2011	21 Sep 2010	26,023	19	494,437	51.75	25,587,115
2010	11 Sep 2009	24,559	13	319,267	46.79	14,938,502

It is estimated that approximately $26.0 million of ordinary shares will be purchased on-market at the prevailing market price for the 2011 grant.

Note 29 Share Based Payments (continued)

International Employee Share Acquisition Plan

A limited number of employees receive cash-based versions of ESAP under the International Employee Share Acquisition Plan (IESAP). Like the ESAP, eligible employees can receive an award up to $1,000 determined by the Group's performance against a hurdle. The performance hurdle is growth in annual profit of the greater of 5% or the CPI change plus 2%, and is subject to Board discretion. To be eligible for an award each employee must achieve a minimum level of performance and service. Under IESAP participants receive grants of performance units, which are monetary units with a value linked to the Bank's share price. IESAP performance units vest if the participant remains employed by the Group until the vesting date.

On meeting the vesting conditions, a cash payment is made to the participant, the value of which is determined based on the Bank's share price upon vesting.

A total of $0.1 million has been expensed during the year (2010: $0.1 million) in respect of this plan

Employee Share Plan

The Employee Share Plan (ESP) replaced the Equity Participation Plan (EPP) for awards made from 1 July 2010 and facilitates mandatory short term incentive (STI) deferral, sign-on incentives and retention awards.

Under the ESP, shares awarded generally vest if the participant remains in employment of the Group until the vesting date. The Group purchases fully paid ordinary shares and holds these in trust until such time as the vesting conditions are met. ESP shares receive full dividend and voting rights. Participants may direct the Trustee on how the voting rights are to be exercised during the vesting period. Dividends accrue in the trust and are paid to participants upon vesting of the shares. Where a participant does not satisfy the vesting conditions, shares and dividend rights are forfeited.

The following table provides details of outstanding awards of shares under the ESP.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June
2011	-	803,400	(17,679)	(13,453)	772,268

The weighted average fair value at grant date of shares awarded during the year was $52.64 (2010: $nil). A total of $16.2 million has been expensed during the year (2010: $nil) in respect of this plan.

Employee Share (Performance Unit) Plan

A limited number of employees receive awards under a cash-based version of ESP through the Employee Share (Performance Unit) Plan (ESPUP). The ESPUP replaced the Equity Participation (Performance Unit) Plan for awards made from 1 July 2010 and facilitates mandatory STI deferral, sign-on incentives and retention awards. Under ESPUP participants receive grants of performance units, which are monetary units with a value linked to the Bank's share price. Performance units vest if the participant remains employed by the Group until the vesting date.

On meeting the vesting conditions, a cash payment is made to the participant, the value of which is determined based on the Bank's share price upon vesting plus an accrued dividend value.

The following table provides details of outstanding awards of performance units granted under the ESPUP.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June
2011	-	101,548	(4,116)	(1,789)	95,643

The weighted average fair value at grant date of performance units issued during the year was $51.72 (2010: $nil). A total of $1.0 million has been expensed during the year (2010: $nil) in respect of this plan.

Group Employee Rights Plan

The Group Employee Rights Plan (GERP) facilitates the mandatory deferral of STI payments for executives of selected subsidiary companies. Under the GERP, participants receive a right to a share which is subject to vesting conditions. The following table provides details of rights granted under GERP during the current and previous financial years ended 30 June.

Allocation period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June
July 2009 - June 2010	11,542	-	(1,521)	-	10,021
July 2010 - June 2011	-	21,946	(878)	-	21,068
2011	11,542	21,946	(2,399)	-	31,089
2010	-	12,112	(570)	-	11,542

The weighted average fair value at grant date of rights issued during the year was $52.62 (2010: $52.38). A total of $0.6 million has been expensed during the year (2010: $0.2 million) in respect of this plan.

Note 29 Share Based Payments (continued)

Employee Salary Sacrifice Share Plan

Under the Employee Salary Sacrifice Share Plan (ESSSP) Australian-based employees can elect to receive between $2,000 and $5,000 of their fixed remuneration and/or annual STI as Bank shares. The ESSSP replaced the voluntary component of the Equity Participation Plan (EPP) from 1 July 2010. Shares are purchased on-market at the current market price and are restricted from sale for a minimum of two years and a maximum of seven years or earlier, if the employee ceases employment with the Group. Shares receive full dividend entitlements and voting rights.

The following table provides details of shares granted under the ESSSP.

Period	Participants	Number of shares purchased	Average share price $	Total purchase consideration $
2011	132	8,114	51.98	421,766

Equity Participation Plan

The Equity Participation Plan (EPP), which comprised a voluntary and a mandatory component, was replaced in 2010 by two new plans, the Employee Share Plan and Employee Salary Sacrifice Share Plan. The EPP is now closed to new offers.

The voluntary component allowed for the voluntary sacrifice of both fixed remuneration and annual STI. Under this plan shares were purchased on-market at the current market price and restricted for sale for two years or until such time as the employee ceases employment with the Group.

No new awards were made under the voluntary component of the EPP in 2011. The following table provides details of shares granted under the voluntary component of the EPP in the prior year.

Period	Participants	Number of shares purchased	Average share price $	Total purchase consideration $
2010	93	8,267	49.49	409,134

The mandatory component comprises the partial deferral of executives STI payments, together with sign-on and retention awards. Under the mandatory component, shares only vest to participants if they remain in employment of the Group until the vesting date. The Group purchased fully paid ordinary shares and holds these in trust until such time as the vesting conditions are met. Shares receive full dividend and voting rights. Participants may direct the Trustee on how the voting rights are to be exercised during the vesting period. Dividends accrue in the trust and are paid to participants upon vesting of the shares. Where a participant does not satisfy the vesting conditions, shares and dividend rights are forfeited.

The following table provides details of outstanding awards of shares under the mandatory component of EPP.

Allocation period	Outstanding 1 July	Granted	Vested & Released	Forfeited	Outstanding 30 June
July 2001- June 2002	30,471	-	(4,797)	-	25,674
July 2002- June 2003	37,659	-	(10,658)	-	27,001
July 2003- June 2004	46,388	-	(11,036)	-	35,352
July 2004- June 2005 (1)	41,745	-	(11,831)	-	29,914
July 2007- June 2008	417,368	-	(383,568)	(421)	33,379
July 2008- June 2009	756,440	-	(143,610)	(14,961)	597,869
July 2009- June 2010	799,541	-	(73,714)	(28,710)	697,117
Total 2011	2,129,612	-	(639,214)	(44,092)	1,446,306
Total 2010	1,621,283	842,885	(246,859)	(87,697)	2,129,612

(1) No awards were allocated from July 2005 to June 2007

The weighted average fair value at grant date of shares awarded during 2010 was $52.63. A total of $23.6 million has been expensed during the year (2010: $35.7 million).

Note 29 Share Based Payments (continued)

Equity Participation (Performance Unit) Plan

A limited number of employees received cash-based versions of EPP through the Equity Participation (Performance Unit) Plan (EPPUP). The EPPUP was replaced by the ESPUP in 2010. The EPPUP is now closed to new offers.

Under the EPPUP, participants received grants of performance units, which are monetary units with a value linked to the Bank's share price. The EPPUP performance units vest if the participant remains employed by the Group until the vesting date. On meeting the vesting conditions, a cash payment is made to the participant, the value of which is determined based on the Bank's share price upon vesting plus an accrued dividend value.

The following table provides details of outstanding awards of performance units under the EPPUP:

Allocation period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June
July 2007- June 2008	20,684	-	(19,249)	(1,435)	-
July 2008- June 2009	28,191	-	(8,530)	(4,071)	15,590
July 2009 - June 2010	56,875	-	(10,782)	(2,710)	43,383
Total 2011	105,750	-	(38,561)	(8,216)	58,973
Total 2010	52,127	57,276	(3,653)	-	105,750

The average fair value at grant date of performance units issued during 2010 was $52.38. A total of $1.2 million (2010: $1.5 million) has been expensed during the year.

Group Leadership Reward Plan

The Group Leadership Reward Plan (GLRP) is the Group's long term incentive plan for the CEO and Group Executives. The GLRP aims to motivate the efforts of participants to support customer satisfaction and shareholder returns in order to improve long term value and achieve the Group's vision.

Under the GLRP, participants are awarded a maximum number of Reward Rights that may vest at the end of a performance period of up to four years subject to the satisfaction of performance hurdles. Each Reward Right that vests entitles the participant to receive one ordinary Bank share. The Board has discretion to apply a cash equivalent.

Vesting is subject to the satisfaction of certain performance hurdles as follows.

For the award made during the 2010 financial year (FY10 award):

- 50% of the award assessed against Customer Satisfaction compared to a set peer group; and
- 50% of the award assessed against Total Shareholder Return (TSR) compared to a set peer group.

For the award made during the 2011 financial year (FY11 award):

- 25% of the award assessed against Customer Satisfaction compared to a set peer group; and
- 75% of the award assessed against TSR compared to a set peer group.

The Customer Satisfaction peer group consists of the ANZ, NAB, St.George (FY10 award only) and Westpac (for the Group's retail and business banking lines) and other key competitors.

The TSR peer group for both the FY10 and FY11 awards comprises the 20 largest companies listed on the ASX (by market capitalisation) at the beginning of each respective performance period, excluding resources companies and CBA.

Customer satisfaction is determined by the Board with reference to independent external surveys, and TSR is measured independently.

The Board applies a scale when determining the portion of each award to vest at the end of the performance period as follows:

- For the FY10 award, the portion of the award assessed against Customer Satisfaction that will vest is: 100% if CBA is ranked 1st, 75% if CBA is ranked 2nd, and 50% if CBA is ranked 3rd, with no vesting below this level.
- For the FY11 award, the portion of the award assessed against Customer Satisfaction that will vest is: 100% if CBA is ranked 1st across three surveys, 75% if CBA is ranked 1st across two surveys, and 50% if CBA is ranked 2nd across the three surveys. The Board will exercise discretion where CBA's Customer Satisfaction has improved over the performance period, but in a different combination. Where the Board determines that our overall performance is worse at the end of the performance period than at the beginning, none of this portion will vest.

For the portion of the FY10 and FY11 awards assessed against TSR performance, full vesting applies where CBA is ranked in the top quartile of the peer group at the end of the performance period, 50% will vest if CBA is ranked at the median, with vesting on a sliding scale between the median and 75th percentile. No Reward Rights in this part of the award will vest if the Group's TSR is ranked below the median of the peer group. The total number of Reward Rights that vest will be the aggregate of rights that vest against the Customer Satisfaction and the TSR hurdles at the end of the performance period.

For the introductory year (2009), the awards under the GLRP were split into two tranches, with 50% allocated as a transitional three year performance period and 50% allocated with a four year performance period. This transitional award reflects the move from the Group's previous long term incentives arrangements that measured performance over a three year period. The transitional award is subject to the same performance hurdles as the four year award.

Note 29 Share Based Payments (continued)

The following table provides details of outstanding awards of performance rights under the GLRP.

Performance period start date	Performance test date	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June
1 July 2009	30 June 2012	370,297	-	-	-	370,297
1 July 2009	30 June 2013	523,919	-	-	-	523,919
1 July 2010	30 June 2014	-	388,412	-	-	388,412
Total 2011		894,216	388,412	-	-	1,282,628
Total 2010		-	894,216	-	-	894,216

The weighted average fair value at the grant date of all Reward Rights issued during the year was $41.41 per right (2010: $44.12). The fair value of TSR hurdled Reward Rights granted during the period has been independently calculated at grant date using a Monte-Carlo pricing model. The assumptions included in the valuation of the FY11 award includes a risk free interest rate of 5.45%, a nil dividend yield on the Bank's ordinary shares and a volatility in the Bank share price of 30.0%. The fair value for customer satisfaction hurdled Reward Rights granted during the period is the closing price of Bank shares on the grant date.

A total of $11.9 million has been expensed in the current year (2010: $8.0 million) for GLRP.

Group Leadership Share Plan

The Group Leadership Share Plan (GLSP) was the Group's previous long term incentive plan for the CEO and Group Executives for 2008 and 2009, after which it was replaced by the GLRP. Under the GLSP, participants share a pool that vests at the end of a three year performance period subject to satisfaction of performance conditions. The pool for the 2008 financial year award (FY08 award) was 2.2% of the growth in the Group's Profit after Capital Charge (PACC), capped at a maximum pool of $34 million. The pool for 2009 financial year award (FY09 award) was 3.5% of the growth in the Group's PACC, capped at a maximum pool of $36.1 million.

Vesting for each award was subject to the following performance hurdles:

- NPAT growth over the three year performance period being above the average NPAT growth of ANZ, NAB, and Westpac; and
- Customer satisfaction ranking relative to ANZ, NAB, St George and Westpac.

Independent external surveys are used to determine the Group's level of achievement against the customer satisfaction performance hurdle. A ranking is determined by the Board and a vesting scale applied.

The FY08 award reached the end of its performance period on 1 July 2010 and the Board determined that 50% of the FY08 award maximum pool would vest.

Bank shares were provided to participants in relation to the vested awards. The number of shares is determined by the value of the pool that vests at the end of the performance period and the share price at the end of the relevant performance period.

A total of $6.6 million has been expensed in the current year (2010: $13.2 million) for GLSP.

Equity Reward Plan

The Equity Reward Plan (ERP) was the Group's long term incentive plan for executives until it was closed to new offers in July 2006. Under the ERP executives could receive awards of shares or options.

The final ERP award reached the end of its performance period during the 2010 financial year. Vested awards may remain in the ERP for up to 10 years from the date they are granted, and are subject to holding locks during that period.

The following table provides details of outstanding awards of shares under the ERP.

Allocation period	Outstanding 1 July	Granted	Released	Forfeited	Outstanding 30 June
July 2001 - June 2002	5,500	-	-	-	5,500
July 2002 - June 2003	1,650	-	-	-	1,650
July 2003 - June 2004	16,750	-	-	-	16,750
July 2004 - June 2005	15,700	-	(2,200)	-	13,500
July 2005 - June 2006	145,858	-	(113,078)	-	32,780
July 2006 - June 2007	142,210	-	(2,800)	-	139,410
Total 2011	327,668	-	(118,078)	-	209,590
Total 2010	935,290	-	(607,622)	-	327,668

No amount has been expensed in the current year (2010: $6.8 million) for ERP.

Note 29 Share Based Payments (continued)

Details of movements in ERP options are as follows:

Year of grant	Latest exercise date	Exercise price $	Outstanding 1 July	Granted	Exercised	Lapsed	Outstanding and exercisable 30 June
2000	13 Sep 2010	26.97	65,000	-	(65,000)	-	-
2001	3 Sep 2011	30.12	224,100	-	(138,000)	-	86,100
Total 2011			289,100	-	(203,000)	-	86,100
Weighted average exercise price ($)			29.41	-	29.11	-	30.12
Total 2010			381,600	-	(92,500)	-	289,100
Weighted average exercise price ($)			29.42	-	29.44	-	29.41

The weighted average remaining contractual life of outstanding options at 30 June 2011 was 64 days (2010: 349 days).

Non-Executive Directors Share Plan

The Non-Executive Directors Share Plan (NEDSP) facilitates the Non-Executive Directors':

- acquisition of shares using 20% of their post-tax fees, and
- further voluntary fee sacrifice of between $2,000 and $5,000 p.a. on a pre-tax basis.

Shares acquired using after tax fees are restricted for sale for ten years or until such time as the Non-Executive Director retires from the Board if earlier. Shares acquired voluntarily are restricted from sale for a minimum of two years and a maximum of seven years, or earlier if the Non-Executive Director retires from the Board.

Shares are purchased on-market at the prevailing market price at that time, and rank equally for dividends with other Bank ordinary shares.

For the current year, $0.3 million (2010: $0.3 million) was expensed reflecting shares purchased and allocated under the NEDSP.

Period	Total fees applied $	Participants	Number of shares purchased	Average purchase price $
2011	289,606	9	5,404	53.59
2010	290,326	10	5,982	48.53

Executive Option Plan

This plan was discontinued in 2001 with the last grant being made in September 2000.

Under the Executive Option Plan (EOP), the Group granted options to purchase fully paid ordinary shares to key executives. The options granted were a right to acquire a share in the future provided all conditions were met, with an exercise price based on the weighted average share price during a one week period prior to grant date. Options vested only if the performance hurdles were met. The performance hurdles for the September 2000 grant were met in 2004.

The participant could exercise their entitlement in whole or part to receive fully paid up ordinary shares. The exercise price is payable at the time. Options lapse if not exercised prior to the end of their term. The remaining vested options under the EOP were exercised in August 2010.

Details of movements in EOP options during the period were as follows:

Year of grant	Latest exercise date	Exercise price $	Outstanding 1 July	Granted	Exercised	Lapsed	Outstanding and exercisable 30 June
2000	13 Sep 2010	26.97	14,200	-	(14,200)	-	-
Total 2011			14,200	-	(14,200)	-	-
Weighted average exercise price ($)			26.97	-	26.97	-	-
Total 2010			24,400	-	(10,200)	-	14,200
Weighted average exercise price ($)			26.97	-	26.97	-	26.97

The weighted average remaining contractual life of outstanding options at 30 June 2011 was nil (2010: 74 days).

Note 30 Non-Controlling Interests

	Group	
	2011	2010
	$M	$M
Share capital	**528**	523
Total non-controlling interests	**528**	523

The share capital above comprises predominantly New Zealand Perpetual Preference Shares (PPS) - $505 million. On 10 December 2002, ASB Capital Limited, a New Zealand subsidiary, issued NZD 200 million ($182 million) of PPS. The PPS were issued into the New Zealand capital markets and are subject to New Zealand law. Such shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly based on the New Zealand one year swap rate plus a margin of 1.3% and are non-cumulative. The payment of dividends are subject to a number of conditions including the satisfaction of solvency tests and the ability of the Board to cancel payments.

On 22 December 2004, ASB Capital No.2 Ltd, a New Zealand subsidiary, issued NZD 350 million ($323 million) of PPS. The PPS were issued into the New Zealand capital markets and are subject to New Zealand law. Such shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly on the New Zealand one year swap rate plus a margin of 1.0% and are non-cumulative. The payment of dividends are subject to a number of conditions including the satisfaction of solvency tests and the ability of the Board to cancel payments.

ASB Capital Limited and ASB Capital No. 2 Limited have advanced proceeds from the above public issues to ASB Funding Limited, a New Zealand subsidiary. ASB Funding Limited in turn invested the proceeds in perpetual preference shares issued by ASB (ASB PPS), also a New Zealand subsidiary. In relation to ASB Capital No.2 Limited, if an APRA Event occurs, the loan to ASB Funding Limited will be repaid and ASB Capital No. 2 Limited will become the holder of the corresponding ASB PPS.

The PPS may be purchased by a Commonwealth Bank subsidiary exercising a buy-out right five years or more after issue, or on the occurrence of regulatory or tax events.

Notes to the Financial Statements

Note 31 Capital Adequacy

Capital Management

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

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

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

- The insurance and funds management operations; and
- The entities through which securitisation of Group assets are conducted.

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

The tangible component of the investment in the insurance and funds management operations are deducted from capital, 50% from Tier One and 50% from Tier Two.

Capital adequacy is measured by means of a risk based capital ratio. The capital ratios reflect capital (Tier One, Tier Two or Total Capital) as a percentage of total Risk Weighted Assets (RWA). RWA represents an allocation of risks associated with the Group's assets and other related exposures.

The Group actively manages its capital to balance the requirements of various stakeholders (regulators, rating agencies and shareholders). This is achieved by optimising the mix of capital, while maintaining adequate capital ratios throughout the financial year.

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

The Group's capital position is monitored on a continuous basis and reported monthly to the ALCO. Three year capital forecasts are conducted on a quarterly basis and a detailed capital and strategy plan is presented to the Board annually.

The Group's capital ratios throughout the 2010 and 2011 financial years were in compliance with both APRA minimum capital adequacy requirements and the Board Approved minimums.

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

Economic Capital

Economic Capital provides an estimate of capital required to cover the financial impact of unlikely events. The methodology used to calculate Economic Capital is consistent across all material risk types and businesses within the Group and involves:

- Measurement of potential financial impacts over a time period reflecting elimination of the risk under assumed adverse conditions;
- Use of a confidence level aligned with the Group's target debt rating and risk appetite; and
- Aggregation of Economic Capital by individual risk type allowing for diversification benefits.

Economic Capital provides a tool for evaluating which of the Group's products and businesses provide the best return relative to the credit, market, operational, strategic business, insurance and other risks taken in achieving that return.

The Group uses Economic Capital to drive delivery of "shareholder-value-added" (SVA) results. SVA is maximised through the use of two measures of risk-adjusted performance – known as Profit After Capital Charge (PACC) and Return on Target Equity (ROTE) – which are used internally to measure business performance. These measures of profit and return reflect the amount of Economic Capital used in achieving outcomes, and facilitate:

- Pricing of products based on appropriate charges for use of capital; and
- Internal measurement of performance on a risk adjusted basis.

Business Unit segments are required to achieve minimum returns on their allocated Economic Capital equal to a uniform "Cost of Capital" which is set from time to time based on market conditions.

Note 32 Financial Reporting by Segments

The principal activities of the Group are carried out in the below business segments. These segments are based on the types of products and services provided to customers.

The primary sources of revenue are interest and fee income (Retail Banking Services, Institutional Banking and Markets, Business and Private Banking, Bankwest, New Zealand and Other Divisions) and insurance premium and funds management income (Wealth Management, New Zealand and Asia).

Revenues and expenses occurring between segments are subject to transfer pricing arrangements. All intra-group profits are eliminated on consolidation.

Business segments are managed on the basis of net profit after income tax ("cash basis"). Management use "cash basis" to assess performance and it provides the basis for the determination of the Bank's dividends.

(i) Retail Banking Services

Retail Banking Services includes both the origination of home loan, consumer finance and retail deposit products and the sales and servicing of all Retail bank customers. In addition, commission is received for the distribution of business and wealth management products through the retail distribution network.

(ii) 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.

(iii) Institutional Banking and Markets

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

(iv) 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.

(v) 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).

(vi) 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.

(vii) Other

The following parts of the business are included in Other:

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

Notes to the Financial Statements

Note 32 Financial Reporting by Segments (continued)

	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	2011 Total $M
Net interest income	6,209	1,687	1,293	-	840	1,420	1,209	**12,658**
Other banking income	1,299	1,365	1,174	-	286	220	(361)	**3,983**
Total banking income	7,508	3,052	2,467	-	1,126	1,640	848	**16,641**
Funds management income	-	-	-	1,975	40	-	26	**2,041**
Insurance income	-	-	-	625	211	-	20	**856**
Total operating income	7,508	3,052	2,467	2,600	1,377	1,640	894	**19,538**
Investment experience [2]	-	-	-	83	1	-	37	**121**
Total income	7,508	3,052	2,467	2,683	1,378	1,640	931	**19,659**
Operating expenses [3]	(2,903)	(1,335)	(828)	(1,801)	(704)	(869)	(451)	**(8,891)**
Loan impairment expense	(558)	(261)	(324)	-	(54)	(109)	26	**(1,280)**
Net profit before income tax	4,047	1,456	1,315	882	620	662	506	**9,488**
Corporate tax expense	(1,202)	(417)	(311)	(240)	(150)	(199)	(118)	**(2,637)**
Non-controlling interests	-	-	-	-	-	-	(16)	**(16)**
Net profit after tax ("cash basis") [4]	2,845	1,039	1,004	642	470	463	372	**6,835**
Hedging and IFRS volatility	-	-	-	-	(16)	(33)	(216)	**(265)**
Bankwest non-cash items	-	-	-	-	-	(137)	(10)	**(147)**
Other non-cash items	-	-	-	(34)	-	-	5	**(29)**
Net profit after tax ("statutory basis")	2,845	1,039	1,004	608	454	293	151	**6,394**
Additional information								
Intangible asset amortisation	(29)	(58)	(11)	(3)	(26)	(88)	(58)	**(273)**
Depreciation	(10)	(23)	(43)	(4)	(24)	(36)	(200)	**(340)**
Balance Sheet								
Total assets	274,773	82,928	97,138	20,672	50,491	76,828	65,069	**667,899**
Acquisition of property plant and equipment, intangibles and other non-current assets	7	15	138	4	46	45	236	**491**
Investment in associates	71	33	12	765	-	-	831	**1,712**
Total liabilities	168,418	113,288	63,631	19,921	46,493	71,555	147,306	**630,612**

(1) Includes the impact of reclassification of net swap costs within net interest income related to certain economic hedges which do not qualify for hedge accounting of $498 million.

(2) Investment experience is presented on pre-tax basis.

(3) Operating expenses include volume related expenses.

(4) Business segments are measured on a net profit after income tax ("cash basis") which is defined by management as net profit after tax and non-controlling interests before Bankwest significant 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 IFRS volatility. Management use "cash basis" to assess performance and it provides the basis for the determination of the Bank's dividends.

Note 32 Financial Reporting by Segments (continued)

	Retail Banking Services (1) $M	Business and Private Banking (1) $M	Institutional Banking and Markets (1) $M	Wealth Management $M	New Zealand $M	Bankwest (2) $M	Other (1) (2) (3) $M	2010 Total $M
Net interest income	5,696	1,643	1,334	-	716	1,336	1,143	11,868
Other banking income	1,342	1,239	1,257	-	278	233	(237)	4,112
Total banking income	7,038	2,882	2,591	-	994	1,569	906	15,980
Funds management income	-	-	-	1,824	46	-	28	1,898
Insurance income	-	-	-	684	213	-	48	945
Total operating income	7,038	2,882	2,591	2,508	1,253	1,569	982	18,823
Investment experience (4)	-	-	-	183	1	-	52	236
Total income	7,038	2,882	2,591	2,691	1,254	1,569	1,034	19,059
Operating expenses (5)	(2,779)	(1,295)	(830)	(1,706)	(667)	(880)	(444)	(8,601)
Loan impairment expense	(736)	(326)	(249)	-	(100)	(754)	90	(2,075)
Net profit before income tax	3,523	1,261	1,512	985	487	(65)	680	8,383
Corporate tax expense	(1,062)	(363)	(339)	(267)	(99)	20	(156)	(2,266)
Non-controlling interests	-	-	-	-	-	-	(16)	(16)
Net profit after tax ("cash basis") (6)	2,461	898	1,173	718	388	(45)	508	6,101
Hedging and IFRS volatility	-	-	-	-	(26)	(66)	109	17
Bankwest non-cash items	-	-	-	-	-	(203)	(13)	(216)
Tax on NZ structured finance transactions	-	-	-	-	(171)	-	-	(171)
Other non-cash items	-	-	-	(44)	7	-	(30)	(67)
Net profit after tax ("statutory basis")	2,461	898	1,173	674	198	(314)	574	5,664
Additional information								
Intangible asset amortisation	(25)	(71)	(10)	(5)	(27)	(91)	(51)	(280)
Depreciation	(10)	(24)	(46)	(4)	(29)	(34)	(191)	(338)
Balance Sheet								
Total assets	263,639	78,801	94,495	21,689	53,433	74,684	59,589	646,330
Acquisition of property plant and equipment, intangibles and other non-current assets	16	14	39	4	22	43	182	320
Investment in associates	76	26	2	783	-	-	603	1,490
Total liabilities	155,334	103,298	58,898	19,349	49,591	69,868	154,422	610,760

(1) Results have been restated for the impact of business resegmentation.

(2) Net interest income has been restated following the allocation of capital costs to Bankwest which are 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 hedge accounting of $259 million.

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

(5) Operating expenses include volume related expenses.

(6) Business segments are measured on a net profit after income tax (“cash basis”) which is defined by management as net profit after tax and non-controlling interests before Bankwest significant 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 IFRS volatility. Management use “cash basis” to assess performance and it provides the basis for the determination of the Bank's dividends.

Notes to the Financial Statements

Note 32 Financial Reporting by Segments (continued)

Geographical Information	Group Year Ended 30 June					
	2011		2010		2009	
Financial Performance & Position	$M	%	$M	%	$M	%
Revenue						
Australia	**40,733**	**88. 1**	35,906	85. 9	32,498	82. 4
New Zealand	**3,832**	**8. 3**	4,208	10. 1	4,904	12. 4
Other locations (1)	**1,650**	**3. 6**	1,671	4. 0	2,031	5. 2
Total revenue	**46,215**	**100. 0**	41,785	100. 0	39,433	100. 0
Non-Current Assets						
Australia	**12,706**	**92. 9**	12,654	90. 5	11,909	89. 8
New Zealand	**852**	**6. 2**	1,009	7. 2	1,005	7. 6
Other locations (1)	**123**	**0. 9**	315	2. 3	343	2. 6
Total non-current assets	**13,681**	**100. 0**	13,978	100. 0	13,257	100. 0

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

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

Note 33 Life Insurance Business

The following information is provided to disclose the statutory life insurance business transactions contained in the Group Financial Statements and the underlying methods and assumptions used in their calculations.

All financial assets within the life statutory funds have been determined to support either life insurance or life investment contracts. Also refer to Note 1 (ff). The insurance segment result is prepared on a business segment basis.

	Life Insurance Contracts		Life Investment Contracts		Group	
	2011	2010	2011	2010	2011	2010
Summarised income statement	$M	$M	$M	$M	$M	$M
Premium income and related revenue	**1,669**	1,622	**263**	313	**1,932**	1,935
Outward reinsurance premiums expense	**(221)**	(256)	**-**	(3)	**(221)**	(259)
Claims expense	**(1,086)**	(1,118)	**(37)**	(214)	**(1,123)**	(1,332)
Reinsurance recoveries	**222**	243	**-**	-	**222**	243
Investment revenue (excluding investments in subsidiaries):						
Equity securities	**126**	118	**494**	594	**620**	712
Debt securities	**202**	233	**383**	530	**585**	763
Property	**53**	46	**133**	106	**186**	152
Other	**45**	101	**69**	30	**114**	131
(Increase)/decrease in contract liabilities	**3**	54	**(980)**	(939)	**(977)**	(885)
Operating income	**1,013**	1,043	**325**	417	**1,338**	1,460
Acquisition expenses	**(246)**	(215)	**(10)**	(9)	**(256)**	(224)
Maintenance expenses	**(295)**	(269)	**(82)**	(88)	**(377)**	(357)
Management expenses	**(19)**	(9)	**(22)**	(22)	**(41)**	(31)
Other expense	**-**	(28)	**-**	(32)	**-**	(60)
Net profit before income tax	**453**	522	**211**	266	**664**	788
Income tax expense attributable to operating profit	**(158)**	(151)	**(114)**	(118)	**(272)**	(269)
Net profit after income tax	**295**	371	**97**	148	**392**	519

Note 33 Life Insurance Business (continued)

Sources of life insurance net profit	Life Insurance Contracts 2011 $M	Life Insurance Contracts 2010 $M	Life Investment Contracts 2011 $M	Life Investment Contracts 2010 $M	Group 2011 $M	Group 2010 $M
The net profit after income tax is represented by:						
Emergence of planned profit margins	**227**	209	**73**	84	**300**	293
Difference between actual and planned experience	**(18)**	26	**21**	60	**3**	86
Effects of changes to underlying assumptions	**2**	13	**-**	-	**2**	13
Reversal of previously recognised losses or loss recognition on groups of related products	**(1)**	(3)	**-**	-	**(1)**	(3)
Investment earnings on assets in excess of policyholder liabilities	**84**	103	**3**	5	**87**	108
Other movements	**1**	23	**-**	(1)	**1**	22
Net profit after income tax	**295**	371	**97**	148	**392**	519
Life insurance premiums received and receivable	**1,933**	1,624	**697**	961	**2,630**	2,585
Life insurance claims paid and payable	**1,469**	1,197	**2,128**	2,950	**3,597**	4,147

The disclosure of the components of Net profit after income tax are required to be separated between policyholders' and shareholders' interests. As policyholder profits are an expense of the Group and not attributable to shareholders, no such disclosure is required.

Reconciliation of movements in policy liabilities	Life Insurance Contracts 2011 $M	Life Insurance Contracts 2010 $M	Life Investment Contracts 2011 $M	Life Investment Contracts 2010 $M	Group 2011 $M	Group 2010 $M
Contract policy liabilities						
Gross policy liabilities opening balance	**3,181**	3,728	**11,411**	12,328	**14,592**	16,056
Movement in policy liabilities reflected in the Income Statement	**(23)**	(86)	**980**	939	**957**	853
Contract contributions recognised in policy liabilities	**262**	2	**436**	656	**698**	658
Contract withdrawals recognised in policy liabilities	**(242)**	(281)	**(2,231)**	(2,536)	**(2,473)**	(2,817)
Non-cash movements	**(18)**	(181)	**-**	(1)	**(18)**	(182)
FX translation adjustment	**(23)**	(1)	**(81)**	25	**(104)**	24
Gross policy liabilities closing balance	**3,137**	3,181	**10,515**	11,411	**13,652**	14,592
Liabilities ceded under reinsurance						
Opening balance	**(189)**	(219)	**-**	-	**(189)**	(219)
Acquisition of controlled entities	**3**	-	**-**	-	**3**	-
Increase in reinsurance assets	**22**	30	**-**	-	**22**	30
Closing balance	**(164)**	(189)	**-**	-	**(164)**	(189)
Net policy liabilities						
Expected to be realised within 12 months	**511**	408	**1,768**	1,696	**2,279**	2,104
Expected to be realised in more than 12 months	**2,462**	2,584	**8,747**	9,715	**11,209**	12,299
Total net insurance policy liabilities	**2,973**	2,992	**10,515**	11,411	**13,488**	14,403

Notes to the Financial Statements

Note 34 Remuneration of Auditors

During the financial year, the auditor of the Group and the Bank, PricewaterhouseCoopers, and its related practices earned the following remuneration excluding goods and service tax:

	Group		Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
a) Audit and audit related services				
Audit services				
PricewaterhouseCoopers Australian firm	**14,444**	13,807	**9,182**	8,160
Related practices of PricewaterhouseCoopers Australian firm	**3,405**	3,847	**526**	605
Total remuneration for audit services	**17,849**	17,654	**9,708**	8,765
Audit related services				
PricewaterhouseCoopers Australian firm	**4,346**	4,019	**3,968**	3,439
Related practices of PricewaterhouseCoopers Australian firm	**247**	248	**100**	59
Total remuneration for audit related services	**4,593**	4,267	**4,068**	3,498
Total remuneration for audit and audit related services	**22,442**	21,921	**13,776**	12,263
b) Non-audit services				
Taxation services				
PricewaterhouseCoopers Australian firm	**1,420**	1,535	**1,270**	1,520
Related practices of PricewaterhouseCoopers Australian firm	**1,631**	807	**588**	276
Total remuneration for tax related services	**3,051**	2,342	**1,858**	1,796
Other Services				
PricewaterhouseCoopers Australian firm	**3,602**	1,645	**3,517**	1,524
Related practices of PricewaterhouseCoopers Australian firm	**6**	21	**2**	7
Total remuneration for other services	**3,608**	1,666	**3,519**	1,531
Total remuneration for non-audit services (1)	**6,659**	4,008	**5,377**	3,327
Total remuneration for audit and non-audit services (2)	**29,101**	25,929	**19,153**	15,590

(1) The comparative total remuneration for non-audit services has been restated to remove audit related services.

(2) An additional amount of $9,738,612 (2010: $7,867,223) was paid to PricewaterhouseCoopers by way of fees for entities not consolidated into the Financial Statements. Of this amount $8,025,284 (2010: $6,794,440) relates to audit and audit-related services.

The Audit Committee has considered the non-audit services provided by PricewaterhouseCoopers and is satisfied that the services and the level of fees are compatible with maintaining auditors' independence. All such services were approved by the Audit Committee in accordance with pre-approved policies and procedures.

Audit related services principally includes assurance and attestation reviews of the Group's foreign disclosures for overseas investors, services in relation to regulatory requirements, acquisition accounting advice as well as reviews of internal control systems and financial or regulatory information.

Taxation services included assistance and training in relation to tax legislation and developments and other services primarily consisted of project assistance and risk compliance support.

Note 35 Lease Commitments

	Group		Bank	
	2011	2010	2011	2010
	$M	$M	$M	$M
Lease Commitments - Property, Plant and Equipment				
Due within one year	**485**	478	**405**	359
Due after one year but not later than five years	**1,356**	1,295	**1,116**	924
Due after five years	**1,288**	1,003	**791**	494
Total lease commitments - property, plant and equipment	**3,129**	2,776	**2,312**	1,777

Lease Arrangements

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

Lease rentals are determined in accordance with market conditions when leases are entered into or on rental review dates. Further details on the Groups significant operating leases are included in Note 36.

The total expected future sublease payments to be received is $38 million as at 30 June 2011.

Note 36 Contingent Liabilities, Contingent Assets and Commitments

Details of contingent liabilities and off-balance sheet business are given below. The face (contract) value represents the maximum potential amount that could be lost if the counterparty fails to meet its financial obligations.

				Group
	Face Value		Credit Equivalent	
	2011	2010	2011	2010
Credit risk related instruments	$M	$M	$M	$M
Guarantees (1)	**4,462**	3,658	**4,462**	3,364
Standby letters of credit (2)	**931**	817	**931**	809
Bill endorsements (3)	**28**	57	**28**	57
Documentary letters of credit (4)	**50**	71	**46**	70
Performance related contingents (5)	**1,996**	1,240	**1,910**	1,208
Commitments to provide credit (6)	**128,007**	109,420	**112,689**	89,920
Other commitments (7)	**660**	478	**465**	266
Total credit risk related instruments	**136,134**	115,741	**120,531**	95,694

				Bank
	Face Value		Credit Equivalent	
	2011	2010	2011	2010
Credit risk related instruments	$M	$M	$M	$M
Guarantees (1)	**3,719**	2,874	**3,719**	2,581
Standby letters of credit (2)	**766**	637	**766**	630
Bill endorsements (3)	**28**	57	**28**	57
Documentary letters of credit (4)	**26**	46	**26**	46
Performance related contingents (5)	**1,893**	1,233	**1,859**	1,204
Commitments to provide credit (6)	**111,682**	93,881	**105,391**	83,272
Other commitments (7)	**80**	39	**80**	39
Total credit risk related instruments	**118,194**	98,767	**111,869**	87,829

(1) Guarantees are unconditional undertakings given to support the obligations of a customer to third parties.

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

(3) Bills of exchange endorsed by the Group and Bank which represent liabilities in the event of default by the acceptor and the drawer of the bill.

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

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

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

(7) Other commitments include underwriting facilities and commitments with certain drawdowns.

Contingent Credit Liabilities

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

As the Group and Bank will only be required to meet these obligations in the event of default, the cash requirements of these instruments are expected to be considerably less than their face values.

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

Commitments to provide credit include both fixed and variable facilities. Fixed rate or fixed spread commitments extended to customers that allow net settlement of the change in the value of the commitment are written options and are recorded at fair value. Other commitments include the Group's obligations under sale and repurchase agreements, outright forward purchases, forward deposits and underwriting facilities. Other commitments also include obligations not otherwise disclosed above to extend credit, which are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense. In addition, commitments to purchase or sell loans are included in other commitments.

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

Note 36 Contingent Liabilities, Contingent Assets and Commitments (continued)

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

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

Contingent Assets

The credit commitments shown in the table on page 118 also constitute contingent assets. These commitments would be classified as loans and other assets in the balance sheet on the occurrence of the contingent event.

Litigation

The Group is not engaged in any litigation or claim which is likely to have a materially adverse effect on the business, financial condition or operating results of the Group. Where some loss is probable and can be reliably estimated an appropriate provision has been made. In December 2010 ASIC commenced proceedings against the Bank in relation to Storm Financial, a Queensland-based financial planning firm that collapsed, and went into liquidation in March 2009. Currently, ASIC is not seeking that the Bank pay compensation to any person as part of these proceedings. Class action proceedings against the Bank in relation to Storm Financial also continued. At present the size of the class action remains undefined 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 has substantially completed the process of considering individual claims on a case by case basis. The Group believes that appropriate provisions are held to cover the outcomes and costs of the scheme. The Bank is also currently working through recovering losses associated with Storm Financial, and recognises these recoveries once they meet the recognition criteria.

Long Term Contracts

On 26 September 1997, the Bank entered the Information Technology and Telecommunications Services Agreement with EDS (Australia) Pty Ltd (now HP Enterprise Services Australia Pty Ltd). This agreement covers the provision of enterprise processing services and end user computing services until 30 June 2012 and for card services until 1 May 2017.

In 2009, the Bank entered into an Agreement for Lease with Lend Lease Development and Australian Prime Property Fund for Commonwealth Bank Place, a new building in the Sydney CBD comprising over 50,000m^2 of commercial accommodation located above a retail podium. It will accommodate over 6,000 of the Group's employees by early 2012.

In December 2007, the Bank entered into separate agreements with each of Tata Consultancy Services Ltd, HCL Technologies Ltd and IBM Australia Ltd for the provision of application software related services. The term of the agreements expire in December 2012.

In November 2007, the Bank signed a lease agreement with a term of 12 years with DPT Operator Pty Ltd and DPPT Operator Pty Ltd for accommodating approximately 5,000 of the Group's employees at Darling Park Tower 1 at 201 Sussex Street in the Sydney CBD.

In July 2006, the Bank entered into a lease agreement with Colonial First State Property Limited as trustee for both Site 6 and Site 7 Homebush Bay Trust, relating to the provision of accommodation. The development is a campus style multi-building facility at Sydney Olympic Park to accommodate around 3,500 employees. The average lease term is 12 years.

In April 2009, the Group entered into an Agreement to Lease for 12 years (with options to extend) on completion of Raine Square, a new 21 level office tower in Perth that will provide almost 40,000m^2 of office accommodation above three levels of retail space. Once complete, it will accommodate over 3,500 of the Group's Perth based employees. Bankwest has also exercised an extension option on existing premises from November 2009.

In April 2008, the Bank signed agreements with SAP Australia Pty Limited and Accenture Australia Limited for its Core Banking Modernisation programme.

Failure to Settle Risk

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

Capital Commitments

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

Services Agreements

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

Note 36 Contingent Liabilities, Contingent Assets and Commitments (continued)

Collateral accepted as security for assets

The Group takes collateral where it is considered necessary to support both on and off-balance sheet financial instruments. The Group evaluates each customer's credit-worthiness on a case-by-case basis. The amount of collateral taken, if deemed necessary, is based on management's credit evaluation of the counterparty. The Group has the right to sell, repledge, or otherwise use collateral received. No collateral has been repledged or sold. At Balance Sheet date, the carrying value of collateral accepted is as follows:

	Group		Bank	
	2011	2010	2011	2010
	$M	$M	$M	$M
Cash	**1,491**	2,411	**1,463**	2,388
Assets at fair value through Income Statement	**4,114**	2,913	**4,115**	2,913
Available-for-sale investments	**2,400**	540	**1,781**	530
Collateral held	**8,005**	5,864	**7,359**	5,831

Assets pledged

As part of standard terms of transactions with other banks, the Group has provided collateral to secure liabilities. At Balance Sheet date, the carrying value of assets pledged as collateral to secure liabilities is as follows:

	Group		Bank	
	2011	2010	2011	2010
	$M	$M	$M	$M
Cash	**4,024**	2,433	**3,762**	2,085
Assets at fair value through Income Statement (1)	**8,270**	7,891	**4,857**	5,117
Available-for-sale investments (1) (2)	**-**	235	**-**	235
Assets pledged	**12,294**	10,559	**8,619**	7,437
Of which can be repledged or resold by counterparty	**4,063**	5,182	**3,801**	5,100

(1) These balances include assets sold under repurchase agreements. The liabilities related to these repurchase agreements are disclosed in Note 19.

(2) This line includes retail mortgage backed securities issued by consolidated special purpose entities and purchased by the Bank for repurchase with the RBA. Further details are included in Note 12.

Assets Sold Under Repurchase Agreement

Securities sold under agreement to repurchase are retained on the balance sheet when substantially all the risks and rewards of ownership remain with the Group, and the counterparty liability is included separately on the balance sheet when cash consideration is received. At Balance Sheet date, the carrying amounts of such securities and their related liabilities are as follows:

	Group				Bank			
	Carrying Amount		Related Liability		Carrying Amount		Related Liability	
	2011	2010	2011	2010	2011	2010	2011	2010
	$M	$M	$M	$M	$M	$M	$M	$M
Assets at fair value through Income Statement	**4,063**	4,947	**4,063**	4,899	**3,801**	4,865	**3,801**	4,815
Available-for-sale investments	**-**	235	**-**	235	**-**	235	**-**	235
Total	**4,063**	5,182	**4,063**	5,134	**3,801**	5,100	**3,801**	5,050

Note 37 Fiduciary Activities

Certain controlled entities within the Group conduct investment management and other fiduciary activities as responsible entity, trustee, custodian or manager for investment funds and trusts, including superannuation and approved deposit funds, wholesale and retail trusts. Where the Group incurs liabilities in respect of these activities, a right of indemnity exists against the assets of the applicable fund or trust. As these assets are sufficient to cover the liabilities and it is therefore not probable that the Group will be required to settle the liabilities, the liabilities are not included in the financial statements.

The aggregate value of funds as at 30 June, managed for each fiduciary activity but not reported in the Group's Balance Sheet are as follows:

	Group	
	2011	2010
	$M	$M
Funds under administration	**183,128**	172,784
Funds under management	**151,788**	144,298

Note 38 Financial Risk Management

Risk Management

The Group is a major financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. Financial instruments are fundamental to the Group's business and managing financial risks, especially credit risk, is a fundamental part of its business activity.

Governance

Risk governance originates at Board level, and cascades through to the CEO and businesses via Group policies, delegated authorities and regular reviews of outcomes. This ensures Board level oversight and is based on a clear segregation of duties between those who originate and those who approve risk exposures. Independent review of the risk management framework is carried out by Group Audit and Assurance.

The Risk Committee of the Board oversees credit, market (including traded, interest rate risk in the banking book (IRRBB), lease residual values, non-traded equity and structural foreign exchange risks), liquidity and funding, operational, regulatory and compliance, insurance and reputational risks assumed by the Group in the course of carrying on its business. Strategic risks are governed by the full Board with input from the various Board sub-committees. Tax and accounting risks are governed by the Audit Committee.

The main financial risks affecting the Group are discussed in Notes 39 (Credit Risk), 40 (Market Risk), and 41 (Liquidity and Funding Risk).

Risk Management Framework

The Group has in place an integrated risk management framework to identify, assess, manage and report risks and risk-adjusted returns on a consistent and reliable basis.

Accountability for risk management is structured by a "Three Lines of Defence" model as follows:

- Line 1 – Business Management – Risk is best managed at the place it occurs, therefore business managers are responsible for managing the risks for their business. This includes implementing approaches to proactively manage their risk within risk appetite levels, and using risk management outcomes ("the costs of risk") and considerations as part of their day-to-day business making processes;
- Line 2 – Risk Management – Group, Business Unit and Divisional Risk Management units provide risk management expertise and oversight for Business Management risk-taking activities. Risk Management develop specialist policies and procedures for risk management and ensure they are embedded and in use as part of the day-to-day management of the business. Risk Management also establishes and maintains aligned and integrated risk management frameworks and monitors compliance with the frameworks, policies and procedures; and
- Line 3 – Group Audit and Assurance – Group Audit and Assurance provide independent assurance to key stakeholders regarding the adequacy and effectiveness of the Group's system of internal controls, risk management procedures and governance processes. It is responsible for reviewing risk management frameworks and Business Unit practices for risk management and internal controls.

This framework requires each business to manage the outcome of its risk-taking activities and benefit from the resulting risk adjusted returns.

Note 39 Credit Risk

Credit risk is the potential for loss arising from failure of a debtor or counterparty to meet their contractual obligations. It arises primarily from lending activities, the provision of guarantees including letters of credit and commitments to lend, investments in bonds and notes, financial markets transactions, securitisations and other associated activities. In the insurance business, credit risk arises from investment in bonds and notes, loans, and from reliance on reinsurance.

Credit Risk Management Principles and Portfolio Standards

The Risk Committee of the Board operates under a Charter by which it oversees the Group's credit risk management policies and portfolio standards. These are designed to achieve portfolio outcomes that are consistent with the Group's risk/return expectations. The Committee meets at least quarterly, and more often if required.

The Group has clearly defined credit policies for the approval and management of credit risk. Formal credit standards apply to all credit risks, with specific portfolio standards applying to all major lending areas. These incorporate income/repayment capacity, acceptable terms and security and loan documentation tests.

The Group uses a Risk Committee approved diversified portfolio approach for the management of credit risk concentrations comprised of the following:

- A large credit exposures policy, which sets limits for aggregate exposures to individual, commercial and industrial client groups;
- An industry concentrations policy that defines a system of limits for exposures by industry; and
- A system of country limits for managing geographic exposures.

The Group assesses the integrity and ability of debtors or counterparties to meet their contracted financial obligations for repayment. Collateral security, in the form of real estate or a charge over income or assets, is generally taken for business credit except for major government, bank and corporate counterparties that are externally risk-rated and of strong financial standing. Longer term consumer finance (e.g. housing loans) is generally secured against real estate while short term revolving consumer credit is generally not secured by formal collateral.

While the Group applies policies, standards and procedures in governing the credit process, the management of credit risk also relies on the application of judgement and the exercise of good faith and due care of relevant people within their delegated authority.

A centralised exposure management system is used to record all significant credit risks borne by the Group. The credit risk portfolio has two major segments:

(i) Retail Managed

This segment has sub-segments covering housing loan, credit card, personal loan facilities, some leasing products and most secured commercial lending up to $1 million.

Auto-decisioning for the approval of credit risk exposures is used for eligible business and consumer applications. Auto-decisioning uses a scorecard approach whereby the performance of historical applications is supplemented by information from a credit reference bureau and/or from the Group's existing knowledge of a customer's behaviour.

Note 39 Credit Risk (continued)

Where the loan application does not meet scorecard Auto-decisioning requirements then these may be referred to manual decisioning.

After loan origination, these portfolios are managed using behavioural scoring systems and on a delinquency band approach (e.g. actions taken when loan payments are greater than 30 days past due differ from actions when payments are greater than 60 days past due) and are reviewed by the relevant business credit support unit. Commercial lending up to $1 million is reviewed as part of the Group's quality assurance process and overview is provided by the independent Credit Portfolio Assurance unit. Facilities in the Retail segment become classified for remedial management by centralised units based on delinquency band.

(ii) Credit Risk-Rated

This segment comprises commercial exposures, including bank and government exposures. Each exposure with commercial content exceeding $50,000 is assigned an internal Credit Risk Rating (CRR). The CRR is normally assessed by reference to a matrix where the probability of default (PD) and the amount of loss given default (LGD) combine to determine a CRR grade commensurate with expected loss (EL).

For credit risk exposures greater than $1 million or decisioned outside of the scorecard approach, either a PD calculator or expert judgement is used.

Expert judgement is used where the complexity of the transaction and/or the debtor is such that it is inappropriate to rely completely on a statistical model. Ratings by Moody's or Standard and Poor's may be used as inputs into the expert judgement assessment.

The CRR is designed to:

- Aid in assessing changes to the client quality of the Group's credit portfolio;
- Influence decisions on approval, management and pricing of individual credit facilities; and
- Provide the basis for reporting details of the Group's credit portfolio to the Australian Prudential Regulatory Authority.

Credit risk-rated exposures are generally reviewed on an individual basis, at least annually, although small transactions may be managed on a behavioural basis after their initial rating at origination.

Credit risk-rated exposures fall within the following categories:

- "Pass" – Internal CRR of 1-6, or if not individually credit risk-rated, less than 30 days past due. These credit facilities qualify for approval of new or increased exposure on normal commercial terms; and
- "Troublesome or Impaired Assets (TIAs)" - Internal CRR of 7-9 or, if not individually credit risk-rated, 30 days or more past due. These credit facilities are not eligible for new or increased exposure unless it will protect or improve the Group's position by maximising recovery prospects or to facilitate rehabilitation. Where a client is in default but the facility is well secured then the facility may be classed as troublesome but not impaired. Where a client's facility is not well secured and a loss is expected, then a facility is impaired. Facilities that have been restructured are also classified as a sub-set of impaired.

Default is usually consistent with one or more of the following criteria:

- A contractual payment is overdue by 90 days or more;
- An approved overdraft limit has been exceeded for 90 days or more;
- A credit officer becomes aware that the client will not be able to meet future repayments or service alternative acceptable repayment arrangements e.g. the client has been declared bankrupt;
- A credit officer has determined that full recovery of both principal and interest is unlikely without recourse by the Bank to actions such as realising available security. This may be the case even if all the terms of the client's credit facilities are currently being met; and
- A credit obligation is sold at a material credit related economic loss.

The Credit Portfolio Assurance unit, part of Group Audit and Assurance, reviews credit portfolios and receives reports covering business unit compliance with policies, portfolio standards, application of credit risk ratings and other key practices and policies on a regular basis. The Credit Portfolio Assurance unit reports its findings to the Board Audit and Risk Committees as appropriate.

Credit Risk Measurement

The measurement of credit risk uses analytical tools to calculate both (i) expected and (ii) unexpected loss probabilities for the credit portfolio. The use of analytical tools is governed by a Credit Rating Governance Committee that reviews and endorses the use of the tools prior to their implementation to ensure they are sufficiently predictive of risk.

(i) Expected Loss

Expected loss is the product of:

- Probability of default (PD);
- Exposure at default (EAD); and
- Loss given default (LGD).

For credit risk-rated facilities, EL is allocated within CRR bands. All ratings are reviewed at least annually or as specified by the Group Chief Risk Officer.

The PD, expressed as a percentage, is the estimate of the probability that a client will default within the next twelve months. It reflects a client's ability to generate sufficient cash flows into the future to meet the terms of all its credit obligations with the Group. When assessing a client's PD, all relevant and material information is considered. The same PD is applied to all credit facilities provided to a client.

EAD, expressed as a percentage of the facility limit, is the proportion of a facility that may be outstanding in the event of default. For committed facilities such as fully drawn loans and advances this will generally be the higher of the limit or outstanding balance. For uncommitted facilities this will generally be the outstanding balance only.

LGD, expressed as a percentage, is the estimated proportion of a facility likely to be lost in the event of default. LGD is impacted by:

- Type and level of any collateral held;
- Liquidity and volatility of collateral;
- Carrying costs (effectively the costs of providing a facility that is not generating an interest return); and
- Realisation costs (costs of internal workout specialists).

Note 39 Credit Risk (continued)

Various factors are considered when calculating PD, EAD and LGD. Considerations include the potential for default by a borrower due to economic, management, industry and other risks and the mitigating benefits of any collateral.

(ii) Unexpected Loss

In addition to expected loss, a more stressed loss amount is calculated. This unexpected loss estimate directly affects the calculation of regulatory and internal economic capital requirements (refer to Capital Management section and Note 31, for information relating to regulatory and economic capital).

In addition to the credit risk management processes used to manage exposures to credit risk in the credit portfolio, the internal ratings process also assists management in assessing impairment and provisioning of financial assets (refer to Note 14).

Credit Risk Mitigation, Collateral and Other Credit Enhancements

Where it is considered appropriate, the Group has policies and procedures in place setting out the circumstances where acceptable and appropriate collateral is to be taken to mitigate credit risk, including valuation parameters, review frequency and independence of valuation.

The general nature of collateral that may be taken by financial asset classes are summarised below.

Cash and Liquid Assets

With the exception of securities purchased under agreements to resell which are approximately 100% collateralised by highly liquid debt securities, collateral is usually not sought on these balances as exposures are generally considered low risk.

Due from other financial institutions

Collateral is usually not sought on these balances as exposures are generally considered to be of low risk.

Derivative financial assets

Collateralisation arrangements for derivative financial instruments are governed by the International Swaps & Derivatives Association (ISDA) Master Agreement and Credit Support Annex and the Global Master Repurchase Agreement. The ISDA Master Agreement is a close out netting agreement. Other collateral may be sought where prudent, depending on transaction characteristics and credit-worthiness of the counterparty.

Trading assets

These assets are carried at fair value which accounts for the credit risk. Collateral is not generally sought from the issuer or counterparty.

Other financial assets designated at fair value

These assets are carried at fair value which accounts for the credit risk. Credit derivatives have not been used to mitigate the exposure to credit risk. Collateral may be taken on loans and advances and debt securities may include collateralisation terms.

Available for sale securities

Collateral is not generally sought on these securities. However, collateralisation may be implicit in the asset structure.

Loans for consumer purposes

The Group's main collateral types may include: residential mortgages, mortgages over other properties (including commercial and broad acre), or cash (usually in the form of a charge over a deposit). In some instances (for example, credit cards), a client's facilities may not be secured by formal collateral.

Loans for business purposes

The Group's main collateral types may include: residential mortgages, mortgages over other properties (including commercial and broad acre), cash (usually in the form of a charge over a deposit), guarantees by company directors supporting commercial lending, a charge over a company's assets (including debtors, stock and work in progress), or a charge over stock or scrip. In some instances a client's facilities may not be secured by formal collateral.

Life insurance assets

These assets are carried at fair value which accounts for the credit risk. Collateral is not generally sought or provided on these types of assets other than a fixed charge over properties backing Australian mortgage investments.

Due from subsidiaries

Collateral is not generally taken on these balances.

Note 39 Credit Risk (continued)

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements

The below tables detail the concentration of credit exposure assets by significant geographical locations and counterparty types. Disclosures do not take into account collateral held and other credit enhancements.

	Group 2011									
	Sovereign $M	Agri-culture $M	Bank & Other Financial $M	Home Loans $M	Constr-uction $M	Personal $M	Asset Financing $M	Other Comm & Indust. $M	Other $M	Total $M
Australia										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	6,193	-	-	-	-	-	-	6,193
Receivables due from other financial institutions	-	-	5,203	-	-	-	-	-	-	5,203
Assets at fair value through Income Statement:										
Trading	11,129	-	670	-	-	-	-	3,430	-	15,229
Insurance (1)	844	-	8,802	1,069	109	-	-	2,559	-	13,383
Other	-	-	-	-	-	-	-	-	-	-
Derivative assets	143	33	23,055	-	43	-	-	3,669	-	26,943
Available-for-sale investments	14,851	-	6,779	-	-	-	-	17,046	-	38,676
Loans, bills discounted and other receivables (2)	2,212	5,278	9,986	306,250	2,877	17,409	8,328	103,273	-	455,613
Bank acceptances	4	3,071	213	-	528	-	-	6,918	-	10,734
Other assets (3)	83	43	5,171	945	46	7	18	371	13,443	20,127
Total on balance sheet Australia	29,266	8,425	66,072	308,264	3,603	17,416	8,346	137,266	13,443	592,101
Credit risk exposures relating to off balance sheet assets:										
Guarantees	90	29	166	14	550	-	-	3,478	-	4,327
Loan commitments	3,259	967	3,489	54,015	2,897	17,907	-	30,139	-	112,673
Other commitments	41	20	116	259	909	-	-	2,018	-	3,363
Total Australia	32,656	9,441	69,843	362,552	7,959	35,323	8,346	172,901	13,443	712,464
Overseas										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	7,048	-	-	-	-	-	-	7,048
Receivables due from other financial institutions	-	-	5,190	-	-	-	-	-	-	5,190
Assets at fair value through Income Statement:										
Trading	1,961	-	1,201	-	-	-	-	2,078	-	5,240
Insurance (1)	-	-	1,615	-	-	-	-	-	-	1,615
Other	299	5	496	-	-	3	-	21	-	824
Derivative assets	222	-	2,502	-	-	-	-	650	-	3,374
Available-for-sale investments	4,793	-	692	-	-	-	-	1,010	-	6,495
Loans, bills discounted and other receivables (2)	4,603	4,920	6,988	29,591	322	559	1,256	3,489	-	51,728
Bank acceptances	-	-	-	-	-	-	-	-	-	-
Other assets (3)	23	-	247	1	1	-	-	62	1,234	1,568
Total on balance sheet overseas	11,901	4,925	25,979	29,592	323	562	1,256	7,310	1,234	83,082
Credit risk exposures relating to off balance sheet assets:										
Guarantees	-	-	3	-	13	-	-	119	-	135
Loan commitments	4,341	367	289	3,370	154	1,164	-	5,649	-	15,334
Other commitments	31	1	-	-	2	-	-	268	-	302
Total overseas	16,273	5,293	26,271	32,962	492	1,726	1,256	13,346	1,234	98,853
Total gross credit risk	48,929	14,734	96,114	395,514	8,451	37,049	9,602	186,247	14,677	811,317

(1) In most cases the credit risk of insurance assets is borne by policyholders. However, on certain insurance contracts the Group retains exposure to credit risk.

(2) Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income on lease receivables in line with Note 13.

(3) Other assets predominantly comprises assets which do not give rise to credit exposure, including intangible assets, property, plant and equipment, and defined benefit superannuation plan surplus, which are shown in "Other" for the purpose of reconciling to the Balance Sheet.

Notes to the Financial Statements

Note 39 Credit Risk (continued)

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements

	Group At 30 June 2010									
	Sovereign $M	Agri-culture $M	Bank & Other Financial $M	Home Loans $M	Constr-uction $M	Personal $M	Asset Financing $M	Other Comm & Indust. $M	Other $M	Total $M
Australia										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	6,343	-	-	-	-	-	-	6,343
Receivables due from other financial institutions	-	-	5,355	-	-	-	-	-	-	5,355
Assets at fair value through Income Statement:										
Trading	8,618	-	4,931	-	-	-	-	2,511	-	16,060
Insurance (1)	1,478	-	9,148	1,393	101	-	-	2,157	-	14,277
Other	-	-	-	-	-	-	-	-	-	-
Derivative assets	163	35	19,269	-	24	-	-	3,188	-	22,679
Available-for-sale investments	12,588	-	3,661	-	-	-	-	12,015	-	28,264
Loans, bills discounted and other receivables (2)	1,571	5,158	9,221	292,140	3,438	15,979	8,621	108,818	-	444,946
Bank acceptances	5	3,090	263	-	529	-	-	7,682	-	11,569
Other assets (3)	5	39	5,442	4	40	14	13	378	13,630	19,565
Total on balance sheet Australia	24,428	8,322	63,633	293,537	4,132	15,993	8,634	136,749	13,630	569,058
Credit risk exposures relating to off balance sheet assets:										
Guarantees	73	16	236	24	370	-	-	2,791	-	3,510
Loan commitments	1,187	992	3,575	51,995	1,441	17,206	-	22,008	-	98,404
Other commitments	25	26	168	11	357	-	-	1,713	-	2,300
Total Australia	25,713	9,356	67,612	345,567	6,300	33,199	8,634	163,261	13,630	673,272
Overseas										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	3,776	-	-	-	-	-	-	3,776
Receivables due from other financial institutions	-	-	4,717	-	-	-	-	-	-	4,717
Assets at fair value through Income Statement:										
Trading	2,900	-	1,473	-	-	-	-	2,418	-	6,791
Insurance (1)	-	-	1,663	-	-	-	-	-	-	1,663
Other	-	6	584	-	-	3	-	61	-	654
Derivative assets	388	-	3,814	-	-	-	-	808	-	5,010
Available-for-sale investments	674	-	879	-	-	-	-	3,098	-	4,651
Loans, bills discounted and other receivables (2)	1,213	5,450	6,344	31,433	472	822	768	9,821	-	56,323
Bank acceptances	-	-	-	-	-	-	-	-	-	-
Other assets (3)	12	-	95	1	-	-	-	67	1,322	1,497
Total on balance sheet overseas	5,187	5,456	23,345	31,434	472	825	768	16,273	1,322	85,082
Credit risk exposures relating to off balance sheet assets:										
Guarantees	15	-	2	-	38	-	-	93	-	148
Loan commitments	247	469	233	3,366	116	1,109	-	5,476	-	11,016
Other commitments	45	-	-	164	1	-	-	153	-	363
Total overseas	5,494	5,925	23,580	34,964	627	1,934	768	21,995	1,322	96,609
Total gross credit risk	31,207	15,281	91,192	380,531	6,927	35,133	9,402	185,256	14,952	769,881

(1) In most cases the credit risk of insurance assets is borne by policyholders. However, on certain insurance contracts the Group retains exposure to credit risk.

(2) Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income on lease receivables in line with Note 13.

(3) Other assets predominantly comprises assets which do not give rise to credit risk exposure, including intangible assets, property, plant and equipment, and defined benefit superannuation plan surplus, which are shown in "Other" for the purpose of reconciling to the Balance Sheet.

Note 39 Credit Risk (continued)

Large Exposures

Concentrations of exposure to any debtor or counterparty group are controlled by a large credit exposure policy, which defines a graduated limit framework that restricts credit limits based on the internally assessed risk of the client. All exposures outside the policy require approval by the Executive Risk Committee and are reported to the Board Risk Committee.

The following table shows the aggregated number of the Group's Corporate and Industrial counterparty exposures (including direct and contingent exposures) which individually were greater than 5% of the Group's capital resources (Tier One and Tier Two capital):

	Group	
	2011	2010
	Number	Number
5% to less than 10% of the Group's capital resources	-	-
10% to less than 15% of the Group's capital resources	-	-

The Group has a good quality and well diversified credit portfolio, with 60% of the gross loans and other receivables in domestic mortgage loans and a further 6% in overseas mortgage loans primarily in New Zealand. Overseas loans account for 10% of loans and advances.

The Group restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements are primarily used to manage the risk of derivative transactions and off-balance sheet exposures. Balance Sheet assets and liabilities are usually settled on a gross basis.

The credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The offsets obtained by applying master netting arrangements reduced the credit risk of the Group by approximately $10.2 billion as at 30 June 2011 (2010: $9.9 billion).

Derivative financial instruments expose the Group to credit risk where there is a positive current fair value. In the case of credit derivatives, the Group is also exposed to or protected from the risk of default of the underlying entity referenced by the derivative. For further information regarding derivatives see Note 11.

The Group also nets its credit exposure through the operation of certain consumer and corporate facilities that allow on balance sheet netting for credit management purposes. On balance sheet netting reduced the credit risk of the Group by approximately $19 billion as at 30 June 2011 (2010: $16 billion).

Note 39 Credit Risk (continued)

Distribution of Financial Assets by Credit Classification

When doubt arises as to the collectability of a credit facility, the financial instrument is classified and reported as individually impaired. Provisions for impairment are raised where there is objective evidence of impairment and for an amount adequate to cover assessed credit related losses. The Group regularly reviews its financial assets and monitors adherence to contractual terms. Credit risk-rated portfolios are assessed, at least at each Balance Sheet date, to determine whether the financial asset or portfolio of assets is impaired.

The distribution of performing assets, past due assets, impaired assets and individually assessed provisions for impairment by type of financial instrument at 30 June was:

Distribution of Financial Instruments by Credit Quality

							Group 2011
	Neither past due nor impaired $M	Past due but not impaired $M	Impaired non-performing $M	Restructured $M	Gross $M	Individually assessed provisions $M	Net $M
Cash and liquid assets	**13,241**	-	-	-	**13,241**	-	**13,241**
Receivables due from other financial institutions	**10,393**	-	-	-	**10,393**	-	**10,393**
Assets at fair value through Income Statement:							
Trading	**20,469**	-	-	-	**20,469**	-	**20,469**
Insurance	**14,998**	-	-	-	**14,998**	-	**14,998**
Other	**824**	-	-	-	**824**	-	**824**
Derivative assets	**30,248**	-	**69**	-	**30,317**	-	**30,317**
Available-for-sale investments	**45,171**	-	-	-	**45,171**	-	**45,171**
Loans, bills discounted and other receivables:							
Australia	**439,056**	**12,060**	**4,459**	**38**	**455,613**	**(2,031)**	**453,582**
Overseas	**48,808**	**2,267**	**464**	**189**	**51,728**	**(94)**	**51,634**
Bank acceptances	**10,734**	-	-	-	**10,734**	-	**10,734**
Credit related commitments	**136,056**	-	**78**	-	**136,134**	-	**136,134**
	769,998	**14,327**	**5,070**	**227**	**789,622**	**(2,125)**	**787,497**

							Bank 2011
	Neither past due nor impaired $M	Past due but not impaired $M	Impaired non-performing $M	Restructured $M	Gross $M	Individually assessed provisions $M	Net $M
Cash and liquid assets	**10,979**	-	-	-	**10,979**	-	**10,979**
Receivables due from other financial institutions	**10,123**	-	-	-	**10,123**	-	**10,123**
Assets at fair value through Income Statement:							
Trading	**17,765**	-	-	-	**17,765**	-	**17,765**
Insurance	-	-	-	-	-	-	-
Other	**300**	-	-	-	**300**	-	**300**
Derivative assets	**30,663**	-	**68**	-	**30,731**	-	**30,731**
Available-for-sale investments	**75,699**	-	-	-	**75,699**	-	**75,699**
Loans, bills discounted and other receivables:							
Australia	**371,573**	**9,519**	**2,681**	**38**	**383,811**	**(1,050)**	**382,761**
Overseas	**8,410**	**9**	**171**	**3**	**8,593**	**(31)**	**8,562**
Bank acceptances	**10,734**	-	-	-	**10,734**	-	**10,734**
Shares in and loans to controlled entities	**47,357**	-	-	-	**47,357**	-	**47,357**
Credit related commitments	**118,143**	-	**51**	-	**118,194**	-	**118,194**
	701,746	**9,528**	**2,971**	**41**	**714,286**	**(1,081)**	**713,205**

Note 39 Credit Risk (continued)

Distribution of Financial Instruments by Credit Quality

							Group 2010
	Neither past due nor impaired $M	Past due but not impaired $M	Impaired non-performing $M	Restructured $M	Gross $M	Individually assessed provisions $M	Net $M
Cash and liquid assets	10,119	-	-	-	10,119	-	10,119
Receivables due from other financial institutions	10,072	-	-	-	10,072	-	10,072
Assets at fair value through Income Statement:							
Trading	22,851	-	-	-	22,851	-	22,851
Insurance	15,940	-	-	-	15,940	-	15,940
Other	654	-	-	-	654	-	654
Derivative assets	27,603	-	86	-	27,689	-	27,689
Available-for-sale investments	32,914	-	1	-	32,915	-	32,915
Loans, bills discounted and other receivables:							
Australia	428,464	11,861	4,543	78	444,946	(1,915)	443,031
Overseas	53,320	2,513	321	169	56,323	(77)	56,246
Bank acceptances	11,569	-	-	-	11,569	-	11,569
Credit related commitments	115,723	-	18	-	115,741	-	115,741
	729,229	14,374	4,969	247	748,819	(1,992)	746,827

							Bank 2010
	Neither past due nor impaired $M	Past due but not impaired $M	Impaired non-performing $M	Restructured $M	Gross $M	Individually assessed provisions $M	Net $M
Cash and liquid assets	8,711	-	-	-	8,711	-	8,711
Receivables due from other financial institutions	9,766	-	-	-	9,766	-	9,766
Assets at fair value through Income Statement:							
Trading	18,775	-	-	-	18,775	-	18,775
Insurance	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Derivative assets	27,278	-	85	-	27,363	-	27,363
Available-for-sale investments	65,778	-	1	-	65,779	-	65,779
Loans, bills discounted and other receivables:							
Australia	359,891	9,346	2,455	78	371,770	(950)	370,820
Overseas	9,786	5	39	38	9,868	(28)	9,840
Bank acceptances	11,569	-	-	-	11,569	-	11,569
Shares in and loans to controlled entities	49,809	-	-	-	49,809	-	49,809
Credit related commitments	98,749	-	18	-	98,767	-	98,767
	660,112	9,351	2,598	116	672,177	(978)	671,199

Notes to the Financial Statements

Note 39 Credit Risk (continued)

Financial Assets Individually Assessed as Impaired

						Group
			2011			2010
	Gross Impaired Assets $M	Individually Assessed Provisions $M	Net Impaired Assets $M	Gross Impaired Assets $M	Individually Assessed Provisions $M	Net Impaired Assets $M
Australia						
Home loans	**734**	**(202)**	**532**	671	(150)	521
Other personal	**10**	**(11)**	**(1)**	15	(21)	(6)
Asset financing	**85**	**(37)**	**48**	81	(15)	66
Other commercial and industrial	**3,811**	**(1,781)**	**2,030**	3,959	(1,729)	2,230
Financial assets individually assessed as impaired - Australia	**4,640**	**(2,031)**	**2,609**	4,726	(1,915)	2,811
Overseas						
Home loans	**177**	**(25)**	**152**	165	(12)	153
Personal	**1**	**-**	**1**	4	-	4
Asset financing	**-**	**-**	**-**	-	-	-
Other commercial and industrial	**479**	**(69)**	**410**	321	(65)	256
Financial assets individually assessed as impaired - overseas	**657**	**(94)**	**563**	490	(77)	413
Total financial assets individually assessed as impaired	**5,297**	**(2,125)**	**3,172**	5,216	(1,992)	3,224

						Bank
			2011			2010
	Gross Impaired Assets $M	Individually Assessed Provisions $M	Net Impaired Assets $M	Gross Impaired Assets $M	Individually Assessed Provisions $M	Net Impaired Assets $M
Australia						
Home loans	**639**	**(157)**	**482**	559	(107)	452
Other personal	**7**	**(9)**	**(2)**	11	(18)	(7)
Asset financing	**54**	**(34)**	**20**	47	(6)	41
Other commercial and industrial	**2,135**	**(850)**	**1,285**	2,020	(819)	1,201
Financial assets individually assessed as impaired - Australia	**2,835**	**(1,050)**	**1,785**	2,637	(950)	1,687
Overseas						
Home loans	**-**	**-**	**-**	14	-	14
Personal	**-**	**-**	**-**	-	-	-
Asset financing	**-**	**-**	**-**	-	-	-
Other commercial and industrial	**177**	**(31)**	**146**	63	(28)	35
Financial assets individually assessed as impaired - overseas	**177**	**(31)**	**146**	77	(28)	49
Total financial assets individually assessed as impaired	**3,012**	**(1,081)**	**1,931**	2,714	(978)	1,736

Note 39 Credit Risk (continued)

Distribution of Loans, Bills Discounted and Other Receivables by Impairment Status

The table below segregates the loans, bills discounted and other receivables into neither past due nor impaired, past due but not impaired and impaired. An asset is considered to be past due when any payment under the contractual terms has been missed. The amount included as past due is the entire contractual balance, rather than the overdue portion.

The split in the tables below does not reflect the basis by which the Group manages credit risk.

	Group		Bank	
	2011	2010	2011	2010
Distribution of loans by credit quality	$M	$M	$M	$M
Gross loans				
Australia				
Neither past due nor impaired	**439,056**	428,464	**371,573**	359,891
Past due but not impaired	**12,060**	11,861	**9,519**	9,346
Impaired	**4,497**	4,621	**2,719**	2,533
Total Australia	**455,613**	444,946	**383,811**	371,770
Overseas				
Neither past due nor impaired	**48,808**	53,320	**8,410**	9,786
Past due but not impaired	**2,267**	2,513	**9**	5
Impaired	**653**	490	**174**	77
Total overseas	**51,728**	56,323	**8,593**	9,868
Total gross loans	**507,341**	501,269	**392,404**	381,638

Note 39 Credit Risk (continued)

Credit Quality of Loans, Bills Discounted and Other Receivables Neither Past Due nor Impaired

For the analysis below, financial assets that are neither past due nor impaired have been segmented into investment, pass and weak classifications. This segmentation of loans in retail and risk-rated portfolios is based on the mapping of a customer's internally assessed PD to Standard and Poor's ratings, reflecting a client's ability to meet their credit obligations. In particular, retail PD pools have been aligned to the Group's PD grades which are consistent with rating agency views of credit quality segmentation.

Investment grade is representative of lower assessed default probabilities with other classifications reflecting progressively higher default risk. No consideration is given to LGD, the impact of any recoveries or the potential benefit of mortgage insurance.

Loans which were neither past due nor impaired

					Group 2011
Credit grading	Home Loans $M	Personal $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
Australia					
Investment	**193,991**	**2,991**	**499**	**70,012**	**267,493**
Pass	**90,989**	**11,539**	**7,462**	**42,826**	**152,816**
Weak	**11,730**	**1,798**	**155**	**5,064**	**18,747**
Total Australia	**296,710**	**16,328**	**8,116**	**117,902**	**439,056**
Overseas (1)					
Investment	**3,266**	**63**	**282**	**13,546**	**17,157**
Pass	**23,914**	**268**	**911**	**5,728**	**30,821**
Weak	**428**	**11**	**15**	**376**	**830**
Total overseas	**27,608**	**342**	**1,208**	**19,650**	**48,808**
Total loans which were neither past due nor impaired	**324,318**	**16,670**	**9,324**	**137,552**	**487,864**

					Group 2010
Credit grading	Home Loans $M	Personal $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
Australia					
Investment	179,505	2,211	592	63,390	245,698
Pass	96,543	10,081	7,541	51,279	165,444
Weak	7,312	2,440	241	7,329	17,322
Total Australia	283,360	14,732	8,374	121,998	428,464
Overseas (1)					
Investment	23,194	86	386	12,692	36,358
Pass	4,821	488	345	8,847	14,501
Weak	1,272	-	-	1,189	2,461
Total overseas	29,287	574	731	22,728	53,320
Total loans which were neither past due nor impaired	**312,647**	**15,306**	**9,105**	**144,726**	**481,784**

(1) For New Zealand Housing Loans, PDs reflect Reserve Bank of New Zealand requirements resulting in higher PDs on average and lower grading.

Note 39 Credit Risk (continued)

Loans which were neither past due nor impaired

Credit grading	Home Loans $M	Personal $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
					Bank 2011
Australia					
Investment	**160,399**	**2,611**	**385**	**67,222**	**230,617**
Pass	**80,944**	**10,608**	**6,811**	**28,536**	**126,899**
Weak	**10,272**	**1,479**	**143**	**2,163**	**14,057**
Total Australia	**251,615**	**14,698**	**7,339**	**97,921**	**371,573**
Overseas					
Investment	**-**	**-**	**282**	**7,008**	**7,290**
Pass	**365**	**19**	**62**	**672**	**1,118**
Weak	**-**	**-**	**2**	**-**	**2**
Total overseas	**365**	**19**	**346**	**7,680**	**8,410**
Total loans which were neither past due nor impaired	**251,980**	**14,717**	**7,685**	**105,601**	**379,983**

Credit grading	Home Loans $M	Personal $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
					Bank 2010
Australia					
Investment	151,753	1,967	407	60,975	215,102
Pass	83,687	9,098	6,377	35,162	134,324
Weak	5,994	2,092	201	2,178	10,465
Total Australia	241,434	13,157	6,985	98,315	359,891
Overseas					
Investment	-	-	372	7,280	7,652
Pass	348	141	34	1,514	2,037
Weak	25	-	-	72	97
Total overseas	373	141	406	8,866	9,786
Total loans which were neither past due nor impaired	241,807	13,298	7,391	107,181	369,677

Note 39 Credit Risk (continued)

Age Analysis of Loans, Bills Discounted and Other Receivables That Are Past Due But Not Impaired

For the purposes of this analysis an asset is considered to be past due when any payment under the contractual terms has been missed.

Loans may be classed as Performing (that is, not impaired) even though contractual payments are past due where: (i) the Group has not ascertained a doubt as to whether full amounts due will be received in a timely manner; (ii) if facilities are well secured; or (iii) where matured facilities are in the process of renegotiation and remain otherwise performing.

It has not been practicable to determine the fair value of collateral held against these assets.

					Group 2011
Loans which were past due but not impaired [1]	Home Loans $M	Personal [2] $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
Australia					
Past due 1 - 29 days	**3,309**	**586**	**50**	**1,276**	**5,221**
Past due 30 - 59 days	**1,708**	**171**	**21**	**218**	**2,118**
Past due 60 - 89 days	**951**	**110**	**16**	**152**	**1,229**
Past due 90 - 179 days	**1,373**	**191**	**23**	**177**	**1,764**
Past due 180 days or more	**1,473**	**23**	**17**	**215**	**1,728**
Total Australia	**8,814**	**1,081**	**127**	**2,038**	**12,060**
Overseas					
Past due 1 - 29 days	**1,266**	**163**	**37**	**143**	**1,609**
Past due 30 - 59 days	**244**	**22**	**8**	**8**	**282**
Past due 60 - 89 days	**94**	**11**	**2**	**3**	**110**
Past due 90 - 179 days	**121**	**13**	**2**	**16**	**152**
Past due 180 days or more	**80**	**5**	**-**	**29**	**114**
Total overseas	**1,805**	**214**	**49**	**199**	**2,267**
Total loans which were past due but not impaired	**10,619**	**1,295**	**176**	**2,237**	**14,327**

					Group 2010
Loans which were past due but not impaired [1]	Home Loans $M	Personal [2] $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
Australia					
Past due 1 - 29 days	3,454	708	94	1,404	5,660
Past due 30 - 59 days	1,634	188	36	232	2,090
Past due 60 - 89 days	772	111	18	172	1,073
Past due 90 - 179 days	1,152	189	12	206	1,559
Past due 180 days or more	1,265	33	12	169	1,479
Total Australia	8,277	1,229	172	2,183	11,861
Overseas					
Past due 1 - 29 days	1,360	187	24	169	1,740
Past due 30 - 59 days	247	26	7	17	297
Past due 60 - 89 days	123	10	2	29	164
Past due 90 - 179 days	132	13	3	20	168
Past due 180 days or more	118	10	1	15	144
Total overseas	1,980	246	37	250	2,513
Total loans which were past due but not impaired	10,257	1,475	209	2,433	14,374

(1) Collateral held against past due Home Loans receivables comprises residential and other real estate with an estimated fair value of at least the amounts shown. Personal receivables are generally unsecured. It has not been practicable to determine the fair value of collateral held against past due Asset Financing and Other Commercial and Industrial receivables.

(2) Personal loans, credit cards and other personal financing balances are generally unsecured and written off at 180 days past due unless agreements have been made with the debtor.

Note 39 Credit Risk (continued)

Loans which were past due but not impaired [1]	Home Loans $M	Personal [2] $M	Asset Financing $M	Other Commercial and Industrial $M	Bank 2011 Total $M
Australia					
Past due 1 - 29 days	**2,668**	**510**	**36**	**621**	**3,835**
Past due 30 - 59 days	**1,449**	**149**	**16**	**132**	**1,746**
Past due 60 - 89 days	**796**	**99**	**13**	**84**	**992**
Past due 90 - 179 days	**1,195**	**172**	**19**	**93**	**1,479**
Past due 180 days or more	**1,324**	**23**	**16**	**104**	**1,467**
Total Australia	**7,432**	**953**	**100**	**1,034**	**9,519**
Overseas					
Past due 1 - 29 days	**7**	**-**	**-**	**-**	**7**
Past due 30 - 59 days	**1**	**-**	**-**	**-**	**1**
Past due 60 - 89 days	**-**	**-**	**-**	**-**	**-**
Past due 90 - 179 days	**1**	**-**	**-**	**-**	**1**
Past due 180 days or more	**-**	**-**	**-**	**-**	**-**
Total overseas	**9**	**-**	**-**	**-**	**9**
Total loans which were past due but not impaired	**7,441**	**953**	**100**	**1,034**	**9,528**

Loans which were past due but not impaired [1]	Home Loans $M	Personal [2] $M	Asset Financing $M	Other Commercial and Industrial $M	Bank 2010 Total $M
Australia					
Past due 1 - 29 days	2,945	623	51	597	4,216
Past due 30 - 59 days	1,433	166	20	154	1,773
Past due 60 - 89 days	648	99	12	70	829
Past due 90 - 179 days	978	172	3	118	1,271
Past due 180 days or more	1,141	33	10	73	1,257
Total Australia	7,145	1,093	96	1,012	9,346
Overseas					
Past due 1 - 29 days	4	-	-	-	4
Past due 30 - 59 days	1	-	-	-	1
Past due 60 - 89 days	-	-	-	-	-
Past due 90 - 179 days	-	-	-	-	-
Past due 180 days or more	-	-	-	-	-
Total overseas	5	-	-	-	5
Total loans which were past due but not impaired	7,150	1,093	96	1,012	9,351

(1) Collateral held against past due Housing Loans receivables comprises residential and other real estate with an estimated fair value of at least the amounts shown. Other personal receivables are generally unsecured. It has not been practicable to determine the fair value of collateral held against past due Asset Financing and Other Commercial/ Industrial receivables.

(2) Personal loans, credit cards and other personal financing balances are generally unsecured and written off at 180 days past due unless agreements have been made with the debtor.

Notes to the Financial Statements

Note 39 Credit Risk (continued)

Impaired Assets by Classification

Assets in credit risk-rated portfolios are assessed for objective evidence that the financial asset or portfolio of assets is impaired. Impaired assets in the retail segment are those facilities that are not well secured and are past due 180 days or more.

Impaired assets are split into the following categories according to APRA's prudential standards:

- Non-Performing Facilities;
- Restructured Facilities; and
- Assets Acquired Through Security Enforcement.

Non-performing facilities are facilities against which an individually assessed provision for impairment has been raised and facilities where loss of principal or interest is anticipated.

Restructured facilities are facilities where the original contractual terms have been modified due to financial difficulties of the borrower. Interest on these facilities is taken to the Income Statement. Failure to comply fully with the modified terms will result in immediate reclassification to non-performing.

Assets acquired through security enforcement include:

- Other Real Estate Owned, comprising real estate where the Group assumed ownership or foreclosed in settlement of a debt; and
- Other Assets Acquired Through Securities Enforcement, comprising assets other than real estate where the Group assumed ownership or foreclosed in settlement of a debt.

Assets acquired through security enforcement are sold through the Group's existing disposal processes. These are generally expected to take no longer than six months.

The Group does not manage credit risk based solely on arrears categorisation, but also uses credit risk rating principles as described earlier in this note.

					Group
	2011	2010	2009	2008	2007
	$M	$M	$M	$M	$M
Australia					
Non-Performing assets:					
Gross balances	**4,602**	4,648	3,514	620	398
Less provisions for impairment	**(2,031)**	(1,915)	(1,560)	(248)	(86)
Net non-performing assets	**2,571**	2,733	1,954	372	312
Restructured assets:					
Gross balances	**38**	78	119	-	-
Less provisions for impairment	**-**	-	-	-	-
Net restructured assets	**38**	78	119	-	-
Assets Acquired Through Security Enforcement:					
Gross balances	**-**	-	-	-	-
Less provisions for impairment	**-**	-	-	-	-
Net assets acquired through security enforcement	**-**	-	-	-	-
Net Australia impaired assets	**2,609**	2,811	2,073	372	312
Overseas					
Non-Performing assets:					
Gross balances	**468**	321	407	63	23
Less provisions for impairment	**(94)**	(77)	(169)	(31)	(14)
Net non-performing assets	**374**	244	238	32	9
Restructured assets:					
Gross balances	**189**	169	170	-	-
Less provisions for impairment	**-**	-	-	-	-
Net restructured assets	**189**	169	170	-	-
Assets Acquired Through Security Enforcement:					
Gross balances	**-**	-	-	-	-
Less provisions for impairment	**-**	-	-	-	-
Net assets acquired through security enforcement	**-**	-	-	-	-
Net overseas impaired assets	**563**	413	408	32	9
Total net impaired assets	**3,172**	3,224	2,481	404	321

Note 39 Credit Risk (continued)

						Group
	Australia	Overseas	Total	Australia	Overseas	Total
	2011	2011	2011	2010	2010	2010
Impaired assets by size	$M	$M	$M	$M	$M	$M
Less than $1 million	**747**	**41**	**788**	692	40	732
$1 million to $10 million	**1,415**	**129**	**1,544**	1,425	148	1,573
Greater than $10 million	**2,478**	**487**	**2,965**	2,609	302	2,911
Total	**4,640**	**657**	**5,297**	4,726	490	5,216

					Group
	2011	2010	2009	2008	2007
Movement in gross impaired assets	$M	$M	$M	$M	$M
Gross impaired assets - opening balance	**5,216**	4,210	683	421	326
Acquisitions	**-**	-	770	-	-
New and increased	**4,619**	5,455	4,374	1,104	928
Balances written off	**(1,798)**	(1,904)	(1,056)	(470)	(482)
Returned to performing or repaid	**(2,740)**	(2,545)	(561)	(372)	(351)
Gross impaired assets - closing balance	**5,297**	5,216	4,210	683	421

Notes to the Financial Statements

Note 39 Credit Risk (continued)

Impaired Loans by Industry and Status

							Group 2011
Industry	Loans $M	Gross Impaired Loans $M	Individually Assessed Provisions $M	Net Impaired Loans $M	Write-offs $M	Recoveries $M	Net Write-offs $M
Australia							
Sovereign	**2,212**	**-**	**-**	**-**	**-**	**-**	**-**
Agriculture	**5,278**	**191**	**(87)**	**104**	**10**	**-**	**10**
Bank and other financial	**9,986**	**387**	**(254)**	**133**	**107**	**(3)**	**104**
Home loans	**306,250**	**734**	**(202)**	**532**	**84**	**(43)**	**41**
Construction	**2,877**	**233**	**(133)**	**100**	**89**	**-**	**89**
Personal	**17,409**	**10**	**(11)**	**(1)**	**567**	**(134)**	**433**
Asset Financing	**8,328**	**85**	**(37)**	**48**	**26**	**(2)**	**24**
Other commercial and industrial	**103,273**	**2,857**	**(1,307)**	**1,550**	**989**	**(17)**	**972**
Total Australia	**455,613**	**4,497**	**(2,031)**	**2,466**	**1,872**	**(199)**	**1,673**
Overseas							
Sovereign	**4,603**	**-**	**-**	**-**	**-**	**-**	**-**
Agriculture	**4,920**	**123**	**(11)**	**112**	**17**	**-**	**17**
Bank and other financial	**6,988**	**59**	**(1)**	**58**	**1**	**-**	**1**
Home loans	**29,591**	**177**	**(25)**	**152**	**26**	**-**	**26**
Construction	**322**	**-**	**-**	**-**	**1**	**-**	**1**
Personal	**559**	**1**	**-**	**1**	**22**	**(7)**	**15**
Asset Financing	**1,256**	**-**	**-**	**-**	**-**	**-**	**-**
Other commercial and industrial	**3,489**	**293**	**(57)**	**236**	**36**	**-**	**36**
Total overseas	**51,728**	**653**	**(94)**	**559**	**103**	**(7)**	**96**
Gross balances	**507,341**	**5,150**	**(2,125)**	**3,025**	**1,975**	**(206)**	**1,769**

							Group 2010
Industry	Loans $M	Gross Impaired Loans $M	Individually Assessed Provisions $M	Net Impaired Loans $M	Write-offs $M	Recoveries $M	Net Write-offs $M
Australia							
Sovereign	1,571	-	-	-	-	-	-
Agriculture	5,158	222	(75)	147	10	-	10
Bank and other financial	9,221	414	(254)	160	383	-	383
Home Loans	292,140	671	(150)	521	95	(3)	92
Construction	3,438	271	(132)	139	72	-	72
Personal	15,979	15	(21)	(6)	651	(59)	592
Asset Financing	8,621	81	(15)	66	72	(3)	69
Other commercial and industrial	108,818	2,947	(1,268)	1,679	604	(5)	599
Total Australia	444,946	4,621	(1,915)	2,706	1,887	(70)	1,817
Overseas							
Sovereign	1,213	-	-	-	-	-	-
Agriculture	5,450	193	(15)	178	7	-	7
Bank and other financial	6,344	4	(1)	3	50	-	50
Home Loans	31,433	165	(12)	153	25	-	25
Construction	472	-	-	-	-	-	-
Personal	822	4	-	4	18	(6)	12
Asset Financing	768	-	-	-	-	-	-
Other commercial and industrial	9,821	124	(49)	75	86	(1)	85
Total overseas	56,323	490	(77)	413	186	(7)	179
Gross balances	501,269	5,111	(1,992)	3,119	2,073	(77)	1,996

Note 40 Market Risk

Market Risk

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

For the purposes of market risk management, the Group makes a distinction between Traded and Non-Traded Market Risks. Traded Market Risks principally arise from the Group's trading book activities within the Institutional Banking and Markets business, ASB and Bankwest.

The predominant Non-Traded Market Risk is Interest Rate Risk in the Banking Book (IRRBB). Other Non-Traded Market Risks are liquidity risk, funding risk, structural foreign exchange risk arising from capital investments in offshore operations, Non-Traded Equity Risk, market risk arising from the insurance business and lease residual value risk.

The Group's assessment of regulatory capital required under the new Basel II framework is discussed in Note 31. Liquidity and funding risks are discussed in Note 41.

Market Risk Measurement

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. The VaR measured for Traded Market Risk uses two years of daily market movements. The VaR measure for Non-Traded Banking Book Market Risk is based on six years of daily market movement history.

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 IRRBB, insurance business market risk and Non-Traded Equity Risk.

The stress events considered for Traded Market Risk are extreme but plausible market movements, and have been back-tested against moves seen during 2008 and 2009 at the height of the GFC. The results are reported to the Risk Committee and the Group ALCO on a regular basis. Stress tests also include a range of forward looking macro scenario stresses.

It should be noted that because VaR is driven by actual historical observations, it is not an estimate of the maximum loss that the Group could experience from an extreme market event. As a result of this limitation, management also uses stress testing to measure the potential for economic loss at significantly higher confidence levels than 97.5%. Management then uses the results in decisions made to manage the economic impact of market risk positions.

The following table provides a summary of VaR, across the Group, for those market risk types where it is appropriate to use this measure.

Total Market Risk VaR (1 day 97.5% confidence)	Average [(2)] June 2011 $M	As at June 2011 $M	Average [(2)] June 2010 $M	As at June 2010 $M
Traded Market Risk	**12.0**	**10.2**	12.2	13.7
Non-Traded Interest Rate Risk [(1)]	**28.3**	**32.6**	22.0	40.8
Non-Traded Equity Risk [(1)]	**23.0**	**15.0**	34.8	31.5
Non-Traded Insurance Market Risk [(1)]	**10.3**	**9.6**	7.1	8.5

(1) The risk on these exposures has been represented in this table using a 1 day holding period. In practice however, these 'non-traded' exposures are managed to a longer expected holding period.

(2) Average VaR calculated for each twelve month period.

Traded Market Risk

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

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

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

The Group maintains access to markets by quoting bid and offer prices with other market makers and carries an inventory of treasury, capital market and risk management instruments, including a broad range of securities and derivatives.

The Group is a participant in all major markets across foreign exchange and interest rate products, debt, equity and commodities products as required to provide treasury, capital markets and risk management services to institutional, corporate, middle market and retail customers.

Income is earned from spreads achieved through market making and from taking market risk. Trading positions are valued at fair value and taken to profit and loss on a mark-to-market basis. Market liquidity risk is controlled by concentrating trading activity in highly liquid markets.

Trading assets at fair value through the Income Statement are in Note 10. Trading liabilities at fair value through the Income Statement are in Note 21. Note 2 details the income contribution of trading activities to the income of the Group.

The Group measures and manages Traded Market Risk through a combination of VaR and stress test limits, together with other key controls including permitted instruments, sensitivity limits and term restrictions. Thus Traded Market Risk is managed under a clearly defined risk appetite within the market risk policy and limit structure approved by the Risk Committee of the Board. Risk is monitored by an independent Market Risk Management function.

Note 40 Market Risk (continued)

The following table provides a summary of VaR for the trading book of the Group. The VaR for ASB and Bankwest is shown separately; all other data relates to the Group and is split by risk type.

Traded Market Risk VaR (1 day 97.5% confidence)	Average [1] June 2011 $M	As at June 2011 $M	Average [1] June 2010 $M	As at June 2010 $M
Interest rate risk	**5.5**	**2.8**	4.3	5.6
Exchange rate risk	**1.9**	**1.7**	1.6	3.1
Implied volatility risk	**2.0**	**1.0**	1.5	1.9
Equities risk	**1.3**	**1.9**	1.6	1.5
Commodities risk	**1.2**	**1.3**	0.8	0.7
Credit spread risk	**3.3**	**2.8**	4.3	3.6
Diversification benefit	**(8.1)**	**(6.9)**	(7.3)	(8.3)
Total general market risk	**7.1**	**4.6**	6.8	8.1
Undiversified risk	**3.3**	**4.3**	3.6	3.6
ASB Bank	**1.5**	**1.2**	1.6	1.9
Bankwest	**0.1**	**0.1**	0.2	0.1
Total	**12.0**	**10.2**	12.2	13.7

(1) Average VaR calculated for each twelve month period.

Non-Traded Market Risk

Non-traded market risk activities are governed by the Group market risk framework approved by the Risk Committee. The Group market risk framework governs all the activities performed in relation to Non-Traded Market Risk. Implementation of the policy, procedures and limits for the Group is the responsibility of the Group Executive undertaking activities with Non-Traded Market Risk. The Group's Risk division performs risk measurement and monitoring activities of Non-Traded Market Risk. Ownership and management responsibility for CBA domestic operations are assumed by Group Treasury. Management actions conventionally include hedging activities using a range of policy approved derivative instruments. Independent management of the Non-Traded Market Risk activities of offshore banking subsidiaries is delegated to the CEO of each entity, with oversight by the local ALCO. Senior management oversight is provided by the Group's ALCO.

Interest Rate Risk in the Banking Book

Interest rate risk is the current and prospective impact to the Group's financial condition due to adverse changes in interest rates to which the Group's Balance Sheet is exposed. Maturity transformation activities of the Group result in mismatched assets and liabilities positions which direct that the propensity, timing and quantum of interest rate movements have undesired outcomes over both the short term and long term. The Group's objective is to manage interest rate risk to achieve stable and sustainable net interest income in the long term.

The Group measures and manages the impact of interest rate risk in two ways:

(a) Next 12 months' earnings

Interest rate risk from an earnings perspective is the impact based on changes to the net interest income over the next 12 months.

The risk to net interest income over the next 12 months from changes in interest rates is measured on a monthly basis. Earnings risk is measured through sensitivity analysis, which applies an instantaneous 100 basis point parallel shock (increase) in interest rates across the yield curve.

The prospective change to the net interest income is measured by using an Asset/Liability Management simulation model which incorporates both existing and anticipated new business in its assessment. The change in the balance sheet product mix, growth, funding and pricing strategies is incorporated. Assets and liabilities that reprice directly from observable market rates are measured based on the full extent of the rate shock that is applied.

Products that are priced based on Group administered or discretionary interest rates and that are impacted by customer behaviour are measured by taking into consideration the historic repricing strategy of the Bank and repricing behaviours of customers. In addition to considering how the products have repriced in the past the expected change in price based on both the current and anticipated competitive market forces are also considered in the sensitivity analyses.

The figures in the following table represent the potential unfavourable change to the Group's net interest earnings during the year based on a 100 basis point parallel rate shock (decrease).

Net Interest Earnings at Risk		June 2011 $M	June 2010 $M
Average monthly exposure	AUD	**162.9**	186.6
	NZD	**9.3**	5.6
High monthly exposure	AUD	**241.2**	299.9
	NZD	**26.1**	12.6
Low monthly exposure	AUD	**74.3**	72.1
	NZD	**1.1**	1.5
As at balance date	AUD	**175.6**	162.9
	NZD	**26.1**	12.6

(b) Economic Value

Interest rate risk from the economic value perspective is based on a 20 day 97.5% VaR measure.

Measuring the change in the economic value of equity is an assessment of the long term impact to the earnings potential of the Group present valued to the current date. The Group assesses the potential change in its economic value of equity through the application of the VaR methodology. A 20 day 97.5% VaR measure is used to capture the net economic value impact over the long term or total life of all balance sheet assets and liabilities to adverse changes in interest rates. The impact of customer prepayments on the contractual cash flows for fixed rate products is included in the calculation. Cash flows for discretionary priced products are behaviourally adjusted and repriced at the resultant profile.

The figures in the following table represent the net present value of the expected change in the Group's future earnings in all future periods for the remaining term of all existing assets and liabilities.

Non-Traded Interest Rate VaR (20 day 97.5% confidence) [2]	Average [1] June 2011 $M	Average [1] June 2010 $M
AUD Interest rate risk	**126.7**	74.4
NZD Interest rate risk [3]	**1.7**	2.5

(1) Average VaR calculated for each twelve month period.
(2) VaR is only for entities that have material risk exposure.
(3) ASB data (expressed in NZD) is for the month-end date.

Note 40 Market Risk (continued)

Non-Traded Equity Risk

The Group retains Non-Traded Equity Risk through strategic investments and business development activities in divisions including IB&M, and Wealth Management. This activity is subject to governance arrangements approved by the Risk Committee of the Board, and is monitored on a centralised basis within the Market Risk Management (MRM) function. An indicative VaR measure is as follows:

Non-Traded Equity VaR (20 day 97.5% confidence)	As at June 2011 $M	As at June 2010 $M
VaR	**67.0**	140.0

Market Risk in Insurance Businesses

Modest in the broader Group context, a significant component of Non-Traded Market Risk activities result from the holding of assets related to the Life Insurance businesses. There are two main sources of market risk in these businesses: (i) market risk arising from guarantees made to policyholders; and (ii) market risk arising from the investment of Shareholders' capital.

A second order market risk also arises for the Group from assets held for investment linked policies. On this type of contract the policyholder takes the risk of falls in the market value of the assets. However, falls in market value also impact funds under management and reduce the fee income collected for this class of business.

Guarantees (to Policyholders)

All financial assets within the Life Insurance Statutory Funds directly support either the Group's life insurance or life investment contracts. Market risk arises for the Group on contracts where the liabilities to policyholders are guaranteed by the Group. The Group manages this risk by the monthly monitoring and rebalancing of assets to contract liabilities. However, for some contracts the ability to match asset characteristics with policy obligations is constrained by a number of factors including regulatory requirements or the lack of investments that substantially align cash flows with the cash payments to be made to policyholders.

Shareholders' Capital

A portion of financial assets held within the Insurance business, both within the Statutory Funds and in the Shareholder Funds of the Life Insurance company represents shareholder (Group) capital. Market risk also arises for the Group on the investment of this capital. Shareholders' funds in the Australian Life Insurance businesses are invested 81% in income assets (cash and fixed interest) and 19% in growth assets (shares and property) as at 30 June 2011.

A 20 day 97.5% VaR measure is used to capture the Non-Traded Market Risk exposures.

Non-Traded VaR in Australian Life Insurance Business (20 day 97.5% confidence)	Average (1) June 2011 $M	Average (1) June 2010 $M
Shareholder funds (2)	**27.3**	25.3
Guarantees (to Policyholders) (3)	**43.7**	23.6

(1) Average VaR calculated for each twelve month period.

(2) VaR in relation to the investment of shareholder funds.

(3) VaR in relation to product portfolios where the Group has a guaranteed liability to policyholders.

Further information on the Life Insurance Business can be found in Note 33.

Structural Foreign Exchange Risk

Structural Foreign Exchange Risk is the risk that movements in foreign exchange rates may have an adverse effect on the Group's Australian dollar earnings and economic value when the Group's foreign currency denominated earnings and capital are translated into Australian dollars. The Group's only material exposure to this risk arises from its New Zealand banking and insurance subsidiaries. This risk is managed in accordance with the following Risk Committee of the Board approved principles:

- Permanently deployed capital in a foreign jurisdiction is not hedged; and
- Forecast earnings from the Group's New Zealand banking and insurance subsidiaries are hedged.

The management of structural foreign exchange risk is regularly reported to the Group's ALCO.

Lease Residual Value Risk

The Group takes Lease Residual Value Risk on assets such as industrial, mining, rail, aircraft, marine technology, healthcare and other equipment. A lease residual value guarantee exposes the business to the movement in second-hand asset prices. The Lease Residual Value Risk within the Group is controlled through a risk management framework approved by the Risk Committee of the Board. Supporting this framework is an internal Market Risk Standard document which has a risk limit framework which includes asset, geographic and maturity concentration limits and stress testing which is performed by the MRM function.

Officer Superannuation Fund

The Officers Superannuation Fund (OSF) is the staff superannuation fund for the Group's Australian employees and former employees. Wealth Risk Management and Human Resources manage the risks of the OSF on behalf of the Group. Regular reporting is provided to senior management via the CBA Asset and Liability Committee and the Board Risk Committee on the status of the surplus, risk sensitivities and risk management options. For further information on the OSF, refer to Note 42.

Note 41 Liquidity and Funding Risk

Overview

The Group's liquidity and funding policies are designed to ensure it will meet its obligations as and when they fall due, by ensuring it is able to borrow funds on an unsecured basis, or has sufficient quality assets to borrow against on a secured basis, or has sufficient quality liquid assets to sell to raise immediate funds without adversely affecting the Group's net asset value.

The Group's funding policies and risk management framework are designed to complement the Group's liquidity policies by providing for an optimal liability structure to finance the Group's businesses. The long-term stability and security of the Group's funding is also designed to protect its liquidity position in the event of a crisis specific to the Group.

The Group's liquidity policies are designed to ensure it maintains sufficient cash balances and liquid asset holdings to meet its obligations to customers, in both ordinary market conditions and during periods of extreme stress. These policies are intended to protect the value of the Group's operations across its Retail Banking Services, Business and Private Banking, Institutional Banking and Markets, Wealth Management, Bankwest, and Asian businesses, during periods of unfavourable market conditions.

The Group's funding policies are designed to achieve diversified sources of funding by product, term, maturity date, investor type, investor location, jurisdiction, currency and concentration, on a cost effective basis. This objective applies to the Group's wholesale and retail funding activities.

The Risk Management Framework for Liquidity and Funding

The Group's liquidity and funding policies are approved by the Board and agreed with APRA. The Group has an Asset and Liability Committee whose charter includes reviewing the management of assets and liabilities, reviewing liquidity and funding policies and strategies, as well as regularly monitoring compliance with those policies across the Group. The Group Treasury division manages the Group's liquidity and funding positions in accordance with the Group's liquidity policy, including monitoring and satisfying the liquidity needs of the Group and its subsidiaries.

Larger domestic subsidiaries, such as Bankwest and subsidiaries within the Colonial Group, also apply their own liquidity and funding methods to address their specific needs. The Group's New Zealand banking subsidiary, ASB manages its own domestic liquidity and funding needs in accordance with its own liquidity policies and the policies of the Group. ASB's liquidity policy is also overseen by the RBNZ. The Group also has a relatively small banking subsidiary in Indonesia that manages its own liquidity and funding on a similar basis.

The Group's Financial Services and Risk Management divisions provide prudential oversight of the Group's liquidity and funding risk and manage the Group's relationship with prudential regulators.

Liquidity and Funding Policies and Management

The Group's liquidity and funding policies provide that:

- Balance sheet assets that cannot be liquidated quickly are funded with deposits or term borrowings that meet minimum maturity requirements 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 undrawn lending obligations being drawn by customers, as calculated based on draw down estimates and forecasts;
- 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 RBA at any time. The second category is AAA and A-1+ rated Australian residential mortgage backed securities that meet certain minimum requirements; and
- Offshore branches and subsidiaries adhere to liquidity policies and hold appropriate foreign currency liquid assets as required. All securities are eligible for repurchase by the relevant local central bank at any time.

The Group's key liquidity tools include:

- A liquidity management model similar to a "cash flow ladder" or "maturity gap analysis", that allows forecasting of liquidity needs on a daily basis;
- An additional liquidity management model that implements the agreed prudential liquidity policies. This model is calibrated with a series of "worst case" liquidity crisis scenarios, incorporating both systemic and "name" crisis assumptions, such that the Group will have sufficient liquid assets available to ensure it meets all 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 programmes are supplemented by the Interbank Deposit Agreement between the four major Australian banks. This agreement is similar to a standby liquidity facility that allows the Group to access funding in various crisis circumstances.

Note 41 Liquidity and Funding Risk (continued)

The Group's key funding tools include:

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

At 30 June 2011 virtually all of the Group's Australian dollar liquid assets qualified for repurchase by the RBA at any time.

Recent Market Environment

The incremental cost of wholesale funding has been generally stable over the last financial year but remains high. The Group has managed its debt portfolio to avoid concentrations such as dependence on single sources of funding, by type or by investor, and has continued to maintain a diversified funding base and significant funding capacity in the domestic and global unsecured and secured debt markets.

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

Details of the Group's regulatory capital position and capital management activities are disclosed in Note 31.

Note 41 Liquidity and Funding Risk (continued)

Maturity Analysis of Monetary Liabilities

Amounts shown in the tables below are based on contractual undiscounted cash flows for the remaining contractual maturities.

	Group						
	Maturity Period as at 30 June 2011						
	At Call $M	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Specified $M	Total $M
Monetary liabilities							
Deposits and other public borrowings (1)	**190,378**	**128,159**	**70,577**	**16,821**	**525**	**-**	**406,460**
Payables due to other financial institutions	**2,650**	**13,038**	**241**	**1**	**-**	**-**	**15,930**
Liabilities at fair value through Income Statement	**-**	**5,498**	**1,032**	**3,044**	**1,023**	**-**	**10,597**
Derivative liabilities (2) (3)	**-**	**34,984**	**5,014**	**11,030**	**1,549**	**-**	**52,577**
Bank acceptances	**-**	**10,632**	**102**	**-**	**-**	**-**	**10,734**
Insurance policy liabilities	**-**	**-**	**-**	**-**	**-**	**13,652**	**13,652**
Debt issues and loan capital	**-**	**28,841**	**27,688**	**63,446**	**35,695**	**-**	**155,670**
Managed funds units on issue	**-**	**-**	**-**	**-**	**-**	**1,048**	**1,048**
Other monetary liabilities	**95**	**4,617**	**1,997**	**371**	**-**	**284**	**7,364**
Total monetary liabilities	**193,123**	**225,769**	**106,651**	**94,713**	**38,792**	**14,984**	**674,032**
Guarantees (4)	**-**	**4,462**	**-**	**-**	**-**	**-**	**4,462**
Loan commitments (4)	**-**	**128,007**	**-**	**-**	**-**	**-**	**128,007**
Other commitments (4)	**-**	**3,665**	**-**	**-**	**-**	**-**	**3,665**
Total off balance sheet items	**-**	**136,134**	**-**	**-**	**-**	**-**	**136,134**
Total monetary liabilities and off balance sheet items	**193,123**	**361,903**	**106,651**	**94,713**	**38,792**	**14,984**	**810,166**

(1) Includes deposits that are contractually at call customer savings and cheque accounts. Historical experience is that such accounts provide a stable source of long term funding for the Group.

(2) Gross payable amounts on cross currency swaps have been reported in derivative liabilities. The Group has corresponding receivables on these cross currency swaps that have not been reported, in accordance with the requirements of AASB 7 'Financial Instruments: Disclosures'. The terms of the cross currency swap agreements entered into by the Group allow for net settlement in the event of certain specific circumstances including default of the counterparties.

(3) All trading derivatives are included in the 0 to 3 months maturity band.

(4) All off balance sheet items are included in the 0 to 3 month maturity band to reflect their earliest possible maturity.

	Group						
	Maturity Period as at 30 June 2010						
	At Call $M	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Specified $M	Total $M
Monetary liabilities							
Deposits and other public borrowings (1)	180,302	123,073	58,414	17,420	384	-	379,593
Payables due to other financial institutions	3,618	7,571	1,376	68	-	-	12,633
Liabilities at fair value through Income Statement	-	6,528	4,671	3,212	1,644	-	16,055
Derivative liabilities (2) (3)	-	25,906	536	2,426	3,733	-	32,601
Bank acceptances	-	11,360	209	-	-	-	11,569
Insurance policy liabilities	-	-	-	-	-	14,592	14,592
Debt issues and loan capital	-	29,071	25,561	75,895	36,089	-	166,616
Managed funds units on issue	-	-	-	-	-	880	880
Other monetary liabilities	157	3,938	2,229	345	-	405	7,074
Total monetary liabilities	184,077	207,447	92,996	99,366	41,850	15,877	641,613
Guarantees (4)	-	3,658	-	-	-	-	3,658
Loan commitments (4)	-	109,420	-	-	-	-	109,420
Other commitments (4)	-	2,663	-	-	-	-	2,663
Total off balance sheet items	-	115,741	-	-	-	-	115,741
Total monetary liabilities and off balance sheet items	184,077	323,188	92,996	99,366	41,850	15,877	757,354

(1) Includes deposits that are contractually at call customer savings and cheque accounts. Historical experience is that such accounts provide a stable source of long term funding for the Group.

(2) Gross payable amounts on cross currency swaps have been reported in derivative liabilities. The Group has corresponding receivables on these cross currency swaps that have not been reported, in accordance with the requirements of AASB 7 Financial Instruments Disclosures. The terms of the cross currency swap agreements entered into by the Group allow for net settlement in the event of certain specific circumstances including default of the counterparties.

(3) All trading derivatives are included in the 0 to 3 months maturity band.

(4) All off balance sheet items are included in the 0 to 3 month maturity band to reflect their earliest possible maturity.

Note 41 Liquidity and Funding Risk **(continued)**

Amounts shown in the tables below are based on contractual undiscounted cash flows for the remaining contractual maturities.

Bank Maturity Period as at 30 June 2011	At Call $M	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Specified $M	Total $M
Monetary liabilities							
Deposits and other public borrowings [1]	**161,863**	**103,335**	**56,774**	**15,042**	**543**	**-**	**337,557**
Payables due to other financial institutions	**2,453**	**13,021**	**241**	**1**	**-**	**-**	**15,716**
Liabilities at fair value through Income Statement	**-**	**280**	**353**	**2,922**	**1,416**	**-**	**4,971**
Derivative liabilities [2] [3]	**-**	**32,822**	**2,174**	**10,331**	**1,388**	**-**	**46,715**
Bank acceptances	**-**	**10,632**	**102**	**-**	**-**	**-**	**10,734**
Debt issues and loan capital	**-**	**21,890**	**21,517**	**51,364**	**32,350**	**-**	**127,121**
Due to controlled entities	**2,938**	**2,834**	**2,034**	**6,156**	**38,392**	**-**	**52,354**
Other monetary liabilities	**62**	**3,531**	**3,401**	**71**	**-**	**2**	**7,067**
Total monetary liabilities	**167,316**	**188,345**	**86,596**	**85,887**	**74,089**	**2**	**602,235**
Guarantees [4]	**-**	**3,719**	**-**	**-**	**-**	**-**	**3,719**
Loan commitments [4]	**-**	**111,682**	**-**	**-**	**-**	**-**	**111,682**
Other commitments [4]	**-**	**2,793**	**-**	**-**	**-**	**-**	**2,793**
Total off balance sheet items	**-**	**118,194**	**-**	**-**	**-**	**-**	**118,194**
Total monetary liabilities and off balance sheet items	**167,316**	**306,539**	**86,596**	**85,887**	**74,089**	**2**	**720,429**

(1) Includes deposits that are contractually at call customer savings and cheque accounts. Historical experience is that such accounts provide a stable source of long term funding for the Bank.

(2) Gross payable amounts on cross currency swaps have been reported in derivative liabilities. The Bank has corresponding receivables on these cross currency swaps that have not been reported, in accordance with the requirements of AASB 7 Financial Instruments Disclosures. The terms of the cross currency swap agreements entered into by the Bank allow for net settlement in the event of certain specific circumstances including default of the counterparties.

(3) All trading derivatives are included in the 0 to 3 months maturity band.

(4) All off balance sheet items are included in the 0 to 3 month maturity band to reflect their earliest possible maturity.

Bank Maturity Period as at 30 June 2010	At Call $M	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Specified $M	Total $M
Monetary liabilities							
Deposits and other public borrowings [1]	153,635	96,454	45,622	16,074	376	-	312,161
Payables due to other financial institutions	3,448	7,555	1,376	68	-	-	12,447
Liabilities at fair value through Income Statement	-	163	732	2,808	1,797	-	5,500
Derivative liabilities [2] [3]	-	23,689	297	544	3,733	-	28,263
Bank acceptances	-	11,360	209	-	-	-	11,569
Debt issues and loan capital	-	20,655	22,736	61,535	34,947	-	139,873
Due to controlled entities	3,558	4,979	1,624	5,205	37,045	-	52,411
Other monetary liabilities	-	2,497	3,923	2,180	-	227	8,827
Total monetary liabilities	160,641	167,352	76,519	88,414	77,898	227	571,051
Guarantees [4]	-	2,874	-	-	-	-	2,874
Loan commitments [4]	-	93,881	-	-	-	-	93,881
Other commitments [4]	-	2,012	-	-	-	-	2,012
Total off balance sheet items	-	98,767	-	-	-	-	98,767
Total monetary liabilities and off balance sheet items	160,641	266,119	76,519	88,414	77,898	227	669,818

(1) Includes deposits that are contractually at call customer savings and cheque accounts. Historical experience is that such accounts provide a stable source of long term funding for the Bank.

(2) Gross payable amounts on cross currency swaps have been reported in derivative liabilities. The Bank has corresponding receivables on these cross currency swaps that have not been reported, in accordance with the requirements of AASB 7 'Financial Instruments Disclosures'. The terms of the cross currency swap agreements entered into by the Bank allow for net settlement in the event of certain specific circumstances including default of the counterparties.

(3) All trading derivatives are included in the 0 to 3 months maturity band.

(4) All off balance sheet items are included in the 0 to 3 month maturity band to reflect their earliest possible maturity.

Note 42 Retirement Benefit Obligations

Name of Plan	Type	Form of Benefit	Date of Last Actuarial Assessment of the Fund
Officers' Superannuation Fund (OSF)	Defined Benefits [1] and Accumulation	Indexed pension and lump sum	30 June 2009
Commonwealth Bank of Australia (UK) Staff Benefits Scheme (CBA (UK) SBS)	Defined Benefits [1] and Accumulation	Indexed pension and lump sum	30 June 2010

(1) The defined benefit formulae are generally comprised of final superannuation salary, or final average superannuation salary, and service.

Contributions

Entities of the Group contribute to the plans listed in the above table in accordance with the Trust Deeds following the receipt of actuarial advice.

With the exception of contributions corresponding to salary sacrifice benefits, the Bank ceased contributions to the OSF from 8 July 1994. Further, the Bank ceased contributions to the OSF relating to salary sacrifice benefits from 1 July 1997.

An actuarial assessment of the OSF, as at 30 June 2009, was completed during the year ended 30 June 2010. The Bank will continue to monitor the need to make contributions to the OSF including the advice provided in the next actuarial assessment of the OSF as at 30 June 2012.

An actuarial assessment of the CBA(UK)SBS, as at 30 June 2010 confirmed a deficit of GBP 68 million ($102 million at the 30 June 2011 exchange rate). Following from this assessment, the Bank agreed to contribute at the fund actuary's recommended contribution rates. These rates included amounts to finance future accruals of defined benefits estimated at $3 million per annum (at the 30 June 2011 exchange rate) and additional contributions of GBP 15 million per annum ($22 million per annum at the 30 June 2011 exchange rate) payable over 5 years to finance the fund deficit.

Note 42 Retirement Benefit Obligations (continued)

Defined Benefit Superannuation Plans

The amounts reported in the Balance Sheet are reconciled as follows:

	OSF		CBA(UK)SBS		Total	
	2011	2010	2011	2010	2011	2010
	$M	$M	$M	$M	$M	$M
Present value of funded obligations	**(3,493)**	(3,332)	**(356)**	(377)	**(3,849)**	(3,709)
Fair value of plan assets	**3,569**	3,648	**273**	295	**3,842**	3,943
Total pension assets as at 30 June	**76**	316	**(83)**	(82)	**(7)**	234
Amounts in the Balance Sheet:						
Liabilities (Note 25)	**-**	-	**(83)**	(82)	**(83)**	(82)
Assets (Note 17)	**76**	316	**-**	-	**76**	316
Net assets/(liabilities)	**76**	316	**(83)**	(82)	**(7)**	234
The amounts recognised in the Income Statement are as follows:						
Current service cost	**(53)**	(43)	**(2)**	(3)	**(55)**	(46)
Interest cost	**(158)**	(160)	**(13)**	(20)	**(171)**	(180)
Expected return on plan assets	**262**	276	**17**	15	**279**	291
Employer financed benefits within accumulation division	**(190)**	(168)	**-**	-	**(190)**	(168)
Total included in defined benefit superannuation plan expense	**(139)**	(95)	**2**	(8)	**(137)**	(103)
Actual return on plan assets	**338**	391	**30**	33	**368**	424
Changes in the present value of the defined benefit obligation are as follows:						
Opening defined benefit obligation	**(3,332)**	(3,118)	**(377)**	(394)	**(3,709)**	(3,512)
Current service cost	**(46)**	(36)	**(2)**	(3)	**(48)**	(39)
Interest cost	**(158)**	(160)	**(13)**	(20)	**(171)**	(180)
Member contributions	**(10)**	(10)	**-**	-	**(10)**	(10)
Actuarial (losses)/gains	**(177)**	(199)	**(31)**	(25)	**(208)**	(224)
Benefits paid	**230**	191	**12**	13	**242**	204
Exchange differences on foreign plans	**-**	-	**55**	52	**55**	52
Closing defined benefits obligation	**(3,493)**	(3,332)	**(356)**	(377)	**(3,849)**	(3,709)
Changes in the fair value of plan assets are as follows:						
Opening fair value of plan assets	**3,648**	3,613	**295**	308	**3,943**	3,921
Expected return	**262**	276	**17**	15	**279**	291
Experience gains	**76**	115	**13**	18	**89**	133
Total contributions	**10**	10	**7**	9	**17**	19
Exchange differences on foreign plans	**-**	-	**(47)**	(42)	**(47)**	(42)
Benefits and expenses paid	**(237)**	(198)	**(12)**	(13)	**(249)**	(211)
Employer financed benefits within accumulation division	**(190)**	(168)	**-**	-	**(190)**	(168)
Closing fair value of plan assets	**3,569**	3,648	**273**	295	**3,842**	3,943

Notes to the Financial Statements

Note 42 Retirement Benefit Obligations (continued)

	OSF				
	2011	2010	2009	2008	2007
	$M	$M	$M	$M	$M
Present value of funded obligations	**(3,493)**	(3,332)	(3,118)	(2,892)	(3,094)
Fair value of plan assets	**3,569**	3,648	3,613	4,428	4,907
Total assets	**76**	316	495	1,536	1,813
Experience adjustments on plan liabilities	**(6)**	77	(120)	134	31
Experience adjustments on plan assets	**76**	115	(829)	(520)	282
(Losses)/gains from changes in actuarial assumptions	**(171)**	(276)	(84)	92	259
Total net actuarial (losses)/gains	**(101)**	(84)	(1,033)	(294)	572

	CBA(UK)SBS				
	2011	2010	2009	2008	2007
	$M	$M	$M	$M	$M
Present value of funded obligations	**(356)**	(377)	(394)	(386)	(401)
Fair value of plan assets	**273**	295	308	321	372
Total liabilities	**(83)**	(82)	(86)	(65)	(29)
Experience adjustments on plan liabilities	**(14)**	19	2	6	(3)
Experience adjustments on plan assets	**13**	18	(26)	(21)	(2)
(Losses)/Gains from changes in actuarial assumptions	**(17)**	(44)	-	(32)	25
Total net actuarial (losses)/gains	**(18)**	(7)	(24)	(47)	20

	Total				
	2011	2010	2009	2008	2007
	$M	$M	$M	$M	$M
Present value of funded obligations	**(3,849)**	(3,709)	(3,512)	(3,278)	(3,495)
Fair value of plan assets	**3,842**	3,943	3,921	4,749	5,279
Total (liabilities)/assets	**(7)**	234	409	1,471	1,784
Experience adjustments on plan liabilities	**(20)**	96	(118)	140	28
Experience adjustments on plan assets	**89**	133	(855)	(541)	280
(Losses)/gains from changes in actuarial assumptions	**(188)**	(320)	(84)	60	284
Total net actuarial (losses)/gains	**(119)**	(91)	(1,057)	(341)	592

Actuarial gains and losses represent experience adjustments on plan assets and liabilities as well as adjustments arising from changes in actuarial assumptions. Total net actuarial losses recognised in equity from the date of adoption of IFRS to 30 June 2011 were $317 million.

	OSF		CBA(UK)SBS	
	2011	2010	2011	2010
Economic assumptions	%	%	%	%
The above calculations were based on the following assumptions:				
Discount rate at 30 June (gross of tax)	**5.20**	5.10	**5.40**	5.30
Expected return on plan assets at 30 June	**7.70**	7.60	**5.60**	5.70
Expected rate salary increases at 30 June (per annum) (1)	**4.40**	4.10	**4.80**	4.40

(1) For the OSF, additional age related allowances were made for the expected salary increases from future promotions. At 30 June 2010 and 30 June 2011, these assumptions were broadly between 1.6% and 2.6% per annum for full-time employees and 1.0% per annum for part time employees.

Note 42 Retirement Benefit Obligations (continued)

The return on asset assumption for the OSF is determined as the weighted average of the long term expected returns of each asset class where the weighting is the benchmark asset allocations of the assets backing the defined benefit risks. The long term expected returns of each asset class are determined following receipt of actuarial advice. The discount rate (gross of tax) assumption for the OSF is based on the yield of 10 year Australian Commonwealth Government securities.

In addition to financial assumptions, the mortality assumptions for pensioners can materially impact the defined benefit obligations. These assumptions are age related and allowances are made for future improvement in mortality. The expected life expectancies for pensioners are set out below:

	OSF		CBA(UK)SBS	
	2011	2010	2011	2010
Expected life expectancies for pensioners	Years	Years	Years	Years
Male pensioners currently aged 60	**29.0**	28.9	**28.9**	27.9
Male pensioners currently aged 65	**24.2**	24.1	**24.1**	23.1
Female pensioners currently aged 60	**34.2**	34.0	**31.5**	30.6
Female pensioners currently aged 65	**29.0**	28.9	**26.5**	25.6

Further, the proportion of the retiring members of the main OSF defined benefit division electing to take pensions instead of lump sums may materially impact the defined benefit obligations.

Of these retiring members 34% were assumed to take pension benefits, increasing to 50% by 2020.

Australian and UK legislation requires that superannuation (pension) benefits be provided through trusts. These trusts (including their investments) are managed by trustees who are legally independent of the employer. The investment objective of the OSF (the Bank's major superannuation (pension) plan) is "to maximise the long term rate of return subject to net returns over rolling five year periods exceeding the growth in Average Weekly Ordinary Time Earnings 80% of the time".

To meet this investment objective, the OSF Trustee invests a large part of the OSF's assets in growth assets, such as shares and property. These assets have historically earned higher rates of return than other assets, but they also carry higher risks, especially in the short term. To manage these risks, the Trustee has adopted a strategy of spreading the OSF's investments over a number of asset classes and investment managers.

As at 30 June 2011, the actual asset allocations for the assets backing the defined benefit portion of the OSF are as follows:

	Actual Allocation
Asset allocations	%
Australian equities	25.1
Overseas equities	12.0
Real estate	13.0
Fixed interest securities	30.7
Cash	7.0
Other [1]	12.2

(1) These are assets which are not included in the traditional asset classes of equities, fixed interest securities, real estate and cash. They include infrastructure investments as well as high yield and emerging market debt.

The value of the OSF's equity holding in the Group was $102 million as at 30 June 2011 (2010: $96 million). Amounts on deposit with the Bank were $30 million as at 30 June 2011 (2010: $23 million). Other financial instruments with the Group were $63 million as at 30 June 2011 (2010: $73 million).

Notes to the Financial Statements

Note 43 Investments in Associated Entities and Joint Ventures

	Group						
	2011 $M	2010 $M	2011 Ownership Interest %	2010 Ownership Interest %	Principal Activities	Country of Incorporation	Balance Date
Acadian Asset Management (Australia) Limited	**2**	2	**50**	50	Investment Management	Australia	30-Jun
Aegis Correctional Partnership Trust	**1**	-	**50**	50	Investment Vehicle	Australia	30-Jun
AMTD Group Company Limited	**-**	1	**-**	30	Financial Services	Virgin Islands	31-Dec
Aspire Schools (Qld) Holdings Limited	**6**	2	**50**	50	Investment Vehicle	Australia	30-Jun
Aussie Home Loans Pty Limited	**71**	76	**33**	33	Mortgage Broking	Australia	30-Jun
Bank of Hangzhou Co. Ltd.	**458**	398	**20**	20	Commercial Banking	China	31-Dec
BoCommLife Insurance Company Limited	**27**	28	**38**	38	Life Insurance	China	31-Dec
Cardlink Services Limited	**20**	11	**25**	44	Transaction Services	Australia	30-Jun
CFS Retail Property Trust (1) (3)	**439**	439	**8**	9	Funds Management	Australia	30-Jun
Commonwealth Property Office Fund (2) (3)	**139**	139	**6**	7	Funds Management	Australia	30-Jun
Equigroup Pty Limited	**15**	16	**50**	50	Leasing	Australia	30-Jun
First State Cinda Fund Management Company Limited	**15**	15	**46**	46	Funds Management	China	31-Dec
First State European Diversified Investment Fund	**139**	145	**30**	39	Funds Management	Luxembourg	30-Jun
International Private Equity Real Estate Fund	**3**	3	**33**	33	Funds Management	Australia	30-Jun
Pinnacle Education SA Holding Company Pty Ltd (4)	**6**	-	**50**	50	Investment Vehicle	Australia	30-Jun
Qilu Bank Co., Ltd.	**213**	204	**20**	20	Commercial Banking	China	31-Dec
Vietnam International Bank	**158**	-	**15**	-	Financial Services	Vietnam	31-Dec
452 Capital Pty Limited	**-**	11	**30**	30	Investment Management	Australia	30-Jun
Total	**1,712**	1,490					

(1) The value for CFS Retail Property Trust based on published quoted prices was $400 million as at 30 June 2011 (2010: $416 million).
(2) The value for Commonwealth Property Office Fund based on published quoted prices was $133 million as at 30 June 2011 (2010: $132 million).
(3) The consolidated entity has significant influence due to its relationship as Responsible Entity.
(4) Formerly known as CIPL SA Schools Pty Limited

	Group	
Share of Associates' and Joint Ventures profits/(losses)	2011 $M	2010 $M
Operating profits/(losses) before income tax	**164**	141
Income tax expense	**(23)**	(7)
Operating profits/(losses) after income tax	**141**	134
Carrying amount of investments in associated entities and joint ventures	**1,712**	1,490

	Group	
Group's share of lease commitments of Associates and of Joint Ventures due	2011 $M	2010 $M
Not later than one year	**6**	5
Later than one year but not later than five years	**13**	11
Later than five years	**11**	7
Total lease commitments - property, plant and equipment	**30**	23

	Group	
Financial information of Associates and Joint Ventures	2011 $M	2010 $M
Current assets	**30,466**	23,581
Non-current assets	**36,420**	35,744
Current Liabilities	**46,086**	38,796
Non-current Liabilities	**8,213**	5,229
Revenues	**3,722**	2,228
Expenses	**1,936**	1,199

Note 44 Key Management Personnel

The company has applied the exemption under AASB 124 Related Party Disclosures which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their Financial Statements. These remuneration disclosures are provided in the Remuneration Report of the Directors' Report on pages 9 to 28 and have been audited.

	Group		Bank	
	2011	2010	2011	2010
Key management personnel compensation	$'000	$'000	$'000	$'000
Short term benefits	**32,494**	33,173	**32,494**	33,173
Post-employment benefits	**752**	1,584	**752**	1,584
Share-based payments	**9,931**	26,787	**9,931**	26,787
Long term benefits	**463**	1,020	**463**	1,020
Total	**43,640**	62,564	**43,640**	62,564

Equity Holdings of Key Management Personnel

Shareholdings

Details of the shareholdings of Key Management Personnel (or close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of the aforementioned hold significant voting power) are set out below. For details of Director and Executive equity plans refer to Note 29.

Shares held by directors

All shares were acquired by Directors on normal terms and conditions or through the Non-Executive Director's Share Plan.

Directors	Class	Balance 1 July 2010	Shares Acquired (1)	Net Change Other (2)	Balance 30 June 2011
David Turner	Ordinary	9,600	1,398	-	**10,998**
John Anderson	Ordinary	15,238	497	738	**16,473**
Colin Galbraith	Ordinary	15,895	540	-	**16,435**
Jane Hemstritch	Ordinary	21,888	570	3,000	**25,458**
Launa Inman (3)	Ordinary	1,298	-	-	**1,298**
Carolyn Kay	Ordinary	11,501	570	-	**12,071**
Brian Long (3)	Ordinary	10,544	157	-	**10,701**
Andrew Mohl	Ordinary	9,818	532	-	**10,350**
Fergus Ryan	Ordinary	17,976	570	-	**18,546**
Harrison Young	Ordinary	25,876	570	-	**26,446**

(1) Non-Executive Directors receive 20% of their total annual fees as Commonwealth Bank shares. These shares are subject to a 10 year trading restriction (the shares will be released earlier if the director leaves the Board).

(2) "Net Change Other" incorporates changes resulting from purchases and sales during the year.

(3) Launa Inman joined the Group on 16 March 2011. Brian Long commenced with the Group on 1 September 2010.

Notes to the Financial Statements

Note 44 Key Management Personnel (continued)

Shares held by the CEO and Group Executives

	Class (1)	Balance 1 July 2010	Acquired/ Granted as Remuneration	On Exercise of Options	Reward/ Deferred Shares Vested (2)	Net Change other (3)	Balance 30 June 2011
Managing Director and CEO							
Ralph Norris	Ordinary	201,623	-	-	-	42,056	**243,679**
	Reward Shares/Rights	204,626	85,976	-	-	-	**290,602**
	Deferred Shares	39,167	-	-	-	-	**39,167**
Group Executives							
Simon Blair	Ordinary	-	-	-	-	-	**-**
	Reward Shares/Rights	30,190	22,046	-	-	-	**52,236**
	Deferred Shares	-	-	-	-	-	**-**
Barbara Chapman	Ordinary	-	-	-	-	-	**-**
	Reward Shares/Rights	58,844	24,250	-	-	-	**83,094**
	Deferred Shares	13,666	-	-	-	-	**13,666**
David Cohen	Ordinary	13,781	-	-	-	24,100	**37,881**
	Reward Shares/Rights	57,113	23,837	-	-	-	**80,950**
	Deferred Shares	7,597	-	-	-	-	**7,597**
David Craig	Ordinary	35,113	-	-	-	27,543	**62,656**
	Reward Shares/Rights	72,690	37,202	-	-	-	**109,892**
	Deferred Shares	19,548	-	-	-	-	**19,548**
Michael Harte	Ordinary	14,318	-	-	-	24,100	**38,418**
	Reward Shares/Rights	65,767	28,935	-	-	-	**94,702**
	Deferred Shares	17,955	-	-	-	-	**17,955**
Ross McEwan	Ordinary	-	-	-	-	9,429	**9,429**
	Reward Shares/Rights	83,074	34,446	-	-	-	**117,520**
	Deferred Shares	20,814	-	-	-	-	**20,814**
Ian Narev	Ordinary	1,137	-	-	-	6,610	**7,747**
	Reward Shares/Rights	58,844	24,801	-	-	-	**83,645**
	Deferred Shares	18,284	-	-	(6,610)	-	**11,674**
Grahame Petersen	Ordinary	48,271	-	-	-	2,829	**51,100**
	Reward Shares/Rights	76,151	31,690	-	-	-	**107,841**
	Deferred Shares	15,096	-	-	-	-	**15,096**
Ian Saines	Ordinary	14,919	-	-	-	(13,991)	**928**
	Reward Shares/Rights	89,997	36,650	-	-	-	**126,647**
	Deferred Shares	34,193	-	-	(12,653)	-	**21,540**
Alden Toevs	Ordinary	9,000	-	-	-	37,784	**46,784**
	Reward Shares/Rights	96,920	38,579	-	-	-	**135,499**
	Deferred Shares	47,914	-	-	(37,784)	-	**10,130**

(1) Reward Shares/Rights represent shares granted under the Group Leadership Reward Plan (GLRP) which are subject to performance hurdles. Deferred Shares represent the deferred portion of STI received as shares restricted for three years.

(2) Reward shares/rights and Deferred shares become ordinary shares upon vesting.

(3) "Net Change Other" incorporates changes resulting from purchases, sales and forfeitures during the year.

Note 44 Key Management Personnel (continued)

Loans to Key Management Personnel

All loans to Key Management Personnel (or close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of the aforementioned held significant voting power) have been provided on an arm's length commercial basis including the term of the loan, security required and the interest rate (which may be fixed or variable).

		Opening Balance $000s	Interest Charged $000s	Closing Balance $000s	Number in Group
Directors	**2011**	**5**	**-**	**5**	**1**
	2010	-	-	-	-
CEO & Group Executives	**2011**	**9,324**	**538**	**7,153**	**11**
	2010	9,999	579	9,324	11
Total	**2011**	**9,329**	**538**	**7,158**	**12**
	2010	9,999	579	9,324	11

Loans to Key Management Personnel Exceeding $100,000 in Aggregate

	Balance 1 July 2010 $000s	Interest Charged $000s	Interest Not Charged $000s	Write-off $000s	Balance 30 June 2011 $000s	Highest Balance in Period $000s (2)
Managing Director & CEO						
Ralph Norris (1)	1,839	36	-	-	28	1,830
Group Executives						
Simon Blair (1)	1,082	58	-	-	668	1,082
Barbara Chapman (1)	1,869	102	-	-	1,493	2,192
David Cohen	602	38	-	-	596	604
Michael Harte	2,989	209	-	-	3,302	3,519
Ross McEwan (1)	220	33	-	-	573	1,797
Ian Narev (1)	381	17	-	-	181	385
Ian Saines	310	45	-	-	310	2,990
Total	9,292	538	-	-	7,151	14,399

(1) Some loans for Mr Norris, Mr Blair, Ms Chapman, Mr McEwan and Mr Narev are held in New Zealand Dollars and converted to Australian Dollars for the purpose of this disclosure. The exchange rate at 30 June 2010 has been used for the opening balances, and the exchange rate at 30 June 2011 has been used for calculating interest charged, closing balances and highest balance in period. The highest balance in period for Mr Norris is lower than the opening balance due to the fluctuation in exchange rates during the year.

(2) Represents the highest balance of loans outstanding at any period during the year ended 30 June 2011.

Other Transactions of Key Management Personnel

Financial Instrument Transactions

Financial instrument transactions (other than loans and shares disclosed within this report) of Key Management Personnel occur in the ordinary course of business on an arm's length basis.

Disclosure of financial instrument transactions regularly made as part of normal banking operations is limited to disclosure of such transactions with Key Management Personnel and entities controlled or significantly influenced by them.

All such financial instrument transactions that have occurred between entities within the Group and their Key Management Personnel have been trivial or domestic in nature and were in the nature of normal personal banking and deposit transactions.

Other Transactions

All other transactions with Key Management Personnel and their related entities and other related parties are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. These transactions principally involve the provision of financial and investment services by entities not controlled by the Group.

Notes to the Financial Statements

Note 45 Related Party Disclosures

The Group is controlled by the Commonwealth Bank of Australia, the ultimate parent, which is incorporated in Australia.

A number of banking transactions are entered into with related parties in the normal course of business on an arms length basis.

These include loans, deposits and foreign currency transactions, upon which some fees and commissions may be earned. The table below indicates the values of such transactions.

	Group For the Year Ended and as at 30 June 2011		
	Associates	Joint Ventures	Total
	$000s	$000s	$000s
Interest and dividend income	**92,022**	**-**	**92,022**
Interest expense	**1,756**	**-**	**1,756**
Fee and commission income for services provided (1)	**76,555**	**31**	**76,586**
Fee and commission expense for services received	**32,088**	**63**	**32,151**
Loans, bills discounted and equity contributions	**1,259,031**	**-**	**1,259,031**
Derivative assets	**65,577**	**-**	**65,577**
Other assets	**39,400**	**179**	**39,579**
Deposits	**18,623**	**-**	**18,623**
Derivative liabilities	**6,338**	**-**	**6,338**
Other liabilities	**1,609**	**-**	**1,609**

	Group For the Year Ended and as at 30 June 2010		
	Associates	Joint Ventures	Total
	$000s	$000s	$000s
Interest and dividend income	58,169	1,000	59,169
Interest expense	333	2,037	2,370
Fee and commission income for services provided (1)	57,121	2,884	60,005
Fee and commission expense for services received	104,508	10,118	114,626
Loans, bills discounted and equity contributions	424,621	12,620	437,241
Derivative assets	12,400	6,684	19,084
Other assets	39,367	8,383	47,750
Deposits	18,709	-	18,709
Derivative liabilities	25,818	-	25,818
Other liabilities	22,698	-	22,698

(1) Not included above are management services provided for nil consideration to associated Group and Bank companies to the value of $4,352,000 (2010: $7,520,000).

Note 45 Related Party Disclosures (continued)

	Bank For the Year Ended and as at 30 June 2011			
	Subsidiaries $000s	Associates $000s	Joint Ventures $000s	Total $000s
Interest and dividend income	**6,313,371**	**87,767**	**-**	**6,401,138**
Interest expense	**3,365,381**	**1,756**	**-**	**3,367,137**
Fee and commission income for services provided [1]	**686,572**	**2,199**	**31**	**688,802**
Fee and commission expense for services received	**333,983**	**32,193**	**63**	**366,239**
Available-for-sale securities	**39,757,623**	**-**	**-**	**39,757,623**
Loans, bills discounted and equity contributions	**47,550,178**	**1,223,218**	**-**	**48,773,396**
Derivative assets	**297,665**	**65,577**	**-**	**363,242**
Other assets	**962,751**	**-**	**179**	**962,930**
Deposits	**53,860,369**	**18,623**	**-**	**53,878,992**
Derivative liabilities	**434,337**	**6,338**	**-**	**440,675**
Debt issues and loan capital	**2,595,843**	**-**	**-**	**2,595,843**
Other liabilities	**1,763,744**	**54**	**-**	**1,763,798**

	Bank For the Year Ended and as at 30 June 2010			
	Subsidiaries $000s	Associates $000s	Joint Ventures $000s	Total $000s
Interest and dividend income	5,165,042	55,678	-	5,220,720
Interest expense	2,916,015	-	-	2,916,015
Fee and commission income for services provided [1]	599,921	2,650	119	602,690
Fee and commission expense for services received	601,000	94,230	218	695,448
Available-for-sale securities	39,821,783	-	-	39,821,783
Loans, bills discounted and equity contributions	49,901,264	412,000	-	50,313,264
Derivative assets	193,959	12,400	-	206,359
Other assets	1,075,058	-	-	1,075,058
Deposits	53,873,671	8,900	-	53,882,571
Derivative liabilities	408,512	25,818	-	434,330
Debt issues and loan capital	2,916,825	-	-	2,916,825
Other liabilities	3,838,430	22,698	-	3,861,128

(1) Not included above are management services provided for nil consideration to associated Group and Bank companies to the value of $4,352,000 (2010: $7,520,000).

The Bank's aggregate investments in, and loans to controlled entities are disclosed in Note 49. Amounts due to controlled entities are disclosed in the Balance Sheet of the Bank.

The Bank provides letters of comfort to other entities within the Group on standard terms. Guarantees include a $5 million bank guarantee provided to Colonial First State Investments Limited and a $25 million guarantee to AFS license holders in respect of excess insurance claims.

The Bank is the head entity of the tax consolidated group and has entered into tax funding and tax sharing agreements with its eligible Australian resident subsidiaries. The terms and conditions of these agreements are set out in note 1(x). The amount receivable by the Bank under the tax funding agreement with the tax consolidated entities is $281 million as at 30 June 2011 (2010: $439 million receivable). This balance is included in 'Other assets' in the Bank's separate balance sheet.

All transactions between Group entities are eliminated on consolidation.

Note 46 Notes to the Statements of Cash Flows

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

	Group			Bank	
	2011	2010	2009	2011	2010
	$M	$M	$M	$M	$M
Net profit after income tax	**6,410**	5,680	4,753	**6,480**	5,615
(Increase)/decrease in interest receivable	**(224)**	(551)	301	**(287)**	(559)
Increase/(decrease) in interest payable	**476**	889	(54)	**465**	878
Net decrease in assets at fair value through Income Statement (excluding life insurance)	**2,697**	3,301	690	**1,202**	2,383
Net (gain)/loss on sale of controlled entities and associates	**(7)**	32	-	**(6)**	(2)
Net gain on sale of investments	**(1)**	(4)	(1)	**(1)**	(4)
Net increase in derivative assets	**(4,224)**	(1,331)	(8,358)	**(4,735)**	(1,827)
Net loss on sale of property, plant and equipment	**6**	4	11	**6**	4
Equity accounting profit	**(141)**	(116)	(141)	**-**	-
Gain on acquisition of controlled entities	**-**	-	(983)	**-**	-
Impairment expense	**1,280**	2,379	3,048	**1,080**	1,193
Depreciation and amortisation (including asset write downs)	**613**	618	519	**387**	373
(Decrease)/increase in liabilities at fair value through Income Statement (excluding life insurance)	**(4,851)**	(1,254)	661	**87**	1,128
Increase/(decrease) in derivative liabilities	**4,643**	(9,804)	13,361	**4,733**	(6,126)
Increase in other provisions	**80**	46	60	**23**	104
Increase/(decrease)in income taxes payable	**105**	(150)	521	**117**	80
Increase/(decrease) in deferred tax liabilities	**80**	53	(355)	**(1)**	7
(Increase)/decrease in deferred tax assets	**(30)**	383	(967)	**131**	1
(Increase)/decrease in accrued fees/reimbursements receivable	**(1)**	44	41	**37**	(73)
(Decrease)/Increase in accrued fees and other items payable	**(99)**	302	178	**(128)**	524
Increase/(decrease) in life insurance contract policy liabilities	**835**	853	(1,025)	**-**	-
Increase/(decrease) in cash flow hedge reserve	**15**	589	(1,651)	**(98)**	219
(Decrease)/Increase in fair value on hedged items	**(427)**	838	569	**(410)**	810
Dividend received from controlled entities	**-**	-	-	**(2,210)**	(1,648)
Changes in operating assets and liabilities arising from cash flow movements	**10,590**	(29,592)	(19,788)	**7,597**	(24,299)
Other	**(158)**	122	100	**34**	355
Net cash provided by/(used in) operating activities	**17,667**	(26,669)	(8,510)	**14,503**	(20,864)

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

(b) Reconciliation of Cash

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

	Year Ended 30 June				
	Group			Bank	
	2011	2010	2009	2011	2010
	$M	$M	$M	$M	$M
Notes, coins and cash at banks	**5,424**	5,285	3,755	**4,103**	4,027
Other short term liquid assets	**1,301**	1,153	3,128	**977**	979
Receivables due from other financial institutions – at call [1]	**7,261**	5,012	1,889	**6,664**	4,386
Payables due to other financial institutions – at call [1]	**(6,058)**	(6,533)	(6,586)	**(5,853)**	(6,346)
Cash and cash equivalents at end of year	**7,928**	4,917	2,186	**5,891**	3,046

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

Note 46 Notes to the Statements of Cash Flows (continued)

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

The Group disposed of certain St Andrew operations effective 1 July 2010. During the year ended 30 June 2010, the Group disposed of its banking and insurance operations in Fiji.

		Group	
	2011	2010	2009
	$M	$M	$M
Net Assets	**60**	77	-
(Loss)/gain on sale (excluding realised foreign exchange losses and other related costs)	**(10)**	1	-
Cash consideration received	**50**	78	-
Less cash and cash equivalents disposed	**(31)**	(89)	-
Net cash inflow/(outflow) on disposal	**19**	(11)	-

(d) Non-cash Financing and Investing Activities

		Group	
	2011	2010	2009
	$M	$M	$M
Shares issued under the Dividend Reinvestment Plan (1)	**511**	1,457	1,099

(1) The dividend reinvestment plan in respect of the final dividend for 2009/10 was satisfied in full by an on market purchase and transfer of $679 million of shares to participating shareholders.

Note 47 Disclosures about Fair Values of Financial Instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or amortised cost. AASB7 'Financial Instruments: Disclosures' requires the disclosure of the fair value of those financial instruments not already carried at fair value in the balance sheet.

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

(a) Comparison of Fair Values and Carrying Values

The following tables summarise the carrying and fair values of financial assets and liabilities presented on the Group and the Bank's balance sheets. The disclosure does not cover assets or liabilities that are not considered to be financial instruments from an accounting perspective.

				Group
		2011		2010
	Carrying Value $M	Fair Value $M	Carrying Value $M	Fair Value $M
Assets				
Cash and liquid assets	**13,241**	**13,241**	10,119	10,119
Receivables due from other financial institutions	**10,393**	**10,393**	10,072	10,072
Assets at fair value through Income Statement:				
Trading	**20,469**	**20,469**	22,851	22,851
Insurance	**14,998**	**14,998**	15,940	15,940
Other	**824**	**824**	654	654
Derivative assets	**30,317**	**30,317**	27,689	27,689
Available-for-sale investments	**45,171**	**45,171**	32,915	32,915
Loans, bills discounted and other receivables	**500,057**	**500,544**	493,459	492,951
Bank acceptances of customers	**10,734**	**10,734**	11,569	11,569
Other assets	**7,059**	**7,059**	6,240	6,240
Liabilities				
Deposits and other public borrowings	**401,147**	**401,979**	374,663	374,508
Payables due to other financial institutions	**15,899**	**15,899**	12,608	12,608
Liabilities at fair value through Income Statement	**10,491**	**10,491**	15,342	15,342
Derivative liabilities	**33,976**	**33,976**	24,884	24,884
Bank acceptances	**10,734**	**10,734**	11,569	11,569
Insurance policy liabilities	**13,652**	**13,652**	14,592	14,592
Debt issues	**118,652**	**120,752**	130,210	127,874
Managed funds units on issue	**1,048**	**1,048**	880	880
Bills payable and other liabilities	**8,983**	**8,983**	7,698	7,698
Loan capital	**11,561**	**12,105**	13,513	13,036

Note 47 Disclosures about Fair Values of Financial Instruments (continued)

				Bank
		2011		2010
	Carrying Value $M	Fair Value $M	Carrying Value $M	Fair Value $M
Assets				
Cash and liquid assets	**10,979**	**10,979**	8,711	8,711
Receivables due from other financial institutions	**10,123**	**10,123**	9,766	9,766
Assets at fair value through Income Statement:				
Trading	**17,765**	**17,765**	18,775	18,775
Other	**300**	**300**	-	-
Derivative assets	**30,731**	**30,731**	27,363	27,363
Available-for-sale investments	**75,699**	**75,699**	65,779	65,779
Loans, bills discounted and other receivables	**387,888**	**388,187**	377,195	376,679
Bank acceptances of customers	**10,734**	**10,734**	11,569	11,569
Loans to controlled entities	**28,454**	**28,988**	31,055	30,892
Other assets	**5,283**	**5,283**	4,492	4,492
Liabilities				
Deposits and other public borrowings	**332,964**	**333,465**	307,844	307,511
Payables due to other financial institutions	**15,686**	**15,686**	12,422	12,422
Liabilities at fair value through Income Statement	**4,700**	**4,700**	4,613	4,613
Derivative liabilities	**32,817**	**32,817**	23,689	23,689
Bank acceptances	**10,734**	**10,734**	11,569	11,569
Due to controlled entities	**52,353**	**52,353**	52,411	52,411
Debt issues	**94,385**	**97,080**	107,039	104,352
Bills payable and other liabilities	**6,635**	**6,635**	5,362	5,362
Loan capital	**11,808**	**12,007**	13,575	13,044

The fair values disclosed above represent estimates at which these instruments could be exchanged in a current transaction between willing parties. However, many of the instruments lack an available trading market and it is the intention to hold to maturity. Thus it is possible that realised amounts may differ to amounts disclosed above.

Due to the wide range of valuation techniques and the numerous estimates that must be made, it may be difficult to make a reasonable comparison of the fair value information disclosed here, against that disclosed by other financial institutions.

For financial instruments not carried at fair value, an estimate of fair value has been derived as follows:

Loans, Bills Discounted and Other Receivables

The carrying value of loans, bills discounted and other receivables is net of accumulated collective and individually assessed provisions for impairment. Customer credit worthiness is regularly reviewed in line with the Group's credit policies and where necessary, pricing is adjusted in accordance with individual credit contracts.

For the majority of variable rate loans, excluding impaired loans, the carrying amount is considered a reasonable estimate of fair value. For Institutional variable rate loans the fair value is calculated using discounted cash flow models with a discount rate reflecting market rates offered on similar loans to customers with similar credit worthiness. The fair value of impaired loans is calculated by discounting estimated future cash flows using the loan's original effective interest rate.

The fair value of fixed rate loans is calculated using discounted cash flow models using a discount rate reflecting market rates offered for loans of similar remaining maturities and credit worthiness of the borrower.

Deposits and Other Public Borrowings

Fair value of non-interest bearing, call and variable rate deposits, and fixed rate deposits repricing within six months, approximate their carrying value as they are short term in nature or payable on demand.

Fair value of term deposits are estimated using discounted cash flows, applying market rates offered for deposits of similar remaining maturities.

Debt Issues and Loan Capital

The fair values are calculated using quoted market prices, where available. Where quoted market prices are not available, discounted cash flow and option pricing models are used. The discount rate applied reflects the terms of the instrument, the timing of the cash flows and is adjusted for any change in the Group's applicable credit rating.

Other Financial Assets and Liabilities

For all other financial assets and liabilities fair value approximates carrying value due to their short term nature, frequent repricing or high credit rating.

Note 47 Disclosures about Fair Values of Financial Instruments (continued)

(b) Valuation Methodology

A significant number of financial instruments are carried on balance sheet at fair value.

The best evidence of fair value is a quoted market price in an active market. Therefore, where possible, fair value is based on quoted market prices. Where no quoted market price for an instrument is available, the fair value is based on present value estimates or other valuation techniques based on current market conditions. These valuation techniques rely on market observable inputs wherever possible, or in a limited number of instances, rely on inputs which are reasonable assumptions based on market conditions.

The tables below categorise financial assets and liabilities that are recognised and measured at fair value, and the valuation methodology according to the following hierarchy.

Valuation Inputs

Quoted Prices in Active Markets – Level 1

Financial instruments, the valuation of which are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation Technique Using Observable Inputs – Level 2

Financial instruments that have been valued using inputs other than quoted prices as described for level 1 but which are observable for the asset or liability, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.

Valuation Technique Using Significant Unobservable Inputs – Level 3

Financial instruments, the valuation of which incorporates a significant input for the asset or liability that is not based on observable market data (unobservable input). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally derived and extrapolated from observable inputs to match the risk profile of the financial instrument, and are calibrated against current market assumptions, historic transactions and economic models, where available. These inputs may include the timing and amount of future cash flows, rates of estimated credit losses, discount rates and volatility.

								Group
	Fair Value as at 30 June 2011				Fair Value as at 30 June 2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	$M	$M	$M	$M	$M	$M	$M	$M
Assets								
Assets at fair value through Income Statement:								
Trading	15,720	4,686	63	**20,469**	17,995	4,775	81	22,851
Insurance	5,008	9,990	-	**14,998**	4,526	11,414	-	15,940
Other	299	525	-	**824**	-	654	-	654
Derivative assets	36	30,240	41	**30,317**	137	27,538	14	27,689
Available-for-sale investments (1)	37,131	8,039	1	**45,171**	28,008	4,752	1	32,761
Total assets carried at fair value	58,194	53,480	105	**111,779**	50,666	49,133	96	99,895
Liabilities								
Liabilities at fair value through Income Statement	4,096	6,395	-	**10,491**	3,821	11,521	-	15,342
Derivative liabilities	4	33,964	8	**33,976**	69	24,808	7	24,884
Life investment contracts	-	10,515	-	**10,515**	-	11,411	-	11,411
Total liabilities carried at fair value	4,100	50,874	8	**54,982**	3,890	47,740	7	51,637

(1) The Group holds investments in unlisted equity instruments with a carrying value of $ nil million as at 30 June 2011 (2010: $154 million).

Note 47 Disclosures about Fair Values of Financial Instruments (continued)

(b) Valuation Methodology (continued)

	Fair Value as at 30 June 2011				Fair Value as at 30 June 2010			Bank
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	$M	$M	$M	$M	$M	$M	$M	$M
Assets								
Assets at fair value through Income Statement:								
Trading	14,763	2,996	6	**17,765**	16,423	2,344	8	18,775
Other	299	1	-	**300**	-	-	-	-
Derivative assets	42	30,660	29	**30,731**	239	27,123	1	27,363
Available-for-sale investments (1)	29,457	46,241	1	**75,699**	19,780	45,849	1	65,630
Total assets carried at fair value	44,561	79,898	36	**124,495**	36,442	75,316	10	111,768
Liabilities								
Liabilities at fair value through Income Statement	4,116	584	-	**4,700**	3,821	792	-	4,613
Derivative liabilities	3	32,806	8	**32,817**	69	23,613	7	23,689
Total liabilities carried at fair value	4,119	33,390	8	**37,517**	3,890	24,405	7	28,302

(1) An amount of $nil (2010: $149 million) was included for the Bank. Due to the unlisted nature of the investments, their fair value could not be reliably measured and they are carried at cost. There is no immediate intention to dispose of these investments. They have not been included in the table above.

(2) The Bank no longer holds unlisted equity investments (2010: $149 million).

Level 3 movement analysis for the year ended 30 June 2011

There have been transfers between Level 1 and Level 2 of the hierarchy due to the increased or decreased observability of the valuation inputs used to price the instruments and the liquidity of the market.

There were no transfers into and out of Level 3. The Group's exposure to financial instruments measured at fair value based in full or in part on non-market observable inputs is restricted to a small number of financial instruments which comprise an insignificant component of the portfolios to which they belong. As such the purchases, sales, as well as any change in the assumptions used to value the instruments to a reasonably possible alternative do not have a material effect on the portfolio balance of the Group's or the Bank's results. The movement in Level 3 financial instruments recognised in the Group Income Statement was $11 million for the year ended 30 June 2011 (2010: $3 million) and for the Bank was $13 million (2010: $2 million).

Note 48 Securitisation

The Group enters into transactions in the normal course of business by which it transfers financial assets directly to third parties or to special purpose entities (SPEs). These transfers may give rise to the full or partial derecognition of those financial assets:

- Full derecognition occurs when the contractual right to receive cash flows from the financial assets is transferred, or the right is retained but an obligation is assumed to pass on the cash flows from the asset, which transfers substantially all the risks and rewards of ownership; and
- Partial derecognition occurs when financial assets are sold or transferred in such a way that some but not substantially all of the risks and rewards of ownership are transferred but control is retained. These financial assets are recognised on the balance sheet to the extent of continuing involvement.

The table below provides a breakdown of the assets held by securitisation vehicles and exposures the bank has to securitisation vehicles that the Group has established.

	Group	
	2011	2010
Assets held within Group SPEs	$M	$M
Residential mortgages - Group originated mortgages backing securities held for potential repurchase with central banks	**44,349**	45,673
Residential mortgages - Group originated	**11,296**	9,696
Other	**204**	175
Total securitisation assets of SPEs	**55,849**	55,544

	Funded		Unfunded [2]		Group Total	
	2011	2010	2011	2010	2011	2010
Exposure to securitisation SPEs	$M	$M	$M	$M	$M	$M
Residential mortgage backed securities held for potential repurchase with central banks	**43,662**	45,169	**-**	-	**43,662**	45,169
Other residential mortgage backed securities	**2,125**	3,567	**-**	-	**2,125**	3,567
Other derivatives [1]	**1,478**	1,011	**-**	37	**1,478**	1,048
Liquidity support facilities	**163**	916	**809**	787	**972**	1,703
Other facilities	**898**	98	**63**	62	**961**	160
Total	**48,326**	50,761	**872**	886	**49,198**	51,647

(1) 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.

(2) Unfunded amounts apply to financial arrangements the Group holds with securitisation SPE's that the SPE is yet to fully draw down upon.

Note 49 Controlled Entities

(a) Shares in and Loans to controlled entities

	Bank	
	2011	2010
	$M	$M
Shares in controlled entities	**18,903**	18,754
Loans to controlled entities	**28,454**	31,055
Total shares in and loans to controlled entities	**47,357**	49,809

The above amounts are not expected to be recovered within twelve months of the Balance Sheet date.

Note 49 Controlled Entities (continued)

(b) Principal subsidiaries

The material subsidiaries of the Bank, based on contribution to the consolidated entity's profit, size of investment or nature of activity are:

Entity name	Entity name
Australia	
(a) Banking	
Commonwealth Bank of Australia	IWL Limited
Bank of Western Australia Limited	IWL Broking Solutions Limited
BWA Group Services Pty Limited	JDV Limited
Swan Trust Series 2007-1E	Australian Investment Exchange Limited
Swan Trust Series 2006-1E	Collateral Leasing Pty Limited
Swan Trust Series 2008-1D	CBFC Leasing Pty Limited
Swan Trust Series 2010 -1P	CBFC Limited
Swan Trust Series 2010 -2P	CBCL Australia Limited
Medallion Trust Series 2003-1G	Securitisation Advisory Services Pty Limited
Medallion Trust Series 2004-1G	Homepath Pty Limited
Medallion Trust Series 2005-1G	Tankstream Rail (BY-3) Pty Limited
Medallion Trust Series 2005-2G	Tankstream Rail (BY-4) Pty Limited
Medallion Trust Series 2006-1G	CBA International Finance Pty Limited
Medallion Trust Series 2007-1G	GT Operating No.2 Pty Limited
Medallion Trust Series 2008-1R	GT Operating No.4 Pty Limited
Medallion Trust Series 2011-1	Colonial Finance Limited
SHIELD Series 50	VH-VZH Pty Limited
MIS Funding No.1 Pty Limited	VH-VZG Pty Limited
Christmas Break Pty Limited	VH-VZF Pty Limited
CBA USD Investments Partnership	SAFE No1 Pty Limited
GT Operating No.5 Limited Partnership	CBA AIR Pty Limited
GT Funding No.6 Limited Partnership	Reliance Achiever Partnership
PERLS III Trust	Tankstream Rail (SW-3) Pty Limited
Commonwealth Investments Pty Limited	Tankstream Rail (SW-4) Pty Limited
Commonwealth Securities Limited	Tankstream Rail (BY-2) Pty Limited
(b) Insurance and Funds Management	
Colonial Holding Company Limited	Colonial First State Capital Management Pty Limited
Commonwealth Insurance Holdings Limited	First State Investment Managers (Asia) Limited
Commonwealth Insurance Limited	Capital 121 Pty Limited
Jacques Martin Pty Limited	Commonwealth Financial Planning Limited
Jacques Martin Administration and Consulting Pty Limited	Financial Wisdom Limited
Colonial First State Group Limited	Whittaker Macnaught Pty Limited
CFS Managed Property Limited	Avanteos Pty Limited
Colonial First State Asset Management (Australia) Limited	Avanteos Investments Limited
Commonwealth Managed Investments Limited	Colonial First State Investments Limited
Colonial First State Property Limited	St Andrew's Australia Pty Limited
Colonial First State Property Retail Trust	Commwealth International Holdings Pty Limited
Colonial First State Property Management Limited	The Colonial Mutual Life Assurance Society Limited

All the above subsidiaries are 100% owned and incorporated in Australia.

Notes to the Financial Statements

Note 49 Controlled Entities (continued)

(b) Principal Subsidiaries (continued)

Entity name	Extent of Beneficial Interest if not 100%	Incorporated in
New Zealand		
(a) Banking		
ASB Holdings Limited		New Zealand
ASB Bank Limited		New Zealand
ASB Funding Limited		New Zealand
CBA Funding (NZ) Limited		New Zealand
ASB Capital Limited		New Zealand
ASB Capital No.2 Limited		New Zealand
CBA NZ Holding Limited		New Zealand
CBA USD Funding Limited		New Zealand
Medallion NZ Series Trust 2009-1R		New Zealand
CBA Real Estate Funding (NZ) Limited		New Zealand
ASB Group Investments Limited		New Zealand
ASB Securities Limited		New Zealand
AEGIS Limited		New Zealand
(b) Insurance and Funds Management		
ASB Group (Life) Limited		New Zealand
Sovereign Group Limited		New Zealand
Sovereign Limited		New Zealand
Colonial First State Investments (NZ) Limited		New Zealand
Kiwi Income Properties Limited		New Zealand
Kiwi Property Management Limited		New Zealand
Other Overseas		
(a) Banking		
CommBank Management Consulting (Asia) Co Limited		Hong Kong
CBA Funding Trust I		Delaware USA
CBA Capital Trust I		Delaware USA
CBA Capital Trust II		Delaware USA
PT. Bank Commonwealth	97%	Indonesia
CBA (Europe) Finance Limited		United Kingdom
Burdekin Investments Limited		Cayman Islands
CTB Australia Limited		Hong Kong
CBA Asia Limited		Singapore
Newport Limited		Malta
CommBank Europe Limited		Malta
CommTrading Limited		Malta
CommInternational Limited		Malta
CommCapital S.a.r.l		Luxembourg
(b) Insurance and Funds Management		
First State Investments (Bermuda) Limited		Bermuda
First State (Hong Kong) LLC		United States
First State Investment Holdings (Singapore) Limited		Singapore
First State Investments (UK Holdings) Limited		United Kingdom
PT Commonwealth Life	80%	Indonesia

Non-operating and minor operating controlled entities and investment vehicles holding policyholder assets are excluded from the above list.

(c) Disposal of Controlled Entities

During the year, the Group disposed of certain St Andrew's operations effective 1 July 2010. For further details refer to Note 46 (c).

(d) Acquisition of Controlled Entities

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

Note 50 Subsequent Events

On 22 July 2011, the Board announced the appointment of Ian Narev to the role of Chief Executive Officer of the Bank upon the retirement of Ralph Norris at the end of November 2011.

The Bank expects to issue approximately $733 million of ordinary shares in respect of the DRP for the final dividend for the year ended 30 June 2011.

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

Directors' Declaration

In accordance with a resolution of the Directors of the Commonwealth Bank of Australia (Bank), the Directors declare that:

(a) the financial statements for the financial year ended 30 June 2011 in relation to the Bank and the consolidated entity (Group) (together the Financial Statements), and the notes to the Financial Statements, are in accordance with the Corporations Act 2001, including:

> (i) s 296 (which requires the financial report, including the Financial Statements and the notes to the Financial Statements, to comply with the accounting standards); and
>
> (ii) s 297 (which requires the Financial Statements, and the notes to the Financial Statements, to give a true and fair view of the financial position and performance of the Group and the Bank);

(b) in compliance with the accounting standards, the notes to the Financial Statements include an explicit and unreserved statement of compliance with international financial reporting standards (see Note 1(a));

(c) in the opinion of the Directors, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable; and

(d) the Directors have been given the declarations required by s 295A in respect of the financial year ended 30 June 2011.

Signed in accordance with a resolution of the Directors.

DJ Turner
Chairman
10 August 2011

RJ Norris
Managing Director and Chief Executive Officer
10 August 2011

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

Report on the financial report

We have audited the accompanying financial report of the Commonwealth Bank of Australia, which comprises the balance sheet as at 30 June 2011, the income statement, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both the Commonwealth Bank of Australia and the Group (the consolidated entity). The consolidated entity comprises the Commonwealth Bank of Australia and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Commonwealth Bank of Australia are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

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Independent auditor's report to the members of the Commonwealth Bank of Australia (continued)

Auditor's opinion

In our opinion:

(a) the financial report of the Commonwealth Bank of Australia is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Commonwealth Bank of Australia and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 72 to 91 of the directors' report for the year ended 30 June 2011. The directors of the Commonwealth Bank of Australia are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of the Commonwealth Bank of Australia for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

RChowdry

Rahoul Chowdry

Partner

Sydney

10 August 2011