Commonwealth Bank

Commonwealth Bank of Australia
ACN 123 123 124

Secretariat

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J Hatton
Company Secretary

28 August 2009

The Manager
Company Announcements Platform
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

Financial Report

We attach the consolidated financial report of Commonwealth Bank of Australia (the **Group**) and its controlled entities for the financial year ended 30 June 2009, together with a letter to directors of the Group from PricewaterhouseCoopers, the Group's auditors, confirming that the Financial Report is the financial report on which they have issued an unqualified audit opinion.

The Financial Report is being lodged in connection with, and for the purposes of incorporation by reference in, a prospectus relating to an offer of Perpetual Exchangeable Resaleable Listed Securities (**PERLS V**).

The offer of PERLS V will be made in or accompanied by a copy of the prospectus. Investors should read and consider the prospectus in full and get professional advice before deciding whether to acquire PERLS V. Applications for PERLS V can only be made by completing the application form that will accompany the prospectus.

Yours faithfully

J D Hatton
Company Secretary

Commonwealth Bank

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Financial Report

Year Ended 30 June 2009

Contents

Financial Statements

Income Statements

For the year ended 30 June 2009

		Group			Bank	
		2009	2008	2007	2009	2008
	Note	$M	$M	$M	$M	$M
Interest income	2	**31,519**	29,234	23,862	**27,991**	25,585
Interest expense	2	**21,218**	21,327	16,826	**19,956**	19,667
Net interest income		**10,301**	7,907	7,036	**8,035**	5,918
Other operating income	2	**3,914**	3,559	3,341	**4,151**	5,786
Net banking operating income [1]		**14,215**	11,466	10,377	**12,186**	11,704
Funds management income		**1,618**	2,369	1,871	**-**	-
Investment (expense)/revenue		**(859)**	(525)	2,120	**-**	-
Claims and policyholder liability revenue/(expense)		**731**	519	(2,020)	**-**	-
Net funds management operating income	2	**1,490**	2,363	1,971	**-**	-
Premiums from insurance contracts		**1,651**	1,373	1,117	**-**	-
Investment (expense)/revenue		**(232)**	(27)	858	**-**	-
Claims and policyholder liability expense from insurance contracts		**(650)**	(606)	(932)	**-**	-
Insurance margin on services operating income	2	**769**	740	1,043	**-**	-
Total net operating income	2	**16,474**	14,569	13,391	**12,186**	11,704
Gain on acquisition of controlled entities	49	**983**	-	-	**-**	-
Impairment expense	2,14	**3,048**	930	434	**2,703**	902
Operating expenses	2	**7,946**	7,398	6,427	**5,539**	5,593
Defined benefit superannuation plan (expense)/income	2,42	**(14)**	14	8	**(14)**	14
Net profit before income tax	2	**6,449**	6,255	6,538	**3,930**	5,223
Corporate tax expense	5	**1,860**	1,548	1,775	**844**	865
Policyholder tax (benefit)/expense	5	**(164)**	(115)	266	**-**	-
Net profit after income tax		**4,753**	4,822	4,497	**3,086**	4,358
Minority interests		**30**	31	27	**-**	-
Net profit attributable to Equity holders of the Bank		**4,723**	4,791	4,470	**3,086**	4,358

(1) Net banking operating income of the Bank in 2008 is greater than the Group due to the receipt of tax exempt intragroup dividends.

		Group		
		2009	2008	2007
	Note	Cents per share		
Earnings per share:				
Basic	7	**329**	363. 0	344. 7
Fully diluted	7	**313**	348. 7	339. 7
Dividends per share attributable to shareholders of the Bank:				
Ordinary shares	6	**228**	266	256
Trust preferred securities (TPS)		**8,142**	6,850	7,821

These Financial Statements should be read in conjunction with the accompanying notes.

Balance Sheets

As at 30 June 2009

		Group		Bank	
		2009	2008	2009	2008
	Note	$M	$M	$M	$M
Assets					
Cash and liquid assets	8	**11,340**	7,736	**9,684**	7,282
Receivables due from other financial institutions	9	**14,421**	6,984	**13,986**	6,731
Assets at fair value through Income Statement:	10				
Trading		**25,401**	21,676	**20,988**	19,168
Insurance		**17,260**	20,650	**-**	-
Other		**1,677**	3,266	**60**	274
Derivative assets	11	**26,358**	18,232	**25,536**	19,287
Available-for-sale investments	12	**21,504**	11,488	**60,659**	27,067
Loans, bills discounted and other receivables	13	**466,631**	361,282	**353,408**	309,714
Bank acceptances of customers		**14,728**	18,278	**14,726**	18,278
Shares in and loans to controlled entities	17	**-**	-	**54,671**	37,472
Property, plant and equipment	18	**2,472**	1,640	**1,572**	1,336
Investment in associates	44	**1,047**	906	**845**	757
Intangible assets	19	**9,245**	8,258	**3,101**	2,826
Deferred tax assets	5	**1,653**	76	**1,628**	54
Other assets	20	**6,070**	6,492	**3,866**	5,369
		619,807	486,964	**564,730**	455,615
Assets held for sale	21	**565**	608	**370**	412
Total assets		**620,372**	487,572	**565,100**	456,027
Liabilities					
Deposits and other public borrowings	22	**368,721**	263,706	**305,170**	240,871
Payables due to other financial institutions	23	**15,109**	17,672	**14,942**	17,625
Liabilities at fair value through Income Statement	24	**16,596**	15,526	**3,485**	2,930
Derivative liabilities	11	**32,134**	19,541	**29,442**	19,367
Bank acceptances		**14,728**	18,278	**14,726**	18,278
Due to controlled entities		**-**	-	**81,084**	54,119
Current tax liabilities	25	**883**	768	**835**	708
Deferred tax liabilities	25	**168**	266	**40**	19
Other provisions	26	**1,243**	1,174	**913**	983
Insurance policy liabilities	36	**16,056**	18,495	**-**	-
Debt issues	27	**101,819**	85,817	**62,894**	55,778
Managed funds units on issue	28	**914**	1,109	**-**	-
Bills payable and other liabilities	29	**8,520**	7,524	**7,969**	6,301
		576,891	449,876	**521,500**	416,979
Loan capital	30	**12,039**	11,559	**12,174**	11,620
Total liabilities		**588,930**	461,435	**533,674**	428,599
Net assets		**31,442**	26,137	**31,426**	27,428
Shareholders' Equity					
Share capital:					
Ordinary share capital	32	**21,642**	15,727	**21,825**	15,927
Other equity instruments	32	**939**	939	**1,895**	1,895
Reserves	31	**516**	1,206	**1,697**	2,253
Retained profits	31	**7,825**	7,747	**6,009**	7,353
Shareholders' equity attributable to Equity holders of the Bank		**30,922**	25,619	**31,426**	27,428
Minority interests:					
Controlled entities	33	**520**	518	**-**	-
Total minority interests		**520**	518	**-**	-
Total Shareholders' equity		**31,442**	26,137	**31,426**	27,428

These Financial Statements should be read in conjunction with the accompanying notes.

Financial Statements

Statements of Recognised Income and Expense

For the year ended 30 June 2009

		Group			Bank	
		2009	2008	2007	2009	2008
	Note	$M	$M	$M	$M	$M
Actuarial (losses)/gains from defined benefit superannuation plans	31,42	**(739)**	(240)	414	**(739)**	(240)
(Losses)/gains on cash flow hedging instruments:						
Recognised in equity	31	**(1,630)**	422	429	**(872)**	426
Transferred to Income Statement	31	**(21)**	(573)	120	**(199)**	(318)
Gains/(losses) on available-for-sale investments:						
Recognised in equity	31	**10**	262	28	**52**	240
Transferred to Income Statement on disposal	31	**(24)**	(312)	(138)	**(24)**	(272)
Transferred to Income Statement on impairment	31	**37**	-	-	**-**	-
Revaluation of properties	31	**(25)**	20	79	**(20)**	19
Exchange differences on translation of foreign operations	31	**168**	(648)	54	**158**	(103)
Income tax on items transferred directly to/from equity:						
Foreign Currency Translation Reserve	31	**94**	53	(13)	**-**	1
Available-for-sale investments revaluation reserve	31	**(37)**	44	10	**(17)**	7
Revaluation of properties	31	**9**	(4)	(23)	**8**	(4)
Cash flow hedge reserve	31	**497**	52	(168)	**319**	(27)
Net (expense)/income recognised directly in equity		**(1,661)**	(924)	792	**(1,334)**	(271)
Profit for the period		**4,753**	4,822	4,497	**3,086**	4,358
Total net income recognised for the period		**3,092**	3,898	5,289	**1,752**	4,087
Attributable to:						
Equity holders of the Bank		**3,062**	3,867	5,262	**1,752**	4,087
Minority interests		**30**	31	27	**-**	-
Total net income recognised for the period		**3,092**	3,898	5,289	**1,752**	4,087

These Financial Statements should be read in conjunction with the accompanying notes.

Statements of Cash Flows [1]

For the year ended 30 June 2009

		Group			Bank	
		2009	2008	2007	2009	2008
	Note	$M	$M	$M	$M	$M
Cash Flows from Operating Activities						
Interest received		**31,745**	29,464	23,123	**28,380**	25,445
Interest paid		**(20,986)**	(20,786)	(16,405)	**(20,254)**	(19,098)
Other operating income received		**5,551**	5,314	4,627	**3,371**	3,485
Expenses paid		**(7,334)**	(6,882)	(5,699)	**(5,028)**	(5,385)
Income taxes paid		**(2,043)**	(1,905)	(1,942)	**(1,938)**	(1,601)
Net decrease/(increase) in assets at fair value through Income Statement (excluding life insurance)		**4,864**	(990)	(1,715)	**4,705**	200
Net increase/(decrease) in liabilities at fair value through Income Statement:						
Life insurance:						
Investment income		**275**	509	2,296	**-**	-
Premiums received [2]		**2,063**	2,304	2,431	**-**	-
Policy payments [2]		**(3,144)**	(3,789)	(5,346)	**-**	-
Other liabilities at fair value through Income Statement		**287**	810	4,831	**405**	(2,279)
Cash flows from operating activities before changes in operating assets and liabilities		**11,278**	4,049	6,201	**9,641**	767
Changes in operating assets and liabilities arising from cash flow movements						
Movement in available-for-sale investments:						
Purchases		**(37,200)**	(35,113)	(22,214)	**(59,909)**	(48,162)
Proceeds from sale		**4,996**	610	1,480	**4,996**	577
Proceeds at or close to maturity		**22,189**	31,974	21,139	**22,049**	28,432
Net change in deposits with regulatory authorities		**25**	13	(8)	**(2)**	1
Net (increase) in loans, bills discounted and other receivables		**(52,878)**	(51,570)	(37,885)	**(48,392)**	(47,536)
Net (increase)/decrease in receivables due from other financial institutions not at call		**(5,575)**	(2,621)	833	**(3,959)**	(2,126)
Net (increase)/decrease in securities purchased under agreements to resell		**(507)**	634	(1,647)	**363**	311
Life insurance business:						
Purchase of insurance assets at fair value through Income Statement		**(11,950)**	(8,719)	(8,476)	**-**	-
Proceeds from sale/maturity of insurance assets at fair value through Income Statement		**14,478**	11,159	8,842	**-**	-
Net increase in deposits and other public borrowings		**47,394**	49,603	26,361	**57,471**	48,418
Net proceeds from issuance of debt securities		**10,253**	(4,816)	7,207	**6,754**	6,274
Net (decrease)/increase in payables due to other financial institutions not at call		**(8,012)**	4,486	1,865	**(5,641)**	4,584
Net increase/(decrease) in securities sold under agreements to repurchase		**6,985**	(1,764)	1,943	**6,824**	(1,835)
Changes in operating assets and liabilities arising from cash flow movements		**(9,802)**	(6,124)	(560)	**(19,446)**	(11,062)
Net cash provided/(used in) by operating activities	47(a)	**1,476**	(2,075)	5,641	**(9,805)**	(10,295)
Cash Flows from Investing Activities						
Payments for acquisition of controlled entities	47(e)	**(1,741)**	(241)	(7)	**(2,101)**	-
Proceeds from disposal of controlled entities	47(c)	**-**	2	-	**-**	-
Proceeds from disposal of entities and businesses (net of cash disposals)		**-**	-	16	**-**	-
Dividends received		**76**	39	3	**863**	1,667
Net amounts received from controlled entities		**-**	-	-	**11,833**	8,864
Proceeds from sale of property, plant and equipment		**9**	14	53	**6**	10
Purchases of property, plant and equipment		**(987)**	(482)	(314)	**(499)**	(421)
Payments for acquistions of investments in associates/joint ventures		**(144)**	-	(6)	**(144)**	-
Purchase of intangible assets		**(405)**	(226)	(130)	**(369)**	(183)
(Purchase)/sale of assets held for sale		**(22)**	766	(1,091)	**(23)**	(391)
Net (increase)/decrease in other assets		**(77)**	(24)	(800)	**(180)**	1,025
Net cash provided by/(used in) operating activities		**(3,291)**	(152)	(2,276)	**9,386**	10,571

(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.

These Financial Statements should be read in conjunction with the accompanying notes.

Financial Statements

Statements of Cash Flows [1]

For the year ended 30 June 2009

		Group			Bank	
		2009	2008	2007	2009	2008
	Note	$M	$M	$M	$M	$M
Cash Flows from Financing Activities						
Proceeds from issue of shares (net of issue costs)		**4,830**	3	19	**4,830**	3
Dividends paid (excluding Dividend Reinvestment Plan) [2]		**(2,620)**	(2,351)	(2,284)	**(2,580)**	(2,317)
Net movement in other liabilities		**344**	553	219	**1,956**	453
Net (purchase) /sale of treasury shares		**(14)**	(9)	55	**(31)**	(17)
Issue of loan capital		**500**	2,091	1,969	**500**	1,784
Redemption of loan capital		**(1,250)**	(7)	(1,069)	**(1,250)**	(7)
Other		**(54)**	128	(228)	**93**	34
Net cash provided by/(used in) financing activities		**1,736**	408	(1,319)	**3,518**	(67)
Net (decrease)/increase in cash and cash equivalents		**(79)**	(1,819)	2,046	**3,099**	209
Cash and cash equivalents at beginning of period		**2,265**	4,084	2,038	**337**	128
Cash and cash equivalents at end of period [3]	47(b)	**2,186**	2,265	4,084	**3,436**	337

(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) Includes $98 million allocated to participants under the Dividend Reinvestment Plan in the year ended 30 June 2008.

(3) 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.

These Financial Statements should be read in conjunction with the accompanying notes.

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 2009, were approved and authorised for issue by the Board of Directors on 12 August 2009.

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

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

(i) Retail Banking Services

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

(ii) Business and Private Banking

The Group offers commercial products within Australia including business loans and deposits and asset finance facilities to small and medium sized corporate customers and to rural and agribusiness customers. This segment also provides private banking services to high net worth individuals, and margin lending through CommSec.

(iii) Institutional Banking and Markets

The Group provides a range of resources to assist clients to grow and manage their business, creating customised solutions based on specific needs, industry trends and market conditions. The Total Capital Solutions offering includes debt and capital markets, risk management and transactional banking to corporate and institutional clients. This segment also has wholesale banking operations in London, New York, Singapore, Hong Kong and Malta.

(iv) Wealth Management

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

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

(v) International Financial Services

The Group has full service banking operations in New Zealand, Fiji and Indonesia and a branch in Vietnam. The Group also has wholesale banking operations in Indonesia, regions of China and Tokyo. The Group's International Financial Services segment also conducts Life Insurance operations in New Zealand, where it has the leading market share, as well as Asia and the Pacific, and conducts Funds Management business in New Zealand.

(vi) Bankwest

Since the acquisition of Bank of Western Australia Ltd on 19 December 2008, the Group operates full service retail and commercial banking services within Australia under the Bankwest brand.

In February 2009 the Group split the Premium Business Services division into two new segments; Business and Private Banking and Institutional Banking and Markets.

In so doing the Group can deliver specific client solutions for their business needs.

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

(a) Bases of accounting

This general purpose Financial Report for the year ended 30 June 2009 has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards ("AIFRS") and the requirements of the Corporations Act 2001.

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

The preparation of the Annual Financial Report conforming with AIFRS requires management to make estimates and assumptions that affect the amounts reported in the Financial Statements and accompanying notes. Further information is included in Note 1 (mm) Critical Accounting Policies and Estimates.

The use of available information and the application of judgement are inherent in the formation of estimates. Actual results could differ from these estimates.

(b) Basis of preparation

The Financial Statements are prepared on the basis of historical cost except that the following assets and liabilities are measured at fair value: derivative financial instruments, assets and liabilities at fair value through Income Statement, available-for-sale investments, insurance policy liabilities, domestic bills discounted which are included in loans, bills discounted and other receivables, investment property which backs liabilities paying a return linked to the fair value or returns from assets including the investment property, owner-occupied property, defined benefit plan assets and liabilities, employee share-based remuneration liabilities and recognised assets and liabilities attributable to the hedged risk in a hedging relationship that qualifies for hedge accounting treatment.

The Financial Report is presented in Australian dollars.

No standards, interpretations and amendments have been early adopted during the financial year commencing 1 July 2008.

The following standards, interpretations and amendments have been applied by the Group during the financial year commencing 1 July 2008:

- AASB Interpretation 4 Determining Whether an Arrangement contains a Lease, is applicable to annual reporting periods beginning on or after 1 January 2008;
- AASB Interpretation 12 Service Concession Arrangements and AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 are applicable to annual reporting periods beginning on or after 1 January 2008; and
- AASB Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction is applicable to annual reporting periods beginning on or after 1 January 2008.

None of these standards, interpretations and amendments had a material effect on the financial results or position of the Bank or the Group.

Notes to the Financial Statements

Note 1 Accounting Policies (continued)

The following standards and amendments will be applied from the financial year commencing 1 July 2009:

- Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127. The initial application of these revised standards are not expected to materially impact the financial results of the Bank or the Group;
- AASB 2007-6 Amendments to Australian Accounting Standards Arising from AASB 123 (June 2007) and Revised AASB 123 Borrowing Costs (June 2007) which removes the option to expense borrowing costs related to "qualifying assets". AASB 2007-6 and the revised AASB 123 are applicable for annual reporting periods beginning on or after 1 January 2009. The initial application of AASB 2007-6 is not expected to materially impact the financial results of the Bank or the Group;
- AASB 2008-1 Amendments to Australian Accounting Standards – Share based Payments: Vesting Conditions and Cancellations, clarifies that vesting conditions comprise service conditions and performance conditions only and that other features of a share-based payment transaction are not vesting conditions and specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. It is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to materially impact the Bank or the Group;
- AASB 2008-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation introduces an exception to the definition of financial liability, to classify as equity instruments certain puttable financial instruments and certain instruments that impose on an entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation of the entity. It is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to materially impact the Bank or the Group;

  AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5,7,101,102,107,108,110,116,118,119,120,123, 127,128,129,131,132,134,136,138,139,140,141,1023 & 1038] is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to materially impact the Bank or the Group;
- AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1 & AASB 5] amends AASB 1 and AASB 5 to include requirements relating to a sale plan involving the loss of control of a subsidiary. The amendments require all the assets and liabilities of such a subsidiary to be classified as Held for Sale and clarify the disclosures required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation. It is not expected to materially impact the Bank or the Group;
- AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1,118,121,127 & 136; removes from AASB 118 the requirement to deduct dividends declared out of pre-acquisition profits from the cost of an investment in a subsidiary, jointly controlled entity or associate, amends AASB 127 to require a new parent entity established in a group reorganisation to measure the cost of its investment at the carrying amount of equity of the original parent, amends AASB 136 to include recognising a dividend together with other evidence as an indication of impairment. It is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to materially impact the Bank or the Group;
- AASB 2008-8 Amendments to Australian Accounting Standards – Eligible Hedged Items [AASB 139] clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item, should be applied in particular situations. It is not expected to materially impact the Bank or the Group;
- AASB 2008-12 Amendments to Australian Accounting Standards – Reclassification of Financial Assets [AASB 7, AASB 139 & AASB 2008-10] clarifies the application date of amendments made by the IASB and issued in Australia in October 2008 as AASB 2008-10. It is not expected to materially impact the Bank or the Group;
- Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101. The initial application of the revised AASB 101 and the revised AASB 2007-10 did not have any impact on the Bank or the Group's financial position or results;
- AASB 2009-2 Improving Disclosures about Financial Instruments: Disclosures requires the disclosure of valuation techniques used to determine the carrying values of financial instruments held at fair value in the Balance Sheet, with additional disclosures required for valuations with significant unobservable inputs. It is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to materially impact the Bank or the Group;
- AASB 2009-3 Embedded Derivatives requires an entity to assess whether an embedded derivative is required to be separated from a host contract when the entity reclassifies a hybrid (combined) financial asset out of the fair value through Income Statement category. It is not expected to materially impact the Bank or the Group;
- AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project makes consequential amendments to AASB 2, AASB 138 and AASB Interpretation 9 arising from revised AASB 3. It also amends the restriction on the entity that can hold hedging instruments in AASB Interpretation 16. It is not expected to materially impact the Bank or the Group;
- AASB 2009-6 Amendments to Australian Accounting Standards makes additional amendments as a consequence of the issuance of revised AASB 101. These amendments were omitted from or incorrectly stated in AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101. It is not expected to materially impact the Bank or the Group;
- AASB 2009-7 Amendments to Australian Accounting Standards [AASB 5,7,107,112,136 &139 and Interpretation 17] The amendments to AASB 5, AASB 7, AASB 139 and Interpretation 17 correct errors that occurred in AASB 2008-12 Amendments to Australian Accounting Standards – Reclassification of Financial Assets – Effective Date and Transition, AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17

Note 1 Accounting Policies (continued)

– Distributions of Non-cash Assets to Owners and Interpretation 17 itself. The other amendments reflect changes made by the IASB to its pronouncements. It is not expected to materially impact the Bank or the Group;

- AASB Interpretation 12 Service Concession Arrangements provides guidance on the accounting by operators of public-to-private service concession arrangements and applies if: the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and if the grantor controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the infrastructure at the end of the term of the arrangement. It is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to materially impact the Bank or the Group;
- AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation requires that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches. It is applicable for annual reporting periods beginning on or after 1 July 2009 and is not expected to materially impact the Bank or the Group;
- AASB Interpretation 17 and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 and AASB 110] clarifies that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity, an entity should measure the dividend payable at the fair value of the net assets to be distributed; and an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. It is not expected to materially impact the Bank or the Group; and
- AASB Interpretation 1 Changes in Existing Decommissioning Restoration and Similar Liabilities, provides guidance on how to account for the effect of changes in the measurement of existing decommissioning, restoration and similar liabilities. It is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to materially impact the Bank or the Group.

The following standards and amendments are available for early adoption at 1 July 2009 and will be applied from the financial year commencing 1 July 2010:

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5,8,101,107,117,118,136 & 139] makes presentation, recognition, measurement, terminology and editorial changes. It is applicable for annual reporting periods beginning on or after 1 January 2010 and is not expected to materially impact the Bank or the Group.

Other standards, interpretations and amendments are unlikely to have a material effect on the Bank or the Group.

(c) Consolidation

The consolidated Financial Statements include the Financial Statements of the Bank and all entities where it is determined that there is a capacity to control the entity.

Potential voting rights are considered when assessing control. A number of consolidated entities were formed by the Group for the purpose of asset securitisation transactions and structured debt issuance, or to accomplish certain other narrow and well-defined objectives. Such entities may acquire assets directly or indirectly from the Bank or its affiliates.

Additionally, some of these entities are bankruptcy-remote (i.e. their assets are not available to satisfy the claims of creditors of the Group or any other of its subsidiaries). These entities are consolidated in the Group's Financial Statements when the majority of exposure to risks and benefits from the entity resides with the Group.

All balances and transactions between Group entities, including unrealised gains and losses, have been eliminated on consolidation.

The consolidated Financial Statements also include the Group's share of the financial results of entities where the Group holds an investment in, and has significant influence over, the financial and operating policies of the entity. This is normally evidenced when the Group owns 20% or more of the voting rights.

Associated companies are defined as those entities over which the Group has significant influence but there is no capacity to control. Investments in associates are carried at cost plus the Group's share of post-acquisition profit or loss and other reserves. The Group's share of profit or loss of associates is included in the Group's Income Statement.

(d) Revenue recognition

Revenue is recognised to the extent it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The principal sources of revenue are interest income and fees and commissions.

Interest income

Interest income is recognised on an accrual basis using the effective interest method. Further information is included in Note 1 (g) Receivables from other financial institutions, Note 1 (i) Assets at fair value through Income Statement, Note 1 (j) Available-for-sale investments, Note 1 (l) Loans, bills discounted and other receivables, and Note 1 (m) Leasing.

Lending fees

Fee income and direct costs relating to loan origination, financing or restructuring and to loan commitments are deferred and amortised to interest income over the expected life of the loan using the effective interest method. Fees received for commitments which are not expected to result in a loan are recognised in the Income Statement over the commitment period.

Loan syndication fees where the Group does not retain a portion of the syndicated loan are recognised in income once the syndication has been completed. Where fees are received on an ongoing basis and represent the recoupment of the costs of maintaining and administering existing loans, these fees are recognised in Income Statement on an accrual basis.

Fees and commissions

When commission charges and fees relate to specific transactions or events, they are recognised in income in the period in which they are earned. However, when they are charged for services provided over a period, they are recognised in income on an accrual basis.

Note 1 Accounting Policies (continued)

Other income

Trading income is recognised when earned based on changes in fair value of financial instruments and is recorded from trade date. Further information is included in Notes 1 (e) Foreign currency translations, 1 (i) Assets at fair value through Income Statement, and Note 1 (ff) Derivative financial instruments.

Life insurance business income recognition is explained in Note 1 (hh).

(e) Foreign currency translations

The functional and presentation currency of the domestic operations of the Bank has been determined to be Australian Dollars ("AUD") as this currency best reflects the economic substance of the underlying events and circumstances relevant to the Bank. Each entity and overseas branch within the Group has also determined their functional currency based on their own primary economic indicators.

All foreign currency monetary items are revalued at spot rates of exchange prevailing at Balance Sheet date and changes in the spot rate are recorded in the Income Statement. Foreign currency forward, futures, swaps and option positions are revalued at appropriate market rates applying at Balance Sheet date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

With the exception of the revaluations classified in equity, unrealised foreign currency gains and losses arising from these revaluations and gains and losses arising from foreign exchange dealings are included in the Income Statement.

The foreign currency assets and liabilities of overseas branches and controlled entities with an overseas functional currency are converted to AUD at Balance Sheet date in accordance with the foreign exchange rates ruling at that date. Profit and loss items for overseas branches and controlled entities are converted to AUD progressively throughout the year at the spot exchange rate at the date of the transaction. All resulting exchange differences are recognised in the Foreign Currency Translation Reserve ("FCTR") as a separate component of equity.

Translation differences arising from translation of opening balances of shareholders' funds of overseas branches and controlled entities at year end exchange rates are reflected in the FCTR. The Group maintains a substantially matched position in assets and liabilities in foreign currencies and the level of net foreign currency exposure does not have a material impact on its financial position.

(f) Cash and liquid assets

Cash and liquid assets includes 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.

(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 similar to loans and other receivables, refer Note 1 (l). Interest is recognised in the Income Statement using the effective interest method.

(h) Financial instruments

Financial instruments are classified into one of the following categories which determines their measurement basis:

- Assets at fair value through Income Statement (Note 1 (i));
- Available-for-sale investments (Note 1 (j));
- Derivative assets (Note 1 (ff));
- Loans, bills discounted and other receivables (Note 1 (l));
- Liabilities at fair value through Income Statement (Note 1 (x));
- Liabilities at amortised cost;
- Derivative liabilities (Note 1 (ff)); and
- Shareholders' equity (Note 1 (ee)).

Except for restructured facilities referred to in Note 1(l) Loans, bills discounted and other receivables, financial instruments are transacted on a commercial basis to derive an interest yield/cost with terms and conditions having due regard to the nature of the transaction and the risks involved.

The Group has no held to maturity investments.

Offsetting financial instruments

The Group offsets financial assets and liabilities 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.

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 when control is no longer retained, 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. This 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 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.

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 subcategories: Trading, Insurance and Other.

Trading

Trading assets are short and long term public, bank and other debt securities and equities that are acquired and held for trading purposes. 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.

Note 1 Accounting Policies (continued)

Non market-quoted assets are valued using valuation techniques based on market observable inputs existing at Balance Sheet date. In a limited number of instances valuation techniques are not based on observable market data.

Insurance

Insurance assets are investments that back life insurance contracts and life investment contracts. They are measured at fair value based on quoted bid prices or using appropriate valuation techniques. Refer to Note 1 (hh), Life and general insurance business for further details.

Other

Other investments include financial assets which the Group has designated as at fair value through Income Statement at inception to eliminate an accounting mismatch. Subsequent to initial recognition, where an active market exists fair value is measured using quoted market 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 existing at Balance Sheet date. In a limited number of instances valuation techniques are not based on observable market data.

(j) Available-for-sale investments

Available-for-sale investments are short and long term public, bank and other securities and include bonds, notes, bills of exchange, commercial paper, certificates of deposit, equities and rolling loan originations and syndications.

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 existing at Balance Sheet date. In a limited number of instances valuation techniques are not based on observable market data.

Equity investments whose fair value cannot be reliably measured are valued at cost. Gains and losses arising from changes in fair value are reported 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 reflected in other operating income when earned.

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

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 retained within the Available-for-sale investments or Assets at fair value through Income Statement categories and accounted for accordingly in line with Note 1 (j) and (i) respectively.

Liability accounts are used to record the obligation to repurchase and disclosed as Deposits. 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 include financial assets with fixed and determinable payments that are not quoted in an active market, which are measured at amortised cost, and bills discounted, which are measured at fair value.

They include overdrafts, home loans, credit card and other personal lending, term loans, bill financing, redeemable preference shares, securities and finance leases. Loans, bills discounted and other receivables are 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.

Other loans and receivables which are originated with the intent to be sold immediately or in the short term are classified as Assets at fair value through Income Statement.

Note 1 (d) and Note 1 (n) provide additional information with respect to revenue recognition and impairment respectively.

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 interest rate used for the purpose of measuring the impairment of the asset.

Restructured Facilities

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

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 and classified in the appropriate asset classifications 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) Leasing

Leases where the Group transfers substantially all the risks and rewards incident to ownership of an asset to the lessee or a third party are classified as finance leases. A receivable at an amount equal to the present value of the lease payments, including any guaranteed residual value, is recognised.

Income on finance lease transactions is recognised on a basis reflecting a constant periodic return based on the lessor’s net investment outstanding in respect of the finance lease.

The difference between the gross receivable and the present value of the receivable is unearned finance income and is recognised over the term of the lease using the effective interest

Note 1 Accounting Policies (continued)

method. Finance lease receivables are included in Loans, bills discounted and other receivables.

Leases where the Group retains substantially all the risks and rewards incident to ownership of an asset are classified as operating leases.

Operating lease rental revenue and expense is recognised in the Income Statement on a straight-line basis over the lease term. The Group classifies assets leased out under operating leases as property, plant and equipment. These assets are depreciated over their expected useful lives on a basis consistent with similar fixed assets.

(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 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 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.

The Group has individually assessed provisions and collectively assessed provisions. Individually assessed provisions are made against individually significant financial assets.

Individually significant provisions are assessed as the difference between an asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Impaired financial assets in the Retail segment are those facilities that are not well secured and past due 180 days or more.

The Group applies APRA's prudential standards in classifying impaired assets into three categories, comprising:

(a) Non-Performing:

- Any credit risk facility against which an individually assessed provision for impairment has been raised;
- Any credit risk facility maintained on a cash basis because of significant deterioration in the financial position of the borrower; and
- Any credit risk facility where loss of principal or interest is anticipated.

(b) Restructured Facilities:

Credit risk facilities on which the original contractual terms have been modified due to financial difficulties of the borrower. Interest on these facilities is taken to profit and loss. Failure to comply fully with the modified terms will result in immediate reclassification to non-performing. These loans are collectively assessed for provisioning purposes.

(c) Assets Acquired through Security Enforcement:

- Other Real Estate Owned, comprising real estate where the Group assumed ownership or foreclosed in settlement of a debt;
- Other Assets Acquired through Securities Enforcement, comprising assets other than real estate where the Group has assumed ownership or foreclosed in settlement of a debt; and
- Other real estate owned and other assets acquired through security enforcement are sold through the Group's existing disposal processes. These processes are generally expected to take no longer than six months.

All other loans and receivables 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 receivables to their estimated recoverable amounts at the Balance Sheet date.

The expected future cash flows for portfolios of assets with similar 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

When a decline in the fair value of an Available-for-sale investment has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss is removed from equity and recognised in the Income Statement. If in a subsequent period the amount of an impairment loss for an available-for-sale debt security decreases and the decrease 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 while the asset is still recognised.

Goodwill and other non-financial assets

Goodwill balances and intangible assets with an indefinite useful life are assessed for impairment at each reporting date or more regularly where an indication of impairment exists. Refer to Note 1 (t) Intangibles for more details on goodwill and intangibles impairment testing. If any such indication exists, 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.

The recoverable amount of an asset or cash generating unit is the greater of the fair value less cost to sell, or value in use. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

A previously recognised impairment loss (except for goodwill) 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.

Note 1 Accounting Policies (continued)

Off-balance sheet items

Provisions for impairment for off-balance sheet items such as a commitment are reported in other provisions. Measurement of provisions is discussed further in Note 1 (aa) Provisions.

The Group recognises impairment provisions in respect of only those advances and credit transactions for which there is objective evidence of impairment at Balance Sheet date.

The amounts required to bring the provisions for impairment to their assessed levels are recognised in the Income Statement.

(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 raised 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

Equity contributions to controlled entities are carried in the Bank's Financial Statements at the lower of cost of acquisition or recoverable amount, and loans to controlled entities are measured at amortised cost using the effective interest method.

These assets are measured at fair value when impaired and a provision is raised as per Note 1 (n) Provisions for impairment.

(q) Investment property

Investment properties are classified as properties held to earn rental income and/or for capital appreciation.

The Group carries investment property which backs liabilities paying a return linked to the fair value or returns from assets including the investment property at fair value based on a valuation performed by professional valuers. Valuations are carried out annually. Fair value movements are recognised in the Income Statement in the period in which they arise.

(r) Assets classified as held for sale

Assets are classified as held for sale when their carrying amounts will be recovered principally through sale within 12 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. Where this is the case the asset's measurement basis is separately outlined.

Assets classified as held for sale are neither amortised nor depreciated unless the nature of the asset requires it.

(s) Property, plant and equipment

The Group measures its property assets (land and buildings) on a fair value measurement basis using 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, if any. Depreciation is calculated principally on a category basis at rates applicable to each category's useful life using the straight-line method and treated as an operating expense charged to the Income Statement.

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	
Shell	Maximum 30 years
Integral plant and equipment:	
Carpets	10 years
All other (air-conditioning, lifts)	20 years
Non-integral plant and equipment:	
Fixtures and fittings	10 years
Leasehold improvements	
Leasehold improvements	Lesser of unexpired lease term or lives as above
Equipment	
Security surveillance systems	7 years
Furniture	8 years
Office machinery	5 years
EFTPOS machines	3 years
Computer hardware	3-5 years

Depreciation rates and methods underlying the calculation of depreciation of items of property, plant and equipment are kept under review to take account of any change in circumstances.

Estimates of useful lives are revised when a change in circumstances indicates a reassessment should be performed.

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 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.

Where the Group expects the carrying amount of assets held within property, plant and equipment to be recovered principally through a sale transaction in the short-term rather than through continuing use, these assets are classified as Held for sale.

(t) Intangibles

Goodwill

Goodwill, representing the excess of purchase consideration plus incidental expenses over the fair value of the identifiable net assets at the time of acquisition of an entity, is capitalised and recognised in the Balance Sheet.

Goodwill is reviewed annually for impairment at each reporting date, or more frequently if events or changes in circumstances indicate that it might be impaired. For the purposes of impairment testing, goodwill is allocated to cash-generating units or groups of units. A cash-generating unit is the smallest identifiable group of assets that generate independent cash flows. Goodwill is allocated by the Group to cash generating units or groups of units based on how goodwill is monitored by management.

An impairment loss is recognised for a cash-generating unit if the higher of the recoverable amount or the value in use of the unit/group of units is less than the carrying amount of the unit/group of units.

The recoverable amount of the cash-generating unit is calculated as the higher of fair value less costs to sell, and value in use, measured using readily available market data and assumptions. Impairment losses on goodwill are not subsequently reversed.

Note 1 Accounting Policies (continued)

Gains and losses on the disposal of an entity are net of the carrying amount of the goodwill relating to the entity.

Computer software costs

Where computer software costs are not integrally related to associated hardware, the Group recognises them as an intangible asset where they are clearly identifiable, can be reliably measured and it is probable they will lead to future economic benefits that the Group controls.

The Group carries capitalised software assets at cost less amortisation and any impairment losses.

These assets are amortised over their estimated useful lives on a straight-line basis which is usually between three and ten years.

Estimates of useful lives are revised when a change in circumstances indicates a reassessment should be performed.

Any impairment loss is recognised when incurred.

Software maintenance costs are expensed as incurred.

Core Deposits

Core deposits represent the value of a deposit base acquired in a business combination. Core deposits are initially recognised at fair value, representing the avoided cost of alternative funding sources such as securitisation and wholesale funding and are amortised over their estimated useful life. During 2009 the Group recognised core deposits from the acquired deposit portfolio of Bankwest, which have an estimated useful life of seven years, based on their weighted average attrition rates.

Brand names

Brand names are recognised when acquired in a business combination. Brand names are initially recognised at fair value, representing the royalty costs that would have been incurred had a brand name been used without acquiring it, measured based on an annual percentage of income generated by the acquired entity. During 2009 the Group acquired the Bankwest brand name. This brand name is considered to have an indefinite useful life and is subject to impairment testing.

Other Intangibles

Other intangibles comprise acquired management fee rights and customer lists where they are clearly identifiable, can be reliably measured and where it is probable they will lead to future economic benefits that the Group controls.

Management fee rights have been assessed to have indefinite lives and are carried at cost less any impairment losses.

Customer lists are carried at cost less amortisation, which is generally over a period of ten years.

(u) Other assets

Other assets include all other financial assets and include interest, fees and other unrealised income receivable, and securities sold not delivered. These assets are recorded at the amortised cost.

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

(v) Deposits from customers

Deposits and other public borrowings includes certificates of deposits, term deposits, savings deposits, cheque and other demand deposits, debentures and other funds raised publicly by borrowing corporations. 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.

Where the Group has hedged deposits with derivative instruments, hedge accounting rules are applied (refer to Note 1 (ff) Derivative financial instruments).

(w) Payables to other financial institutions

Payables to other financial institutions include deposits, vostro balances and settlement account balances due to other banks. They are recognised at fair value including directly attributable transaction costs at inception.

Payables to other financial institutions are subsequently recognised at amortised cost. Interest and yield related fees are recognised using the effective interest method.

Where the Group has designated payables to other financial institutions as Liabilities at fair value through Income Statement, the changes in fair value are reported in the Income Statement (refer Note 1 (x) Liabilities at fair value through Income Statement).

(x) 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. The liabilities are recognised on trade date at fair value and transaction costs are taken directly to the

Income Statement. Subsequent to initial recognition fair value is measured 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 not based on observable market data.

(y) 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 equity, in which case it is recognised in equity.

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 Group elected to be taxed as a single entity under the tax consolidation system with effect from 1 July 2002.

The Bank has formally notified the Australian Taxation Office of its adoption of the tax consolidation regime. In addition to the Group electing to be taxed as a single entity under the tax consolidation regime, the measurement and disclosure of

Note 1 Accounting Policies (continued)

deferred tax assets and liabilities has been performed in accordance with the principles in AASB 112, and on a modified stand alone basis under UIG 1052.

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 (refer below).

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.

(z) 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 staff housing loan benefits, a subsidy to a registered health fund with respect to retired and current employees, and employee incentives under employee share plans and bonus schemes.

The Group engages in share-based remuneration in respect of services received from certain of its 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. 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.

(aa) 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.

(bb) Debt issues

Debt issues are short and long term debt issues of the Group including commercial papers, notes, term loans and medium term notes. 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. Refer to Note 1 (x) Liabilities at fair value through Income Statement.

Embedded derivatives with economic characteristics and risks that are not wholly related to the economic characteristics and notes of the host instruments are separated from the debt issues. Refer Note 1 (ff) Derivative financial instruments.

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. Refer to Note 1 (ff) Derivative financial instruments.

Note 1 Accounting Policies (continued)

(cc) Bills payable and other liabilities

Bills payable and other liabilities includes interest, fees, other expenses payable, securities purchased not delivered and any defined benefit superannuation plan deficit.

Any superannuation plan deficit is recorded in line with Note 1 (z) Employee benefits while the remaining liabilities are recorded at amortised cost using the effective interest method.

Where the Group has designated bills payable and other liabilities at fair value through Income Statement, the changes in fair value are reported in the Income Statement (refer to Note 1 (x) Liabilities at fair value through Income Statement).

(dd) Loan capital

Loan capital is debt issued by the Group with terms and conditions, such as being undated or subordinated, which qualify for inclusion as capital under APRA Prudential Standards. Loan capital debt issues are initially recorded at fair value plus directly attributable transaction costs. After initial recognition loan capital debt issues are measured at amortised cost using the effective interest method.

Interest inclusive of premiums, discounts and associated issue expenses is recognised in the Income Statement using the effective interest method over the expected life of the instrument so that they attain their redemption values by maturity date. Any profits or losses arising from redemption prior to expected maturity are recognised in the Income Statement in the period in which they are realised.

(ee) Shareholders' equity

Ordinary share capital is the amount of paid up capital from the issue of ordinary shares.

Treasury Shares are deducted from Ordinary share capital. Gains or losses on the reissue of Treasury Shares are recognised in shareholders' equity within Retained Profits.

The movement between the acquisition and reissue price of Treasury Shares remains within 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 (refer to Note 1 (s) Property, Plant and Equipment) and is available for dividend payments.

The General Reserve for Credit Losses was originally appropriated from Retained Profits to comply with APRA prudential requirements in prior periods and has been returned to Retained Profits.

(ff) Derivative financial instruments

The Group has a significant volume of derivative financial instruments that include foreign exchange contracts, forward rate agreements, futures, options and interest rate, currency, equity and credit swaps.

Derivative financial instruments are used as part of the Group's trading activities and to hedge certain assets and liabilities. Derivatives that do not meet the hedging criteria are classified as derivatives held for trading, or as other derivatives.

The Group initially recognises derivative financial instruments at the fair value of consideration given or received.

Subsequent to initial recognition, where an active market exists, fair value is measured based on quoted market prices.

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 not based on observable market data.

A positive revaluation amount of a contract is reported as an asset and a negative revaluation amount of a contract as a liability.

Changes in fair value of derivatives are recognised in the Income Statement unless designated within a cash flow hedging relationship.

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, whereas 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 derivative instruments as part of its asset and liability management activities to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions. Hedge accounting can be applied subject to certain rules for fair value hedges, cash flow hedges and hedges of foreign operations. Cash flow and fair value hedges are the predominant hedges applied by the Group. Swaps are the major financial instruments used in the Group's hedging arrangements.

Fair value hedges

For fair value hedges, the change in fair value of the hedging derivative, and the hedged risk of the hedged item, is recognised immediately in the Income Statement within other operating income. If the fair value hedge relationship is terminated for reasons other than the derecognition of the hedged item, fair value hedge accounting ceases and, in the case of an interest bearing item, the fair value adjustment of the hedged item is amortised to the Income Statement over the remaining term of the original hedge. If the hedged item is derecognised the unamortised fair value adjustment is recognised immediately in the Income Statement.

Cash flow hedges

A fair valuation gain or loss associated with the effective portion of a derivative designated as a cash flow hedge is recognised initially in shareholders' equity within the Cash flow hedge reserve. Amounts in the Cash flow hedge reserve are transferred to the Income Statement when the cash flows on the hedged item are recognised in profit and loss.

Gains and losses resulting from cash flow hedge ineffectiveness are recorded immediately in the Income Statement.

A fair valuation gain or loss represents the amount by which changes in the fair value of the expected cash flow of the hedging derivative differ from the fair value of the changes (or expected changes) in the cash flow of the hedged item.

Where the hedged item is derecognised, the cumulative gain or loss is recognised immediately in the Income Statement. If for reasons other than the derecognition of the hedged item, cash flow hedge accounting ceases, the cumulative gains or losses are amortised to the Income Statement over the remaining term of the original hedge.

Note 1 Accounting Policies (continued)

Net Investment Hedges

Hedges of net investments in overseas subsidiaries are accounted for in a manner similar to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the Foreign Currency Translation Reserve ("FCTR") and the gain or loss relating to the ineffective portion is immediately recognised in the Income Statement. Gains and losses accumulated in the FCTR are transferred to the Income Statement when the overseas subsidiary is disposed of.

Embedded derivatives

A derivative may be embedded within a host contract. If the host contract is not already measured at fair value with changes in fair value reported in the Income Statement, and where the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, the embedded derivative is separated from the host contract and accounted for as a stand-alone derivative instrument at fair value.

(gg) 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.

(hh) Life and general insurance business

Life Insurance business

The Group's life insurance business is comprised of insurance contracts and investment contracts as defined by AASB 4.

Insurance contracts are accounted for in accordance with the requirements of AASB 1038. Investment contracts are accounted for as financial instruments with a separate management services element in accordance with AASB 118, 139 and 1038. Details are set out below.

All assets, liabilities, revenues, expenses and equity are recognised irrespective of whether they are designated as relating to policyholders or to shareholders.

All assets backing insurance liabilities are classified as Assets at fair value through Income Statement. They are measured at fair value based on quoted bid prices or using appropriate valuation techniques.

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 through Income Statement.

Returns on all investments controlled by life insurance entities within the Group are recognised as revenues. Investments in the Group's own equity instruments held within the life insurance statutory funds and other funds are treated as Treasury Shares in accordance with Note 1 (ee) Shareholders' equity.

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) 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 policyowners 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.

Notes to the Financial Statements

Note 1 Accounting Policies (continued)

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 "Margin on Services" 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 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.

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 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 fund units on issue – held by minority unitholders

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 Bank is eliminated but amounts due to external unitholders remain as liabilities in the Group's consolidated Balance Sheet. The share of the net assets of controlled companies attributable to minority unit holders is disclosed separately on the Balance Sheet.

In the Income Statement, the net profit or loss of the controlled entities relating to minority 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.

(ii) Asset securitisation

The Group conducts an asset securitisation program through which it packages and sells assets as securities to investors. The Group is entitled to any residual income of the program after all payments due to investors and costs of the program 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 program 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 securitisation entities, refer to Note 1 (c) Consolidation.

Note 1 Accounting Policies (continued)

(jj) Fiduciary activities

The Bank and designated controlled entities 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.

(kk) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in these Financial Statements.

(ll) Roundings

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

(mm) Critical accounting policies and estimates

These Notes to the Financial Statements contain a summary of the Group's significant accounting policies. Certain of these policies are considered to be more important in the determination of the Group's financial position, since they require management to make difficult, complex or subjective judgements, some of which may relate to matters that are inherently uncertain. These decisions are reviewed by the Board Audit Committee.

These policies include judgements as to levels of provisions for impairment for loan balances, actuarial assumptions in determining life insurance policy liabilities and determining whether certain entities should be consolidated. An explanation of these policies and the related judgements and estimates involved is set out below.

Provisions for impairment

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 there is no observable evidence of impairment, but for which a loss event has occurred which is likely to result in a loss.

Credit losses arise primarily from loans but also from other credit instruments such as bank acceptances, contingent liabilities, guarantees and other financial instruments and assets acquired through security enforcement.

Individually assessed provisions

Individually assessed provisions are raised where there is objective evidence of impairment and full recovery of principal is considered doubtful.

Individually assessed provisions are made against individual facilities in the credit risk rated managed segment where a loss of $10,000 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 credit 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 retail statistically managed 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 Provisions for Impairment.

Life insurance policyholder liabilities

Life insurance policyholder liabilities are accounted for under AASB 1038: Life Insurance Business. 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 (hh) Life and General Insurance Business, and Note 36 Life Insurance Business details the key actuarial assumptions.

Consolidation of special purpose entities

The Group assesses 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 predominately required in the context of the Group's securitisation program and structured transactions.

Notes to the Financial Statements

Note 2 Profit

Profit before income tax has been determined as follows:

	Group			Bank	
	2009	2008	2007	2009	2008
	$M	$M	$M	$M	$M
Interest Income					
Loans and bills discounted	**28,438**	25,598	20,711	**22,136**	21,369
Other financial institutions	**434**	474	443	**391**	423
Cash and liquid assets	**510**	473	483	**397**	427
Assets at fair value through Income Statement	**1,236**	1,933	1,495	**1,024**	1,409
Available-for-sale investments	**901**	756	730	**2,835**	880
Controlled entities	**-**	-	-	**1,208**	1,077
Total interest income	**31,519**	29,234	23,862	**27,991**	25,585
Interest Expense					
Deposits	**14,216**	12,393	8,995	**14,199**	12,168
Other financial institutions	**509**	989	674	**403**	903
Liabilities at fair value through Income Statement	**1,021**	1,129	1,087	**163**	217
Debt issues	**4,767**	6,024	5,506	**3,565**	4,241
Controlled entities	**-**	-	-	**898**	1,295
Loan capital	**705**	792	564	**728**	843
Total interest expense	**21,218**	21,327	16,826	**19,956**	19,667
Net interest income	**10,301**	7,907	7,036	**8,035**	5,918
Other Operating Income					
Loan service fees:					
From financial assets	**1,351**	933	873	**1,085**	860
Other	**45**	43	23	**40**	43
Commission and other fees:					
From financial liabilities	**531**	507	501	**429**	413
Other	**1,496**	1,320	1,228	**1,115**	959
Trading income	**741**	546	555	**592**	504
Net (loss)/gain on available-for-sale investments recognised in Income Statement	**(12)**	309	138	**24**	272
Net (loss)/gain on other non-trading instruments	**(9)**	(1)	9	**(111)**	(36)
Net hedging ineffectiveness	**(18)**	(58)	30	**(28)**	(33)
Net (loss)/gain on other financial instruments:					
Fair value through Income Statement	**(66)**	(9)	65	**1**	(26)
Reclassification of net interest on swaps	**(275)**	(265)	(107)	**(92)**	73
Non-trading derivatives	**(187)**	37	(98)	**(21)**	44
Dividends - Controlled entities	**-**	-	-	**820**	1,636
Dividends - Other	**14**	39	3	**43**	31
Net loss on sale of property, plant and equipment	**(11)**	(15)	(15)	**(9)**	(14)
Funds management and investment contract income:					
Fees receivable on trust and other fiduciary activities	**1,291**	1,835	1,449	**-**	-
Other	**199**	528	522	**-**	-
Insurance contracts income	**769**	740	1,043	**-**	-
Other	**314**	173	136	**263**	1,060
Total other operating income	**6,173**	6,662	6,355	**4,151**	5,786
Total net operating income	**16,474**	14,569	13,391	**12,186**	11,704
Gain on acquisition of controlled entities (Note 49)	**983**	-	-	**-**	-
Impairment expense					
Loan impairment expense	**2,683**	930	434	**2,338**	902
Available-for-sale debt securities impairment expense	**365**	-	-	**365**	-
Total impairment expense (Note 14)	**3,048**	930	434	**2,703**	902

Note 2 Profit (continued)

	Group			Bank	
	2009	2008	2007	2009	2008
	$M	$M	$M	$M	$M
Staff Expenses					
Salaries and wages	**3,405**	3,097	2,746	**2,281**	2,278
Share-based compensation	**125**	106	89	**89**	102
Superannuation contributions	**44**	14	8	**(28)**	(28)
Provisions for employee entitlements	**88**	90	61	**68**	72
Payroll tax	**188**	162	139	**137**	129
Fringe benefits tax	**36**	32	34	**30**	28
Other staff expenses	**94**	160	152	**69**	108
Total staff expenses	**3,980**	3,661	3,229	**2,646**	2,689
Occupancy and Equipment Expenses					
Operating lease rentals	**488**	403	367	**394**	345
Depreciation:					
Buildings	**29**	27	22	**26**	26
Leasehold improvements	**85**	63	59	**68**	52
Equipment	**89**	84	73	**55**	54
Operating lease assets	**37**	20	22	**18**	11
Repairs and maintenance	**80**	81	71	**65**	74
Other	**102**	89	74	**61**	54
Total occupancy and equipment expenses	**910**	767	688	**687**	616
Information Technology Services					
Application, maintenance and development	**167**	224	304	**136**	195
Data processing	**202**	195	206	**197**	195
Desktop	**141**	114	119	**137**	114
Communications	**179**	174	168	**142**	148
Amortisation of software assets	**122**	88	62	**88**	76
IT equipment depreciation	**62**	31	24	**51**	28
Total information technology services	**873**	826	883	**751**	756
Other Expenses					
Postage	**121**	119	109	**98**	102
Stationery	**100**	98	104	**71**	70
Fees and commissions:					
Fees payable on trust and other fiduciary activities	**453**	538	402	**-**	-
Other	**359**	280	289	**622**	565
Advertising, marketing and loyalty	**475**	348	326	**375**	273
Amortisation of intangible assets (excluding software)	**17**	15	8	**-**	1
Non-lending losses	**86**	78	97	**79**	66
Other	**391**	291	292	**143**	90
Total other expenses	**2,002**	1,767	1,627	**1,388**	1,167
Investment and restructuring					
Integration expenses (1)	**112**	-	-	**35**	-
Merger related amortisation	**37**	-	-	**-**	-
One-off expenses	**32**	-	-	**32**	-
Investment and restructuring	**-**	377	-	**-**	365
Total investment and restructuring	**181**	377	-	**67**	365
Total operating expenses	**7,946**	7,398	6,427	**5,539**	5,593
Defined benefit superannuation plan (expense)/income	**(14)**	14	8	**(14)**	14
Profit before income tax	**6,449**	6,255	6,538	**3,930**	5,223
Net hedging ineffectiveness comprises:					
Gain/(Loss) on fair value hedges:					
Hedging instruments	**543**	921	285	**480**	937
Hedged items	**(569)**	(970)	(271)	**(510)**	(971)
Cash flow hedge ineffectiveness	**8**	(9)	16	**2**	1
Net hedging ineffectiveness	**(18)**	(58)	30	**(28)**	(33)

(1) Includes software impairment (refer to Note 19).

Notes to the Financial Statements

Note 3 Income from Ordinary Activities

	Group			Bank	
	2009	2008	2007	2009	2008
	$M	$M	$M	$M	$M
Banking					
Interest income	**31,519**	29,234	23,862	**27,991**	25,585
Fees and commissions	**3,423**	2,803	2,625	**2,669**	2,275
Trading income	**741**	546	555	**592**	504
Net (loss)/gain on available-for-sale investments recognised in Income Statement	**(12)**	309	138	**24**	272
Net (loss)/gain on other non-trading instruments	**(9)**	(1)	9	**(111)**	(36)
Net hedging ineffectiveness	**(18)**	(58)	30	**(28)**	(33)
Net (loss)/ gain on other financial instruments:					
Fair value through Income Statement	**(66)**	(9)	65	**1**	(26)
Reclassification of net interest on swaps	**(275)**	(265)	(107)	**(92)**	73
Non-trading derivatives	**(187)**	37	(98)	**(21)**	44
Dividends	**14**	39	3	**863**	1,667
Net loss on sale of property, plant and equipment	**(11)**	(15)	(15)	**(9)**	(14)
Other	**314**	173	136	**263**	1,060
	35,433	32,793	27,203	**32,142**	31,371
Funds Management, Investment contract and Insurance contract revenue					
Funds management and investment contract income including premiums	**1,618**	2,369	1,871	**-**	-
Insurance contract premiums and related income	**1,651**	1,373	1,117	**-**	-
Funds management claims and policyholder liability revenue	**731**	519	-	**-**	-
Investment income	**-**	-	2,978	**-**	-
	4,000	4,261	5,966	**-**	-
Total income	**39,433**	37,054	33,169	**32,142**	31,371

Note 4 Average Balances and Related Interest

The following table lists the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate for each of the years ended 30 June 2009, 30 June 2008 and 30 June 2007. Averages used were predominantly daily averages. Interest is accounted for based on product yield, while all trading gains and losses are disclosed as Trading income within Other 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 decreased by 425 basis points during the year while rates in New Zealand decreased by a total of 575 basis points.

Average Interest Earning Assets and Income	2009 Average Balance $M	2009 Interest $M	2009 Average Rate %	2008 Average Balance $M	2008 Interest $M	2008 Average Rate %	2007 Average Balance $M	2007 Interest $M	2007 Average Rate %
Cash and liquid assets									
Australia	**8,353**	**324**	**3. 9**	3,930	238	6. 1	5,648	322	5. 7
Overseas	**6,683**	**186**	**2. 8**	4,101	235	5. 7	2,608	161	6. 2
Receivables due from other financial institutions									
Australia	**9,205**	**227**	**2. 5**	5,403	242	4. 5	3,089	170	5. 5
Overseas	**7,238**	**207**	**2. 9**	3,700	232	6. 3	4,581	273	6. 0
Assets at fair value through Income Statement - Trading									
Australia	**17,614**	**922**	**5. 2**	20,127	1,388	6. 9	15,458	1,075	7. 0
Overseas	**4,378**	**231**	**5. 3**	3,186	245	7. 7	2,818	210	7. 5
Assets at fair value through Income Statement - Other									
Australia	**799**	**3**	**0. 4**	383	27	7. 0	430	29	6. 7
Overseas	**2,507**	**80**	**3. 2**	4,813	273	5. 7	3,013	181	6. 0
Available-for-sale investments									
Australia	**10,553**	**628**	**6. 0**	6,017	402	6. 7	4,932	315	6. 4
Overseas	**7,831**	**273**	**3. 5**	6,182	354	5. 7	6,944	415	6. 0
Loans, bills discounted and other receivables									
Australia (1)	**344,534**	**23,098**	**6. 7**	273,124	20,047	7. 3	234,022	16,016	6. 8
Overseas	**61,553**	**4,584**	**7. 4**	54,701	4,463	8. 2	48,949	3,686	7. 5
Intragroup loans									
Australia	**-**	**-**	**-**	-	-	-	-	-	-
Overseas	**12,023**	**158**	**1. 3**	8,144	295	3. 6	8,199	404	4. 9
Average interest earning assets and interest income including intragroup	**493,271**	**30,921**	**6. 3**	393,811	28,441	7. 2	340,691	23,257	6. 8
Intragroup eliminations	**(12,023)**	**(158)**	**1. 3**	(8,144)	(295)	3. 6	(8,199)	(404)	4. 9
Total average interest earning assets and interest income (2)	**481,248**	**30,763**	**6. 4**	385,667	28,146	7. 3	332,492	22,853	6. 9
Securitisation home loan assets	**12,279**	**742**	**6. 0**	13,427	1,088	8. 1	13,344	1,009	7. 6

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

(2) Used for calculating net interest margin.

Notes to the Financial Statements

Note 4 Average Balances and Related Interest (continued)

Average Non-Interest Earning Assets	2009 Average Balance $M	2008 Average Balance $M	2007 Average Balance $M
Bank acceptances			
Australia	**16,983**	19,735	18,779
Overseas	**-**	-	-
Assets as fair value through Income Statement - Insurance			
Australia	**17,370**	17,896	19,352
Overseas	**2,316**	2,634	2,680
Property, plant and equipment			
Australia	**1,744**	1,242	1,075
Overseas	**199**	192	165
Other assets			
Australia	**48,487**	28,182	19,951
Overseas	**9,393**	8,093	5,675
Provisions for impairment			
Australia	**(2,492)**	(1,219)	(1,132)
Overseas	**(299)**	(111)	(96)
Total average non-interest earning assets	**93,701**	76,644	66,449
Total average assets	**587,228**	475,738	412,285
Percentage of total assets applicable to overseas operations (%)	**17. 3**	18. 4	18. 8

Note 4 Average Balances and Related Interest (continued)

Average Interest Bearing Liabilities, Loan Capital and Interest Expense	2009 Average Balance $M	2009 Interest $M	2009 Average Rate %	2008 Average Balance $M	2008 Interest $M	2008 Average Rate %	2007 Average Balance $M	2007 Interest $M	2007 Average Rate %
Time deposits									
Australia (1)	**133,587**	**8,398**	**6.3**	92,297	5,985	6.5	67,186	4,107	6.1
Overseas	**30,249**	**1,625**	**5.4**	21,364	1,353	6.3	18,406	1,018	5.5
Savings deposits									
Australia (1)	**69,775**	**1,574**	**2.3**	46,472	1,468	3.2	40,930	1,016	2.5
Overseas	**6,132**	**289**	**4.7**	4,759	324	6.8	4,703	313	6.7
Other demand deposits									
Australia (1)	**74,928**	**2,256**	**3.0**	71,525	2,947	4.1	62,401	2,314	3.7
Overseas	**4,347**	**213**	**4.9**	4,501	316	7.0	3,563	227	6.4
Payables due to other financial institutions									
Australia	**4,974**	**160**	**3.2**	5,748	290	5.0	2,628	153	5.8
Overseas	**13,871**	**349**	**2.5**	13,658	699	5.1	9,724	521	5.4
Liabilities at fair value through Income Statement									
Australia	**3,831**	**159**	**4.2**	3,124	197	6.3	3,881	292	7.5
Overseas	**13,595**	**862**	**6.3**	11,893	932	7.8	11,312	795	7.0
Debt issues									
Australia (1)	**64,309**	**3,624**	**5.6**	57,440	4,234	7.4	57,403	3,537	6.2
Overseas	**20,763**	**417**	**2.0**	16,929	822	4.9	18,835	1,075	5.7
Loan capital									
Australia (1)	**9,455**	**507**	**5.4**	8,781	566	6.4	8,357	410	4.9
Overseas	**3,642**	**202**	**5.5**	3,758	226	6.0	1,907	154	8.1
Intragroup borrowings									
Australia	**12,023**	**158**	**1.3**	8,144	295	3.6	8,199	404	4.9
Overseas	**-**	**-**	**-**	-	-	-	-	-	-
Average interest bearing liabilities and loan capital and interest expense including intragroup	**465,481**	**20,793**	**4.5**	370,393	20,654	5.6	319,435	16,336	5.1
Intragroup eliminations	**(12,023)**	**(158)**	**1.3**	(8,144)	(295)	3.6	(8,199)	(404)	4.9
Total average interest bearing liabilities and loan capital and interest expense	**453,458**	**20,635**	**4.6**	362,249	20,359	5.6	311,236	15,932	5.1
Securitisation debt assets	**12,842**	**684**	**5.3**	14,005	968	6.9	13,861	894	6.4

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

Average Non-Interest Bearing Liabilities	2009 Average Balance $M	2008 Average Balance $M	20(Avera(Balan($
Deposits not bearing interest			
Australia	**5,940**	6,132	5,8
Overseas	**1,438**	1,545	1,4
Liabilities on bank acceptances			
Australia	**16,983**	19,735	18,7
Overseas	**-**	-	
Insurance policy liabilities			
Australia	**16,510**	19,185	20,1
Overseas	**1,766**	2,296	2,3
Other liabilities			
Australia	**42,939**	18,538	8,4
Overseas	**6,163**	6,647	7,3
Total average non-interest bearing liabilities	**91,739**	74,078	64,4
Total average liabilities and loan capital	**558,039**	450,332	389,5
Shareholders' equity	**29,189**	25,406	22,7
Total average liabilities, loan capital and Shareholders' equity	**587,228**	475,738	412,2
Total average liabilities and loan capital applicable to overseas operations (%)	**18.3**	19.4	2(

Notes to the Financial Statements

Note 4 Average Balances and Related Interest (continued)

Net interest margin	Full Year Ended 30/06/09 Avg Bal $M	Interest $M	Yield %	Full Year Ended 30/06/08 Avg Bal $M	Interest $M	Yield %
Total interest earning assets excluding securitisation	**481,248**	**30,763**	**6. 39**	385,667	28,146	7. 30
Total interest bearing liabilities excluding securitisation	**453,458**	**20,635**	**4. 55**	362,249	20,359	5. 62
Net interest income and interest spread (excluding securitisation)		**10,128**	**1. 84**		7,787	1. 68
Benefit of free funds			**0. 26**			0. 34
Net interest margin			**2. 10**			2. 02

Geographical analysis of key categories

	Full Year Ended 30/06/09 Avg Bal $M	Interest $M	Yield %	Full Year Ended 30/06/08 Avg Bal $M	Interest $M	Yield %
Loans, bills discounted and other receivables						
Australia	**344,534**	**23,098**	**6. 70**	273,124	20,047	7. 34
Overseas	**61,553**	**4,584**	**7. 45**	54,701	4,463	8. 16
Total	**406,087**	**27,682**	**6. 82**	327,825	24,510	7. 48
Non-lending interest earning assets						
Australia	**46,524**	**2,104**	**4. 52**	35,860	2,297	6. 41
Overseas	**28,637**	**977**	**3. 41**	21,982	1,339	6. 09
Total	**75,161**	**3,081**	**4. 10**	57,842	3,636	6. 29
Total interest bearing deposits						
Australia	**278,290**	**12,228**	**4. 39**	210,294	10,400	4. 95
Overseas	**40,728**	**2,127**	**5. 22**	30,624	1,993	6. 51
Total	**319,018**	**14,355**	**4. 50**	240,918	12,393	5. 14
Other interest bearing liabilities						
Australia	**82,569**	**4,450**	**5. 39**	75,093	5,287	7. 04
Overseas	**51,871**	**1,830**	**3. 53**	46,238	2,679	5. 79
Total	**134,440**	**6,280**	**4. 67**	121,331	7,966	6. 57

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

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

Change in net interest income	Year Ended 2009 vs 2008 Increase/(Decrease) $M	2008 vs 2007 Increase/(Decrease) $M
Due to changes in average volume of interest earning assets	1,971	1,090
Due to changes in interest margin	370	(224)
Change in net interest income	2,341	866

Note 4 Average Balances and Related Interest (continued)

Changes in Net Interest Income: Volume and Rate Analysis	June 2009 vs June 2008 Volume $M	Rate $M	Total $M	June 2008 vs June 2007 Volume $M	Rate $M	Total $M
Interest Earning Assets						
Cash and liquid assets						
Australia	**220**	**(134)**	**86**	(101)	17	(84)
Overseas	**110**	**(159)**	**(49)**	89	(15)	74
Receivables due from other financial institutions						
Australia	**132**	**(147)**	**(15)**	115	(43)	72
Overseas	**162**	**(187)**	**(25)**	(54)	13	(41)
Assets at fair value through Income Statement - Trading						
Australia	**(152)**	**(314)**	**(466)**	323	(10)	313
Overseas	**77**	**(91)**	**(14)**	28	7	35
Assets at fair value through Income Statement - Other						
Australia	**15**	**(39)**	**(24)**	(3)	1	(2)
Overseas	**(102)**	**(91)**	**(193)**	105	(13)	92
Available-for-sale investments						
Australia	**286**	**(60)**	**226**	71	16	87
Overseas	**76**	**(157)**	**(81)**	(45)	(16)	(61)
Loans, bills discounted and other receivables						
Australia	**5,014**	**(1,963)**	**3,051**	2,773	1,258	4,031
Overseas	**535**	**(414)**	**121**	451	326	777
Intragroup loans						
Australia	**-**	**-**	**-**	-	-	-
Overseas	**96**	**(233)**	**(137)**	(2)	(107)	(109)
Changes in interest income including intragroup	**6,709**	**(4,229)**	**2,480**	3,731	1,453	5,184
Intragroup eliminations	**(96)**	**233**	**137**	2	107	109
Changes in interest income	**6,543**	**(3,926)**	**2,617**	3,768	1,525	5,293
Securitisation home loan assets	**(81)**	**(265)**	**(346)**	7	72	79
Interest Bearing Liabilities and Loan Capital						
Time deposits						
Australia	**2,637**	**(224)**	**2,413**	1,582	296	1,878
Overseas	**520**	**(248)**	**272**	175	160	335
Savings deposits						
Australia	**631**	**(525)**	**106**	156	296	452
Overseas	**79**	**(114)**	**(35)**	4	7	11
Other demand deposits						
Australia	**121**	**(812)**	**(691)**	357	276	633
Overseas	**(9)**	**(94)**	**(103)**	63	26	89
Payables due to other financial institutions						
Australia	**(32)**	**(98)**	**(130)**	170	(33)	137
Overseas	**8**	**(358)**	**(350)**	206	(28)	178
Liabilities at fair value through Income Statement						
Australia	**37**	**(75)**	**(38)**	(52)	(43)	(95)
Overseas	**121**	**(191)**	**(70)**	43	94	137
Debt issues						
Australia	**447**	**(1,057)**	**(610)**	3	694	697
Overseas	**132**	**(537)**	**(405)**	(101)	(152)	(253)
Loan capital						
Australia	**40**	**(99)**	**(59)**	24	132	156
Overseas	**(7)**	**(17)**	**(24)**	130	(58)	72
Intragroup borrowings						
Australia	**96**	**(233)**	**(137)**	(2)	(107)	(109)
Overseas	**-**	**-**	**-**	-	-	-
Changes in interest expense including intragroup	**4,775**	**(4,636)**	**139**	2,724	1,594	4,318
Intragroup eliminations	**(96)**	**233**	**137**	2	107	109
Changes in interest expense including intragroup	**4,638**	**(4,362)**	**276**	2,739	1,688	4,427
Changes in net interest income	**1,971**	**370**	**2,341**	1,090	(224)	866
Securitisation debt issues	**(71)**	**(213)**	**(284)**	10	64	74

Notes to the Financial Statements

Note 4 Average Balances and Related Interest (continued)

Changes in Net Interest Income: Volume and Rate Analysis

The preceding table shows 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).

	Group		
	2009	2008	2007
Geographical analysis of key categories	%	%	%
Australia			
Interest spread (1)	**1. 93**	1. 79	1. 93
Benefit of interest-free liabilities, provisions and equity (2)	**0. 21**	0. 27	0. 23
Net interest margin (3)	**2. 14**	2. 06	2. 16
Overseas			
Interest spread (1)	**1. 32**	1. 11	0. 92
Benefit of interest-free liabilities, provisions and equity (2)	**0. 40**	0. 57	0. 68
Net interest margin (3)	**1. 72**	1. 68	1. 60
Group			
Interest spread (1)	**1. 84**	1. 68	1. 75
Benefit of interest-free liabilities, provisions and equity (2)	**0. 26**	0. 34	0. 33
Net interest margin (3)	**2. 10**	2. 02	2. 08

(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 Expense

	Group			Bank	
	2009	2008	2007	2009	2008
	$M	$M	$M	$M	$M
Profit from ordinary activities before Income Tax					
Retail Banking Services	**2,996**	2,687	2,522	**n/a**	n/a
Business and Private Banking (1)	**1,024**	974	-	**n/a**	n/a
Institutional Banking and Markets (1)	**(17)**	909	-	**n/a**	n/a
Premium Business Services (1)	**-**	-	1,905	**n/a**	n/a
Wealth Management	**170**	991	1,090	**n/a**	n/a
International Financial Services	**613**	767	678	**n/a**	n/a
Bankwest	**189**	-	-	**n/a**	n/a
Other	**1,474**	(73)	343	**n/a**	n/a
	6,449	6,255	6,538	**3,930**	5,223
Prima Facie Income Tax at 30%					
Retail Banking Services	**899**	806	757	**n/a**	n/a
Business and Private Banking (1)	**307**	292	-	**n/a**	n/a
Institutional Banking and Markets (1)	**(5)**	273	-	**n/a**	n/a
Premium Business Services (1)	**-**	-	571	**n/a**	n/a
Wealth Management	**51**	297	327	**n/a**	n/a
International Financial Services	**184**	231	204	**n/a**	n/a
Bankwest	**57**	-	-	**n/a**	n/a
Other	**442**	(22)	103	**n/a**	n/a
	1,935	1,877	1,962	**1,179**	1,567
Tax effect of expenses that are non-deductible/income non-assessable in determining taxable profit:					
Current period					
Taxation offsets and other dividend adjustments	**(59)**	(65)	(55)	**(249)**	(479)
Tax adjustment referable to policyholder income	**(115)**	(81)	186	**-**	-
Bankwest - Discount on acquisition	**76**	-	-	**-**	-
Tax losses recognised	**-**	(89)	(24)	**-**	(87)
Tax losses assumed by the Bank under UIG 1052	**-**	-	-	**(14)**	(72)
Difference in overseas tax rates	**(55)**	(35)	(27)	**(19)**	(21)
Offshore banking unit	**(56)**	(16)	(16)	**(56)**	(16)
Investment allowance	**(28)**	-	-	**(14)**	-
Other	**(7)**	(36)	35	**44**	76
	(244)	(322)	99	**(308)**	(599)
Prior periods					
Other (1)	**5**	(122)	(20)	**(27)**	(103)
Total income tax expense	**1,696**	1,433	2,041	**844**	865
Income Tax Attributable to Profit from ordinary activities					
Retail Banking Services	**889**	805	756	**n/a**	n/a
Business and Private Banking (1)	**288**	280	-	**n/a**	n/a
Institutional Banking and Markets (1)	**(160)**	128	-	**n/a**	n/a
Premium Business Services (1)	**-**	-	463	**n/a**	n/a
Wealth Management	**111**	318	275	**n/a**	n/a
International Financial Services	**139**	168	150	**n/a**	n/a
Bankwest	**67**	-	-	**n/a**	n/a
Other	**526**	(151)	131	**n/a**	n/a
Corporate tax expense	**1,860**	1,548	1,775	**844**	865
Policyholder tax (benefit)/expense	**(164)**	(115)	266	**-**	-
Total income tax expense	**1,696**	1,433	2,041	**844**	865

	%	%	%	%	%
Effective Tax Rate					
Total – corporate	**28. 1**	24. 3	28. 3	**21. 5**	16. 6
Business and Private Banking - corporate (1)	**29. 7**	30. 0	30. 0	**n/a**	n/a
Institutional Banking and Markets - corporate (1)	**28. 1**	28. 7	-	**n/a**	n/a
Premium Business Services - corporate (1)	**large**	14. 1	-	**n/a**	n/a
Premium Business Services	**-**	-	24. 3	**n/a**	n/a
Wealth Management - corporate	**30. 1**	28. 5	33. 3	**n/a**	n/a
International Financial Services - corporate	**24. 0**	22. 2	22. 2	**n/a**	n/a
Bankwest - corporate	**35. 4**	-	-	**n/a**	n/a

(1) The Premium Business Services division was restructured into Business and Private Banking and Institutional Banking and Markets during the year. Comparatives for the newly formed businesses were not available.

(2) The 2008 year prior period tax expense arose primarily due to the resolution of long outstanding tax issues with the tax authorities.

Notes to the Financial Statements

Note 5 Income Tax Expense (continued)

	Group			Bank	
	2009	2008	2007	2009	2008
	$M	$M	$M	$M	$M
Recognised in the Income Statement					
Australia					
Current tax expense	**2,265**	1,522	2,209	**1,628**	854
Deferred tax benefit	**(886)**	(326)	(390)	**(900)**	(22)
Total Australia	**1,379**	1,196	1,819	**728**	832
Overseas					
Current tax expense	**201**	127	141	**121**	32
Deferred tax expense/(benefit)	**116**	110	81	**(5)**	1
Total Overseas	**317**	237	222	**116**	33
Total income tax expense	**1,696**	1,433	2,041	**844**	865

	Group			Bank	
	2009	2008	2007	2009	2008
	$M	$M	$M	$M	$M
The significant temporary differences are as follows:					
Deferred tax assets arising from:					
Provision for employee benefits	**338**	294	288	**295**	268
Provisions for impairment on loans, bills discounted and other receivables	**1,336**	523	371	**889**	476
Other provisions not tax deductible until expense incurred	**243**	192	136	**139**	175
Recognised value of tax losses carried forward	**6**	6	8	**5**	6
Financial instruments	**691**	162	170	**488**	113
Other	**425**	171	316	**195**	54
Total deferred tax assets (before set off)	**3,039**	1,348	1,289	**2,011**	1,092
Set off of tax (1)	**(1,386)**	(1,272)	(1,035)	**(383)**	(1,038)
Net deferred tax assets	**1,653**	76	254	**1,628**	54
Deferred tax liabilities arising from:					
Property asset revaluations	**51**	59	55	**51**	59
Lease financing	**299**	287	330	**112**	105
Defined benefit superannuation plan surplus	**138**	461	544	**138**	461
Intangible assets	**176**	24	10	**-**	-
Financial instruments	**605**	437	482	**82**	378
Other	**285**	270	522	**40**	54
Total deferred tax liabilities (before set off)	**1,554**	1,538	1,943	**423**	1,057
Set off of tax (1)	**(1,386)**	(1,272)	(1,035)	**(383)**	(1,038)
Net deferred tax liabilities (Note 25)	**168**	266	908	**40**	19
Deferred tax assets opening balance:	**76**	254	48	**54**	25
Movement in temporary differences during the year:					
Provisions for employee benefits	**44**	6	27	**27**	6
Provisions for impairment on loans, bills discounted and other receivables	**813**	152	21	**413**	150
Other provisions not tax deductible until expense incurred	**51**	56	(10)	**(36)**	68
Recognised value of tax losses carried forward	**-**	(2)	(1)	**(1)**	(2)
Financial instruments	**529**	(8)	(25)	**375**	(43)
Other	**254**	(145)	19	**141**	(64)
Set off of tax (1)	**(114)**	(237)	175	**655**	(86)
Deferred tax assets closing balance	**1,653**	76	254	**1,628**	54
Deferred tax liabilities opening balance:	**266**	908	734	**19**	91
Movements in temporary differences during the year:					
Property asset revaluations	**(8)**	4	26	**(8)**	4
Lease financing	**12**	(43)	18	**7**	(5)
Defined benefit superannuation plan surplus	**(323)**	(83)	176	**(323)**	(83)
Intangible assets	**152**	14	-	**-**	-
Financial instruments	**168**	(45)	(144)	**(296)**	88
Other	**15**	(252)	(77)	**(14)**	10
Set off of tax (1)	**(114)**	(237)	175	**655**	(86)
Deferred tax liabilities closing balance (Note 25)	**168**	266	908	**40**	19

(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 Expense (continued)

	Group 2009 $M	Group 2008 $M	Group 2007 $M	Bank 2009 $M	Bank 2008 $M
Deferred tax assets not taken to account					
Tax losses and other temporary differences on revenue account	**100**	35	40	**100**	28
Tax losses on capital account	**-**	-	130	**-**	-
Closing balance	**100**	35	170	**100**	28

Expiration of deferred tax assets not taken to account	Group 2009 $M	Group 2008 $M	Group 2007 $M	Bank 2009 $M	Bank 2008 $M
At Balance Sheet date carry-forward losses expire as follows:					
From one to two years	**-**	2	3	**-**	-
From two to four years	**1**	4	9	**1**	2
After four years	**99**	22	25	**99**	19
Losses that do not expire under current tax legislation	**-**	7	133	**-**	7
Total	**100**	35	170	**100**	28

Potential deferred tax assets of the Group arose from:

- Capital losses arising under the tax consolidations 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:

- The company derives future capital gains and assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised;
- The company continues to comply with the conditions for claiming capital losses and deductions imposed by tax legislation; and
- No changes in tax legislation adversely affect the company 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.

Notes to the Financial Statements

Note 6 Dividends

	Group			Bank	
	2009 $M	2008 $M	2007 $M	2009 $M	2008 $M
Ordinary Shares					
Interim ordinary dividend (fully franked) (2009: 113 cents, 2008: 113 cents, 2007: 107 cents)					
Interim ordinary dividend paid - cash component only	**1,257**	1,087	862	**1,257**	1,087
Interim ordinary dividend paid - dividend reinvestment plan	**405**	400	518	**405**	400
Total dividend paid	**1,662**	1,487	1,380	**1,662**	1,487
Other Equity Instruments					
Dividends paid	**57**	48	55	**-**	-
Total dividends provided for, reserved or paid	**1,719**	1,535	1,435	**1,662**	1,487
Other provision carried	**18**	5	7	**18**	5
Dividends proposed and not recognised as a liability (fully franked) (2009: 115 cents, 2008: 153 cents, 2007: 149 cents) (1)	**1,747**	2,029	1,939	**1,747**	2,029
Provision for dividends					
Opening balance	**5**	6	6	**5**	7
Provision made during year	**3,691**	3,425	3,048	**3,691**	3,425
Provision used during year	**(3,678)**	(3,426)	(3,048)	**(3,678)**	(3,427)
Closing balance (Note 26)	**18**	5	6	**18**	5

(1) The 2009 final dividend is expected to be satisfied by cash disbursements of $1,240 million and the estimated issue of $507 million of ordinary shares through the Dividend Reinvestment Plan ("DRP"). The 2008 final dividend was satisfied by cash disbursements of $1,335 million and the issue of $694 million of ordinary shares through the DRP. The 2007 final dividend was satisfied by cash disbursements of $1,229 million and the issue of $709 million of ordinary shares through the DRP.

Dividend Franking Account

After fully franking the final dividend to be paid for the year ended 30 June 2009, the amount of credits available, at the 30% tax rate as at 30 June 2009 to frank dividends for subsequent financial years, is $758 million (2008: $495 million). This figure is based on the combined franking accounts of the Bank at 30 June 2009, which have been adjusted for franking credits that will arise from the payment of income tax payable on profits for the year ended 30 June 2009, franking debits that will arise from the payment of dividends proposed for the year and franking credits that the Bank may be prevented from distributing in subsequent financial periods.

The Bank expects that future tax payments will generate sufficient franking credits for 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 2009.

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 2006	107	05/04/2007	63. 8	-	50.02	37.6
30 June 2007	149	03/10/2007	86. 1	75.2	54.80	36.6
31 December 2007	113	02/04/2008	63. 4	-	39.44	33.5
30 June 2008	153	01/10/2008	84. 6	74.1	42.41	34.3
31 December 2008	113	23/03/2009	65. 3	-	28.45	24.4
30 June 2009 (3)	115	-	82. 4	73.1	-	-

(1) Dividend Payout Ratio: dividends divided by statutory earnings.

(2) DRP Participation Rate: the percentage of total issued share capital participating in the Dividend Reinvestment Plan.

(3) Dividend expected to be paid on 1 October 2009.

Note 7 Earnings Per Share

	Group		
	2009	2008	2007
	Cents per share		
Earnings per Ordinary Share			
Basic	**328. 5**	363. 0	344. 7
Fully diluted	**313. 4**	348. 7	339. 7

	$M	$M	$M
Reconciliation of earnings used in calculation of earnings per share			
Profit after income tax	**4,753**	4,822	4,497
Less: Other equity instrument dividends	**(57)**	(48)	(55)
Less: Minority interests	**(30)**	(31)	(27)
Earnings used in calculation of basic earnings per share	**4,666**	4,743	4,415
Add: Profit impact of assumed conversions			
Loan capital	**187**	222	150
Earnings used in calculation of fully diluted earnings per share	**4,853**	4,965	4,565

	Number of Shares		
	2009	2008	2007
	M	M	M
Weighted average number of ordinary shares (net of treasury shares) used in the calculation of basic earnings per share	**1,420**	1,307	1,281
Effect of dilutive securities - share options and convertible loan capital instruments	**128**	118	62
Weighted average number of ordinary shares (net of treasury shares) used in the calculation of fully diluted earnings per share (1)	**1,548**	1,424	1,344

(1) Figures presented in this table have been rounded.

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

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 outstanding during the year (adjusted for the effects of dilutive options and dilutive convertible non-cumulative redeemable loan capital instruments).

Note 8 Cash and Liquid Assets

	Group		Bank	
	2009	2008	2009	2008
	$M	$M	$M	$M
Australia				
Notes, coins and cash at banks	**1,997**	1,512	**1,690**	1,298
Money at short call	**1**	1	**-**	-
Securities purchased under agreements to resell	**3,426**	3,227	**3,426**	3,227
Bills received and remittances in transit	**85**	101	**122**	84
Total Australia	**5,509**	4,841	**5,238**	4,609
Overseas				
Notes, coins and cash at banks	**1,758**	964	**508**	46
Money at short call	**3,014**	1,207	**2,909**	1,034
Securities purchased under agreements to resell	**1,031**	724	**1,029**	1,593
Bills received and remittances in transit	**28**	-	**-**	-
Total Overseas	**5,831**	2,895	**4,446**	2,673
Total cash and liquid assets	**11,340**	7,736	**9,684**	7,282

Notes to the Financial Statements

Note 9 Receivables Due from Other Financial Institutions

	Group		Bank	
	2009	2008	2009	2008
	$M	$M	$M	$M
Australia				
Placements with and loans to other financial institutions	**8,590**	4,880	**8,482**	4,880
Total Australia	**8,590**	4,880	**8,482**	4,880
Overseas				
Deposits with regulatory authorities (1)	**44**	61	**5**	3
Other placements with and loans to other financial institutions	**5,787**	2,043	**5,499**	1,848
Total Overseas	**5,831**	2,104	**5,504**	1,851
Total receivables from other financial institutions	**14,421**	6,984	**13,986**	6,731

(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 (1)

	Group		Bank	
	2009	2008	2009	2008
	$M	$M	$M	$M
Trading	**25,401**	21,676	**20,988**	19,168
Insurance	**17,260**	20,650	**-**	-
Other	**1,677**	3,266	**60**	274
Total assets at fair value through Income Statement	**44,338**	45,592	**21,048**	19,442

(1) In addition to Asset classification of Fair Value through Income Statement, the Group also measures bills discounted intended to be sold into the market at fair value, which are classified within Loans, bills discounted and other receivables (refer to Note 13).

	Group		Bank	
	2009	2008	2009	2008
Trading	$M	$M	$M	$M
Australia				
Market Quoted: (1)				
Australian Public Securities				
Commonwealth and States	**1,515**	565	**1,515**	565
Local and semi-government	**2,238**	1,478	**2,238**	1,478
Bills of exchange	**747**	1,237	**747**	1,237
Certificates of deposit	**13,691**	11,673	**13,691**	11,673
Medium term notes	**780**	1,518	**780**	1,518
Other securities	**80**	261	**75**	261
Non-Market Quoted:				
Medium term notes	**-**	348	**-**	348
Commercial paper	**451**	1,377	**451**	1,377
Other securities	**700**	-	**700**	-
Total Australia	**20,202**	18,457	**20,197**	18,457
Overseas				
Market Quoted: (1)				
Government securities	**2,407**	823	**528**	453
Eurobonds	**45**	92	**45**	92
Certificates of deposit	**1,543**	1,425	**-**	-
Medium term notes	**-**	571	**-**	-
Floating rate notes	**210**	250	**210**	166
Commercial paper	**-**	56	**-**	-
Other securities	**6**	2	**-**	-
Non-Market Quoted:				
Government securities	**70**	-	**-**	-
Medium term notes	**853**	-	**-**	-
Floating rate notes	**35**	-	**-**	-
Other securities	**30**	-	**8**	-
Total Overseas	**5,199**	3,219	**791**	711
Total trading assets	**25,401**	21,676	**20,988**	19,168

(1) Market quoted comprises financial instruments with either quoted prices or quoted rates.

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 2009 $M	Investments Backing Life Investment Contracts 2009 $M	Total 2009 $M	Investments Backing Life Risk Contracts 2008 $M	Investments Backing Life Investment Contracts 2008 $M	Total 2008 $M
Equity Security Investments:						
Direct	**219**	**110**	**329**	523	1,650	2,173
Indirect	**551**	**4,700**	**5,251**	936	4,919	5,855
Total equity security investments	**770**	**4,810**	**5,580**	1,459	6,569	8,028
Debt Security Investments:						
Direct	**922**	**263**	**1,185**	723	1,400	2,123
Indirect	**2,741**	**5,325**	**8,066**	2,335	5,361	7,696
Total debt security investments	**3,663**	**5,588**	**9,251**	3,058	6,761	9,819
Property Investments:						
Direct	**64**	**15**	**79**	102	112	214
Indirect	**345**	**863**	**1,208**	525	804	1,329
Total property investments	**409**	**878**	**1,287**	627	916	1,543
Other Assets	**153**	**989**	**1,142**	70	1,190	1,260
Total life insurance investment assets	**4,995**	**12,265**	**17,260**	5,214	15,436	20,650

Of the above amounts $2,670 million is expected to be recovered within twelve months of the Balance Sheet date (30 June 2008: $4,114 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.

Disclosure on Asset Restriction

Investments held in the Australian statutory funds may only be used within the restrictions imposed under the Life Insurance Act 1995.

The main restrictions are that assets in a fund may only be used to meet the liabilities and expenses of the fund, to acquire investments to further the business of the fund, or as distributions when solvency and capital adequacy requirements are met.

Participating policyholders can receive a distribution when solvency requirements are met, whilst shareholders can only receive a distribution when the higher levels of capital adequacy requirements are met.

All financial assets within the life statutory funds have been determined to back either life insurance or life investment contracts.

These investment assets held in the statutory funds are not available for use by the Commonwealth Bank's operating businesses.

The Group also holds investments in the Colonial First State Property Trust Group and Colonial Mastertrust Wholesale funds (including Fixed Interest, Australian Shares, International Shares, Property Securities, Capital Stable, Balanced and Diversified Growth funds) through controlled life insurance entities, which have been designated as assets at fair value through Income Statement instead of being accounted for under the equity accounting method.

Instead, these investments are brought to account at fair value at Balance Sheet date in compliance with the requirements of AASB 1038: Life Insurance Business.

Other (1)	Group 2009 $M	Group 2008 $M	Bank 2009 $M	Bank 2008 $M
Fair value structured transactions	**552**	1,980	**-**	274
Receivables due from financial institutions	**909**	318	**-**	-
Term loans	**156**	948	**-**	-
Other lending	**60**	20	**60**	-
Total other assets at fair value through Income Statement	**1,677**	3,266	**60**	274

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

Of the above amounts $1,416 million is expected to be recovered within twelve months of the Balance Sheet date by the Group (30 June 2008: $2,308 million), and all of the above amounts are expected to be recovered within 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 loss of $18 million for the year (30 June 2008: insignificant), and is insignificant for the Bank for the years ending 30 June 2008 and 30 June 2009. The cumulative change in fair value due to changes in credit risk for the Group and the Bank is consistent with the combined amounts disclosed for the period, as changes prior to 30 June 2008 did not have a material impact on the Group or the Bank.

Note 11 Derivative Assets and Liabilities

Derivative contracts

Each derivative is classified as held for "Trading", held for "Hedging", or as "Other" derivatives. Derivatives classified as Trading are derivative transactions entered in order to meet customers' needs and to undertake market-making and positioning activities. Derivatives classified as Hedging are derivative transactions entered into in order to manage the risks arising from non-traded assets, liabilities and commitments in Australia and offshore centres. Other derivatives are those held in relation to a portfolio designated at fair value through Income Statement.

Derivatives transacted for hedging purposes

The Group enters into derivative transactions which are designated and qualify as either fair value or cash flow hedges for recognised assets or liabilities or forecast transactions. Forward Foreign Exchange transactions are also designated as hedges of currency translation risk of net investments in foreign operations. The Group also enters into derivative transactions which provide economic hedges for risk exposures but do not meet the accounting requirements for hedge accounting treatment. As stated in Note 1 (ff) Derivative financial instruments, the Group uses Credit Default Swaps (CDSs) and equity swaps as economic hedges to manage credit risk in the asset portfolio and risks associated with both the capital investment in equities and the related yield respectively, but cannot apply hedge accounting to such positions. Gains or losses on these CDSs and equity swaps have therefore been recorded in trading income.

Derivatives designated and accounted for as hedging instruments

The Group's accounting policies for derivatives designated and accounted for as hedging instruments are explained in Note 1 (ff) Derivative financial instruments where terms used in the following sections are explained.

Fair value hedges

The Group's fair value hedges principally consist of interest rate swaps, cross currency swaps and futures. Fair value hedges are used to limit the Group's exposure to changes in the fair value of its fixed-rate interest earning assets and interest bearing liabilities that are due to interest rate or foreign exchange volatility.

For the year ended 30 June 2009, the Group recognised a net loss of $26 million (2008: $49 million net loss) (reported within other operating income in the Financial Statements), which represents the ineffective portion of fair value hedges.

As at 30 June 2009, the fair value of outstanding derivatives designated as fair value hedges was $2,003 million (2008: $1,381 million) of assets and $1,283 million (2008: $1,674 million) of liabilities.

Cash flow hedges

The Group uses interest rate swaps and cross currency swaps to minimise the variability in cash flows of interest-earning assets, interest-bearing liabilities or forecast transactions caused by interest rate or foreign exchange fluctuations. For the year ended 30 June 2009, there has been no material gain or loss associated with ineffective portions of cash flow hedges.

Gains and losses on derivative contracts designated as cash flow hedges are initially recorded in shareholders' equity but are reclassified to current period earnings when the hedged cash flows occur, as explained in Note 1 (ff) Derivative financial instruments. As at 30 June 2009, deferred net losses on derivative instruments designated as cash flow hedges accumulated in shareholders' equity were $1,167 million (2008: $486 million deferred net gains). The amount recognised in shareholders' equity at 30 June 2009 related to cash flows expected to occur within one month to approximately 30 years of the Balance Sheet date, with the main portion expected to occur within five years (refer to Note 31 Detailed Statements of Changes in Equity).

As at 30 June 2009, the fair value of outstanding derivatives designated as cash flow hedges was $1,293 million (2008: $1,169 million) of assets and $2,591 million (2008: $711 million) of liabilities. Amounts reclassified from gains/(losses) on cash flow hedging instruments recognised in equity to current period earnings due to discontinuation of hedge accounting were immaterial.

Net Investment Hedges

The Group uses forward foreign exchange transactions to minimise the Group's exposure to currency translation risk of some of its net investments in foreign operations. For the year ended 30 June 2009 there has been no material gain or loss associated with ineffective portions of net investment hedges.

Gains and losses on derivative contracts relating to the effective portion of the hedge are recognised in the Foreign Currency Translation Reserve. Gains and losses accumulated in Foreign Currency Translation Reserve are reclassified in current period earnings when the overseas subsidiary is disposed of as explained in Note 1 (ff) Derivative financial instruments.

Note 11 Derivative Assets and Liabilities (continued)

	2009			Group 2008		
	Face Value $M	Fair Value Asset $M	Fair Value Liability $M	Face Value $M	Fair Value Asset $M	Fair Value Liability $M
Derivative Assets and Liabilities						
Held for trading	**1,308,695**	**21,499**	**(25,989)**	1,205,981	15,233	(16,791)
Held for hedging	**182,170**	**3,296**	**(3,877)**	155,095	2,550	(2,385)
Other derivatives	**82,868**	**1,563**	**(2,268)**	65,381	449	(365)
Total derivative assets/(liabilities)	**1,573,733**	**26,358**	**(32,134)**	1,426,457	18,232	(19,541)
Derivatives held for trading						
Exchange rate related contracts:						
Forward contracts	**339,368**	**4,656**	**(6,891)**	228,440	2,962	(4,367)
Swaps	**316,280**	**8,531**	**(11,755)**	129,152	4,609	(5,183)
Futures	**94**	**3**	**-**	-	-	-
Options purchased and sold	**25,038**	**466**	**(465)**	35,610	544	(473)
Total exchange rate related contracts	**680,780**	**13,656**	**(19,111)**	393,202	8,115	(10,023)
Interest rate related contracts:						
Forward contracts	**35,343**	**5**	**(16)**	22,228	2	(3)
Swaps	**456,146**	**6,738**	**(6,146)**	482,920	5,869	(5,795)
Futures	**71,923**	**3**	**-**	238,944	-	(9)
Options purchased and sold	**49,222**	**591**	**(401)**	55,267	256	(350)
Total interest rate related contracts	**612,634**	**7,337**	**(6,563)**	799,359	6,127	(6,157)
Credit related contracts:						
Swaps	**8,035**	**295**	**(130)**	6,958	142	(93)
Total credit related contracts	**8,035**	**295**	**(130)**	6,958	142	(93)
Equity related contracts:						
Swaps	**521**	**5**	**(1)**	586	181	(30)
Options purchased and sold	**2,279**	**12**	**(84)**	2,839	10	(62)
Total equity related contracts	**2,800**	**17**	**(85)**	3,425	191	(92)
Commodity related contracts:						
Swaps	**2,305**	**189**	**(91)**	1,436	523	(295)
Futures	**24**	**-**	**-**	-	-	-
Options purchased and sold	**2,117**	**5**	**(9)**	1,601	135	(131)
Total commodity related contracts	**4,446**	**194**	**(100)**	3,037	658	(426)
Total derivative assets/(liabilities) held for trading	**1,308,695**	**21,499**	**(25,989)**	1,205,981	15,233	(16,791)

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

Notes to the Financial Statements

Note 11 Derivative Assets and Liabilities (continued)

						Group
			2009			2008
	Face Value	Fair Value Asset	Fair Value Liability	Face Value	Fair Value Asset	Fair Value Liability
	$M	$M	$M	$M	$M	$M
Derivatives designated as fair value hedges						
Exchange rate related contracts:						
Forward contracts	**153**	**1**	**(2)**	137	1	-
Swaps	**18,278**	**1,385**	**(846)**	12,800	831	(871)
Total exchange rate related contracts	**18,431**	**1,386**	**(848)**	12,937	832	(871)
Interest rate related contacts:						
Swaps	**22,205**	**606**	**(379)**	22,156	544	(749)
Futures	**5,281**	**4**	**-**	-	-	-
Total interest rate related contracts	**27,486**	**610**	**(379)**	22,156	544	(749)
Equity related contracts:						
Swaps	**644**	**7**	**(56)**	593	5	(54)
Total equity related contracts	**644**	**7**	**(56)**	593	5	(54)
Commodity related contracts:						
Swaps	**3**	**-**	**-**	16	-	-
Total commodity related contracts	**3**	**-**	**-**	16	-	-
Total fair value hedges	**46,564**	**2,003**	**(1,283)**	35,702	1,381	(1,674)
Derivatives designated as cash flow hedges						
Exchange rate related contracts:						
Swaps	**12,375**	**41**	**(77)**	1,261	28	(2)
Total exchange rate related contracts	**12,375**	**41**	**(77)**	1,261	28	(2)
Interest rate related contacts:						
Swaps	**123,202**	**1,252**	**(2,514)**	118,132	1,141	(709)
Total interest rate related contracts	**123,202**	**1,252**	**(2,514)**	118,132	1,141	(709)
Total cash flow hedges	**135,577**	**1,293**	**(2,591)**	119,393	1,169	(711)
Derivatives designated as net investment hedges						
Exchange rate related contracts:						
Forward contracts	**29**	**-**	**(3)**	-	-	-
Total exchange rate related contracts	**29**	**-**	**(3)**	-	-	-
Total net investment hedges	**29**	**-**	**(3)**	-	-	-
Total derivative assets/(liabilities) held for hedging	**182,170**	**3,296**	**(3,877)**	155,095	2,550	(2,385)

Note 11 Derivative Assets and Liabilities (continued)

						Group
			2009			2008
	Face Value	Fair Value Asset	Fair Value Liability	Face Value	Fair Value Asset	Fair Value Liability
	$M	$M	$M	$M	$M	$M
Other Derivatives						
Exchange rate related contracts:						
Forward contracts	**7,404**	**66**	**(482)**	8,356	129	(17)
Swaps	**4,050**	**61**	**(182)**	3,071	49	(48)
Options purchased and sold	**30**	**-**	**(1)**	12	-	-
Total exchange rate related contracts	**11,484**	**127**	**(665)**	11,439	178	(65)
Interest rate related contacts:						
Forward contracts	**4,508**	**2**	**-**	11,148	1	(2)
Swaps	**54,167**	**1,298**	**(1,467)**	34,329	224	(260)
Futures	**11,507**	**1**	**(2)**	7,032	1	(2)
Options purchased and sold	**397**	**2**	**(1)**	568	1	-
Total interest rate related contracts	**70,579**	**1,303**	**(1,470)**	53,077	227	(264)
Credit related contracts:						
Swaps	**803**	**133**	**(133)**	818	37	(33)
Total credit related contracts	**803**	**133**	**(133)**	818	37	(33)
Equity related contracts:						
Futures	**-**	**-**	**-**	9	-	-
Options purchased and sold	**-**	**-**	**-**	37	7	(3)
Total equity related contracts	**-**	**-**	**-**	46	7	(3)
Commodity related contracts:						
Forward contracts	**2**	**-**	**-**	1	-	-
Total commodity related contracts	**2**	**-**	**-**	1	-	-
Total other derivatives	**82,868**	**1,563**	**(2,268)**	65,381	449	(365)
Total recognised derivative assets/(liabilities)	**1,573,733**	**26,358**	**(32,134)**	1,426,457	18,232	(19,541)

Notes to the Financial Statements

Note 11 Derivative Assets and Liabilities (continued)

	Bank 2009 Face Value $M	Bank 2009 Fair Value Asset $M	Bank 2009 Fair Value Liability $M	Bank 2008 Face Value $M	Bank 2008 Fair Value Asset $M	Bank 2008 Fair Value Liability $M
Derivative Assets and Liabilities						
Held for trading	**1,412,095**	**22,494**	**(26,321)**	1,227,719	16,906	(17,189)
Held for hedging	**158,908**	**3,042**	**(3,116)**	127,093	2,376	(2,177)
Other derivatives	**41**	**-**	**(5)**	439	5	(1)
Total derivative assets/(liabilities)	**1,571,044**	**25,536**	**(29,442)**	1,355,251	19,287	(19,367)
Derivatives held for trading						
Exchange rate related contracts:						
Forward contracts	**339,222**	**4,651**	**(6,888)**	228,440	2,963	(4,367)
Swaps	**312,335**	**8,457**	**(11,498)**	128,317	4,552	(5,053)
Futures	**94**	**3**	**-**	-	-	-
Options purchased and sold	**25,037**	**466**	**(465)**	35,610	543	(473)
Derivatives held with controlled entities	**92,511**	**890**	**(371)**	16,679	1,605	(392)
Total exchange rate related contracts	**769,199**	**14,467**	**(19,222)**	409,046	9,663	(10,285)
Interest rate related contracts:						
Forward contracts	**35,343**	**5**	**(16)**	22,228	2	(3)
Swaps	**449,710**	**6,692**	**(6,081)**	484,452	5,911	(5,799)
Futures	**71,923**	**3**	**-**	238,944	-	(9)
Options purchased and sold	**48,965**	**588**	**(401)**	55,290	256	(350)
Derivatives held with controlled entities	**21,770**	**233**	**(288)**	4,210	83	(131)
Total interest rate related contracts	**627,711**	**7,521**	**(6,786)**	805,124	6,252	(6,292)
Credit related contracts:						
Swaps	**7,931**	**295**	**(128)**	6,958	142	(93)
Total credit related contracts	**7,931**	**295**	**(128)**	6,958	142	(93)
Equity related contracts:						
Swaps	**521**	**5**	**(1)**	586	160	(30)
Options purchased and sold	**2,279**	**12**	**(84)**	2,839	10	(63)
Derivatives held with controlled entities	**-**	**-**	**-**	129	22	-
Total equity related contracts	**2,800**	**17**	**(85)**	3,554	192	(93)
Commodity related contracts:						
Swaps	**2,305**	**189**	**(91)**	1,436	523	(295)
Futures	**24**	**-**	**-**	-	-	-
Options purchased and sold	**2,117**	**5**	**(9)**	1,601	134	(131)
Derivatives held with controlled entities	**8**	**-**	**-**	-	-	-
Total commodity related contracts	**4,454**	**194**	**(100)**	3,037	657	(426)
Total derivative assets/(liabilities) held for trading	**1,412,095**	**22,494**	**(26,321)**	1,227,719	16,906	(17,189)

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

Note 11 Derivative Assets and Liabilities (continued)

	2009 Face Value $M	2009 Fair Value Asset $M	2009 Fair Value Liability $M	2008 Face Value $M	2008 Fair Value Asset $M	2008 Fair Value Liability $M
						Bank
Derivatives designated as fair value hedges						
Exchange rate related contracts:						
Forward contracts	**19**	**-**	**(2)**	16	-	-
Swaps	**18,278**	**1,385**	**(846)**	12,800	831	(871)
Total exchange rate related contracts	**18,297**	**1,385**	**(848)**	12,816	831	(871)
Interest rate related contacts:						
Swaps	**18,919**	**435**	**(320)**	18,662	510	(725)
Futures	**5,281**	**4**	**-**	-	-	-
Derivatives held with controlled entities	**711**	**66**	**-**	601	16	-
Total interest rate related contracts	**24,911**	**505**	**(320)**	19,263	526	(725)
Equity related contracts:						
Swaps	**644**	**7**	**(56)**	593	5	(54)
Total equity related contracts	**644**	**7**	**(56)**	593	5	(54)
Commodity related contracts:						
Swaps	**3**	**-**	**-**	16	-	-
Total commodity related contracts	**3**	**-**	**-**	16	-	-
Total fair value hedges	**43,855**	**1,897**	**(1,224)**	32,688	1,362	(1,650)
Derivatives designated as cash flow hedges						
Exchange rate related contracts:						
Swaps	**11,462**	**41**	**(37)**	35	4	-
Derivatives held with controlled entities	**679**	**-**	**(6)**	570	-	(10)
Total exchange rate related contracts	**12,141**	**41**	**(43)**	605	4	(10)
Interest rate related contacts:						
Swaps	**102,912**	**1,104**	**(1,849)**	93,800	1,010	(517)
Total interest rate related contracts	**102,912**	**1,104**	**(1,849)**	93,800	1,010	(517)
Total cash flow hedges	**115,053**	**1,145**	**(1,892)**	94,405	1,014	(527)
Total derivative assets/(liabilities) held for hedging	**158,908**	**3,042**	**(3,116)**	127,093	2,376	(2,177)

	2009 Face Value $M	2009 Fair Value Asset $M	2009 Fair Value Liability $M	2008 Face Value $M	2008 Fair Value Asset $M	2008 Fair Value Liability $M
						Bank
Other Derivatives						
Interest rate related contacts:						
Swaps	**38**	**-**	**(5)**	4	-	(1)
Total interest rate related contracts	**38**	**-**	**(5)**	4	-	(1)
Credit related contracts:						
Swaps	**3**	**-**	**-**	435	5	-
Total credit related contracts	**3**	**-**	**-**	435	5	-
Total other derivatives	**41**	**-**	**(5)**	439	5	(1)
Total recognised derivative assets/(liabilities)	**1,571,044**	**25,536**	**(29,442)**	1,355,251	19,287	(19,367)

Note 12 Available-for-Sale Investments

	Group		Bank	
	2009	2008	2009	2008
	$M	$M	$M	$M
Australia				
Market Quoted: [1]				
Australian Public Securities:				
Local and semi-government	**7,152**	2,981	**7,152**	2,905
Shares and equity investments	**241**	203	**180**	201
Medium term notes	**6,575**	1,873	**6,575**	1,873
Floating rate notes	**327**	399	**327**	-
Other securities	**-**	8	**-**	-
Non-Market Quoted:				
Australian Public Securities:				
Local and semi-government	**85**	-	**-**	-
Medium term notes	**56**	59	**917**	784
Shares and equity investments	**18**	57	**7**	42
Mortgage backed securities [2]	**1,384**	1,392	**40,379**	17,064
Other securities	**64**	192	**-**	90
Total Australia	**15,902**	7,164	**55,537**	22,959
Overseas				
Market Quoted: [1]				
Government securities	**660**	167	**314**	53
Shares and equity investments	**26**	33	**-**	1
Certificates of deposit	**1,681**	2,031	**1,677**	2,017
Eurobonds	**2,771**	1,403	**2,771**	1,403
Medium term notes	**113**	304	**113**	304
Floating rate notes	**220**	272	**220**	272
Other securities	**94**	87	**26**	58
Non-Market Quoted:				
Government securities	**22**	25	**-**	-
Certificates of deposit	**14**	-	**-**	-
Floating rate notes	**1**	2	**1**	-
Total Overseas	**5,602**	4,324	**5,122**	4,108
Total available-for-sale investments	**21,504**	11,488	**60,659**	27,067

(1) Market quoted comprises financial instruments with either quoted prices or quoted rates.

(2) Included within Mortgage backed securities of the Bank are $35,754 million (2008: $15,020 million) of residential mortgage backed securities held within securitisation vehicles for potential repurchase by the Reserve Bank of Australia.

Of the above amounts $6,128 million is expected to be recovered within twelve months of the Balance Sheet date (30 June 2008: $3,937 million).

Revaluation of Available-for-sale investments resulted in a gain of $10 million (2008: $262 million) recognised directly in equity. As a result of sale, derecognition or impairment of Available-for-sale investments, net loss of $13 million (2008: $312 million gain) were removed from equity and reported in profit and loss for the year.

Note 12 Available-for-Sale Investments (continued)

	Group			
	As at 30 June 2009			
	Amortised Cost $M	Gross Unrealised Gains $M	Gross Unrealised Losses $M	Fair Value $M
Australia				
Australian Public Securities:				
Local and semi-government	7,328	79	(170)	7,237
Medium term notes	6,604	69	(42)	6,631
Floating rate notes	343	-	(16)	327
Mortgage backed securities	1,415	8	(39)	1,384
Other securities and equity investments	253	70	-	323
Total Australia	15,943	226	(267)	15,902
Overseas				
Government securities	681	2	(1)	682
Certificates of deposit	1,686	9	-	1,695
Eurobonds	2,769	3	(1)	2,771
Medium term notes	113	-	-	113
Floating rate notes	225	-	(4)	221
Other securities and equity investments	123	-	(3)	120
Total Overseas	5,597	14	(9)	5,602
Total available-for-sale investments	21,540	240	(276)	21,504

Maturity Distribution and Weighted Average Yield

	Group											
	Maturity Period at 30 June 2009											
	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	151	5.84	354	6.25	4,264	5.91	1,985	5.20	483	5.37	-	7,237
Medium term notes	131	4.66	658	5.06	5,649	4.20	193	5.21	-	-	-	6,631
Floating rate notes	-	-	100	3.81	50	3.81	45	3.81	132	3.81	-	327
Mortgage backed securities	-	-	-	-	-	-	-	-	1,384	3.68	-	1,384
Other securities and equity investments	64	3.91	-	-	8	0.01	-	-	4	3.00	247	323
Total Australia	346	-	1,112	-	9,971	-	2,223	-	2,003	-	247	15,902
Overseas												
Government securities	161	9.55	325	2.57	196	3.87	-	-	-	-	-	682
Certificates of deposit	885	1.00	274	0.71	-	-	536	4.00	-	-	-	1,695
Eurobonds	1,021	0.56	1,725	0.65	25	5.50	-	-	-	-	-	2,771
Medium term notes	41	1.56	72	3.61	-	-	-	-	-	-	-	113
Floating rate notes	6	1.98	146	1.06	69	2.33	-	-	-	-	-	221
Other securities and equity	35	1.98	58	3.25	-	-	-	-	-	-	27	120
Total Overseas	2,149	-	2,600	-	290	-	536	-	-	-	27	5,602
Total available-for-sale investments	2,495	-	3,712	-	10,261	-	2,759	-	2,003	-	274	21,504

Additional Disclosure

Proceeds at or close to maturity of Available-for-sale investments in 2009 were $22,189 million (2008: $31,974 million).

Proceeds from sale of Available-for-sale investments in 2009 were $4,996 million (2008: $610 million).

Notes to the Financial Statements

Note 12 Available-for-Sale Investments (continued)

	Group As at 30 June 2008			
	Amortised Cost $M	Gross Unrealised Gains $M	Gross Unrealised Losses $M	Fair Value $M
Australia				
Australian Public Securities:				
Local and semi-government	2,980	78	(77)	2,981
Medium term notes	1,979	1	(48)	1,932
Floating rate notes	399	-	-	399
Mortgage backed securities	1,419	-	(27)	1,392
Other securities and equity investments	402	89	(31)	460
Total Australia	7,179	168	(183)	7,164
Overseas				
Government securities	191	1	-	192
Certificates of deposit	2,056	-	(25)	2,031
Eurobonds	1,405	9	(11)	1,403
Medium term notes	305	1	(2)	304
Floating rate notes	280	-	(6)	274
Other securities and equity investments	106	15	(1)	120
Total Overseas	4,343	26	(45)	4,324
Total available-for-sale investments	11,522	194	(228)	11,488

Maturity Distribution and Weighted Average Yield

	Group Maturity Period at 30 June 2008											
	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	-	-	-	-	2,844	7. 65	137	7. 37	-	-	-	2,981
Medium term notes	-	-	30	8. 23	1,758	7. 89	144	7. 68	-	-	-	1,932
Floating rate notes	-	-	399	7. 64	-	-	-	-	-	-	-	399
Mortgage backed securities	-	-	-	-	-	-	-	-	1,392	7. 96	-	1,392
Other securities and equity investments	4	4. 80	123	7. 00	4	-	7	3. 00	-	-	322	460
Total Australia	4	-	552	-	4,606	-	288	-	1,392	-	322	7,164
Overseas												
Government securities	61	5. 33	19	7. 17	112	3. 30	-	-	-	-	-	192
Certificates of deposit	1,316	4. 18	684	3. 82	31	3. 30	-	-	-	-	-	2,031
Eurobonds	332	4. 03	715	6. 36	53	3. 05	303	4. 00	-	-	-	1,403
Medium term notes	16	3. 25	188	7. 23	100	5. 36	-	-	-	-	-	304
Floating rate notes	12	9. 95	59	4. 78	201	4. 17	2	2. 20	-	-	-	274
Other securities and equity investments	-	-	-	-	87	4. 83	-	-	-	-	33	120
Total Overseas	1,737	-	1,665	-	584	-	305	-	-	-	33	4,324
Total available-for-sale investments	1,741	-	2,217	-	5,190	-	593	-	1,392	-	355	11,488

Note 13 Loans, Bills Discounted and Other Receivables

	Group		Bank	
	2009	2008	2009	2008
	$M	$M	$M	$M
Australia				
Overdrafts	**17,829**	20,047	**16,630**	20,085
Housing loans [1]	**261,504**	186,926	**224,811**	184,326
Credit card outstandings	**9,055**	7,555	**7,960**	7,555
Lease financing	**4,572**	4,239	**1,902**	1,680
Bills discounted [2]	**10,936**	5,868	**10,936**	5,868
Term loans	**107,337**	83,431	**81,139**	80,664
Other lending	**1,616**	1,076	**879**	1,076
Other securities	**524**	13	**524**	13
Total Australia	**413,373**	309,155	**344,781**	301,267
Overseas				
Overdrafts	**744**	716	**-**	-
Housing loans	**30,702**	28,817	**328**	164
Credit card outstandings	**573**	538	**-**	-
Lease financing	**541**	563	**93**	115
Term loans	**27,079**	23,916	**12,570**	10,587
Redeemable preference share financing	**744**	1,194	**-**	-
Other lending	**16**	25	**-**	-
Other securities	**-**	300	**-**	-
Total Overseas	**60,399**	56,069	**12,991**	10,866
Gross loans, bills discounted and other receivables	**473,772**	365,224	**357,772**	312,133
Less				
Provisions for Loan Impairment (Note 14):				
Collective provision	**(3,195)**	(1,434)	**(2,060)**	(1,328)
Individually assessed provisions	**(1,729)**	(279)	**(1,020)**	(238)
Unearned income:				
Term loans	**(1,134)**	(1,047)	**(885)**	(491)
Lease financing	**(1,083)**	(1,182)	**(399)**	(362)
	(7,141)	(3,942)	**(4,364)**	(2,419)
Net loans, bills discounted and other receivables	**466,631**	361,282	**353,408**	309,714

(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 program after all payments due to investors and costs of the program 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 $12,568 million (2008: $11,676 million) and for the Bank were $8,083 million (2008: $10,359 million). The carrying value of liabilities associated with non-derecognised assets for the Group were $11,724 million (2008: $9,762 million) and for the Bank were $8,083 million (2008: $10,359 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.

Of the amounts above, the following amounts are expected to be recovered within 12 months of the Balance Sheet date; Group: $121,714 million (30 June 2008: $105,074 million), Bank $97,803 million (30 June 2008: $92,205 million).

	Group		Bank	
	2009	2008	2009	2008
	$M	$M	$M	$M
Finance Leases				
Minimum lease payments receivable:				
Not later than one year	**1,479**	1,354	**531**	532
Later than one year but not later than five years	**2,554**	2,328	**1,132**	868
Later than five years	**1,080**	1,120	**332**	395
Lease financing	**5,113**	4,802	**1,995**	1,795

Notes to the Financial Statements

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

	Group			
	Maturity Period at 30 June 2009			
	Maturing 1 Year or Less	Maturing Between 1 & 5 Years	Maturing After 5 Years	Total
	$M	$M	$M	$M
Australia				
Sovereign	**248**	**465**	**826**	**1,539**
Agriculture	**2,122**	**1,243**	**1,352**	**4,717**
Bank and other financial	**5,681**	**2,228**	**1,991**	**9,900**
Real estate:				
Mortgage	**30,479**	**18,260**	**212,765**	**261,504**
Construction	**1,782**	**1,570**	**720**	**4,072**
Personal	**3,505**	**9,766**	**1,877**	**15,148**
Asset financing	**2,444**	**4,105**	**1,374**	**7,923**
Other commercial and industrial	**57,730**	**37,013**	**13,827**	**108,570**
Total Australia	**103,991**	**74,650**	**234,732**	**413,373**
Overseas				
Sovereign	**1,186**	**150**	**130**	**1,466**
Agriculture	**2,182**	**1,489**	**1,812**	**5,483**
Bank and other financial	**3,309**	**1,613**	**2,697**	**7,619**
Real estate:				
Mortgage	**5,154**	**4,502**	**21,046**	**30,702**
Construction	**146**	**398**	**91**	**635**
Personal	**677**	**52**	**14**	**743**
Asset financing	**91**	**245**	**381**	**717**
Other commercial and industrial	**4,978**	**6,436**	**1,620**	**13,034**
Total Overseas	**17,723**	**14,885**	**27,791**	**60,399**
Gross loans, bills discounted and other receivables	**121,714**	**89,535**	**262,523**	**473,772**

Interest Rate Sensitivity of Lending

Australia	**93,298**	**58,853**	**186,792**	**338,943**
Overseas	**6,626**	**8,935**	**8,361**	**23,922**
Total variable interest rates	**99,924**	**67,788**	**195,153**	**362,865**
Australia	**10,693**	**15,797**	**47,940**	**74,430**
Overseas	**11,097**	**5,950**	**19,430**	**36,477**
Total fixed interest rates	**21,790**	**21,747**	**67,370**	**110,907**
Gross loans, bills discounted and other receivables	**121,714**	**89,535**	**262,523**	**473,772**

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

	Group			
	Maturity Period at 30 June 2008			
	Maturing 1 Year or Less $M	Maturing Between 1 & 5 Years $M	Maturing After 5 Years $M	Total $M
Australia				
Sovereign	84	397	1,087	1,568
Agriculture	417	1,375	755	2,547
Bank and other financial	4,612	3,125	1,180	8,917
Real estate:				
Mortgage	23,535	11,338	152,053	186,926
Construction	735	839	73	1,647
Personal	9,613	8,826	794	19,233
Asset financing	2,329	3,991	1,574	7,894
Other commercial and industrial	45,074	28,878	6,471	80,423
Total Australia	86,399	58,769	163,987	309,155
Overseas				
Sovereign	691	329	210	1,230
Agriculture	2,326	1,148	1,340	4,814
Bank and other financial	3,312	1,344	2,087	6,743
Real estate:				
Mortgage	4,076	4,151	20,590	28,817
Construction	559	14	33	606
Personal	468	40	24	532
Asset financing	67	192	289	548
Other commercial and industrial	7,176	3,805	1,798	12,779
Total Overseas	18,675	11,023	26,371	56,069
Gross loans, bills discounted and other receivables	105,074	69,792	190,358	365,224

Interest Rate Sensitivity of Lending

Australia	78,501	44,571	107,947	231,019
Overseas	14,042	4,710	5,514	24,266
Total variable interest rates	92,543	49,281	113,461	255,285
Australia	7,898	14,198	56,040	78,136
Overseas	4,633	6,313	20,857	31,803
Total fixed interest rates	12,531	20,511	76,897	109,939
Gross loans, bills discounted and other receivables	105,074	69,792	190,358	365,224

Notes to the Financial Statements

Note 14 Provisions for Impairment

	Group			Bank	
	2009	2008	2007	2009	2008
	$M	$M	$M	$M	$M
Provisions for impairment losses					
Collective provision					
Opening balance	**1,466**	1,156	1,161	**1,360**	1,029
Acquisitions	**250**	-	-	**-**	-
Net collective provision funding	**1,176**	627	316	**1,083**	650
Impairment losses written off	**(472)**	(381)	(432)	**(423)**	(366)
Impairment losses recovered	**73**	77	103	**65**	68
Fair value and other (1)	**732**	(13)	8	**5**	(21)
Closing balance (2)	**3,225**	1,466	1,156	**2,090**	1,360
Individually assessed provisions					
Opening balance	**279**	100	80	**238**	77
Acquisitions	**380**	-	-	**-**	-
Net new and increased individual provisioning	**1,686**	336	134	**1,388**	280
Write-back of provisions no longer required	**(179)**	(33)	(16)	**(133)**	(28)
Discount unwind to interest income	**(45)**	(9)	(6)	**(29)**	(9)
Fair value and other (3)	**279**	7	(5)	**79**	10
Impairment losses written off	**(671)**	(122)	(87)	**(523)**	(92)
Closing balance (2)	**1,729**	279	100	**1,020**	238
Total provisions for impairment losses	**4,954**	1,745	1,256	**3,110**	1,598
Less: Off balance sheet provisions	**(30)**	(32)	(23)	**(30)**	(32)
Total provisions for loan impairment	**4,924**	1,713	1,233	**3,080**	1,566

(1) Group in 2009 includes fair value adjustments related to the Bankwest acquisition of $723 million of which $286 million remains at 30 June 2009.

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

(3) Group includes fair value adjustments related to the Bankwest acquisition of $180 million, of which nil remains at 30 June 2009.

	Group			Bank	
	2009	2008	2007	2009	2008
	%	%	%	%	%
Provision Ratios (1)					
Collective provision as a % of gross loans and acceptances	**0. 66**	0. 38	0. 34	**0. 56**	0. 41
Collective provision as a % of risk weighted assets - Basel II	**1. 12**	0. 71	n/a	**n/a**	n/a
Individually assessed provisions for impairment as a % of gross impaired assets	**41. 1**	40.8	23.8	**40.8**	40.1
Total provisions for impairment losses as a % of gross loans and acceptances	**1. 01**	0. 46	0. 37	**0. 83**	0. 47

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

Note 14 Provisions for Impairment (continued)

Impairment Expense	Group 2009 $M	Group 2008 $M	Group 2007 $M	Bank 2009 $M	Bank 2008 $M
Loan Impairment Expense					
Net collective provisioning funding	**1,176**	627	316	**1,083**	650
Net new and increased individual provisioning	**1,686**	336	134	**1,388**	280
Write-back of individually assessed provisions	**(179)**	(33)	(16)	**(133)**	(28)
Total loan impairment expense	**2,683**	930	434	**2,338**	902
Available-for-sale debt securities impairment expense	**365**	-	-	**365**	-
Total impairment expense	**3,048**	930	434	**2,703**	902

Individually Assessed Provisions for Impairment by Industry Category

	Group 2009 $M	Group 2008 $M	Group 2007 $M	Group 2006 $M	Group 2005 $M
Australia (1)					
Sovereign	**-**	-	-	-	-
Agriculture	**77**	4	3	4	16
Bank and other financial	**393**	27	2	1	1
Real estate:					
Mortgage	**82**	34	23	17	3
Construction	**104**	1	1	2	7
Personal	**23**	9	5	5	1
Asset Financing	**31**	12	13	11	13
Other commercial and industrial	**760**	161	39	35	41
Total Australia	**1,470**	248	86	75	82
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**9**	-	-	-	-
Bank and other financial	**158**	4	1	1	1
Real estate:					
Mortgage	**10**	7	4	2	11
Construction	**-**	8	-	-	-
Personal	**-**	2	1	2	1
Asset Financing	**-**	2	1	-	-
Other commercial and industrial	**82**	8	7	-	-
Total Overseas	**259**	31	14	5	13
Total individually assessed provisions	**1,729**	279	100	80	95

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

Notes to the Financial Statements

Note 14 Provisions for Impairment (continued)

Loan Impairments Written Off by Industry Category

	Group				
	2009	2008	2007	2006	2005
	$M	$M	$M	$M	$M
Loan Impairments Written Off					
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**2**	3	1	8	1
Bank and other financial	**84**	5	-	1	3
Real estate:					
Mortgage	**36**	23	20	8	8
Construction	**4**	1	1	3	3
Personal	**496**	364	408	388	280
Asset Financing	**58**	49	49	42	26
Other commercial and industrial	**255**	34	30	36	63
Total Australia	**935**	479	509	486	384
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**-**	-	-	-	-
Bank and other financial	**112**	4	-	-	-
Real estate:					
Mortgage	**18**	1	-	-	6
Construction	**4**	1	-	-	-
Personal	**14**	13	7	7	-
Asset Financing	**-**	-	-	-	-
Other commercial and industrial	**60**	5	3	4	1
Total Overseas	**208**	24	10	11	7
Gross loan impairments written off	**1,143**	503	519	497	391
Loan Impairments Recovered					
Australia	**70**	73	99	122	76
Overseas	**3**	4	4	5	5
Total loan impairments recovered	**73**	77	103	127	81
Net loan impairments written off	**1,070**	426	416	370	310

Note 14 Provisions for Impairment (continued)

Loan Impairments Recovered by Industry Category

	Group				
	2009	2008	2007	2006	2005
	$M	$M	$M	$M	$M
Loan Impairments Recovered					
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**1**	-	1	1	1
Bank and other financial	**1**	-	1	-	3
Real estate:					
Mortgage	**1**	1	1	1	1
Construction	**-**	1	1	-	-
Personal	**52**	61	77	99	59
Asset Financing	**5**	5	10	5	5
Other commercial and industrial	**10**	5	8	16	7
Total Australia	**70**	73	99	122	76
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**-**	-	-	-	-
Bank and other financial	**-**	-	-	-	-
Real estate:					
Mortgage	**-**	-	-	-	-
Construction	**-**	-	-	-	-
Personal	**3**	3	4	5	4
Asset Financing	**-**	-	-	-	-
Other commercial and industrial	**-**	1	-	-	1
Total Overseas	**3**	4	4	5	5
Total loan impairments recovered	**73**	77	103	127	81

Note 15 Credit Risk Management

Credit risk management is one of the key areas of the Group's Integrated Risk Management framework. The Group maintains a robust system of controls and processes to optimise the Group's credit risk-taking activities.

Credit risk is the potential of loss arising from failure for 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.

Following the acquisition of Bankwest, efforts are underway to review and, where needed, align Bankwest's credit policies and procedures with those of the Group.

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 floating charge over assets, is generally taken for business credit except for major government, bank and corporate counterparties of externally risk rated and 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 staff 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

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.

Where the loan application doesn't 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 Portfolio Quality 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 likelihood of default (PD) and the amount of loss in the event of default (LGD) combine to determine a CRR grade commensurate with expected loss (EL).

For credit risk exposures greater than $2 million or decisioned outside of the scorecard approach, 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.

CRR 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.

CRR 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.

Note 15 Credit Risk Management (continued)

Default usually consists of one or more of the following:

- 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. 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 Portfolio Quality Assurance unit, part of Group Audit, 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 Portfolio Quality 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

The Expected Loss (EL) 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; and
- Carrying costs (effectively the costs of providing a facility that is not generating an interest return) and management expenses (realisation costs).

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.

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. In some instances, such as certain types of consumer loans (e.g. credit cards), a client’s facilities may not be secured by formal collateral.

Main collateral types include:

- Residential mortgages;
- Charges over other properties (including commercial and broadacre);
- Cash (usually in the form of a charge over a Term Deposit);
- Guarantees by company directors supporting commercial lending;
- A floating charge over a company’s assets, including stock and work in progress; and
- A charge over stock or scrip.

(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 (for information relating to Regulatory and Economic Capital refer to the section on Capital Management and Note 34 Capital Adequacy).

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 Note 16).

Notes to the Financial Statements

Note 15 Credit Risk Management (continued)

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements

	Group At 30 June 2009									
	Sovereign $M	Agri-culture $M	Bank & Other Financial $M	Real Estate Mortgage $M	Real Estate Constr-uction $M	Personal $M	Asset Financing $M	Other Comm & Indust. $M	Other $M	Total $M
Australia Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	5,509	-	-	-	-	-	-	5,509
Receivables due from other financial institutions	-	-	8,590	-	-	-	-	-	-	8,590
Assets at fair value through Income Statement:										
Trading	3,473	-	14,438	-	-	-	-	2,291	-	20,202
Insurance (1)	1,631	-	5,134	-	295	-	-	8,509	-	15,569
Other	-	60	1	-	-	-	-	29	-	90
Derivative assets	284	33	15,441	-	43	-	-	6,372	-	22,173
Available-for-sale investments	7,237	-	1,384	-	-	-	-	7,281	-	15,902
Loans, bills discounted and other receivables	1,539	4,717	9,900	261,504	4,072	15,148	7,923	108,570	-	413,373
Bank acceptances	7	2,972	327	-	547	-	-	10,874	-	14,727
Other assets (2)	233	66	6,674	11	13	17	141	723	11,076	18,954
Total on balance sheet Australia	14,404	7,848	67,398	261,515	4,970	15,165	8,064	144,649	11,076	535,089
Credit risk exposures relating to off balance sheet assets:										
Guarantees	64	22	197	26	279	-	-	2,625	296	3,509
Loan commitments	900	1,286	2,415	52,253	1,348	16,413	-	31,213	718	106,546
Other commitments	26	21	145	12	443	-	1	2,174	28	2,850
Total Australia	15,394	9,177	70,155	313,806	7,040	31,578	8,065	180,661	12,118	647,994
Overseas Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	5,831	-	-	-	-	-	-	5,831
Receivables due from other financial institutions	-	-	5,831	-	-	-	-	-	-	5,831
Assets at fair value through Income Statement:										
Trading	2,476	-	1,543	-	-	-	-	1,180	-	5,199
Insurance (1)	1,370	-	321	-	-	-	-	-	-	1,691
Other	228	7	1,286	-	-	3	-	63	-	1,587
Derivative assets	173	77	3,408	-	3	-	-	524	-	4,185
Available-for-sale investments	435	-	1,694	-	-	-	-	3,473	-	5,602
Loans, bills discounted and other receivables	1,466	5,483	7,619	30,702	635	743	717	13,034	-	60,399
Bank acceptances	-	-	-	-	-	-	-	1	-	1
Other assets (2)	185	1	125	2	-	-	-	111	1,674	2,098
Total on balance sheet Overseas	6,333	5,568	27,658	30,704	638	746	717	18,386	1,674	92,424
Credit risk exposures relating to off balance sheet assets:										
Guarantees	24	1	-	-	29	-	-	79	-	133
Loan commitments	159	390	74	2,936	238	1,165	-	6,380	-	11,342
Other commitments	24	1	-	133	2	-	-	174	-	334
Total Overseas	6,540	5,960	27,732	33,773	907	1,911	717	25,019	1,674	104,233
Total gross credit risk	21,934	15,137	97,887	347,579	7,947	33,489	8,782	205,680	13,792	752,227

(1) In most cases the credit risk of insurance assets is borne by policyholders. However, on certain insurance contracts the Group retains exposure to credit risk.

(2) Other assets predominantly comprises assets which do not give rise to credit exposure, including intangible assets, property, plant and equipment, and defined benefit superannuation plan surplus, which are shown in “Other” for the purpose of reconciling to the Balance Sheet.

Note 15 Credit Risk Management (continued)

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements

Group
At 30 June 2008

	Sovereign $M	Agri-culture $M	Bank & Other Financial $M	Real Estate Mortgage $M	Real Estate Constr-uction $M	Personal $M	Asset Financing $M	Other Comm & Indust. $M	Other $M	Total $M
Australia Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	4,841	-	-	-	-	-	-	4,841
Receivables due from other financial institutions	-	-	4,880	-	-	-	-	-	-	4,880
Assets at fair value through Income Statement:										
Trading	2,043	-	12,910	-	-	-	-	3,504	-	18,457
Insurance (1)	4,096	-	3,527	313	24	-	-	10,716	-	18,676
Other	-	-	295	-	-	-	-	-	-	295
Derivative assets	204	15	13,560	-	5	-	-	2,555	-	16,339
Available-for-sale investments	2,981	-	1,419	-	-	-	-	2,764	-	7,164
Loans, bills discounted and other receivables	1,568	2,547	8,917	186,926	1,647	19,233	7,894	80,423	-	309,155
Bank acceptances	8	2,764	485	-	533	-	-	14,488	-	18,278
Other assets (2)	20	32	1,018	2,338	21	240	99	1,405	10,647	15,820
Total on balance sheet Australia	10,920	5,358	51,852	189,577	2,230	19,473	7,993	115,855	10,647	413,905
Credit risk exposures relating to off balance sheet assets:										
Guarantees	51	9	176	25	110	-	-	2,335	-	2,706
Loan commitments	907	840	8,262	38,094	770	12,124	-	24,256	-	85,253
Other commitments	155	6	634	69	2,145	-	-	7,689	-	10,698
Total Australia	12,033	6,213	60,924	227,765	5,255	31,597	7,993	150,135	10,647	512,562
Overseas Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	2,895	-	-	-	-	-	-	2,895
Receivables due from other financial institutions	-	-	2,104	-	-	-	-	-	-	2,104
Assets at fair value through Income Statement:										
Trading	823	-	1,425	-	-	-	-	971	-	3,219
Insurance (1)	394	-	1,070	-	-	-	-	510	-	1,974
Other	1,069	33	1,204	-	40	29	-	596	-	2,971
Derivative assets	54	19	1,213	-	-	-	-	607	-	1,893
Available-for-sale investments	225	-	2,031	-	-	-	-	2,068	-	4,324
Loans, bills discounted and other receivables	1,230	4,814	6,743	28,817	606	532	548	12,779	-	56,069
Bank acceptances	-	-	-	-	-	-	-	-	-	-
Other assets (2)	23	89	125	535	11	10	10	433	924	2,160
Total on balance sheet Overseas	3,818	4,955	18,810	29,352	657	571	558	17,964	924	77,609
Credit risk exposures relating to off balance sheet assets:										
Guarantees	-	1	1	-	25	-	-	69	-	96
Loan commitments	267	360	541	2,884	195	1,141	-	6,663	-	12,051
Other commitments	41	1	86	-	2	-	-	145	-	275
Total Overseas	4,126	5,317	19,438	32,236	879	1,712	558	24,841	924	90,031
Total gross credit risk	16,159	11,530	80,362	260,001	6,134	33,309	8,551	174,976	11,571	602,593

(1) In most cases the credit risk of insurance assets is borne by policyholders. However, on certain insurance contracts the Group retains exposure to credit risk.

(2) Other assets predominantly comprises assets which do not give rise to credit exposure, including intangible assets, property, plant and equipment, and defined benefit superannuation plan surplus, which are shown in "Other" for the purpose of reconciling to the Balance Sheet.

Notes to the Financial Statements

Note 15 Credit Risk Management (continued)

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements

Bank

At 30 June 2009

	Sovereign	Agri-culture	Bank & Other Financial	Real Estate Mortgage	Real Estate Constr-uction	Personal	Asset Financing	Other Comm & Indust.	Other	Total
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Australia Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	5,238	-	-	-	-	-	-	5,238
Receivables due from other financial institutions	-	-	8,482	-	-	-	-	-	-	8,482
Assets at fair value through Income Statement:										
Trading	3,473	-	14,437	-	-	-	-	2,287	-	20,197
Insurance (1)	-	-	-	-	-	-	-	-	-	-
Other	-	60	-	-	-	-	-	-	-	60
Derivative assets	284	33	15,233	-	43	-	-	7,400	-	22,993
Available-for-sale investments	7,152	-	1,384	-	-	-	-	47,001	-	55,537
Loans, bills discounted and other receivables	1,539	2,549	9,492	224,811	2,279	13,436	5,400	85,275	-	344,781
Bank acceptances	7	2,972	327	-	547	-	-	10,873	-	14,726
Other assets (2)	229	66	49,252	7	13	17	108	565	4,127	54,384
Total on balance sheet Australia	12,684	5,680	103,845	224,818	2,882	13,453	5,508	153,401	4,127	526,398
Credit risk exposures relating to off balance sheet assets:										
Guarantees	64	11	147	-	131	-	-	2,458	-	2,811
Loan commitments	895	979	2,225	46,599	1,019	15,086	-	29,644	-	96,447
Other commitments	25	14	91	-	409	-	-	2,058	-	2,597
Total Australia	13,668	6,684	106,308	271,417	4,441	28,539	5,508	187,561	4,127	628,253
Overseas Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	4,446	-	-	-	-	-	-	4,446
Receivables due from other financial institutions	-	-	5,504	-	-	-	-	-	-	5,504
Assets at fair value through Income Statement:										
Trading	528	-	-	-	-	-	-	263	-	791
Insurance (1)	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Derivative assets	137	-	1,860	-	-	-	-	546	-	2,543
Available-for-sale investments	68	-	1,678	-	-	-	-	3,376	-	5,122
Loans, bills discounted and other receivables	97	95	6,564	328	355	43	7	5,502	-	12,991
Bank acceptances	-	-	-	-	-	-	-	-	-	-
Other assets (2)	43	1	11,498	1	-	-	-	49	77	11,669
Total on balance sheet Overseas	873	96	31,550	329	355	43	7	9,736	77	43,066
Credit risk exposures relating to off balance sheet assets:										
Guarantees	-	-	-	-	-	-	-	-	-	-
Loan commitments	40	21	42	-	178	-	-	5,325	-	5,606
Other commitments	-	-	-	-	-	-	-	49	-	49
Total Overseas	913	117	31,592	329	533	43	7	15,110	77	48,721
Total gross credit risk	14,581	6,801	137,900	271,746	4,974	28,582	5,515	202,671	4,204	676,974

(1) In most cases the credit risk of insurance assets is borne by policyholders. However, on certain insurance contracts the Group retains exposure to credit risk.

(2) Other assets predominantly comprises assets which do not give rise to credit exposure, including intangible assets, property, plant and equipment, and defined benefit superannuation plan surplus, which are shown in "Other" for the purpose of reconciling to the Balance Sheet.

Note 15 Credit Risk Management (continued)

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements

Bank At 30 June 2008	Sovereign $M	Agri-culture $M	Bank & Other Financial $M	Real Estate Mortgage $M	Real Estate Constr-uction $M	Personal $M	Asset Financing $M	Other Comm & Indust. $M	Other $M	Total $M
Australia Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	4,609	-	-	-	-	-	-	4,609
Receivables due from other financial institutions	-	-	4,880	-	-	-	-	-	-	4,880
Assets at fair value through Income Statement:										
Trading	2,043	-	12,910	-	-	-	-	3,504	-	18,457
Insurance (1)	-	-	-	-	-	-	-	-	-	-
Other	-	-	274	-	-	-	-	-	-	274
Derivative assets	204	15	13,560	-	5	-	-	1,996	-	15,780
Available-for-sale investments	2,905	-	1,419	-	-	-	-	18,635	-	22,959
Loans, bills discounted and other receivables	1,568	2,546	8,917	184,326	1,646	19,183	2,897	80,184	-	301,267
Bank acceptances	8	2,764	485	-	533	-	-	14,488	-	18,278
Other assets (2)	16	26	29,173	1,907	17	198	30	1,231	6,159	38,757
Total on balance sheet Australia	6,744	5,351	76,227	186,233	2,201	19,381	2,927	120,038	6,159	425,261
Credit risk exposures relating to off balance sheet assets:										
Guarantees	69	12	241	-	150	-	-	3,235	-	3,707
Loan commitments	998	913	3,969	40,428	846	13,357	-	24,742	-	85,253
Other commitments	156	6	634	-	2,145	-	-	7,757	-	10,698
Total Australia	7,967	6,282	81,071	226,661	5,342	32,738	2,927	155,772	6,159	524,919
Overseas Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	2,673	-	-	-	-	-	-	2,673
Receivables due from other financial institutions	-	-	1,851	-	-	-	-	-	-	1,851
Assets at fair value through Income Statement:										
Trading	453	-	-	-	-	-	-	258	-	711
Insurance (1)	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Derivative assets	49	-	679	-	-	-	-	2,779	-	3,507
Available-for-sale investments	54	-	2,017	-	-	-	-	2,037	-	4,108
Loans, bills discounted and other receivables	40	50	5,401	164	245	42	-	4,924	-	10,866
Bank acceptances	-	-	-	-	-	-	-	-	-	-
Other assets (2)	1	1	9,297	4	7	1	-	135	23	9,469
Total on balance sheet Overseas	597	51	21,918	168	252	43	-	10,133	23	33,185
Credit risk exposures relating to off balance sheet assets:										
Guarantees	-	-	-	-	-	-	-	-	-	-
Loan commitments	71	2	399	-	114	-	-	5,031	-	5,617
Other commitments	-	-	95	-	-	-	-	13	-	108
Total Overseas	668	53	22,412	168	366	43	-	15,177	23	38,910
Total gross credit risk	8,635	6,335	103,483	226,829	5,708	32,781	2,927	170,949	6,182	563,829

(1) In most cases the credit risk of insurance assets is borne by policyholders. However, on certain insurance contracts the Group retains exposure to credit risk.

(2) Other assets predominantly comprises assets which do not give rise to credit exposure, including intangible assets, property, plant and equipment, and defined benefit superannuation plan surplus, which are shown in "Other" for the purpose of reconciling to the Balance Sheet.

Notes to the Financial Statements

Note 15 Credit Risk Management (continued)

	Group	
	2009	2008
Industry	$M	$M
Australia		
Sovereign	**1,539**	1,568
Agriculture	**4,717**	2,547
Bank and other financial	**9,900**	8,917
Real estate:		
Mortgage	**261,504**	186,926
Construction	**4,072**	1,647
Personal	**15,148**	19,233
Asset Financing	**7,923**	7,894
Other commercial and industrial	**108,570**	80,423
Total Australia	**413,373**	309,155
Overseas		
Sovereign	**1,466**	1,230
Agriculture	**5,483**	4,814
Bank and other financial	**7,619**	6,743
Real estate:		
Mortgage	**30,702**	28,817
Construction	**635**	606
Personal	**743**	532
Asset Financing	**717**	548
Other commercial and industrial	**13,034**	12,779
Total Overseas	**60,399**	56,069
Gross loans and other receivables	**473,772**	365,224
Provisions for loan impairment and unearned income	**(7,141)**	(3,942)
Net loans and other receivables	**466,631**	361,282

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 riskiness of the client. All exposures outside the policy require approval by the Executive 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		
	2009	2008	2007
	Number	Number	Number
5% to less than 10% of the Group's capital resources	**1**	1	-
10% to less than 15% of the Group's capital resources	**-**	-	-

The Group has a good quality and well diversified credit portfolio, with 55.2% of the gross loans and bills discounted in domestic mortgage loans and a further 6.5% in overseas mortgage loans primarily in New Zealand. Overseas loans account for 12.7% of loans and advances at $60.4 billion.

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 do not generally result in an offset of Balance Sheet assets and liabilities as transactions are usually settled on a gross basis.

However, 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. As at 30 June 2009, master netting arrangements reduced the credit risk of the Group by approximately $10.7 billion (2008: $6.5 billion).

Derivative financial instruments expose the Group to credit risk where there is a positive fair value current. 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 Notes 11, 41 and 48.

The Group also nets its credit exposure through the operation of certain facilities that allow on balance sheet netting for credit management purposes. As at 30 June 2009 these facilities reduced the credit risk of the Group by approximately $14 billion (2008: $20 billion).

Note 16 Asset Quality

The Group administers its credit exposure to Credit Risk Rated and Retail segments, as discussed in Note 15, Credit Risk Management.

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. Credit Risk Rated portfolios are assessed at least at each Balance Sheet date for objective evidence that the financial asset or portfolio of assets is impaired.

For further information about the accounting policy for provisions for impairment and Group policy for the classification of impaired assets see Note 1 (n).

	Group		Bank	
	2009	2008	2009	2008
Distribution of loans by credit quality	$M	$M	$M	$M
Gross loans				
Australia				
Neither past due nor impaired	**399,322**	302,156	**335,060**	294,578
Past due but not impaired	**10,687**	6,379	**7,757**	6,096
Impaired	**3,364**	620	**1,964**	593
Total Australia	**413,373**	309,155	**344,781**	301,267
Overseas				
Neither past due nor impaired	**56,649**	53,440	**12,448**	10,838
Past due but not impaired	**2,904**	2,566	**8**	28
Impaired	**846**	63	**535**	-
Total Overseas	**60,399**	56,069	**12,991**	10,866
Total gross loans	**473,772**	365,224	**357,772**	312,133

Note 16 Asset Quality (continued)

The segmentation of Loans for the retail and risk-rated portfolios into investment, pass and weak (including default grades) excluding those past due or impaired, is based on the mapping of Probability of Default (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 risk-rated 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 Loss Given Default (LGD), the impact of any recoveries or the potential benefit of mortgage insurance.

					Group
					2009
				Other	
	Housing	Other	Asset	Commercial	
	Loans (1)	Personal	Financing	Industrial	Total
Loans which were neither past due nor impaired	$M	$M	$M	$M	$M
Credit Grading					
Australia					
Investment	**128,584**	**1,899**	**590**	**60,257**	**191,330**
Pass	**107,617**	**8,873**	**6,750**	**38,598**	**161,838**
Weak	**18,312**	**3,216**	**84**	**24,542**	**46,154**
Total Australia	**254,513**	**13,988**	**7,424**	**123,397**	**399,322**
Overseas					
Investment	**20,509**	**62**	**378**	**16,859**	**37,808**
Pass	**6,326**	**380**	**301**	**9,537**	**16,544**
Weak	**1,410**	**-**	**-**	**887**	**2,297**
Total Overseas	**28,245**	**442**	**679**	**27,283**	**56,649**
Total loans which were neither past due nor impaired	**282,758**	**14,430**	**8,103**	**150,680**	**455,971**

(1) For Housing Loans, PD changes resulted in higher PDs on average and lower grading for Australian housing loans; and lower PDs on average and higher grading for New Zealand housing Loans.

					Group
					2008
				Other	
	Housing	Other	Asset	Commercial	
	Loans	Personal	Financing	Industrial	Total
	$M	$M	$M	$M	$M
Credit Grading					
Australia (1)					
Investment	147,377	2,575	-	53,820	203,772
Pass	31,696	13,583	7,500	37,655	90,434
Weak	3,583	2,200	-	2,167	7,950
Total Australia	182,656	18,358	7,500	93,642	302,156
Overseas					
Investment	8,733	56	-	17,066	25,855
Pass	15,736	181	528	8,341	24,786
Weak	2,434	-	-	365	2,799
Total Overseas	26,903	237	528	25,772	53,440
Total loans which were neither past due nor impaired	209,559	18,595	8,028	119,414	355,596

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

Note 16 Asset Quality (continued)

Loans which were neither past due nor impaired

Bank 2009	Housing Loans $M	Other Personal $M	Asset Financing $M	Other Commercial Industrial $M	Total $M
Credit Grading					
Australia					
Investment	**124,839**	**1,869**	**393**	**58,626**	**185,727**
Pass	**89,427**	**8,672**	**4,676**	**37,112**	**139,887**
Weak	**4,693**	**1,850**	**175**	**2,728**	**9,446**
Total Australia	**218,959**	**12,391**	**5,244**	**98,466**	**335,060**
Overseas					
Investment	**-**	**-**	**1**	**10,078**	**10,079**
Pass	**150**	**43**	**6**	**2,116**	**2,315**
Weak	**54**	**-**	**-**	**-**	**54**
Total Overseas	**204**	**43**	**7**	**12,194**	**12,448**
Total loans which were neither past due nor impaired	**219,163**	**12,434**	**5,251**	**110,660**	**347,508**

Bank 2008	Housing Loans $M	Other Personal $M	Asset Financing $M	Other Commercial Industrial $M	Total $M
Credit Grading					
Australia (1)					
Investment	144,799	2,539	-	53,668	201,006
Pass	31,696	13,567	2,791	37,569	85,623
Weak	3,583	2,202	-	2,164	7,949
Total Australia	180,078	18,308	2,791	93,401	294,578
Overseas					
Investment	-	-	-	9,058	9,058
Pass	136	42	-	1,535	1,713
Weak	-	-	-	67	67
Total Overseas	136	42	-	10,660	10,838
Total loans which were neither past due nor impaired	180,214	18,350	2,791	104,061	305,416

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

Note 16 Asset Quality (continued)

Loans may be classed as performing (that is, not impaired) when past due where the Group has not ascertained a doubt as to whether full amounts due will be received in a timely manner even though contractual payments are past due or facilities are well secured or where matured facilities are in process of renegotiation and remain otherwise performing.

					Group
					2009
	Housing	Other	Asset	Other Commercial	
	Loans	Personal [2]	Financing	Industrial	Total
Loans which were past due but not impaired [1]	$M	$M	$M	$M	$M
Australia					
Past due 1 - 29 days	**3,071**	**683**	**256**	**1,626**	**5,636**
Past due 30 - 59 days	**1,349**	**186**	**63**	**203**	**1,801**
Past due 60 - 89 days	**711**	**101**	**39**	**137**	**988**
Past due 90 - 179 days	**808**	**156**	**35**	**207**	**1,206**
Past due 180 days or more	**756**	**44**	**19**	**237**	**1,056**
Total Australia	**6,695**	**1,170**	**412**	**2,410**	**10,687**
Overseas					
Past due 1 - 29 days	**1,586**	**215**	**25**	**234**	**2,060**
Past due 30 - 59 days	**288**	**29**	**7**	**19**	**343**
Past due 60 - 89 days	**126**	**17**	**2**	**9**	**154**
Past due 90 - 179 days	**147**	**19**	**3**	**15**	**184**
Past due 180 days or more	**108**	**19**	**1**	**35**	**163**
Total Overseas	**2,255**	**299**	**38**	**312**	**2,904**
Total loans which were past due but not impaired	**8,950**	**1,469**	**450**	**2,722**	**13,591**

(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. If they are not written off, they are classified as impaired.

					Group
					2008
	Housing	Other	Asset	Other Commercial	
	Loans	Personal [2]	Financing	Industrial	Total
Loans which were past due but not impaired [1]	$M	$M	$M	$M	$M
Australia					
Past due 1 - 29 days	2,147	530	219	806	3,702
Past due 30 - 59 days	822	147	73	113	1,155
Past due 60 - 89 days	359	74	26	74	533
Past due 90 - 179 days	455	99	20	50	624
Past due 180 days or more	330	9	1	25	365
Total Australia	4,113	859	339	1,068	6,379
Overseas					
Past due 1 - 29 days	1,529	216	14	281	2,040
Past due 30 - 59 days	212	45	4	33	294
Past due 60 - 89 days	74	16	1	18	109
Past due 90 - 179 days	42	10	1	23	76
Past due 180 days or more	19	6	-	22	47
Total Overseas	1,876	293	20	377	2,566
Total loans which were past due but not impaired	5,989	1,152	359	1,445	8,945

(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. If they are not written off, they are classified as impaired.

Note 16 Asset Quality (continued)

Loans which were past due but not impaired (1)	Bank 2009 Housing Loans $M	Other Personal (2) $M	Asset Financing $M	Other Commercial Industrial $M	Total $M
Australia					
Past due 1 - 29 days	2,592	592	60	618	3,862
Past due 30 - 59 days	1,170	164	24	107	1,465
Past due 60 - 89 days	607	88	16	76	787
Past due 90 - 179 days	682	150	12	66	910
Past due 180 days or more	615	44	6	68	733
Total Australia	5,666	1,038	118	935	7,757
Overseas					
Past due 1 - 29 days	6	-	-	-	6
Past due 30 - 59 days	-	-	-	-	-
Past due 60 - 89 days	-	-	-	-	-
Past due 90 - 179 days	1	-	-	-	1
Past due 180 days or more	1	-	-	-	1
Total Overseas	8	-	-	-	8
Total loans which were neither past due but not impaired	5,674	1,038	118	935	7,765

(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. If they are not written off, they are classified as impaired.

Loans which were past due but not impaired (1)	Bank 2008 Housing Loans $M	Other Personal (2) $M	Asset Financing $M	Other Commercial Industrial $M	Total $M
Australia					
Past due 1 - 29 days	2,128	530	39	806	3,503
Past due 30 - 59 days	820	147	16	113	1,096
Past due 60 - 89 days	358	74	6	74	512
Past due 90 - 179 days	455	99	10	50	614
Past due 180 days or more	330	9	7	25	371
Total Australia	4,091	859	78	1,068	6,096
Overseas					
Past due 1 - 29 days	20	-	-	-	20
Past due 30 - 59 days	6	-	-	-	6
Past due 60 - 89 days	1	-	-	-	1
Past due 90 - 179 days	1	-	-	-	1
Past due 180 days or more	-	-	-	-	-
Total Overseas	28	-	-	-	28
Total loans which were neither past due but not impaired	4,119	859	78	1,068	6,124

(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. If they are not written off, they are classified as impaired.

Notes to the Financial Statements

Note 16 Asset Quality (continued)

Financial assets individually assessed as impaired

						Group
			2009			2008
	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 [1]						
Loans and other receivables:						
Housing loans	**274**	**82**	**192**	157	34	123
Other personal	**27**	**23**	**4**	14	9	5
Asset financing	**72**	**31**	**41**	55	12	43
Other commercial and industrial	**2,991**	**1,334**	**1,657**	394	193	201
Financial assets individually assessed as impaired - Australia	**3,364**	**1,470**	**1,894**	620	248	372
Overseas						
Loans and other receivables:						
Housing loans	**203**	**10**	**193**	37	7	30
Other personal	**1**	**-**	**1**	2	2	-
Asset financing	**-**	**-**	**-**	1	2	(1)
Other commercial and industrial	**642**	**249**	**393**	23	20	3
Financial assets individually assessed as impaired - Overseas	**846**	**259**	**587**	63	31	32
Total financial assets individually assessed as impaired	**4,210**	**1,729**	**2,481**	683	279	404

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

						Bank
			2009			2008
	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 [1]						
Loans and other receivables:						
Housing loans	**186**	**46**	**140**	157	34	123
Other personal	**7**	**2**	**5**	14	9	5
Asset financing	**38**	**23**	**15**	28	3	25
Other commercial and industrial	**1,733**	**771**	**962**	394	192	202
Financial assets individually assessed as impaired - Australia	**1,964**	**842**	**1,122**	593	238	355
Overseas						
Loans and other receivables:						
Housing loans	**116**	**-**	**116**	-	-	-
Other personal	**-**	**-**	**-**	-	-	-
Asset financing	**-**	**-**	**-**	-	-	-
Other commercial and industrial	**419**	**178**	**241**	-	-	-
Financial assets individually assessed as impaired - Overseas	**535**	**178**	**357**	-	-	-
Total financial assets individually assessed as impaired	**2,499**	**1,020**	**1,479**	593	238	355

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

Note 16 Asset Quality (continued)

Impaired Assets by classification

Impaired Assets in Credit Risk Rated portfolios are assessed at least at each Balance Sheet date for objective evidence that the financial asset or portfolio of assets is impaired.

Impaired financial assets in the Retail segment are those facilities that are not well secured and are past due 180 days or more.

The Group applies APRA's prudential standards in classifying impaired assets into three categories, comprising:

Non-Performing Facilities:

- Any credit risk facility against which an individually assessed provision for impairment has been raised; and
- Any credit risk facility where loss of principal or interest is anticipated.

Restructured Facilities:

Credit risk facilities on which the original contractual terms have been modified due to financial difficulties of the borrower. Interest on these facilities is taken to profit and loss. Failure to comply fully with the modified terms will result in immediate reclassification to non-performing.

Assets Acquired through Security Enforcement:

- Other Real Estate Owned, comprising real estate where the Group assumed ownership or foreclosed in settlement of a debt;
- Other Assets Acquired through Securities Enforcement, comprising assets other than real estate where the Group has assumed ownership or foreclosed in settlement of a debt; and
- Other real estate owned and other assets acquired through security enforcement are sold through the Group's existing disposal processes. These processes 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 in Note 15, Credit Risk Management.

					Group
	2009	2008	2007	2006	2005
	$M	$M	$M	$M	$M
Australia					
Non-Performing loans:					
Gross balances	**3,245**	620	398	312	381
Less provisions for impairment	**(1,470)**	(248)	(86)	(75)	(82)
Net non-performing loans	**1,775**	372	312	237	299
Restructured loans:					
Gross balances	**119**	-	-	-	-
Less provisions for impairment	**-**	-	-	-	-
Net restructured loans	**119**	-	-	-	-
Assets Acquired Through Security Enforcement:					
Gross balances	**-**	-	-	-	-
Less provisions for impairment	**-**	-	-	-	-
Net assets acquired through security enforcement	**-**	-	-	-	-
Net Australia impaired assets	**1,894**	372	312	237	299
Overseas					
Non-Performing loans:					
Gross balances	**676**	63	23	14	14
Less provisions for impairment	**(259)**	(31)	(14)	(5)	(13)
Net non-performing loans	**417**	32	9	9	1
Restructured loans:					
Gross balances	**170**	-	-	-	-
Less provisions for impairment	**-**	-	-	-	-
Net restructured loans	**170**	-	-	-	-
Assets Acquired Through Security Enforcement:					
Gross balances	**-**	-	-	-	-
Less provisions for impairment	**-**	-	-	-	-
Net assets acquired through security enforcement	**-**	-	-	-	-
Net Overseas impaired assets	**587**	32	9	9	1
Total net impaired assets	**2,481**	404	321	246	300

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

Note 16 Asset Quality (continued)

	Australia 2009 $M	Overseas 2009 $M	Total 2009 $M	Australia 2008 $M	Overseas 2008 $M	Group Total 2008 $M
Non-Performing Loans by Size of Loan						
Less than $1 million	**493**	**172**	**665**	189	39	228
$1 million to $10 million	**843**	**171**	**1,014**	175	24	199
Greater than $10 million	**2,028**	**503**	**2,531**	256	-	256
Total	**3,364**	**846**	**4,210**	620	63	683

Movement in Impaired Asset Balances

Gross Impaired Assets	2009 $M	2008 $M	2007 $M	2006 $M	Group 2005 $M
Gross impaired assets - opening balance	**683**	421	326	395	363
Acquisitions	**770**	-	-	-	-
New and increased	**4,374**	1,104	928	745	769
Balances written off	**(1,056)**	(470)	(482)	(450)	(350)
Returned to performing or repaid	**(561)**	(372)	(351)	(364)	(387)
Gross impaired assets - closing balance	**4,210**	683	421	326	395

Impaired Assets by Industry and Status

Industry	Loans $M	Gross Impaired Assets $M	Individually Assessed Provisions $M	Net Impaired Assets $M	Write-offs $M	Recoveries $M	Group 2009 Net Write-offs $M
Australia							
Sovereign	1,539	-	-	-	-	-	-
Agriculture	4,717	255	77	178	2	(1)	1
Bank and other financial	9,900	665	393	272	84	(1)	83
Real estate:							
Mortgage	261,504	274	82	192	36	(1)	35
Construction	4,072	239	104	135	4	-	4
Personal	15,148	27	23	4	496	(52)	444
Asset Financing	7,923	72	31	41	58	(5)	53
Other commercial and industrial	108,570	1,832	760	1,072	255	(10)	245
Total Australia	413,373	3,364	1,470	1,894	935	(70)	865
Overseas							
Sovereign	1,466	-	-	-	-	-	-
Agriculture	5,483	60	9	51	-	-	-
Bank and other financial	7,619	322	158	164	112	-	112
Real estate:							
Mortgage	30,702	203	10	193	18	-	18
Construction	635	-	-	-	4	-	4
Personal	743	1	-	1	14	(3)	11
Asset Financing	717	-	-	-	-	-	-
Other commercial and industrial	13,034	260	82	178	60	-	60
Total Overseas	60,399	846	259	587	208	(3)	205
Gross balances	473,772	4,210	1,729	2,481	1,143	(73)	1,070

Note 16 Asset Quality (continued)

Impaired Assets by Industry and Status

Industry	Loans $M	Gross Impaired Assets $M	Individually Assessed Provisions $M	Net Impaired Assets $M	Write-offs $M	Recoveries $M	Net Write-offs $M
	Group 2008						
Australia							
Sovereign	1,568	-	-	-	-	-	-
Agriculture	2,547	15	4	11	3	-	3
Bank and other financial	8,917	58	27	31	5	-	5
Real estate:							
Mortgage	186,926	157	34	123	23	(1)	22
Construction	1,647	11	1	10	1	(1)	-
Personal	19,233	14	9	5	364	(61)	303
Asset Financing	7,894	55	12	43	49	(5)	44
Other commercial and industrial	80,423	310	161	149	34	(5)	29
Total Australia	309,155	620	248	372	479	(73)	406
Overseas							
Sovereign	1,230	-	-	-	-	-	-
Agriculture	4,814	1	-	1	-	-	-
Bank and other financial	6,743	4	4	-	4	-	4
Real estate:							
Mortgage	28,817	37	7	30	1	-	1
Construction	606	3	8	(5)	1	-	1
Personal	532	2	2	-	13	(3)	10
Asset Financing	548	1	2	(1)	-	-	-
Other commercial and industrial	12,779	15	8	7	5	(1)	4
Total Overseas	56,069	63	31	32	24	(4)	20
Gross balances	365,224	683	279	404	503	(77)	426

Note 17 Shares in and Loans to Controlled Entities

	Bank 2009 $M	2008 $M
Shares in controlled entities	**21,319**	23,676
Loans to controlled entities	**33,352**	13,796
Total shares in and loans to controlled entities	**54,671**	37,472

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

A list of the Group's controlled entities is provided in Note 43 Controlled Entities.

Notes to the Financial Statements

Note 18 Property, Plant and Equipment

	Group		Bank	
	2009	2008	2009	2008
	$M	$M	$M	$M
Land and Buildings				
Land				
At 30 June 2009 valuation	**277**	-	**198**	-
At 30 June 2008 valuation	**-**	258	**-**	232
Closing balance	**277**	258	**198**	232
Buildings				
At 30 June 2009 valuation	**395**	-	**318**	-
At 30 June 2008 valuation	**-**	341	**-**	312
Closing balance	**395**	341	**318**	312
Total land and buildings	**672**	599	**516**	544
Leasehold Improvements				
At cost	**1,147**	941	**934**	819
Provision for depreciation	**(551)**	(475)	**(449)**	(424)
Investment and restructuring	**-**	(18)	**-**	(18)
Closing balance	**596**	448	**485**	377
Equipment				
At cost	**1,305**	936	**750**	663
Provision for depreciation	**(878)**	(578)	**(479)**	(381)
Closing balance	**427**	358	**271**	282
Assets under Lease				
At cost	**866**	290	**331**	152
Provision for depreciation	**(89)**	(55)	**(31)**	(19)
Closing balance	**777**	235	**300**	133
Total property, plant and equipment (1)	**2,472**	1,640	**1,572**	1,336

(1) Assets held for sale are separately disclosed in Note 21.

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

Land and buildings are carried at fair value based on independent valuations performed in 2009, refer Note 1 (s). Under the cost model these assets would have been recognised at the carrying amount outlined in the table below.

	Group		Bank	
	2009	2008	2009	2008
	$M	$M	$M	$M
Carrying Amount of Land and Buildings under the Cost Model:				
Land	**136**	117	**74**	108
Buildings	**298**	244	**235**	229
Total land and buildings	**434**	361	**309**	337

Note 18 Property, Plant and Equipment (continued)

Reconciliation of movements in the carrying amount of Property, Plant and Equipment

	Group		Bank	
	2009	2008	2009	2008
Reconciliation	$M	$M	$M	$M
Land				
Opening balance	**258**	215	**232**	193
Acquisitions attributed to business combinations	**47**	7	**-**	-
Transfers to assets held for sale	**(8)**	-	**(8)**	-
Disposals	**(1)**	(2)	**(1)**	(1)
Net revaluations	**(20)**	41	**(24)**	40
Foreign currency translation adjustment	**1**	(3)	**(1)**	-
Closing balance	**277**	258	**198**	232
Buildings				
Opening balance	**341**	361	**312**	333
Acquisitions	**35**	35	**30**	33
Acquisitions attributed to business combinations	**55**	2	**-**	-
Transfers to assets held for sale	**(1)**	-	**(2)**	-
Disposals	**(1)**	(7)	**(1)**	(6)
Net revaluations	**(6)**	(19)	**3**	(21)
Depreciation	**(29)**	(27)	**(26)**	(26)
Foreign currency translation adjustment	**1**	(4)	**2**	(1)
Closing balance	**395**	341	**318**	312
Leasehold Improvements				
Opening balance	**448**	381	**377**	304
Acquisitions	**193**	170	**179**	150
Acquisitions attributed to business combinations	**47**	-	**-**	-
Disposals	**(6)**	(6)	**(4)**	(7)
Net revaluations	**(2)**	(2)	**-**	-
Depreciation	**(85)**	(63)	**(68)**	(52)
Investment and restructuring	**-**	(18)	**-**	(18)
Foreign currency translation adjustment	**1**	(14)	**1**	-
Closing balance	**596**	448	**485**	377
Equipment				
Opening balance	**358**	326	**282**	240
Acquisitions	**148**	174	**101**	135
Acquisitions attributed to business combinations	**76**	-	**-**	-
Disposals/transfers	**(5)**	(17)	**(5)**	(11)
Depreciation	**(151)**	(115)	**(106)**	(82)
Foreign currency translation adjustment	**1**	(10)	**(1)**	-
Closing balance	**427**	358	**271**	282
Assets Under Lease				
Opening balance	**235**	153	**133**	42
Acquisitions	**611**	103	**189**	103
Disposals/transfers	**(4)**	(1)	**(4)**	(1)
Net revaluations	**(2)**	-	**-**	-
Depreciation	**(37)**	(20)	**(18)**	(11)
Foreign currency translation adjustment	**(26)**	-	**-**	-
Closing balance	**777**	235	**300**	133

Note 19 Intangible Assets

	Group		Bank	
	2009	2008	2009	2008
	$M	$M	$M	$M
Intangible Assets				
Goodwill	**7,473**	7,484	**2,522**	2,522
Computer software costs	**673**	353	**579**	304
Core deposits (1)	**460**	-	**-**	-
Management fee rights (2)	**311**	311	**-**	-
Brand name (3)	**186**	-	**-**	-
Other (4)	**142**	110	**-**	-
Total intangible assets	**9,245**	8,258	**3,101**	2,826
Goodwill				
Purchased goodwill	**7,484**	7,484	**2,522**	2,522
Accumulated impairment	**(11)**	-	**-**	-
Total goodwill	**7,473**	7,484	**2,522**	2,522
Computer Software Costs				
Cost	**1,085**	629	**823**	560
Accumulated amortisation	**(373)**	(199)	**(205)**	(191)
Accumulated impairment	**(39)**	(77)	**(39)**	(65)
Total computer software costs	**673**	353	**579**	304
Core Deposits (1)				
Cost	**495**	-	**-**	-
Accumulated amortisation	**(35)**	-	**-**	-
Total core deposits	**460**	-	**-**	-
Management Fee Rights (2)				
Cost	**311**	311	**-**	-
Total management fee rights	**311**	311	**-**	-
Brand Name (3)				
Cost	**186**	-	**-**	-
Total brand name	**186**	-	**-**	-
Other (4)				
Cost	**210**	159	**-**	-
Accumulated amortisation	**(68)**	(49)	**-**	-
Total other	**142**	110	**-**	-
Goodwill				
Opening balance	**7,484**	7,163	**2,522**	2,522
Additions	**-**	323	**-**	-
Disposals	**-**	(2)	**-**	-
Impairment	**(11)**	-	**-**	-
Total goodwill	**7,473**	7,484	**2,522**	2,522
Computer Software Costs				
Opening balance	**353**	297	**304**	262
Additions:				
From acquisitions	**120**	90	**44**	89
From internal development	**352**	131	**319**	94
Amortisation	**(122)**	(88)	**(88)**	(76)
Impairment	**(30)**	(77)	**-**	(65)
Total computer software costs	**673**	353	**579**	304

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

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

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

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

Note 19 Intangible Assets (continued)

	Group		Bank	
	2009	2008	2009	2008
	$M	$M	$M	$M
Core Deposits				
Opening balance	-	-	-	-
Additions:				
From acquisitions	495	-	-	-
Amortisation	(35)	-	-	-
Total core deposits	460	-	-	-
Management Fee Rights				
Opening balance	311	311	-	-
Total management fee rights	311	311	-	-
Brand Name				
Opening balance	-	-	-	-
Additions:				
From acquisitions	186	-	-	-
Total brand name	186	-	-	-
Other				
Opening balance	110	64	-	4
Additions:				
From acquisitions	51	64	-	-
Disposals	-	(3)	-	(3)
Amortisation	(19)	(15)	-	(1)
Total other	142	110	-	-

Segment Allocation of Goodwill

	Group	
	2009	2008
Segment	$M	$M
Retail Banking Services (1)	4,149	4,149
Business and Private Banking	297	297
Wealth Management (2)	2,358	2,358
International Financial Services	669	680
Total	7,473	7,484

(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 net selling price less costs to sell, using an earnings multiple applicable to that type of business, or actuarial assessment.

Key Assumptions Used in Selling Price less Cost to Sell Calculations

Earnings multiples relating to the Group's Banking (Retail Banking Services, Business and Private Banking and International Financial Services) 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 International Financial Services 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 20 Other Assets

		Group		Bank	
		2009	2008	2009	2008
	Note	$M	$M	$M	$M
Accrued interest receivable		**1,579**	1,904	**1,550**	2,067
Defined benefit superannuation plan surplus	42	**495**	1,536	**495**	1,536
Accrued fees/reimbursements receivable		**943**	985	**214**	387
Securities sold not delivered		**1,277**	766	**628**	325
Intragroup current tax receivable		**-**	-	**100**	419
Current tax assets		**77**	50	**-**	-
Other		**1,699**	1,251	**879**	635
Total other assets		**6,070**	6,492	**3,866**	5,369

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 21 Assets Held for Sale

	Group		Bank	
	2009	2008	2009	2008
	$M	$M	$M	$M
Available-for-sale investments (1)	**373**	406	**228**	262
Loans, bills discounted and other receivables (1)	**180**	191	**130**	139
Land and Buildings	**12**	11	**12**	11
Total assets held for sale (2)	**565**	608	**370**	412

(1) During the year ended 30 June 2007 the Group purchased, through Colonial First State, a 32% stake in AWG plc. The stake was acquired through the purchase of preference shares and Eurobonds that on acquisition were classified as Assets held for sale ($1.3 billion) based on the Group's intention to dispose of its holding into Australian and European based infrastructure funds within 12 months. Since acquisition the Group has sold down $1.0 billion worth of AWG related Eurobonds and preference shares.

During the year ended 30 June 2008 the Group purchased, through Colonial First State, a 50% stake in ENW Ltd. The stake was acquired through the purchase of preference shares and Eurobonds that on acquisition were classified as Assets held for sale ($616 million) based on the Group's intention to dispose of its holding into Australian and European based infrastructure funds within 12 months. Since acquisition the Group has sold down $200 million worth of ENW related Eurobonds and preference shares.

Until sold, the Eurobonds are being measured on the same basis as Loans, bills discounted and other receivables, while the preference shares are being measured on the same basis as Available-for-sale investments.

(2) Impairments were recognised on Assets held for sale of $75 million during the year ended 30 June 2009 (30 June 2008: nil). These impairments are included in Funds management and investment contract income-other for the Group and net gain/(loss) on Other non-trading instruments for the Bank.

Note 22 Deposits and Other Public Borrowings

	Group		Bank	
	2009	2008	2009	2008
	$M	$M	$M	$M
Australia				
Certificates of deposit	**56,735**	36,981	**57,266**	36,981
Term deposits	**95,126**	71,637	**78,205**	70,858
On demand and short term deposits (1)	**157,433**	117,712	**136,501**	118,270
Deposits not bearing interest (2)	**7,135**	6,142	**6,732**	6,194
Securities sold under agreements to repurchase (1)	**8,413**	1,462	**8,413**	1,462
Total Australia	**324,842**	233,934	**287,117**	233,765
Overseas				
Certificates of deposit	**9,960**	4,139	**9,468**	4,139
Term deposits	**22,517**	15,687	**8,377**	2,679
On demand and short term deposits (1)	**9,760**	8,351	**203**	159
Deposits not bearing interest (2)	**1,481**	1,468	**5**	2
Securities sold under agreements to repurchase (1)	**161**	127	**-**	127
Total Overseas	**43,879**	29,772	**18,053**	7,106
Total deposits and other public borrowings	**368,721**	263,706	**305,170**	240,871

(1) Expected to be settled within twelve months of the Balance Sheet date.

(2) Expected to be settled after twelve months of the Balance Sheet date.

Note 22 Deposits and Other Public Borrowings (continued)

Maturity Distribution of Certificates of Deposit and Time Deposits

	Group At 30 June 2009				
	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)	34,986	7,953	1,115	12,681	56,735
Time deposits	67,548	7,284	15,175	5,119	95,126
Total Australia	**102,534**	**15,237**	**16,290**	**17,800**	**151,861**
Overseas					
Certificates of deposit (1)	5,239	3,450	1,232	39	9,960
Time deposits	14,246	3,230	3,218	1,823	22,517
Total Overseas	**19,485**	**6,680**	**4,450**	**1,862**	**32,477**
Total certificates of deposits and time deposits	**122,019**	**21,917**	**20,740**	**19,662**	**184,338**

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

Note 23 Payables due to Other Financial Institutions

	Group		Bank	
	2009 $M	2008 $M	2009 $M	2008 $M
Australia	**5,981**	4,390	**5,954**	4,391
Overseas	**9,128**	13,282	**8,988**	13,234
Total payables due to other financial institutions	**15,109**	17,672	**14,942**	17,625

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

Note 24 Liabilities at Fair Value through Income Statement

	Group		Bank	
	2009 $M	2008 $M	2009 $M	2008 $M
Deposits and other borrowings (1)	**4,816**	4,586	**-**	-
Debt instruments (1)	**9,202**	9,047	**907**	1,037
Trading liabilities	**2,578**	1,893	**2,578**	1,893
Total liabilities at fair value through Income Statement	**16,596**	15,526	**3,485**	2,930

(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 expected to be settled within twelve months of the Balance Sheet date for the Group and the Bank. The majority of the other amounts are expected 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 $4 million loss (2008: $22 million gain) and for the Bank is a $3 million gain (2008: $15 million gain), which has been calculated by determining the changes in credit spread implicit in the fair value of the instruments issued. The cumulative change in fair value due to changes in credit risk for the Group and the Bank is consistent with the combined amounts disclosed for the period, as changes prior to 30 June 2008 did not have a material impact on the Group or the Bank.

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 a $46 million decrement (2008: $267 million increment) and for the Bank is a $21 million decrement (2008: nil).

Notes to the Financial Statements

Note 25 Income Tax Liability

	Group		Bank	
	2009	2008	2009	2008
	$M	$M	$M	$M
Australia				
Current tax liability	**767**	696	**770**	707
Deferred tax liability (Note 5)	**-**	-	**-**	17
Total Australia	**767**	696	**770**	724
Overseas				
Current tax liability	**116**	72	**65**	1
Deferred tax liability (Note 5)	**168**	266	**40**	2
Total Overseas	**284**	338	**105**	3
Total income tax liability	**1,051**	1,034	**875**	727

Note 26 Other Provisions

		Group		Bank	
		2009	2008	2009	2008
	Note	$M	$M	$M	$M
Provision for:					
Long service leave		**346**	299	**317**	292
Annual leave		**239**	205	**196**	185
Other employee entitlements		**68**	69	**68**	66
Restructuring costs		**182**	284	**148**	284
General insurance claims		**185**	117	**-**	-
Self insurance/non-lending losses		**56**	64	**54**	64
Dividends	6	**18**	5	**18**	5
Other		**149**	131	**112**	87
Total other provisions		**1,243**	1,174	**913**	983

Other than annual leave and the restructuring provision, the above amounts are expected to be settled after twelve months of the Balance Sheet date.

	Group		Bank	
	2009	2008	2009	2008
Reconciliation	$M	$M	$M	$M
Restructuring costs:				
Opening balance	**284**	26	**284**	26
Additional provisions	**87**	282	**40**	282
Amounts utilised during the year	**(189)**	(24)	**(176)**	(24)
Closing balance	**182**	284	**148**	284
General insurance claims:				
Opening balance	**117**	94	**-**	-
Additional provisions	**157**	80	**-**	-
Amounts utilised during the year	**(89)**	(57)	**-**	-
Closing balance	**185**	117	**-**	-
Self insurance/non-lending losses:				
Opening balance	**64**	83	**64**	82
Additional provisions	**6**	9	**5**	10
Acquisitions	**1**	-	**-**	-
Amounts utilised during the year	**(15)**	(28)	**(15)**	(28)
Closing balance	**56**	64	**54**	64
Other:				
Opening balance	**131**	107	**87**	99
Additional provisions	**388**	83	**311**	37
Acquisitions	**16**	-	**-**	-
Amounts utilised during the year	**(386)**	(59)	**(286)**	(49)
Closing balance	**149**	131	**112**	87

Note 26 Other Provisions (continued)

Provision Commentary

Restructuring costs

Provisions are for amounts expected to be utilised in the short to medium term.

At 30 June 2009 the Group had recognised a provision for Investment and restructuring of $57 million relating to costs for integration of Bankwest.

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 27 Debt Issues

	Group		Bank	
	2009	2008	2009	2008
	$M	$M	$M	$M
Short term debt issues	**39,586**	35,877	**15,852**	16,208
Long term debt issues	**62,233**	49,940	**47,042**	39,570
Total debt issues	**101,819**	85,817	**62,894**	55,778
Short Term Debt Issues				
AUD Commercial Paper	**258**	1,024	**94**	265
USD Commercial Paper	**20,419**	14,116	**1,367**	1,861
EUR Commercial Paper	**566**	622	**262**	622
Other Currency Commercial Paper	**609**	416	**95**	416
Long Term Debt Issues with less than one year to maturity	**17,734**	19,699	**14,034**	13,044
Total short term debt issues	**39,586**	35,877	**15,852**	16,208
Long Term Debt Issues				
USD Medium Term Notes	**23,221**	19,065	**19,329**	16,101
AUD Medium Term Notes	**12,273**	10,232	**5,023**	4,891
NZD Medium Term Notes	**1,163**	438	**268**	54
JPY Medium Term Notes	**9,489**	6,463	**9,489**	6,347
GBP Medium Term Notes	**2,116**	3,482	**2,021**	3,482
EUR Medium Term Notes	**8,971**	6,478	**6,026**	4,913
Other Currencies Medium Term Notes	**4,851**	3,630	**4,738**	3,630
Offshore Loans (all JPY)	**149**	152	**148**	152
Total long term debt issues	**62,233**	49,940	**47,042**	39,570
Maturity Distribution of Debt Issues				
Less than three months	**23,883**	21,757	**5,065**	6,664
Between three months to 12 months	**15,703**	14,120	**10,787**	9,544
Between one year and five years	**52,899**	35,234	**38,603**	26,459
Greater than five years	**9,334**	14,706	**8,439**	13,111
Total debt issues	**101,819**	85,817	**62,894**	55,778

The Bank's debt issues include a Euro Medium Term Note program 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 program under which it may issue notes up to an aggregate amount outstanding of USD 15 billion. Notes issued under debt programs are both fixed and variable rate. Interest rate risk associated with the notes is incorporated within the Bank's interest rate risk framework.

Subsequent to 30 June 2009, notable debt issuances of the Bank under these specified programs include:

- USD medium term notes: between one and five years – USD 2,736 million (AUD 3,366 million);
- USD extendible notes – USD 1,000 million (AUD 1,230 million);
- EUR medium term notes greater than five years EUR1,000 million (AUD 1,738 million); and
- AUD medium term notes: between one and five years – AUD 2,705 million.

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 27 Debt Issues (continued)

Short Term Borrowings

The following table analyses the Group's short term borrowings for the financial years ended 30 June 2009, 2008 and 2007.

	Group		
	2009	2008	2007
	(AUD millions, except where indicated)		
USD Commercial Paper			
Outstanding at period end (1)	**20,419**	14,116	7,793
Maximum amount outstanding at any month end (2)	**23,428**	14,693	10,438
Approximate average amount outstanding (2)	**15,995**	11,000	7,953
Approximate weighted average interest rate on:			
Average amount outstanding	**1.6%**	4.2%	5.3%
Outstanding at period end	**0.4%**	2.6%	5.3%
EUR Commercial Paper			
Outstanding at period end (1)	**566**	622	1,581
Maximum amount outstanding at any month end (2)	**692**	1,589	1,581
Approximate average amount outstanding (2)	**536**	885	940
Approximate weighted average interest rate on:			
Average amount outstanding	**0.7%**	4.4%	4.2%
Outstanding at period end	**0.6%**	4.3%	4.7%
AUD Commercial Paper			
Outstanding at period end (1)	**258**	1,024	3,955
Maximum amount outstanding at any month end (2)	**1,059**	2,588	9,619
Approximate average amount outstanding (2)	**395**	1,430	7,413
Approximate weighted average interest rate on:			
Average amount outstanding	**6.7%**	7.0%	6.3%
Outstanding at period end	**3.2%**	7.9%	6.4%
Other Currency Commercial Paper			
Outstanding at period end (1)	**609**	416	-
Maximum amount outstanding at any month end (2)	**1,257**	1,525	-
Approximate average amount outstanding (2)	**907**	827	-
Approximate weighted average interest rate on:			
Average amount outstanding	**0.8%**	4.7%	-
Outstanding at period end	**0.7%**	7.0%	-

(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 2009	As At 30 June 2008
AUD 1.00 =	USD	**0.81287**	0.96560
	EUR	**0.57551**	0.61127
	GBP	**0.48616**	0.48410
	JPY	**77.64500**	102.07000
	NZD	**1.24300**	1.26310
	HKD	**6.29993**	7.53230
	CAD	**0.93665**	0.97340
	CHF	**0.87773**	0.98210
	ILS	**3.18646**	3.22980
	SGD	**1.17621**	1.31450

Note 27 Debt Issues (continued)

Guarantee Arrangements

Commonwealth Bank of Australia

Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding (Guarantee Scheme)

The Bank may issue debt under its programs which have the benefit of a guarantee by the Australian Government announced on 12 October 2008.

Arrangements are provided in a Deed of Guarantee dated 20 November 2008, Scheme Rules which detail the eligibility criteria and application process for how Authorised Deposit taking Institutions (of which the Bank is one) may apply for the Australian Government Guarantee under the Scheme and in additional documentation for offers to residents of the United States of America and other jurisdictions.

The text of the Australian Government Guarantee, the Australian Government Guarantee Scheme Rules and related 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.

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 Commonwealth Bank of Australia became the successor in law to SBNSW pursuant to the Financial Sector Transfer of Business Act 1999. The NSW Government guarantee of the liabilities and products as described above continues unchanged by the succession.

Guarantee under the Bank of Western Australia Act

Western Australian State Government legislation provides, in general terms, for a guarantee by the WA State Government of the financial obligations (including contingent liabilities) of Bankwest as at 1 December 1995, subject to certain phase out conditions. The WA State Government guarantee does not apply to Bankwest transactions after 1 December 1995. Demand deposits accepted by Bankwest prior to 1 December 1995 are no longer guaranteed by the WA State Government under the guarantee, but term securities existing at that date remain guaranteed until maturity. Certain other obligations incurred before 1 December 1995 also continue to be guaranteed.

Note 28 Managed Funds Units on Issue

	Group		Bank	
	2009	2008	2009	2008
	$M	$M	$M	$M
Managed Funds Units on Issue	**914**	1,109	**-**	-

Managed funds units on issue represents the liability to minority interest unit holders in funds which have been consolidated by the Group.

Note 29 Bills Payable and Other Liabilities

		Group		Bank	
		2009	2008	2009	2008
	Note	$M	$M	$M	$M
Bills payable		**975**	884	**786**	653
Accrued interest payable		**2,344**	2,397	**1,574**	2,161
Accrued fees and other items payable		**1,604**	1,426	**1,014**	773
Defined benefit superannuation plan deficit	42	**86**	65	**86**	65
Securities purchased not delivered		**1,124**	1,018	**574**	533
Other liabilities		**2,387**	1,734	**3,935**	2,116
Total bills payable and other liabilities		**8,520**	7,524	**7,969**	6,301

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 30 Loan Capital (1)

				Group		Bank	
		Currency		2009	2008	2009	2008
		Amount (M)	Footnotes	$M	$M	$M	$M
Tier One Loan Capital							
Exchangeable	FRN	USD 38	(2)	**46**	39	**46**	39
Exchangeable	FRN	USD 64	(3)	**79**	66	**79**	66
Undated	FRN	USD 100	(4)	**123**	104	**123**	104
Undated	TPS	USD 550	(5)	**676**	569	**679**	569
Undated	PERLS II	AUD 750	(6)	**-**	749	**-**	749
Undated	PERLS III	AUD 1,166	(7)	**1,152**	1,151	**1,152**	1,151
Undated	PERLS IV	AUD 1,465	(8)	**1,451**	1,447	**1,451**	1,447
Undated	TPS	USD 700	(9)	**-**	-	**857**	718
Total Tier One loan capital				**3,527**	4,125	**4,387**	4,843
Tier Two Loan Capital							
AUD demonimated			(10)	**2,098**	2,098	**2,098**	2,098
USD demonimated			(11)	**2,898**	2,439	**2,898**	2,439
JPY denominated			(12)	**1,115**	732	**966**	732
GBP denominated			(13)	**306**	307	**306**	307
NZD denominated			(14)	**738**	726	**279**	277
EUR denominated			(14)	**521**	490	**521**	490
CAD denominated			(14)	**639**	614	**639**	614
Total Tier Two loan capital				**8,315**	7,406	**7,707**	6,957
Fair value hedge adjustments				**197**	28	**80**	(180)
Total loan capital				**12,039**	11,559	**12,174**	11,620

(1) Effective yield adjustments have been included in the carrying values of the issues.

Note 30 Loan Capital (continued)

[(2)] USD 300 million undated Floating Rate Notes (FRNs) issued 11 July 1988 exchangeable into dated FRNs.

Outstanding notes at 30 June 2009 were:

Undated:	USD 37.5 million

[(3)] USD 400 million undated FRNs issued 22 February 1989 exchangeable into dated FRNs.

Outstanding notes at 30 June 2009 were:

Due February 2011:	USD 64 million

[(4)] USD 100 million undated capital notes issued on 15 October 1986.

The Bank has entered into separate agreements with the Commonwealth of Australia relating to each of the above issues (the "Agreements") which qualify the issues as Tier One capital.

The Agreements provide that, upon the occurrence of certain events listed below, the Bank may issue either fully paid ordinary shares to the Commonwealth of Australia or (with the consent of the Commonwealth of Australia) rights to all shareholders to subscribe for fully paid ordinary shares up to an amount equal to the outstanding principal value of the relevant note issue or issues plus any interest paid in respect of the notes for the most recent financial year and accrued interest. The issue price of such shares will be determined by reference to the prevailing market price for the Bank's shares.

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 (discussed below) 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);
- The Bank does not declare a dividend in respect of its ordinary shares;
- The Bank, if required by the Commonwealth of Australia and subject to the agreement of the APRA, exercises its option to redeem a note issue; or
- In respect of Undated FRNs which have been exchanged to Dated FRNs, the Dated FRNs mature.

Any payment made by the Commonwealth of Australia pursuant to its guarantee in respect of the relevant notes will trigger the issue of shares to the Commonwealth of Australia to the value of such payment.

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.

[(5)] **TPS 2003**

Each trust preferred security represents a beneficial ownership interest in the assets of CBA Capital Trust. 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 the 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.

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 CBA. 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 trust preferred securities for American Depository Shares ("ADS").

No later than 35 business days prior period to June 30, 2015, holders may deliver a notice to CBA requiring it to exchange each trust preferred security for CBA ordinary shares. The Bank may satisfy the obligation to deliver ordinary shares in exchange for the trust preferred securities 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 June 30, 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.

Note 30 Loan Capital (continued)

The Bank's New Zealand branch may redeem the convertible notes for cash: 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 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.

CBA 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 ADSs to CBA Capital Trust by CBA Funding Trust if CBA Funding Trust is obligated to redeem the funding preferred securities for ADSs and to the extent that CBA Funding Trust has ADSs available for that redemption;
- The delivery of ADSs by CBA Capital Trust if CBA Capital Trust is obligated to redeem the trust preferred securities for ADSs and to the extent that CBA Capital Trust has ADSs 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 CBA 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 on 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 ADSs representing CBA 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.

(6) PERLS II Redemption

On 16 March 2009, the Bank redeemed the $750 million PERLS II (which qualified as innovative residual Tier One capital of the Bank).

(7) 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. The shares qualify as innovative residual Tier One capital of the Bank.

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 (One – 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.

Note 30 Loan Capital (continued)

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.

(8) 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, and 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.

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.

(9) TPS 2006

On 15 March 2006 a wholly owned entity of the Bank issued USD 700 million (AUD 942 million) of perpetual non-call 10 year trust preferred securities into U.S. Capital Markets.

Each trust preferred security represents a preferred beneficial ownership interest in the assets of CBA Capital Trust II. The trust preferred securities are guaranteed by CBA. The trust preferred securities form part of the Bank's innovative residual Tier One capital.

CBA Capital Trust II is a statutory trust established under Delaware law that exists for the purpose of issuing the trust preferred securities, acquiring and holding the subordinated notes issued by a CBA NZ subsidiary, the subordinated notes guarantee and the CBA preference shares.

Cash distributions on the trust preferred securities are at the fixed rate of 6.024% payable semi-annually to 15 March 2016. Cash distributions on the trust preferred securities will accrue at the rate of LIBOR plus 1.740% per annum payable quarterly in arrears after that date.

Cash distributions on the trust preferred securities will be limited to the interest CBA NZ Subsidiary pays on the subordinated notes, payments in respect of interest on the subordinated notes by CBA NZ Branch as guarantor under the subordinated notes guarantee and, after 15 March 2016, the dividends CBA pays on the CBA preference shares. Payments in respect of cash distributions will be guaranteed on a subordinated basis by CBA, as guarantor, but only to extent CBA Capital Trust II has funds sufficient for the payment.

Note 30 Loan Capital (continued)

There are restrictions on CBA NZ Subsidiary's ability to make payments on the subordinated notes, CBA NZ Branch's ability to make payments on the CBA NZ Branch notes and the subordinated notes guarantee and CBA's ability to make payments on the CBA 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 CBA 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 CBA preference shares if CBA redeems or varies the terms of the CBA preference shares. The trust preferred securities are also subject to redemption if any other Assignment Event occurs.

If the CBA preference shares are redeemed for qualifying Tier One securities or the terms thereof are varied, holders will receive one CBA 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 CBA preference shares.

Trust preferred securities holders have the right to bring a direct action against:

- CBA NZ Subsidiary if CBA NZ 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
- CBA NZ Branch or the Bank if CBA NZ Branch does not perform its obligations under the subordinated notes guarantee or under the CBA NZ 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 CBA 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 CBA 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 CBA preference shares that are part of those units and automatically be transferred to CBA;
- If the Assignment Event is the cash redemption of CBA 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 CBA preference shares and the accrued and unpaid interest on the subordinated notes that were part of the units with those CBA preference shares; and
- If the Assignment Event is not the cash redemption of CBA preference shares, CBA Capital Trust II will deliver to all holders of trust preferred securities in redemption thereof one CBA 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 CBA 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 March 15, 2016 and at the rate of LIBOR plus 1.740% per annum thereafter.

If the Bank is liquidated, holders of CBA preference shares will be entitled to receive an amount equal to a liquidation preference out of surplus assets of USD 1,000 per CBA 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.

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 CBA preference shares if CBA NZ Subsidiary or CBA NZ 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 CBA preference shares on any interest payment date and/or dividend payment date.

On or after 15 March 2016, the Bank may redeem the CBA preference shares for cash, in whole or in part, on any date selected by us 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 CBA preference shares for cash, vary the terms of the CBA preference shares or redeem the CBA preference shares for qualifying Tier One securities, in whole but not in part, on any date selected by the Bank:

Note 30 Loan Capital (continued)

- If the CBA 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 CBA 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 CBA preference shares will be entitled to vote together with the holders of our ordinary shares on the basis of one vote for each CBA preference share:

- During a period in which a dividend (or part of a dividend) in respect of the CBA preference shares is in arrears;
- On a proposal to reduce share capital;
- On a proposal that affects rights attached to the CBA 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 CBA 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 CBA preference shares.

CBA NZ Subsidiary may not make payments on the subordinated notes, CBA NZ Branch may not make payments on the subordinated notes guarantee or the CBA NZ Branch notes and CBA may not make payments on the CBA preference shares if an APRA condition exists; if a CBA stopper resolution has been passed and not been rescinded or if CBA NZ Subsidiary, CBA NZ branch or CBA, as the case may be, is prohibited from making such a payment by instruments or other obligations of CBA.

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 CBA preference shares, then the Bank may not pay any interest; declare or pay any dividends or distributions from the income or capital of CBA, or return any capital or undertake any buy-backs, redemptions or repurchases of existing capital securities or any securities, or instruments of CBA that by their terms rank or are expressed to rank equally with or junior to the CBA NZ Branch notes or the CBA 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 CBA, 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 CBA preference shares on any dividend payment date, CBA 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 CBA 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) CBA NZ Subsidiary or CBA NZ 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, CBA 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) CBA has paid dividends on the CBA 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 CBA 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.

(10) AUD denominated Tier Two Loan Capital issuances

- AUD 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 qualifies the issue as Tier Two capital. The Agreement provides for the Bank to issue either fully paid ordinary shares to the Commonwealth of Australia or (with the consent of the Commonwealth of Australia) rights to all shareholders to subscribe for fully paid ordinary shares up to an amount equal to the outstanding principal value of the note issue plus any interest paid in respect of the notes for the most recent financial year and accrued interest. The issue price will be determined by reference to the prevailing market price for the Bank's shares.

Any one or more of the following events will trigger the issue of shares to the Commonwealth of Australia or a rights issue:

- A relevant event of default occurs in respect of the note issue and, where applicable, the Trustee of the notes gives notice of such to the Bank;
- The Bank, if required by the Commonwealth of Australia and subject to the agreement of the APRA, exercises its option to redeem such issue; or
- Any payment made by the Commonwealth of Australia pursuant to its guarantee in respect of the issue will trigger the issue of shares to the Commonwealth of Australia to the value of such payment.

Original issue size was $300 million; $25 million matured in December 2004.

- AUD 25 million subordinated FRN, issued April 1999, due April 2029;
- AUD 500 million subordinated notes, issued February 2004, due February 2014; split into AUD 300 million fixed rate notes and AUD 200 million floating rate notes. Early redeemed in February 2009;
- AUD 300 million subordinated floating rate notes, issued February 2005, due February 2015;

Note 30 Loan Capital (continued)

- AUD 300 million subordinated floating rate notes, issued November 2005, due November 2015;
- AUD 200 million subordinated floating rate notes, issued September 2006, due September 2016;
- AUD 500 million subordinated notes, issued May 2007, due May 2017; split into AUD 150 million fixed rate notes and AUD 350 million floating rate notes; and
- AUD 500 million subordinated floating rate notes, issued September 2008, due September 2018.

(11) USD denominated Tier Two Loan Capital issuances

- USD 300 million subordinated notes, issued June 2000, due June 2010;
- USD 350 million subordinated fixed rate note, issued June 2003, due June 2018;
- USD 500 million subordinated EMTN issued June 2004 (USD 250 million) and August 2004 (USD 250 million), due August 2014;
- USD 100 million subordinated EMTN, issued March 2005, due March 2025. Partial redemption of USD 39.5 million in September 2005;
- 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 2007, due December 2016.

(12) 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 EMTN, issued May 2004, due May 2034;
- JPY 10 billion subordinated notes, issued November 2005, due November 2015;
- JPY 5 billion subordinated loan, issued March 2006, due March 2018; and
- JPY 9 billion perpetual subordinated notes, issued May 1996.

(13) GBP denominated Tier Two Loan Capital issuances

- GBP 150 million subordinated EMTN, issued June 2003, due December 2023.

(14) Other currencies Tier Two Loan Capital issuances

- EUR 300 million subordinated EMTN, issued March 2005, due March 2015;
- CAD 300 million subordinated notes, issued November 2005, due November 2015;
- CAD 300 million subordinated notes, issued October 2007, due October 2017;
- NZD 350 million subordinated notes, issued May 2005, due April 2015;
- NZD 200 million subordinated notes issued June 2006, due June 2016; and
- NZD 370 million subordinated notes, issued November 2007, due November 2017.

Note 31 Detailed Statements of Changes in Equity

	Group		Bank	
	2009	2008	2009	2008
	$M	$M	$M	$M
Equity Reconciliations				
Ordinary Share Capital				
Opening balance	**15,727**	14,483	**15,927**	14,691
Issue of shares (net of issue costs)	**4,829**	141	**4,829**	141
Dividend reinvestment plan	**1,099**	1,109	**1,099**	1,109
Exercise of executive options under employee share ownership schemes	**1**	3	**1**	3
(Purchase)/sale and vesting of treasury shares(1)	**(14)**	(9)	**(31)**	(17)
Closing balance	**21,642**	15,727	**21,825**	15,927
Other Equity Instruments				
Opening balance	**939**	939	**1,895**	1,895
Closing balance	**939**	939	**1,895**	1,895
Retained Profits				
Opening balance	**7,747**	6,367	**7,353**	6,315
Loyalty program adjustment	**-**	(5)	**-**	(5)
Restated opening balance	**7,747**	6,362	**7,353**	6,310
Actuarial (losses)/gains from defined benefit superannuation plans	**(739)**	(240)	**(739)**	(240)
Realised gains and dividend income on treasury shares held within the Group's life insurance statutory funds (1)	**18**	26	**-**	-
Operating profit attributable to Equity holders of the Bank	**4,723**	4,791	**3,086**	4,358
Total available for appropriation	**11,749**	10,939	**9,700**	10,428
Transfers (to)/from general reserve	**(193)**	(85)	**-**	-
Transfers from general reserve for credit losses	**-**	350	**-**	350
Interim dividend - cash component(2)	**(1,257)**	(1,087)	**(1,257)**	(1,087)
Interim dividend - dividend reinvestment plan	**(405)**	(400)	**(405)**	(400)
Final dividend - cash component	**(1,335)**	(1,229)	**(1,335)**	(1,229)
Final dividend - dividend reinvestment plan	**(694)**	(709)	**(694)**	(709)
Other dividends	**(40)**	(32)	**-**	-
Closing balance	**7,825**	7,747	**6,009**	7,353

(1) Relates to movement in treasury shares held within life insurance statutory funds and the employee share scheme trust.
(2) Includes $98 million of shares purchased on-market to partly satisfy the Dividend Reinvestment Plan in the year ended 30 June 2008.

Notes to the Financial Statements

Note 31 Detailed Statements of Changes in Equity (continued)

	Group		Bank	
	2009	2008	2009	2008
	$M	$M	$M	$M
Reserves				
General Reserve				
Opening balance	**1,252**	1,167	**570**	570
Appropriation from/(to) retained profits	**193**	85	**-**	-
Closing balance	**1,445**	1,252	**570**	570
Capital Reserve				
Opening balance	**293**	287	**1,544**	1,538
Revaluation surplus on sale of property	**6**	6	**6**	6
Closing balance	**299**	293	**1,550**	1,544
Asset Revaluation Reserve				
Opening balance	**195**	185	**166**	157
Revaluation of properties	**(25)**	20	**(20)**	19
Transfers on sale of properties	**(6)**	(6)	**(6)**	(6)
Tax on revaluation of properties	**9**	(4)	**8**	(4)
Closing balance	**173**	195	**148**	166
Foreign Currency Translation Reserve				
Opening balance	**(795)**	(200)	**(228)**	(126)
Currency translation adjustments of foreign operations	**514**	(555)	**158**	(103)
Currency translation on net investment hedge	**(346)**	(93)	**-**	-
Tax on translation adjustments	**(2)**	23	**-**	1
Tax on net investment hedge movement	**96**	30	**-**	-
Closing balance	**(533)**	(795)	**(70)**	(228)
Cash Flow Hedge Reserve				
Opening balance	**341**	440	**292**	211
Gains and losses on cash flow hedging instruments:				
Recognised in equity	**(1,630)**	422	**(872)**	426
Transferred to Income Statement				
Interest income	**(611)**	88	**(578)**	86
Interest expense	**590**	(661)	**379**	(404)
Tax on cash flow hedging instruments	**497**	52	**319**	(27)
Closing balance	**(813)**	341	**(460)**	292
Employee Compensation Reserve				
Opening balance	**(39)**	(51)	**(39)**	(51)
Current period movement	**39**	12	**39**	12
Closing balance	**-**	(39)	**-**	(39)
General Reserve for Credit Losses [1]				
Opening balance	**-**	350	**-**	350
Transfer to retained profits	**-**	(350)	**-**	(350)
Closing balance	**-**	-	**-**	-
Available-for-Sale Investments Reserve				
Opening balance	**(41)**	(35)	**(52)**	(27)
Net gains and losses on revaluation of available-for-sale investments	**10**	262	**52**	240
Net gains and losses on available-for-sale investments transferred to Income Statement on disposal	**(24)**	(312)	**(24)**	(272)
Net gains and losses on available-for-sale investments transferred to Income Statement for impairment	**37**	-	**-**	-
Tax on available-for-sale investments	**(37)**	44	**(17)**	7
Closing balance	**(55)**	(41)	**(41)**	(52)
Total reserves	**516**	1,206	**1,697**	2,253
Shareholders' equity attributable to Equity holders of the Bank	**30,922**	25,619	**31,426**	27,428
Shareholders' equity attributable to minority interests	**520**	518	**-**	-
Total Shareholders' equity	**31,442**	26,137	**31,426**	27,428

(1) The Group was previously required to maintain a Prudential General Reserve for Credit Losses ("GRCL"), however, as this is no longer required it has been returned to Retained Profits.

Note 31 Detailed Statements of Changes in Equity (continued)

The following table shows the gross amount of deferred gains/(losses) in relation to cash flow hedges.

Cash Flow Hedges – Deferred Gains/(Losses)

	Exchange Rate Related Contracts		Interest Rate Related Contracts		Group Total	
	2009	2008	2009	2008	2009	2008
	$M	$M	$M	$M	$M	$M
Within 6 months	**56**	59	**(125)**	43	**(69)**	102
Within 6 months - 1 year	**7**	-	**(132)**	30	**(125)**	30
Within 1 - 2 years	**-**	-	**(472)**	72	**(472)**	72
Within 2 - 5 years	**-**	-	**(703)**	137	**(703)**	137
After 5 years	**(2)**	1	**204**	144	**202**	145
Net deferred gains/(losses)	**61**	60	**(1,228)**	426	**(1,167)**	486

	Exchange Rate Related Contracts		Interest Rate Related Contracts		Bank Total	
	2009	2008	2009	2008	2009	2008
	$M	$M	$M	$M	$M	$M
Within 6 months	**27**	34	**(57)**	31	**(30)**	65
Within 6 months - 1 year	**7**	-	**(26)**	16	**(19)**	16
Within 1 - 2 years	**-**	-	**(217)**	65	**(217)**	65
Within 2 - 5 years	**-**	-	**(563)**	132	**(563)**	132
After 5 years	**(2)**	(8)	**169**	142	**167**	134
Net deferred gains/(losses)	**32**	26	**(694)**	386	**(662)**	412

Note 32 Share Capital

Issued and Paid Up Ordinary Capital	Group 2009 $M	Group 2008 $M	Bank 2009 $M	Bank 2008 $M
Ordinary Share Capital				
Opening balance (excluding Treasury Shares deduction)	**15,991**	14,738	**15,991**	14,738
Dividend reinvestment plan: Final dividend prior year	**694**	709	**694**	709
Dividend reinvestment plan: Interim dividend	**405**	400	**405**	400
Share Issue including issue costs	**4,829**	141	**4,829**	141
Exercise of executive options under employee share ownership schemes	**1**	3	**1**	3
Closing balance (excluding Treasury Shares deduction)	**21,920**	15,991	**21,920**	15,991
Less: Treasury Shares	**(278)**	(264)	**(95)**	(64)
Closing balance	**21,642**	15,727	**21,825**	15,927

	Shares	Shares	Shares	Shares
Shares Authorised and on Issue				
Opening balance (excluding Treasury Shares deduction)	**1,326,130,877**	1,300,583,376	**1,326,130,877**	1,300,583,376
Dividend reinvestment plan issues:				
2006/2007 Final dividend fully paid ordinary shares $54.80	**-**	12,938,969	**-**	12,938,969
2007/2008 Interim dividend fully paid ordinary shares $39.44	**-**	10,156,101	**-**	10,156,101
2007/2008 Final dividend fully paid ordinary shares $42.41	**16,372,698**	-	**16,372,698**	-
2008/2009 Interim dividend fully paid ordinary shares $28.45	**14,283,851**	-	**14,283,851**	-
Issue of shares	**161,983,643**	2,327,431	**161,983,643**	2,327,431
Exercise of executive options under employee share ownership schemes	**30,000**	125,000	**30,000**	125,000
Closing balance (excluding Treasury Shares deduction)	**1,518,801,069**	1,326,130,877	**1,518,801,069**	1,326,130,877
Less: Treasury Shares	**(7,192,560)**	(7,988,013)	**(2,121,299)**	(1,787,446)
Closing balance	**1,511,608,509**	1,318,142,864	**1,516,679,770**	1,324,343,431

Terms and Conditions of Ordinary Share Capital

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

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

Other Equity Instruments	Group 2009 $M	Group 2008 $M	Bank 2009 $M	Bank 2008 $M
Other equity instruments issued and paid up	**939**	939	**1,895**	1,895
	Shares	Shares	Shares	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 32 Share Capital (continued)

Dividends

The Directors have declared a fully franked final dividend of 115 cents per share amounting to $1,747 million. The dividend will be payable on 1 October 2009 to shareholders on the register at 5pm on 21 August 2009.

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

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

Dividends paid since the end of the previous financial year:

As declared in the 31 December 2008 Profit Announcement, a fully franked interim dividend of 113 cents per share amounting to $1,662 million was paid on 23 March 2009. The payment comprised cash disbursements of $1,257 million with $405 million being reinvested by participants through the Dividend Reinvestment Plan.

Dividend Reinvestment Plan

The Bank expects to issue around $507 million of shares in respect of the Dividend Reinvestment Plan for the final dividend for the 2009 financial year.

Record date

The register closed for determination of dividend entitlement and for participation in the dividend reinvestment plan at 5pm on 21 August 2009 at Link Market Services Limited, Locked Bag A14, Sydney South, 1235.

Ex-dividend Date

The ex-dividend date was 17 August 2009.

Employee Share Plans

The Group had the following employee share plans in place during the year ended 30 June 2009:

- Commonwealth Bank Employee Share Acquisition Plan ("ESAP");
- Commonwealth Bank Equity Participation Plan ("EPP");
- Commonwealth Bank Group Leadership Share Plan ("GLSP");
- Commonwealth Bank Equity Reward Plan ("ERP"); and
- Commonwealth Bank Non-Executive Directors Share Plan ("NEDSP").

The current ESAP and ERP arrangements were each approved by Shareholders at the Annual General Meeting ("AGM") on 26 October 2000. The GLSP was approved by Shareholders at the AGM on 13 November 2007. Shareholders' consent was not required for either the EPP or NEDSP but details were included in the Explanatory Memorandum to the 2000 meeting to ensure Shareholders were fully informed.

Changes Since 2008

Two new Share Plans have been developed and are governed by the rules of the EPP. These new plans are known as the Enterprise Services Retention Plan ("ESRP") and the Sign-On Incentive Share Plan ("SOI").

As a result of the increased demand for individuals with the skills required for the successful delivery of major IT change programmes, the ESRP was introduced to assist the business to retain and motivate identified key executives.

The SOI was introduced to facilitate the purchase of shares offered in contract arrangements when recruiting for key roles within the Group.

Shares for both plans are purchased on market and held in Trust and vest subject to the meeting of vesting conditions.

Employee Share Acquisition Plan ("ESAP")

The ESAP was introduced in 1996 and provides eligible employees with the opportunity to receive up to $1,000 worth of free shares each year if the Group meets the required performance target. The performance target is growth in annual profit of the greater of 5% or the consumer price index (CPI change) plus 2%. Whenever annual profit growth exceeds CPI change, the Board may use its discretion in determining whether any grant of shares will be made. Notwithstanding the existence of these performance hurdles, the Board has the authority to apply discretion under the Plan Rules for a grant to be made.

Under ESAP, shares granted are restricted for sale for three years or until such time as the participating employee ceases employment with the Group, whichever is earlier. Shares granted under the ESAP receive full dividend entitlements, voting rights and there are no forfeiture or vesting conditions attached to the shares granted.

While the Group did not achieve the performance target for the 2007/08 financial year, the Board exercised its discretion and approved a partial grant of up to $720 worth of shares to be made to eligible employees under the ESAP for 2008.

The grant recognised the commitment and efforts of employees that contributed to the Group's positive results for the year ended 30 June 2008 in a difficult economic environment.

The grant was allocated to eligible employees that achieved a minimum performance rating of "Meets Expectations" during the 2007/08 financial year.

Effective from 1 July 2002, shares granted under ESAP offers have been expensed through the profit and loss. On 19 September 2008, 400,367 shares were granted to 23,551 eligible employees in respect of the 2008 ESAP grant.

The Issue Price for the offer is equal to the volume weighted average of the prices at which the CBA shares were traded on the ASX during the 5 trading day period up to and including the grant date. For the 2008 grant, this was $41.22.

It is estimated that approximately $16 million of ordinary shares will be purchased on-market at the prevailing market price for the 2009 ESAP grant.

Note 32 Share Capital (continued)

Equity Participation Plan ("EPP")

The EPP comprises a voluntary and a mandatory component.

The voluntary component facilitates the voluntary sacrifice of both fixed remuneration and annual short term incentives (STI) to be applied in the acquisition of shares under the Voluntary Equity Participation (VEP) plan. The mandatory component comprises the sacrifice of one third of STI payments for executives under the Leadership Incentive Plan ("LISP") and allocations under the ESRP and SOI.

Under the voluntary component of the EPP, shares purchased are restricted for sale for two years or when a participating employee ceases employment with the Group, whichever is earlier. Shares purchased under the voluntary component of the EPP carry full dividend entitlements, voting rights and there are no forfeiture or vesting conditions attached to the shares.

Under the mandatory component of the EPP, fully paid ordinary shares are purchased and held in trust until such time as the vesting conditions have been met. The vesting condition attached to the shares specifies that participants must generally remain employees of the Group until the vesting date. Shares previously granted under the mandatory component of the EPP remain subject to their vesting conditions.

Each participant in the mandatory component of the EPP for whom shares are held by the Trustee on their behalf has a right to receive dividends. Once the shares vest, dividends which have accrued in the trust during the vesting period are paid to participants.

The participant may also direct the Trustee on how the voting rights attached to the shares are to be exercised during the vesting period. Where participating employees do not satisfy the vesting conditions, shares and dividend rights are forfeited.

Shares acquired under the EPP are expensed. In the current year, $31.4 million was expensed to reflect the cost of allocations under the Plan. This current year expense is higher than last year's due to the inclusion of the ESRP, SOI and 2008 LISP grants.

All shares acquired by employees under the EPP are purchased on-market at the current market price. A total number of 10,077,516 shares have been acquired under the EPP since the plan commenced in 2001.

For a limited number of executives a cash-based LISP replicator scheme is operated by way of grants of Performance Units – the Leadership Incentive (Performance Unit) Plan ("LIPUP"). A Performance Unit is a monetary unit with a value linked to the share price of Commonwealth Bank shares. Performance Units granted under LIPUP are subject to the same vesting conditions as the LISP. On meeting the vesting condition, a cash payment is made to executives, the value of which is determined based on the Group's share price upon vesting plus an accrued dividend value.

A total of $1.0 million for the LIPUP has been expensed in respect of the year ended 30 June 2009.

Details of purchases under the EPP from 1 July 2008 to 30 June 2009 were as follows:

Allotment Date	Participants	Shares Purchased	Average Purchase Price
20 - 28 August 2008	307	764,677	$41.84
2 September 2008	1	93,825	$41.17
5 September 2008	157	149,146	$41.52
20 February 2009	76	63,101	$29.41

The movement in shares purchased under the mandatory component of the EPP has been as follows:

Details of Movements	July 2008 - June 2009	July 2007 - June 2008
Shares held under the Plan at the beginning of year (no.)	614,029	63,444
Shares allocated during the year (no.)	967,237	652,055
Shares vested during the year (no.)	(129,619)	(21,148)
Shares forfeited during the year (no.)	(40,937)	(80,322)
Shares held under the Plan at end of year (no.)	1,410,710	614,029

Note 32 Share Capital (continued)

Group Leadership Share Plan (GLSP)

Effective 1 July 2007, the GLSP has been the Group's long term incentive plan for the CEO and Group Executives.

Under the GLSP, participants will share in a pool that may vest at the end of the three year performance period subject to satisfaction of the performance conditions.

Two grants have been made under the GLSP. For the grant made in:

- 2007/08, participants will share in a pool to the value of 2.2% of the growth in the Group's Profit after Capital Charge (PACC), capped at a maximum pool of $34 million.
- 2008/09, participants will share in a pool to the value of 3.5% of the growth in the Group's Profit after Capital Charge (PACC), capped at a maximum pool of $36.1 million.

The grants are subject to both of the following performance hurdles:

- The Group's NPAT growth over the three year period must be above the average of NPAT growth of ANZ, NAB, and Westpac; and
- The Group's customer satisfaction relative to ANZ, NAB, St George and Westpac.

The 2007/08 grant is measured from 1 July 2007 and may vest depending on performance to 1 July 2010. The 2008/09 grant is measured from 1 July 2008 and may vest depending on performance to 1 July 2011.

In order to determine the Group's level of achievement against the customer satisfaction performance hurdle, scores are taken for both the Group and the peer group from independent external surveys. A ranking is then determined and a vesting scale applied.

If the Group's NPAT is below the average of the peer group, then nothing will vest regardless of the Group's customer satisfaction ranking.

The GLSP will provide reward shares to the participants if and when grants vest. The number of reward shares to vest will be 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. As the GLSP commenced on 1 July 2007, no reward shares have yet been delivered.

A total of $8.4 million has been expensed in respect of the year ended 30 June 2009.

Further details of the GLSP are available in the Remuneration Report.

Equity Reward Plan (ERP)

The ERP was the Group's previous long term incentive arrangement for executives, which has since been replaced by the GLSP and LISP arrangements. No grants were made under the ERP during the 2009 financial year. The last allocation under the ERP was made in July 2006 and tested for vesting in July 2009. The measurement reached the 86^{th} percentile resulting in a 100% vesting. No further grants will be made under the ERP. The Board envisaged that up to a maximum of 500 employees would participate each year in the ERP.

Previous grants under the ERP were in two parts, comprising grants of options, where recipients pay a set exercise price to convert each option to one CBA share once the option has vested, and grants of shares, where no exercise price is payable for participants to receive CBA shares upon vesting. Since 2001/02, no options have been issued under the ERP. From 2002/03, only Reward Shares have been issued under this plan.

The exercise of previously granted options and the vesting of employee legal title to the shares are conditional on the Group achieving a prescribed performance hurdle. The ERP performance hurdle is based on relative Total Shareholder Return (TSR) with the Group's TSR performance being measured against a comparator group of companies. TSR is calculated by combining the reinvestment of dividends and share price movements over the period.

For Reward Shares granted from 2002/03 to 2005/06 inclusive, a tiered vesting scale was applied so that 50% of the allocated shares vested if the Group's TSR return was equal to the 50th percentile, 75% vested at the 67th percentile and 100% vested when the Group's return was in the top quartile. The minimum vesting period was three years. There were then four retesting opportunities until the maximum five year vesting period concluded. All unvested Reward Shares in the Plan at the end of the vesting period were to be forfeited. Employees who exited the Group before the grants vested forfeited their allocation.

Where the performance rating was at least at the 50th percentile on the third anniversary of the grant, the shares would vest at a time nominated by the executive, within the trading windows, over the next two years. The vesting percentage would be at least that achieved on the third anniversary of the grant and the executive would be able to delay vesting until a subsequent half yearly window prior to the fifth anniversary of the grant. The vesting percentage would be calculated by reference to the rating at that time.

Where the rating was below the 50th percentile on the third anniversary of grant, the shares would still vest if the rating reached the 50th percentile prior to the fifth anniversary, but the maximum vesting would be 50%.

For Reward Shares granted in 2006/07 a straight line vesting scale is applied, with 50% vesting at the 51st percentile, through to 100% vesting at the 75th percentile. The minimum vesting period for these grants is three years. Where at the first measurement date the Group's percentile ranking is lower than the 51st percentile, there will be one retest 12 months later at which time 50% of shares will vest if the Group's percentile reaches the 51st percentile. In this circumstance the maximum vesting period is 4 years, the maximum number of shares that may vest is 50%, the shares shall vest immediately and the participant shall have no entitlement to further shares. All unvested Reward Shares remaining in the Plan at the end of the vesting period are forfeited. Employees who exit the Group before the grant vests forfeit their allocation.

During the vesting period, Reward Shares are held in Trust. Each participant on behalf of whom Reward Shares are held by the Trustee has a right to receive dividends. If the shares vest, dividends are paid in relation to those accrued during the vesting period. The participant may also direct the Trustee on how the voting rights attached to the shares are to be exercised during the vesting period.

Reward Shares acquired under the share component of the ERP are purchased on-market at the current market price. In the current year, a total of $12.1 million has been expensed. The fair value of shares allocated under the ERP is expensed over three to five years, reflecting the expected vesting period.

For a limited number of executives a cash-based ERP replicator scheme is operated by way of grants of Performance Units – the Equity Reward (Performance Unit) Plan (ERPUP). A Performance Unit is a monetary unit with a value linked to the share price of Commonwealth Bank shares. Performance Unit grants are subject to the same vesting conditions as the ERP.

Note 32 Share Capital (continued)

Equity Reward Plan (ERP) (continued)

On meeting the vesting condition, a cash payment is made to executives the value of which is determined based on the Group's share price on vesting plus an accrued dividend value.

A total of $5.1 million for the ERPUP has been expensed in respect of the year ended 30 June 2009. The current year expense is lower than last year's due to the run-off of the plans.

Executive options issued up to September 2001 have not been recorded as an expense by the Group.

Details of movements in ERP options and shares are as follows:

Options – Details of Movements

	July 2008 - June 2009		July 2007 - June 2008	
Year of Grant	2000 [3]	2001 [4]	2000 [3]	2001 [4]
Exercise price [1] [2]	26.97	30.12	26.97	30.12
Held by participants at the start of the year (no.)	97,500	314,100	97,500	426,600
Granted during the year (no.)	-	-	-	-
Exercised during the year (no.)	(12,500)	(17,500)	-	(112,500)
Lapsed during the year (no.)	-	-	-	-
Outstanding at the end of year (no.)	85,000	296,600	97,500	314,100
Total consideration paid due to exercises to date of report [5]	$ 337,125	$ 527,100	-	$ 3,388,500

(1) The Exercise Price is the market value at the commencement date. Market value is defined as the weighted average of the prices at which shares were traded on the ASX during the one week period before the commencement date. This is the average exercise price.

(2) The premium adjustment (based on the actual difference between the dividend and bond yields at the date of vesting) was nil.

(3) Performance hurdle was satisfied on 31 March 2004 and options may be exercised up to 13 September 2010.

(4) Performance hurdle was satisfied on 3 October 2004 and options may be exercised up to 3 September 2011.

(5) No amount is unpaid in respect of the shares issued upon exercise of options during the above period.

Reward Shares – Details of Movements

	July 2008 - June 2009		July 2007 - June 2008		
Year of Grant - Total Reward Shares	2005 [3]	2006 [4]	2004 [2]	2005 [3]	2006 [4]
Held by participants at the start of the year (no.)	345,574	374,764	297,395	411,937	440,854
Allocated during the year (no.) [1]	345,574	-	282,645	-	-
Vested during the year (no.)	(691,148)	-	(540,290)	-	-
Lapsed during the year (no.)	-	(50,257)	(39,750)	(66,363)	(66,090)
Outstanding at the end of year (no.)	-	$ 324,507	-	$ 345,574	$ 374,764

(1) Represents the total number of shares allocated and may not represent the total number that may vest at a later date. The Group purchases 50% of the maximum number of shares a participant may receive. Additional shares are purchased if required to fulfil the Group's obligations to vest shares in participants once the performance of the ERP grant is known.

(2) Performance hurdle was satisfied on 23 September 2007 when 100% of the maximum allocation of this grant vested.

(3) Performance hurdle was satisfied on 15 July 2008 when 100% of the maximum allocation of this grant vested.

(4) This grant will be tested for vesting on 14 July 2009. If performance is below the 51st percentile, one retest will be conducted 12 months later on 14 July 2010.

Non-Executive Directors Share Plan (NEDSP)

The NEDSP provides for the acquisition of shares by Non-Executive Directors through the mandatory sacrifice of 20% of their annual fees (paid on a quarterly basis). Shares purchased are restricted for sale for 10 years or when the Director leaves the Board, whichever is earlier. In addition, Non-Executive Directors can voluntarily elect to sacrifice up to a further 80% of their fees for the acquisition of shares.

Shares are purchased on-market at the current market price and a total of 91,972 shares have been purchased under the NEDSP since the plan commenced in 2001. Since March 2005, shares are acquired under the plan on a six monthly basis.

Shares acquired under the plan receive full dividend entitlements and voting rights and there are no forfeiture or vesting conditions attached to the shares granted under the NEDSP.

For the current year, $735,257 was expensed through the profit and loss reflecting shares purchased and allocated under the NEDSP.

Grants made under the NEDSP from 1 July 2008 to 30 June 2009

Period	Total Fees Sacrified	Participants	Shares Purchased	Average Purchase Price
1 January to 30 June 2009	$360,287	10	12,249	$29.41
1 July to 31 December 2008	$374,970	9	8,964	$41.84

Note 32 Share Capital (continued)

Executive Option Plan (EOP)

This plan was discontinued in 2000/01.

Under the EOP, the Bank granted options to purchase fully paid ordinary shares to those key executives who, being able by virtue of their responsibility, experience and skill to influence the generation of shareholder wealth, were declared by the Board of Directors to be eligible to participate in the Plan. Non-Executive Directors were not eligible to participate in the Plan.

Options cannot be exercised before each respective exercise period and the ability to exercise is conditional on the Group achieving a prescribed performance hurdle. The option plan did not grant rights to the option holders to participate in a share issue of any other body corporate.

The performance hurdle is the same TSR comparator hurdle as outlined above for the Equity Reward Plan (ERP) grants prior to 2002/03.

The EOP was discontinued in 2000/2001 and no options have been granted under the plan since the last grant in September 2000. The performance hurdles for the August 1999 grant and the September 2000 grant were met in 2004.

Under the Group's EOP and ERP an option holder generally has no right to participate in any new issue of securities of the Group or of a related body corporate as a result of holding the option. The only exception is when there is a pro rata issue of shares to the Group's Shareholders by way of a bonus issue involving capitalisation (other than in place of dividends or by way of dividend reinvestment). In this case an option holder is entitled to receive additional shares upon exercise of the options of the number of bonus shares that the option holder would have received if the options had been exercised and shares issued prior to the bonus issue.

Details of movements in EOP options are as follows:

Options – Details of Movements

	July 2008 - June 2009	July 2007 - June 2008
Year of Grant	2000 (3)	2000 (3)
Exercise price (1) (2)	26.97	26.97
Held by participants at the start of the year (no.)	24,400	36,900
Granted during the year (no.)	-	-
Exercised during the year (no.)	-	(12,500)
Lapsed during the year (no.)	-	-
Outstanding at the end of year (no.)	24,400	24,400
Total consideration paid due to exercises to date of report (4)	-	$ 337,125

(1) The Exercise Price is the market value at the commencement date. Market value is defined as the weighted average of the prices at which shares were traded on the ASX during the one week period before the commencement date. This is the average exercise price.

(2) The premium adjustment (based on the actual difference between the dividend and bond yields at the date of vesting) was nil.

(3) Performance hurdle was satisfied on 31 March 2004 and options may be exercised up to 13 September 2010.

(4) No amount is unpaid in respect of the shares issued upon exercise of options during the above period.

Note 33 Minority Interests

	Group	
	2009	2008
	$M	$M
Controlled entities:		
Share capital (1)	**520**	518
Total minority interests	**520**	518

(1) Comprises predominantly New Zealand Perpetual Preference Shares - $505 million. On 10 December 2002, ASB Capital Limited, a New Zealand subsidiary, issued NZD 200 million (AUD 182 million) of perpetual preference shares. Such shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly and are non-cumulative. On 22 December 2004, ASB Capital No.2 Ltd, a New Zealand subsidiary, issued NZD 350 million (AUD 323 million) of perpetual preference shares. Such shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly and are non-cumulative.

Note 34 Capital Adequacy

Regulatory Capital

The Bank is an Authorised Deposit-taking Institution ("ADI") and is subject to regulation by APRA under the authority of the Banking Act 1959. APRA has set minimum regulatory capital requirements for banks that are consistent with the International Convergence of Capital Measurement and Capital Standards: A Revised Framework ("Basel II") issued by the 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").

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 Bank 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 Asset and Liability Committee of the Group. 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 2008 and 2009 financial years were in compliance with both APRA minimum capital adequacy requirements and the Board Approved Target Ranges.

The Group's Tier One target range was formally amended by the Board in February 2009 from a range of 6.5 to 7.0% to above 7.0%.

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

Economic Capital

The Group uses an "Economic Capital" model to drive delivery of "shareholder-value-added" ("SVA") results. Measures are applied to link the cost of the Group's physical capital to the profit required from different business segments. This in turn facilitates:

- Pricing of products based on appropriate charges for use of capital; and
- Internal measurement of performance on a risk adjusted basis.

Economic Capital provides an estimate of capital required to cover the financial impact of unlikely events, at a level of confidence consistent with the Board's target debt rating. As such, the level of Economic Capital and physical capital is aligned to the Board's overall risk appetite.

The Group calculates Economic Capital in accordance with the following key principles:

- Consistent application to all material risk types and businesses across the Group;
- 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
- Aggregation of Economic Capital by individual risk type.

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. These risk types are defined in the Basel II Capital Framework, and influence the level of capital held by the Group.

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 these outcomes.

Business Unit segments are required to achieve minimum returns on their allocated risk-based capital equal to a uniform "Cost of Capital" which is set from time to time based on market conditions.

The development of Economic Capital measures and the use of risk adjusted return metrics within Business Unit segments is an evolving area both within the Group and across the industry.

Note 35 Financial Reporting by Segments

The principal activities of the Group are carried out in the business segments shown below. 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, International Financial Services and Bankwest) and insurance premium and funds management income (Wealth Management). Revenues and expenses occurring between segments are subject to transfer pricing arrangements. All intra-group profits are eliminated on consolidation.

								Group
								Year Ended 30 June 2009
Business Segment Information	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Management	International Financial Services	Bankwest	Other	Total
Income Statement	$M	$M	$M	$M	$M	$M	$M	$M
Interest income	14,859	3,144	4,713	-	4,041	2,053	2,709	31,519
Insurance premium and related revenue	-	-	-	1,259	392	-	-	1,651
Other income	1,551	752	1,278	2,236 (1)	507	192	(253)	6,263
Total revenue	16,410	3,896	5,991	3,495	4,940	2,245	2,456	39,433
Equity accounted earnings	6	3	-	41	91	-	-	141
Revenue from external customers	16,290	4,283	5,537	3,515	4,781	2,124	2,762	39,292
Revenue from other operating segments	114	(390)	454	(61)	68	121	(306)	-
Interest expense	5,769	2,616	1,835	-	3,109	1,347	6,542	21,218
Segment result before income tax	2,996	1,024	(17) (1)	170	613 (1)	189	1,474 (1)	6,449
Income tax expense	(889)	(288)	160	88	(174)	(67)	(526)	(1,696)
Segment result after income tax	2,107	736	143	258	439	122	948	4,753
Minority interests	-	-	-	-	(3)	-	(27)	(30)
Segment result after income tax and minority interests	2,107	736	143	258	436	122	921	4,723
Less: Non-Cash items (2)	-	-	(23)	(28)	(34)	9	384	308
Net profit after tax ("cash basis") (2)	2,107	736	166	286	470	113	537	4,415
Additional Information								
Intangible asset amortisation	8	44	7	1	22	49	45	176
Impairment expense	699	309	1,708	-	202	113	17	3,048
Depreciation	11	24	38	5	41	19	164	302
Defined benefit superannuation expense	-	-	-	-	-	-	14	14
Gain on acquisition	-	-	-	-	-	-	983	983
Bankwest integration	-	-	-	-	-	76	36	112
Other	23	9	36	9	5	1	52	135
Balance Sheet								
Total assets	237,862	74,815	113,200	22,706	57,241	68,327	46,221	620,372
Acquisition of property, plant and equipment, intangibles and other non–current assets	5	1	615	21	53	36	1,333	2,064
Investments in associates	71	15	3	640	318	-	-	1,047
Total liabilities	141,324	94,799	81,841	19,714	48,859	64,388	138,005	588,930

(1) Includes impairment losses for Wealth Management; $177 million, Institutional Banking and Markets $11 million, International Financial Services $11 million, Other $20 million.

(2) Business segments are managed on the basis of Net profit after income tax ("cash basis") which is defined by management as net profit after tax and minority interests, before the gain on acquisition of controlled entities, merger related amortisation, integration expenses, the gain on Visa Initial Public Offering, provisions for investment and restructuring, defined benefit superannuation plan (income)/expense, treasury shares valuation adjustment, other one-off expenses and unrealised gains and losses related to hedging and AIFRS 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 35 Financial Reporting by Segments (continued)

Business Segment Information	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Management	International Financial Services	Bankwest	Other	Total
								Group Year Ended 30 June 2008
Income Statement	$M	$M	$M	$M	$M	$M	$M	$M
Interest income	14,549	3,219	5,975	-	4,061	-	1,430	29,234
Insurance premium and related revenue	-	-	-	994	379	-	-	1,373
Other income	1,339	863	1,027	2,763	458	-	(3)	6,447
Total revenue	15,888	4,082	7,002	3,757	4,898	-	1,427	37,054
Equity accounted earnings	-	-	-	60	32	-	-	92
Revenue from external customers	15,810	4,374	6,222	3,747	4,796	-	2,013	36,962
Revenue from other operating segments	78	(292)	780	(50)	70	-	(586)	-
Interest expense	5,306	2,980	3,765	-	3,092	-	6,184	21,327
Segment result before income tax	2,687	974	909	991	767	-	(73)	6,255
Income tax expense	(805)	(280)	(128)	(194)	(177)	-	151	(1,433)
Segment result after income tax	1,882	694	781	797	590	-	78	4,822
Minority interests	-	-	-	-	(2)	-	(29)	(31)
Segment result after income tax and minority interests	1,882	694	781	797	588	-	49	4,791
Less: Non-Cash items (1)	(29)	(27)	10	60	7	-	37	58
Net profit after tax ("cash basis") (1)	1,911	721	771	737	581	-	12	4,733
Additional Information								
Intangible asset amortisation	19	49	4	-	12	-	19	103
Impairment expense	331	167	259	-	43	-	130	930
Depreciation	10	27	18	4	39	-	127	225
Defined benefit superannuation expense/(income)	-	-	-	-	-	-	(14)	(14)
Investment and restructuring	41	22	-	-	14	-	300	377
Other	28	10	4	10	6	-	32	90
Balance Sheet								
Total assets	199,106	73,605	97,654	23,892	51,634	-	41,681	487,572
Acquisition of property, plant and equipment, intangibles and other non–current assets	15	420	127	8	71	-	321	962
Investments in associates	-	15	2	724	165	-	-	906
Total liabilities	122,349	89,677	76,561	20,609	42,750	-	109,489	461,435

(1) Business segments are managed on the basis of Net profit after income tax ("cash basis") which is defined by management as net profit after tax and minority interests, before the gain on Visa Initial Public Offering, Provisions for investment and restructuring, defined benefit superannuation plan (income)/expense, treasury shares valuation adjustment and unrealised gains and losses related to hedging and AIFRS volatility. Management use "cash basis" to assess performance as it provides the basis for the determination of the Bank's dividends.

Note 35 Financial Reporting by Segment (continued)

Geographical Information	Group Year Ended 30 June					
	2009		2008		2007	
Financial Performance & Position	$M	%	$M	%	$M	%
Revenue						
Australia	**32,498**	**82.4**	29,131	78.6	26,350	79.5
New Zealand	**4,904**	**12.4**	4,922	13.3	4,517	13.6
Other locations (1)	**2,031**	**5.2**	3,001	8.1	2,302	6.9
	39,433	**100.0**	37,054	100.0	33,169	100.0
Non-Current Assets						
Australia	**11,909**	**89.8**	9,929	87.7	9,260	85.0
New Zealand	**1,005**	**7.6**	1,129	10.0	1,133	10.4
Other locations (1)	**343**	**2.6**	265	2.3	496	4.6
	13,257	**100.0**	11,323	100.0	10,889	100.0

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

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

Note 36 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 (hh). The insurance segment result is prepared on a business segment basis, refer to Note 35.

	Life Insurance Contracts		Life Investment Contracts		Group	
	2009	2008	2009	2008	2009	2008
Summarised Income Statement	$M	$M	$M	$M	$M	$M
Premium income and related revenue	**1,629**	1,412	**248**	292	**1,877**	1,704
Outward reinsurance premiums expense	**(271)**	(234)	**-**	-	**(271)**	(234)
Claims expense	**(992)**	(865)	**(21)**	(1)	**(1,013)**	(866)
Reinsurance recoveries	**207**	173	**-**	-	**207**	173
Investment revenue (excluding investments in subsidiaries):						
Equity securities	**(257)**	(246)	**(984)**	(852)	**(1,241)**	(1,098)
Debt securities	**177**	227	**474**	419	**651**	646
Property	**(150)**	(37)	**(197)**	(108)	**(347)**	(145)
Other	**(27)**	81	**(96)**	(102)	**(123)**	(21)
Decrease in net contract liabilities	**410**	198	**686**	574	**1,096**	772
Operating income	**726**	709	**110**	222	**836**	931
Acquisition expenses	**254**	190	**11**	21	**265**	211
Maintenance expenses	**247**	240	**97**	138	**344**	378
Management expenses	**21**	14	**21**	7	**42**	21
Other expense	**1**	39	**-**	53	**1**	92
Net profit before income tax	**203**	226	**(19)**	3	**184**	229
Income tax (benefit)/expense attributable to operating profit	**29**	(13)	**(139)**	(48)	**(110)**	(61)
Net profit after income tax	**174**	239	**120**	51	**294**	290

Note 36 Life Insurance Business (continued)

	Life Insurance Contracts		Life Investment Contracts		Group	
	2009 $M	2008 $M	2009 $M	2008 $M	2009 $M	2008 $M
Sources of Life Insurance Net Profit						
The net profit after income tax is represented by:						
Emergence of planned profit margins	**169**	190	**97**	98	**266**	288
Difference between actual and planned experience	**(47)**	2	**(11)**	(57)	**(58)**	(55)
Effects of changes to underlying assumptions	**7**	3	**-**	-	**7**	3
Reversal of previously recognised losses or loss recognition on groups of related products	**11**	-	**-**	-	**11**	-
Investment earnings on assets in excess of policyholder liabilities	**25**	25	**9**	10	**34**	35
Other movements	**9**	19	**25**	-	**34**	19
Net profit after income tax	**174**	239	**120**	51	**294**	290
Life insurance premiums received and receivable	**1,738**	1,328	**954**	1,336	**2,692**	2,664
Life insurance claims paid and payable	**1,085**	939	**2,269**	2,929	**3,354**	3,868

The disclosure of the components of operating profit after income tax expense 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		Life Investment Contracts		Group	
	2009 $M	2008 $M	2009 $M	2008 $M	2009 $M	2008 $M
Contract policy liabilities						
Gross policy liabilities opening balance	**4,122**	4,801	**14,373**	16,970	**18,495**	21,771
Acquisition of controlled entities	**39**	-	**164**	-	**203**	-
Movement in policy liabilities reflected in the Income Statement	**(338)**	(198)	**(686)**	(574)	**(1,024)**	(772)
Contract contributions recognised in policy liabilities	**16**	7	**706**	1,050	**722**	1,057
Contract withdrawals recognised in policy liabilities	**(91)**	(131)	**(2,248)**	(2,940)	**(2,339)**	(3,071)
Non-cash movements	**(27)**	(216)	**-**	10	**(27)**	(206)
FX translation adjustment	**7**	(141)	**19**	(143)	**26**	(284)
Gross policy liabilities closing balance	**3,728**	4,122	**12,328**	14,373	**16,056**	18,495
Liabilities ceded under reinsurance						
Opening balance	**(145)**	(158)	**-**	-	**(145)**	(158)
Acquisition of controlled entities	**(2)**	-	**-**	-	**(2)**	-
(Decrease)/ increase in reinsurance assets	**(72)**	13	**-**	-	**(72)**	13
Closing balance	**(219)**	(145)	**-**	-	**(219)**	(145)
Net policy liabilities at 30 June						
Expected to be realised within 12 months	**535**	504	**2,031**	2,352	**2,566**	2,856
Expected to be realised in more than 12 months	**2,974**	3,473	**10,297**	12,021	**13,271**	15,494
Total net insurance policy liabilities	**3,509**	3,977	**12,328**	14,373	**15,837**	18,350

Note 37 Remuneration of Auditors

	Group		Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
a) Audit services				
PricewaterhouseCoopers Australian firm	**12,459**	9,711	**7,861**	7,111
Related practice of PricewaterhouseCoopers Australian firm	**4,470**	4,330	**711**	571
Total remuneration for audit services	**16,929**	14,041	**8,572**	7,682
b) Non-audit services				
Audit related services				
PricewaterhouseCoopers Australian firm	**3,742**	3,066	**2,878**	2,544
Related practice of PricewaterhouseCoopers Australian firm	**428**	695	**235**	28
Total remuneration for audit related services	**4,170**	3,761	**3,113**	2,572
Taxation services				
PricewaterhouseCoopers Australian firm	**1,375**	909	**1,375**	909
Related practice of PricewaterhouseCoopers Australian firm	**1,346**	1,102	**318**	440
Total remuneration for tax related services	**2,721**	2,011	**1,693**	1,349
Advisory				
PricewaterhouseCoopers Australian firm	**80**	-	**80**	-
Related practice of PricewaterhouseCoopers Australian firm	**166**	123	**88**	38
Total remuneration for advisory services	**246**	123	**168**	38
Total remuneration for non-audit services	**7,137**	5,895	**4,974**	3,959
Total remuneration for audit and non-audit services [(1)]	**24,066**	19,936	**13,546**	11,641

(1) An additional amount of $7,132,535 was paid to PricewaterhouseCoopers (2008: $5,877,085) by way of fees for entities not consolidated into the Financial Statements. Of this amount $6,065,331 (2008: $4,527,545) relates to statutory audits.

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 fees principally include assurance and attestation reviews of the Group's U.S. disclosures for U.S. investors, services in relation to regulatory requirements, acquisition accounting advice as well as reviews of internal control systems and financial or regulatory information.

All other fees principally include taxation and advisory services. Advisory services were both small in number and fee and related to training of employees in new accounting standards and attendance at a number of risk governance meetings.

Note 38 Commitments for Capital Expenditure Not Provided for

	Group		Bank	
	2009	2008	2009	2008
	$M	$M	$M	$M
Not later than one year	**18**	45	**16**	41
Total commitments for capital expenditure not provided for	**18**	45	**16**	41

Notes to the Financial Statements

Note 39 Lease Commitments – Property, Plant and Equipment

	Group		Bank	
	2009	2008	2009	2008
	$M	$M	$M	$M
Commitments in respect of non-cancellable operating lease agreements due:				
Not later than one year	**376**	347	**341**	314
Later than one year but not later than five years	**954**	850	**868**	756
Later than five years	**375**	419	**347**	357
Total lease commitments - property, plant and equipment	**1,705**	1,616	**1,556**	1,427

	Group	
	2009	2008
	$M	$M
Group's share of lease commitments of associated entities due:		
Not later than one year	**3**	2
Later than one year but not later than five years	**6**	3
Later than five years	**9**	2
Total lease commitments - property, plant and equipment	**18**	7

Lease Arrangements

Leases entered into by the Group are for the purpose of accommodating the business needs. Leases may be over retail, commercial, industrial and residential premises and reflect the needs of the occupying business and market conditions. All leases are negotiated using either internal or external professional property resources acting for the Group.

Rental payments are determined in terms of relevant lease requirements, usually reflecting market rentals.

The Group as lessee has no purchase options over premises occupied. In a small number of cases, the Group as lessee has a right of first refusal if the premises are to be sold.

There are no restrictions imposed on the Group's lease of space other than those forming part of the negotiated lease arrangements for each specific premise.

Note 40 Contingent Liabilities, Assets and Commitments

The Group is involved in a range of transactions that give rise to contingent and/or future liabilities which are distinct from transactions and other events that result in the recognition of liabilities. These transactions meet the financing requirements of customers and include endorsed bills of exchange, letters of credit, guarantees and commitments to provide credit. For further details on these items refer Note 1 (gg).

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

Details of contingent liabilities and off-balance sheet business are:

	Group			
	Face Value		Credit Equivalent	
	2009	2008	2009	2008
	$M	$M	$M	$M
Credit risk related instruments [1]				
Guarantees	**3,641**	2,802	**3,641**	2,802
Standby letters of credit	**206**	142	**206**	142
Bill endorsements	**537**	61	**538**	61
Documentary letters of credit	**43**	53	**43**	53
Performance related contingents	**1,994**	1,870	**1,951**	1,870
Commitments to provide credit	**117,887**	97,304	**100,798**	83,499
Other commitments	**401**	8,846	**265**	672
Total credit risk related instruments	**124,709**	111,078	**107,442**	89,099

(1) Differences between 2009 and 2008 credit equivalent amounts relate to adopting Basel II advanced internal ratings based approach for credit risk (previously calculated in accordance with Basel I). See below for more detail.

Guarantees represent unconditional undertakings by the Group to support the obligations of its customers to third parties.

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

Bill endorsements relate to bills of exchange that have been endorsed by the Group and represent liabilities in the event of default by the acceptor and the drawer of the bill.

Documentary letters of credit represent an undertaking to pay or accept drafts drawn by an overseas supplier of goods against production of documents in the event of payment default by a customer.

Performance related contingents involve undertakings by the Group to pay third parties if a customer fails to fulfil a contractual non-monetary obligation.

Commitments to provide credit include all obligations on the part of the Group to provide credit facilities. These credit facilities are both fixed and variable.

Fixed rate or fixed spread commitments extended to customers that allow net settlement of the change in the value of the commitment are written options and are recorded at fair value (Refer to Note 11 Derivative Assets and Liabilities).

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

The 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 the potential loss to the Group in the event of non-performance by the counterparty.

Under the Basel II advanced internal ratings 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 where approved by APRA may an exposure less than the fully advanced amount be used as the credit equivalent exposure.

As the potential loss depends on counterparty performance, the Group utilises the same credit policies and assessment criteria for off-balance sheet business as for on-balance sheet business and if deemed necessary, collateral is obtained based on management's credit evaluation of the counterparty. 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 risk related contingent liabilities of $124,709 million (2008: $111,078 million) detailed above also represent contingent assets of the Group, which may in the normal course convert to loans and other assets of the Group.

Notes to the Financial Statements

Note 40 Contingent Liabilities, Assets and Commitments (continued)

Fiduciary Activities

The Group and its associated entities conduct investment management and other fiduciary activities as responsible entity, trustee, custodian or manager for numerous investment funds and trusts, including superannuation and approved deposit funds, wholesale and retail trusts. The amounts of funds concerned that are not reported in the Group's Balance Sheet are as follows:

	2009 $M	2008 $M
Funds Under Administration		
Australia	**118,050**	133,980
United Kingdom	**22,759**	20,632
New Zealand	**8,667**	8,959
Asia	**10,451**	10,389
Total	**159,927**	173,960

Litigation

Neither the Bank nor any of its controlled entities are engaged in any litigation or claim which is likely to have a materially adverse effect on the business, financial condition or operating results of the Bank or any of its controlled entities. Where some loss is probable and can be reliably estimated an appropriate provision has been made.

Certain entities within the Group act as responsible entity or trustee of virtually all managed investment schemes ("schemes"), wholesale and retail trusts ("trusts") managed by the Group in Australia, the United Kingdom and New Zealand. The above Funds Under Administration do not include on balance sheet investments and policyholder liabilities held in the statutory funds of the life insurance business (refer to Note 10) where an entity within the Group may act as a trustee. Where entities within the Group act as responsible entity of managed investment schemes, obligations may exist under the relevant constitutions whereby upon request from a scheme member, the responsible entity has an obligation to redeem units from the assets of those schemes. Liabilities are incurred by these entities in their capacity as responsible entity or trustee. Rights of Indemnity are held against the schemes and trusts whose assets exceeded their liabilities at 30 June 2009. The Bank does not provide a general guarantee of the performance or obligations of its subsidiaries.

Long Term Contracts

In April 2009, the Bank entered into an agreement with Telstra Corporation Ltd for the provision of telecommunications services. The term of the agreement is ten years.

In 2009 the Bank entered into an Agreement for Lease with Lend Lease Development and Australian Prime Property Fund for Darling Walk, a new build in the Sydney CBD comprising over 50,000m^2 of commercial accommodation located above a retail podium. It is currently under construction and will accommodate around 4,900 of the Group's employees from early 2012.

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 3 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 program.

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. As part of entering into these contracts, the Bank terminated certain parts of the previous long term agreement with EDS (Australia) Pty Ltd relating to application software services. The remaining parts of the contract with EDS (Australia) Pty Ltd - related to mainframe, midrange, end user technology and cards-related services - continue until 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 the Site 6 Homebush Bay Trust, and for the 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 2005, the Bank entered into lease agreements for a fully refurbished existing building at 150 George Street Parramatta, with Perpetual Nominees Limited (as a custodian for the Colonial First State Commercial Property Trust) and a newly constructed building at 101 George Street Parramatta, with Commonwealth Custodial Services Limited, relating to the provision of accommodation. Both buildings have an average lease term of 10 years.

Failure to Settle Risk

The Bank 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.

Service 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 2009 was $12.2 million (2008: $13.6 million).

Note 40 Contingent Liabilities, Assets and Commitments (continued)

Collateral

The Group has entered into a range of transactions with counterparties which require lodgement of collateral subject to agreed market valuation movement thresholds. Where these thresholds are exceeded, the Group may be required to either pledge assets to, or be entitled to receive pledged assets from, the counterparty to secure these transactions. The assets pledged or received are primarily in the form of cash and bonds.

The Group has the right to sell, repledge, or otherwise use collateral received from the pledgor, including any equity or right of redemption by the pledgor.

	Group		Bank	
	2009	2008	2009	2008
Collateral held	$M	$M	$M	$M
Cash	**1,497**	1,055	**1,463**	1,031
Assets at fair value through Income Statement	**1,734**	2,532	**1,733**	2,017
Collateral held	**3,231**	3,587	**3,196**	3,048

No securities have been repledged.

The Group has secured liabilities of $5,650 million (2008: $4,143 million). The table below sets out the assets pledged to secure these liabilities.

	Group		Bank	
	2009	2008	2009	2008
Assets pledged	$M	$M	$M	$M
Cash	**7,175**	40	**6,248**	40
Assets at fair value through Income Statement (1)	**6,330**	2,035	**2,170**	2,027
Assets pledged	**13,505**	2,075	**8,418**	2,067
Thereof can be repledged or resold by counterparty	**2,086**	1,435	**2,086**	1,427

(1) These balances include assets sold under repurchase agreements. The liabilities related to these repurchase agreements are disclosed in Note 22 Deposits and Other Public Borrowings.

Notes to the Financial Statements

Note 41 Market Risk Management

On 10 December 2007, the Group was one of the first banks in the world to be accredited to use the advanced internal ratings-based approach (AIRB) for credit risk and the advanced measurement approach (AMA) for operational risk for the purposes of assessing risk weighted assets and regulatory capital.

APRA gave approval to the Group to use an internal model approach for assessing capital required for Interest Rate Risk in the Banking Book (IRRBB) on 30 June 2008 (Note that Australia is the only country where the prudential banking regulator requires regulatory capital be held for IRRBB).

The measurement of market risk for traded assets remains unchanged from the original Basel I approach.

Detail is provided about the Group's risk management in the Integrated Risk Management section of this report and Note 15, Credit Risk Management. Further detail on the Group's assessment of regulatory capital required under the new Basel II framework is discussed in Note 34, Capital Adequacy.

Market Risk

For the purposes of market risk management, the Group makes a distinction between traded and non-traded market risks. Traded market risks arise from the Group's trading book activities within the Institutional Banking and Markets business.

Key non-traded market risks include IRRBB and non-traded equity risk on the Group's Balance Sheet. Other non-traded market risks are liquidity risk, funding risk, structural foreign exchange risk arising from capital investments in offshore operations, market risk arising from the insurance business and residual value risk. These risks are considered separately below.

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.

Because VaR is not an estimate of the maximum economic loss that the Group could experience from an extreme market event, management also uses stress testing to measure the potential for economic loss at significantly higher confidence levels than 97.5%. Management then uses these results in decisions made to manage the economic impact on market risk positions.

The following table provides a summary of VaR, where applicable, for all market risks across the Group.

Total Market Risk VaR (1-day 97.5% confidence) (1) (3)	Average VaR June 2009 $M	Average VaR Dec 2008 $M	Average VaR June 2008 $M	Average VaR Dec 2007 $M
Traded Market Risk	**10.30**	10. 20	10. 85	9. 12
Non-Traded Interest Rate Risk	**18.10**	16. 30	28. 50	15. 65
Structural FX Risk (2)	**n/a**	n/a	n/a	n/a
Non-Traded Equity Price Risk (2)	**44.00**	42. 00	29. 00	38. 00
Non-Traded Insurance Market Risk	**7.10**	15. 40	9. 30	8. 45
Residual Value Risk (2)	**n/a**	n/a	n/a	n/a
Defined Benefit Superannuation Risk (2)	**n/a**	n/a	n/a	n/a

(1) Average VaR calculated for each six month period.

(2) Certain types of risk exposure are not suitable for VaR measurement.

(3) 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.

Traded Market Risk

The Group trades and distributes financial markets products and provides risk management services to clients on a global basis.

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

- Provide risk management 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 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 Income Statement are detailed in Note 10. Trading liabilities at fair value through Income Statement are in Note 24. Note 2 details the income contribution of trading activities to the income of the Group. 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 41 Market Risk Management (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) (1)	Average VaR June 2009 $M	Average VaR Dec 2008 $M	Average VaR June 2008 $M	Average VaR Dec 2007 $M
Interest rate risk	**4.70**	4.10	3.88	3.92
Exchange rate risk	**3.20**	2.00	1.34	0.99
Implied volatility risk	**2.10**	1.40	1.04	0.86
Equities risk	**0.90**	1.00	0.45	0.35
Commodities risk	**0.90**	0.80	0.92	0.74
Credit Spread Risk	**2.60**	3.10	4.65	4.00
Diversification benefit (2)	**(6.70)**	(5.80)	(5.62)	(4.80)
Total general market risk	**7.70**	6.60	6.66	6.06
Undiversified Risk	**1.40**	2.10	3.08	2.33
ASB Bank	**1.10**	1.30	1.11	0.73
Bankwest (2)	**0.10**	0.20	-	-
Total	**10.30**	10.20	10.85	9.12

(1) Average VaR calculated for each six month period.

(2) Bankwest has been included from 31 December 2008.

Non-Traded Market Risk

Non-traded market risk activities are governed by the Group market risk framework approved by the Risk Committee of the Board. Implementation of the policy, procedures and limits for the Group is the responsibility of the Group Executive of the associated Business Unit with senior management oversight by the Group's Asset and Liability Committee. 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 Asset and Liability Committee.

Interest Rate Risk in the Banking Book

Interest rate risk in the Group's Balance Sheet is the risk of adverse changes in expected net interest earnings in current and future years from changes in interest rates on mismatched assets and liabilities in the banking book. The objective is to manage interest rate risk to achieve stable and sustainable net interest earnings in the long term.

The Group measures and manages Balance Sheet interest rate risk in two ways:

(a) Next 12 months' earnings

The risk to net interest earnings over the next 12 months from changes in interest rates is measured on a monthly basis. Risk is measured assuming an instantaneous 100 basis point parallel movement in interest rates across the yield curve.

Potential variations in net interest earnings are measured using a simulation model that takes into account the projected change in Balance Sheet asset and liability levels and mix. Assets and liabilities with pricing directly based on market rates are repriced based on the full extent of the rate shock that is applied. Risk on the other assets and liabilities (those priced at the discretion of the Group) are measured by taking into account both the manner in which the products have repriced in the past as well as the expected change in price based on the current competitive market environment.

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 (increase) and the expected unfavourable net change in price of assets and liabilities held for purposes other than trading.

Net Interest Earnings at Risk		30/6/09 $M	31/12/08 $M	30/6/08 $M	31/12/07 $M
Average monthly exposure	AUD	**151.4**	161.1	28.1	45.0
	NZD	**11.0**	19.9	15.6	6.9
High monthly exposure	AUD	**214.1**	209.9	70.0	57.5
	NZD	**19.2**	29.0	24.3	12.9
Low monthly exposure	AUD	**86.5**	91.1	0.4	29.0
	NZD	**4.8**	12.3	3.9	3.1

(b) Economic Value

A 20-day 97.5% VaR measure is used to capture the economic impact of adverse changes in interest rates on all banking book assets and liabilities. This analysis measures the potential change in the net present value of cash flows of assets and liabilities. Cash flows for fixed rate products are included on a contractual basis, after adjustment for forecast prepayment activities. Cash flows for products repriced at the discretion of the Group are based on the expected repricing characteristics of those products.

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) (1)	Average VaR June 2009 $M	Average VaR Dec 2008 $M	Average VaR June 2008 $M	Average VaR Dec 2007 $M
AUD Interest rate risk	**81.2**	72.8	123.6	65.8
NZD Interest rate risk (2)	**0.7**	1.1	3.8	4.2

(1) VaR is only for entities that have material risk exposure.

(2) ASB data (expressed in NZD) is for the month end date.

Structural Foreign Exchange Risk

Foreign exchange risk is the risk to earnings and value caused by a change in foreign exchange rates. Structural, Balance Sheet, foreign exchange risk is managed in accordance with principles approved by the Risk Committee of the Board. Hedging strategies are based on the source of the funds and the expected life of the investments. The Group principally hedges Balance Sheet foreign exchange risks except for those associated with long term capital investments in offshore branches and subsidiaries. The Group's only significant structural foreign exchange exposure occurs due to the Group's capitalisation of ASB.

Notes to the Financial Statements

Note 41 Market Risk Management (continued)

Non-traded Equity Price Risk

The Group retains non-traded equity risk through strategic investments and business development activities in divisions including Institutional Banking & Markets, International Financial Services 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 function. On an indicative basis a 20-day 97.5% VaR measure is as follows:

Non-Traded Equity VaR (20 day 97.5% confidence)	June 2009 $M	Dec 2008 $M	June 2008 $M	Dec 2007 $M
VaR	**171.0**	168. 0	115. 0	155. 0
Notional Amount	**1,404.0**	1,437. 0	1,588. 0	2,267. 0

Market Risk in Insurance Businesses

Although still 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 – market risk arising from guarantees made to policyholders and 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.

Guarantee (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 constraints, the lack of suitable investments as well as by the nature of the policy liabilities themselves. Wherever possible within regulatory constraints, the Group segregates policyholders' funds from Shareholders' funds and sets investment mandates that are appropriate for each.

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. As at 30 June 2009, Shareholders' funds in the Australian Life Insurance Businesses are invested 80% in income assets (cash and fixed interest) and 20% in growth assets (shares and property).

A 20-day 97.5% VaR measure is used to capture the non-traded market risk exposures in the table below.

Non-Traded VaR in Australian life insurance business (20 day 97.5% confidence)	Average VaR June 2009 $M	Average VaR Dec 2008 $M	Average VaR June 2008 $M	Average VaR Dec 2007 $M
Shareholder Funds (1)	**23.4**	28. 2	25. 7	22. 3
Guarantees (to Policyholders) (2)	**42.8**	40. 5	19. 2	14. 8

(1) VaR in relation to the investment of shareholder funds.

(2) VaR in relation to product portfolios where the Group has a guaranteed liability to policyholders.

Further information on the life insurance business can be found in Note 36, Life Insurance Business.

Residual Value Risk

The Group takes residual value risk on assets such as industrial and mining equipment, rail, aircraft, marine technology, healthcare and other equipment. A residual value guarantee exposes the business to the movement in second hand asset prices. The residual value risk within the Group is controlled through a risk management framework approved by the Risk Committee of the Board. The framework includes asset, geographic and maturity concentration limits and stress testing which is performed by the independent Market Risk Management function.

Note 41 Market Risk Management (continued)

The following table represents the Group's contractual interest rate sensitivity for repricing mismatches as at 30 June 2009 and corresponding weighted average effective interest rates. The net mismatch represents the net value of assets, liabilities and off-balance sheet instruments that may be repriced in the time periods shown.

All assets and liabilities are shown according to contractual repricing dates. Options are shown in the mismatch report using the delta equivalents of the option face values.

Interest Rate Risk Sensitivity	Repricing Period at 30 June 2009								
	Balance Sheet Total $M	0 to 1 month $M	1 to 3 months $M	3 to 6 months $M	6 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Interest Bearing $M	Weighted Average Rate %
Australia									
Assets									
Cash and liquid assets	5,509	4,711	23	-	-	-	-	775	1.74
Receivables due from other financial institutions	8,590	7,954	504	-	15	-	-	117	1.26
Assets at fair value through Income Statement:									
Trading	20,202	19,852	295	-	33	16	2	4	3.01
Insurance	15,569	77	256	25	6	79	85	15,041	4.78
Other	90	61	23	5	-	1	-	-	4.05
Derivative assets	22,173	-	-	-	-	-	-	22,173	-
Available-for-sale investments	15,902	4,763	3,000	119	385	4,760	2,604	271	4.93
Loans, bills discounted and other receivables	406,638	325,585	15,139	8,636	13,243	43,400	3,687	(3,052)	5.03
Bank acceptances of customers	14,727	-	-	-	-	-	-	14,727	-
Property, plant and equipment	2,269	-	-	-	-	-	-	2,269	-
Investment in associates	1,047	-	-	-	-	-	-	1,047	-
Intangible assets	8,641	-	-	-	-	-	-	8,641	-
Deferred tax assets	1,526	-	-	-	-	-	-	1,526	-
Other assets	5,101	-	-	-	-	-	-	5,101	-
Assets held for sale	370	-	-	-	-	-	131	239	10.00
Total assets	528,354	363,003	19,240	8,785	13,682	48,256	6,509	68,879	(3)
Liabilities									
Deposits and other public borrowings	324,842	228,856	50,372	20,486	6,631	11,343	19	7,135	4.05
Payables due to other financial institutions	5,981	5,970	4	-	7	-	-	-	1.12
Liabilities at fair value through Income Statement	3,531	2,569	98	39	96	490	239	-	2.57
Derivative liabilities	26,430	-	-	-	-	-	-	26,430	-
Bank acceptances	14,727	-	-	-	-	-	-	14,727	-
Current tax liabilities	767	-	-	-	-	-	-	767	-
Other provisions	1,215	-	-	-	-	-	-	1,215	-
Insurance policy liabilities (1)	14,457	-	-	-	-	-	-	14,457	
Debt issues	77,994	17,096	19,218	3,772	3,798	31,984	2,126	-	2.47
Managed funds units on issue	914	-	-	-	-	-	-	914	-
Bills payable and other liabilities	8,163	-	-	-	-	-	-	8,163	-
	479,021	254,491	69,692	24,297	10,532	43,817	2,384	73,808	
Loan capital	9,441	3,579	2,788	-	572	1,414	1,088	-	3.50
Total liabilities	488,462	258,070	72,480	24,297	11,104	45,231	3,472	73,808	(3)
Shareholders' equity									
Share capital and other equity	28,612	-	-	-	-	-	-	28,612	-
Minority interests	-	-	-	-	-	-	-	-	-
Total Shareholders' equity	28,612	-	-	-	-	-	-	28,612	
Derivatives	(2)	(43,355)	(8,862)	(11,473)	26,580	38,479	(1,369)	-	(3)
Net mismatch	(2)	61,578	(62,102)	(26,985)	29,158	41,504	1,668	(33,541)	(3)
Cumulative mismatch	(2)	61,578	(524)	(27,509)	1,649	43,153	44,821	11,280	(3)

(1) Technically, the insurance policy liabilities are not interest bearing, but the amount of the liability may change in line with changes in interest rates, particularly with investment linked policies.

(2) No Balance Sheet amount applicable.

(3) No rate applicable.

Note 41 Market Risk Management (continued)

Interest Rate Risk Sensitivity

	Balance Sheet Total $M	0 to 1 month $M	1 to 3 months $M	3 to 6 months $M	6 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Interest Bearing $M	Weighted Average Rate %
	Repricing Period at 30 June 2009								
Overseas									
Assets									
Cash and liquid assets	5,831	5,446	241	7	20	-	-	117	0.72
Receivables due from other financial institutions	5,831	3,406	1,674	713	24	8	-	6	1.15
Assets at fair value through Income Statement:									
Trading	5,199	784	2,010	1,377	52	865	105	6	4.10
Insurance	1,691	767	9	132	3	19	-	761	3.74
Other	1,587	1,186	146	7	7	241	-	-	2.34
Derivative assets	4,185	-	-	-	-	-	-	4,185	-
Available-for-sale investments	5,602	786	1,380	1,557	1,026	290	536	27	1.59
Loans, bills discounted and other receivables	59,993	22,996	10,025	6,859	5,469	14,010	806	(172)	6.01
Bank acceptances of customers	1	-	-	-	-	-	-	1	-
Property, plant and equipment	203	-	-	-	-	-	-	203	-
Intangible assets	604	-	-	-	-	-	-	604	-
Deferred tax assets	127	-	-	-	-	-	-	127	-
Other assets	969	-	-	-	-	-	-	969	-
Assets held for sale	195	-	50	-	-	-	-	145	10.00
Total assets	92,018	35,371	15,535	10,652	6,601	15,433	1,447	6,979	(3)
Liabilities									
Deposits and other public borrowings	43,879	22,373	7,748	6,368	4,080	1,809	20	1,481	1.02
Payables due to other financial institutions	9,128	6,514	1,758	733	123	-	-	-	0.72
Liabilities at fair value through Income Statement	13,065	4,204	4,779	2,155	831	1,075	21	-	1.82
Derivative liabilities	5,704	-	-	-	-	-	-	5,704	-
Bank acceptances	1	-	-	-	-	-	-	1	-
Current tax liabilities	116	-	-	-	-	-	-	116	-
Deferred tax liabilities	168	-	-	-	-	-	-	168	-
Other provisions	28	-	-	-	-	-	-	28	-
Insurance policy liabilities (1)	1,599	-	-	-	-	-	-	1,599	
Debt issues	23,825	4,927	15,590	2,160	115	680	353	-	1.08
Bills payable and other liabilities	357	-	-	-	-	-	-	357	-
	97,870	38,018	29,875	11,416	5,149	3,564	394	9,454	-
Loan capital	2,598	2,127	-	-	-	465	6	-	5.09
Total liabilities	100,468	40,145	29,875	11,416	5,149	4,029	400	9,454	(3)
Shareholders' equity									
Share capital and other equity	2,310	-	-	-	-	-	-	2,310	-
Minority interests	520	-	-	-	-	-	-	520	-
Total Shareholders' equity	2,830	-	-	-	-	-	-	2,830	
Derivatives	(2)	(3,105)	4,927	4,870	(259)	(7,934)	1,501	-	(3)
Net mismatch	(2)	(7,879)	(9,413)	4,106	1,193	3,470	2,548	(5,305)	(3)
Cumulative mismatch	(2)	(7,879)	(17,292)	(13,186)	(11,993)	(8,523)	(5,975)	(11,280)	(3)

(1) Technically, the insurance policy liabilities are not interest bearing, but the amount of the liability may change in line with changes in interest rates, particularly with investment linked policies.

(2) No Balance Sheet amount applicable.

(3) No rate applicable.

Note 41 Market Risk Management (continued)

Interest Rate Risk Sensitivity — Repricing Period at 30 June 2008

	Balance Sheet Total $M	0 to 1 month $M	1 to 3 months $M	3 to 6 months $M	6 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Interest Bearing $M	Weighted Average Rate %
Australia									
Assets									
Cash and liquid assets	4,841	4,042	-	-	-	-	-	799	6.74
Receivables due from other financial institutions	4,880	4,097	461	91	-	-	-	231	3.90
Assets at fair value through Income Statement:									
Trading	18,457	18,210	70	-	37	112	28	-	7.81
Insurance	18,676	1,503	1,301	42	465	2,961	2,769	9,635	7.86
Other	295	274	-	-	-	21	-	-	7.98
Derivative assets	16,339	-	-	-	-	-	-	16,339	-
Available-for-sale investments	7,164	2,131	466	412	-	3,584	251	320	8.85
Loans, bills discounted and other receivables	305,475	215,054	14,716	7,660	15,069	50,434	3,801	(1,259)	7.83
Bank acceptances of customers	18,278	-	-	-	-	-	-	18,278	-
Property, plant and equipment	1,449	-	-	-	-	-	-	1,449	-
Investment in associates	906	-	-	-	-	-	-	906	-
Intangible assets	7,618	-	-	-	-	-	-	7,618	-
Deferred tax assets	33	-	-	-	-	-	-	33	-
Other assets	5,402	-	-	-	-	-	-	5,402	-
Assets held for sale	412	-	-	-	-	-	140	272	10.00
Total assets	410,225	245,311	17,014	8,205	15,571	57,112	6,989	60,023	(3)
Liabilities									
Deposits and other public borrowings	233,934	162,993	38,687	15,268	7,817	3,005	22	6,142	6.81
Payables due to other financial institutions	4,390	4,146	240	-	4	-	-	-	5.33
Liabilities at fair value through Income Statement	2,915	1,871	15	18	56	698	257	-	6.86
Derivative liabilities	16,893	-	-	-	-	-	-	16,893	-
Bank acceptances	18,278	-	-	-	-	-	-	18,278	-
Current tax liabilities	696	-	-	-	-	-	-	696	-
Other provisions	1,129	-	-	-	-	-	-	1,129	-
Insurance policy liabilities (1)	16,594	-	-	-	-	-	-	16,594	-
Debt issues	67,119	22,722	12,559	4,266	5,195	20,969	1,408	-	5.92
Managed funds units on issue	1,109	-	-	-	-	-	-	1,109	-
Bills payable and other liabilities	6,532	-	-	-	-	-	-	6,532	-
	369,589	191,732	51,501	19,552	13,072	24,672	1,687	67,373	
Loan capital	9,085	2,261	3,970	-	300	1,385	1,169	-	5.95
Total liabilities	378,674	193,993	55,471	19,552	13,372	26,057	2,856	67,373	(3)
Shareholders' equity									
Share capital and other equity	24,542	-	-	-	-	-	-	24,542	-
Minority interests	1	-	-	-	-	-	-	1	-
Total Shareholders' equity	24,543	-	-	-	-	-	-	24,543	
Derivatives	(2)	(22,559)	(4,501)	7,999	17,976	2,251	(1,166)	-	(3)
Net mismatch	(2)	28,759	(42,958)	(3,348)	20,175	33,306	2,967	(31,893)	(3)
Cumulative mismatch	(2)	28,759	(14,199)	(17,547)	2,628	35,934	38,901	7,008	(3)

(1) Technically, the insurance policy liabilities are not interest bearing, but the amount of the liability may change in line with changes in interest rates, particularly with investment linked policies.

(2) No Balance Sheet amount applicable.

(3) No rate applicable.

Note 41 Market Risk Management (continued)

Interest Rate Risk Sensitivity

	Repricing Period at 30 June 2008								
	Balance Sheet Total $M	0 to 1 month $M	1 to 3 months $M	3 to 6 months $M	6 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Interest Bearing $M	Weighted Average Rate %
Overseas									
Assets									
Cash and liquid assets	2,895	2,764	40	-	3	-	-	88	4.19
Receivables due from other financial institutions	2,104	1,249	467	216	47	-	-	125	3.55
Assets at fair value through Income Statement:									
Trading	3,219	569	1,676	166	5	667	134	2	7.80
Insurance	1,974	644	12	17	5	25	167	1,104	3.41
Other	2,971	1,079	793	87	291	701	-	20	5.28
Derivative assets	1,893	-	-	-	-	-	-	1,893	-
Available-for-sale investments	4,324	1,061	165	1,269	1,226	567	3	33	4.34
Loans, bills discounted and other receivables	55,807	15,312	7,485	5,655	6,610	19,667	1,165	(87)	8.16
Property, plant and equipment	191	-	-	-	-	-	-	191	-
Intangible assets	640	-	-	-	-	-	-	640	-
Deferred tax assets	43	-	-	-	-	-	-	43	-
Other assets	1,090	-	-	-	-	-	-	1,090	-
Assets held for sale	196	-	-	-	-	-	51	145	10.00
Total assets	77,347	22,678	10,638	7,410	8,187	21,627	1,520	5,287	[3]
Liabilities									
Deposits and other public borrowings	29,772	16,057	5,713	3,353	2,487	676	18	1,468	5.85
Payables due to other financial institutions	13,282	11,226	1,740	315	1	-	-	-	3.00
Liabilities at fair value through Income	12,611	1,635	4,218	2,768	1,262	2,712	16	-	6.34
Derivative liabilities	2,648	-	-	-	-	-	-	2,648	-
Current tax liabilities	72	-	-	-	-	-	-	72	-
Deferred tax liabilities	266	-	-	-	-	-	-	266	-
Other provisions	45	-	-	-	-	-	-	45	-
Insurance policy liabilities [1]	1,901	-	-	-	-	-	-	1,901	-
Debt issues	18,698	6,436	9,723	1,031	858	498	152	-	3.69
Bills payable and other liabilities	992	-	-	-	-	-	-	992	-
	80,287	35,354	21,394	7,467	4,608	3,886	186	7,392	
Loan capital	2,474	1,442	-	-	-	455	577	-	7.98
Total liabilities	82,761	36,796	21,394	7,467	4,608	4,341	763	7,392	[3]
Shareholders' equity									
Share capital and other equity	1,077	-	-	-	-	-	-	1,077	-
Minority interests	517	-	-	-	-	-	-	517	-
Total Shareholders' equity	1,594	-	-	-	-	-	-	1,594	
Derivatives	[2]	2,662	13,353	(1,604)	(599)	(13,543)	(269)	-	[3]
Net mismatch	[2]	(11,456)	2,597	(1,661)	2,980	3,743	488	(3,699)	[3]
Cumulative mismatch	[2]	(11,456)	(8,859)	(10,520)	(7,540)	(3,797)	(3,309)	(7,008)	[3]

(1) Technically, the insurance policy liabilities are not interest bearing, but the amount of the liability may change in line with changes in interest rates, particularly with investment linked policies.

(2) No Balance Sheet amount applicable.

(3) No rate applicable.

Note 41 Market Risk Management (continued)

Liquidity and Funding Risk

Overview

Balance Sheet liquidity risk is the risk of being unable to meet financial obligations as they fall due. The Group manages liquidity requirements by currency and by geographical location of its operations. Subsidiaries are also included in the Group's liquidity policy framework.

Funding risk is the risk of over-reliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds. The funding requirements are integrated into the Group's liquidity and funding policy with its aim to ensure the Group has a stable diversified funding base without over-reliance on any one market sector.

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 complement the Group's liquidity policies by ensuring 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 during periods of unfavourable market conditions, such as have been experienced since August 2007.

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 Group's retail funding base formed approximately 58% of its total funding requirements as at 30 June 2009 (June 2008: 57%).

The Risk Management Framework for Liquidity and Funding

The Group's liquidity and funding policies are approved by the Board and agreed with the Australian Prudential Regulation Authority ("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 CBFC Limited 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 Bank Limited ("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 Reserve Bank of New Zealand.

The Group also has relatively small banking subsidiaries in Indonesia and Fiji that manage their 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 un-drawn lending obligations being drawn by customers, as calculated based on draw down estimates and forecasts; and
- The Group maintains certain levels of liquid assets categories within its liquid assets portfolio. The first category includes negotiable certificates of deposit of Australian banks, bank bills, Commonwealth of Australia Government and Australian state and semi-government bonds and supra-national bonds eligible for repurchase by the Reserve Bank of Australia ("RBA") at any time. The second category is AAA and A-1+ rated Australian residential mortgage backed securities that meet certain minimum requirements.

At 30 June 2009 around 100% of the Group's Australian dollar liquid assets qualified for repurchase by the RBA 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 Market Risk Management (continued)

Liquidity and Funding Risk (continued)

The Group's key funding tools include:

- Its consumer, small business and institutional deposit base;
- Its consumer retail funding base includes a wide range of retail transaction accounts, investment accounts, term deposits and retirement style accounts for individual consumers; and
- Its wholesale international and domestic funding programmes which includes its: Australian dollar Negotiable Certificates of Deposit programme; Transferable Certificate of Deposit programme; Australian dollar bank bill programme; Australian, U.S. and Euro Commercial Paper programmes; U.S. Extendible Notes programme; Australian dollar domestic borrowing programme; U.S. Medium Term Note Programme; Euro Medium Term Note Programme and its Medallion "Regulation AB" securitisation programme.

The chart below illustrates the liquidity profile of the Group's outstanding wholesale debt liabilities at 30 June 2009, broken down by type of debt instrument and maturity.

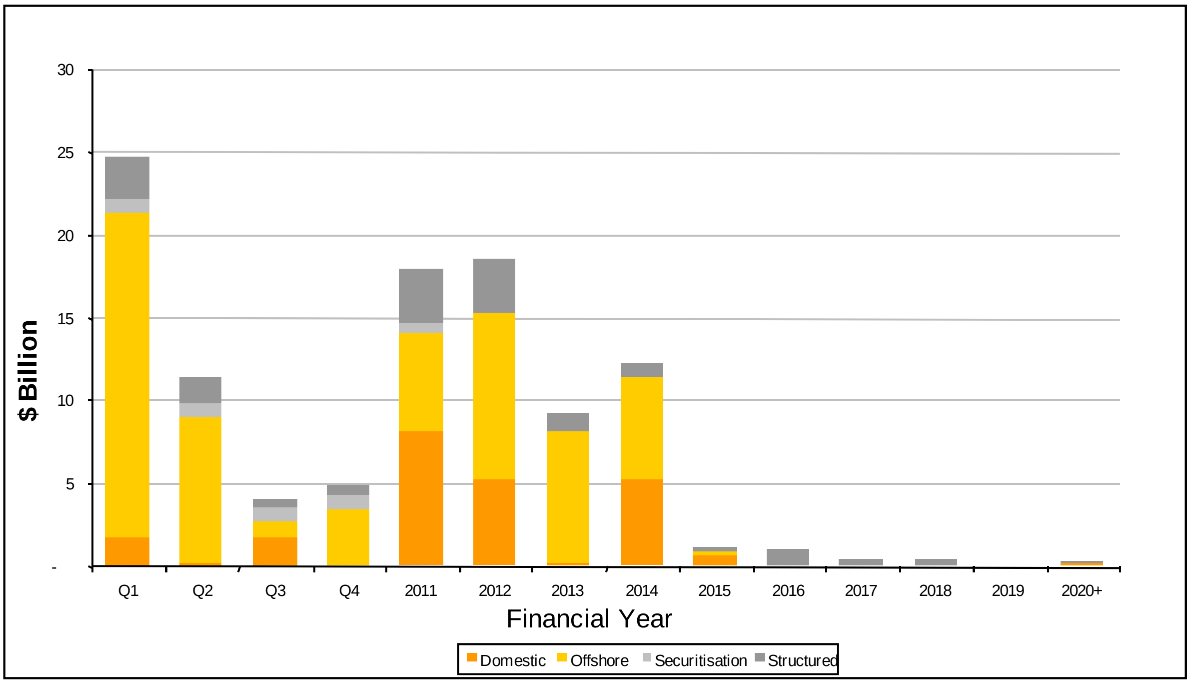
Recent Market Environment

Although the cost of liquidity and funding has increased significantly since July 2007 due to unfavourable market conditions, the Group's liquidity and funding policies have remained unchanged throughout this period, as they have proven to be effective during the recent global financial crisis. Nonetheless, the Group plans on thoroughly reviewing its liquidity policies and practices after new guidance is provided by APRA, which is expected later this year.

The Group has managed its liquidity to avoid concentrations such as dependence on single sources of funding and has taken advantage of its diversified funding base and significant funding capacity in the global unsecured debt markets.

Since October 2008, the Reserve Bank of Australia (RBA) and the Reserve Bank of New Zealand (RBNZ) have accepted internal residential mortgage-backed securities (RMBS) and asset-backed commercial paper (ABCP) as collateral in their repurchase operations. This has allowed the Group to borrow funds from the RBA and the RBNZ using RMBS created by securitising a portion of its prime residential mortgage portfolio. At 30 June 2009 the Group has $43 billon of formally securitised home loans which could provide additional funding from the RBA and the RBNZ.

Details of the Group's regulatory capital position and capital management activities are disclosed in Note 34 Capital Adequacy.



Note 41 Market Risk Management (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 at 30 June 2009						
	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
Liabilities							
Deposits and other public borrowings (1)	183,878	117,673	50,013	20,642	143	-	372,349
Payables due to other financial institutions	1,582	12,347	1,203	-	-	-	15,132
Liabilities at fair value through Income Statement	-	8,915	3,694	3,082	1,564	-	17,255
Derivative liabilities (2) (3)	-	33,687	2,018	3,967	2,765	-	42,437
Bank acceptances	-	14,444	284	-	-	-	14,728
Insurance policy liabilities	-	-	-	-	-	16,056	16,056
Debt issues and loan capital	-	24,695	18,754	62,030	27,513	-	132,992
Managed funds units on issue	-	-	-	-	-	914	914
Other monetary liabilities	1,094	3,020	1,620	127	-	444	6,305
Total monetary liabilities	186,554	214,781	77,586	89,848	31,985	17,414	618,168
Guarantees	-	197	328	2,486	490	141	3,642
Loan commitments	-	271	18,833	35,256	26,649	36,879	117,888
Other commitments	-	65	413	2,549	85	72	3,184
Total off balance sheet items	-	533	19,574	40,291	27,224	37,092	124,714
Total monetary liabilities and off balance sheet items	186,554	215,314	97,160	130,139	59,209	54,506	742,882

(1) Includes substantial "core" 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. Also refer to Interest Rate Risk Sensitivity table.

(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.

	Group						
	Maturity Period at 30 June 2008						
	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
Liabilities							
Deposits and other public borrowings (1)	135,763	76,884	50,896	4,537	62	-	268,142
Payables due to other financial institutions	1,893	15,436	419	-	-	-	17,748
Liabilities at fair value through Income Statement	-	7,990	4,271	2,834	1,984	-	17,079
Derivative liabilities (2) (3)	-	16,909	159	3,746	2,927	-	23,741
Bank acceptances	-	18,041	237	-	-	-	18,278
Insurance policy liabilities	-	-	-	-	-	18,495	18,495
Debt issues and loan capital	-	24,008	16,794	43,924	33,533	-	118,259
Managed funds units on issue	-	-	-	-	-	1,109	1,109
Other monetary liabilities	747	2,170	1,199	506	-	542	5,164
Total monetary liabilities	138,403	161,438	73,975	55,547	38,506	20,146	488,015
Guarantees	-	-	88	2,295	419	-	2,802
Loan commitments	-	-	11,980	36,463	21,290	27,571	97,304
Other commitments	-	-	2,238	7,741	994	-	10,973
Total off balance sheet items	-	-	14,306	46,499	22,703	27,571	111,079
Total monetary liabilities and off balance sheet items	138,403	161,438	88,281	102,046	61,209	47,717	599,094

(1) Includes substantial "core" 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. Also refer to Interest Rate Risk Sensitivity table.

(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.

Notes to the Financial Statements

Note 41 Market Risk Management (continued)

Maturity Analysis of Monetary Liabilities

Amounts shown in the tables below are based on contractual undiscounted cash flows for the remaining contractual maturities.

	Bank						
	Maturity Period at 30 June 2009						
	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
Liabilities							
Deposits and other public borrowings (1)	144,011	103,808	41,737	18,615	130	-	308,301
Payables due to other financial institutions	1,485	12,277	1,203	-	-	-	14,965
Liabilities at fair value through Income Statement	-	116	269	2,033	1,703	-	4,121
Derivative liabilities (2) (3)	-	29,511	559	992	2,745	-	33,807
Bank acceptances	-	14,442	284	-	-	-	14,726
Debt issues and loan capital	-	5,568	13,106	45,307	25,207	-	89,188
Due to controlled entities	-	50,871	17,266	12,471	476	-	81,084
Other monetary liabilities	3,301	1,758	1,429	18	-	210	6,716
Total monetary liabilities	148,797	218,351	75,853	79,436	30,261	210	552,908
Guarantees	-	-	117	2,266	428	-	2,811
Loan commitments	-	-	15,439	32,349	22,489	31,776	102,053
Other commitments	-	-	246	2,317	83	-	2,646
Total off balance sheet items	-	-	15,802	36,932	23,000	31,776	107,510
Total monetary liabilities and off balance sheet items	148,797	218,351	91,655	116,368	53,261	31,986	660,418

(1) Includes substantial "core" 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. Also refer to Interest Rate Risk Sensitivity table.

(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.

	Bank						
	Maturity Period at 30 June 2008						
	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
Liabilities							
Deposits and other public borrowings (1)	126,725	72,993	41,533	3,126	62	-	244,439
Payables due to other financial institutions	1,845	15,436	419	-	-	-	17,700
Liabilities at fair value through Income Statement	-	221	176	1,912	1,975	-	4,284
Derivative liabilities (2) (3)	-	17,243	150	3,708	2,927	-	24,028
Bank acceptances	-	18,041	237	-	-	-	18,278
Debt issues and loan capital	-	8,718	11,650	33,688	34,224	-	88,280
Due to controlled entities	-	25,981	7,642	23,366	1,508	-	58,497
Other monetary liabilities	48	2,513	1,055	407	-	256	4,279
Total monetary liabilities	128,618	161,146	62,862	66,207	40,696	256	459,785
Guarantees	-	-	116	3,036	555	-	3,707
Loan commitments	-	-	11,188	34,052	19,882	25,748	90,870
Other commitments	-	-	2,204	7,623	979	-	10,806
Total off balance sheet items	-	-	13,508	44,711	21,416	25,748	105,383
Total monetary liabilities and off balance sheet items	128,618	161,146	76,370	110,918	62,112	26,004	565,168

(1) Includes substantial "core" 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. Also refer to Interest Rate Risk Sensitivity table.

(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.

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 2006 [2]
Commonwealth Bank of Australia (UK) Staff Benefits Scheme ("CBA(UK)SBS")	Defined Benefits [1] and Accumulation	Indexed pension and lump sum	30 June 2007

(1) The defined benefit formulae are generally comprised of final superannuation salary, or final average superannuation salary, and service.

(2) An actuarial assessment of the OSF at 30 June 2009 is currently in progress.

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 2006, was completed during the year ended 30 June 2007. In line with the actuarial advice contained in the assessment, the Bank does not intend to make contributions to the OSF until further consideration of the next actuarial assessment of the OSF as at 30 June 2009.

An actuarial assessment of the OSF at 30 June 2009 is currently in progress.

An actuarial assessment of the CBA(UK)SBS, as at 30 June 2007 confirmed a deficit of GBP 25 million (AUD 51 million at the 30 June 2009 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 (contributions estimated at AUD 3.7 million per annum at the 30 June 2009 exchange rate) and additional contributions of GBP 3.2 million per annum (AUD 6.7 million per annum at the 30 June 2009 exchange rate) payable over 10 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	
	2009	2008	2009	2008	2009	2008
	$M	$M	$M	$M	$M	$M
Present value of funded obligations	**(3,118)**	(2,892)	**(394)**	(386)	**(3,512)**	(3,278)
Fair value of plan assets	**3,613**	4,428	**308**	321	**3,921**	4,749
Total pension assets as at 30 June	**495**	1,536	**(86)**	(65)	**409**	1,471
Present value of unfunded obligations	**-**	-	**-**	-	**-**	-
Unrecognised past service cost	**-**	-	**-**	-	**-**	-
Unrecognised actuarial gains/(losses)	**-**	-	**-**	-	**-**	-
Asset/(liability) in Balance Sheet as at 30 June	**495**	1,536	**(86)**	(65)	**409**	1,471
Amounts in the Balance Sheet:						
Liabilities (Note 29)	**-**	-	**(86)**	(65)	**(86)**	(65)
Assets (Note 20)	**495**	1,536	**-**	-	**495**	1,536
Net asset	**495**	1,536	**(86)**	(65)	**409**	1,471
The amounts recognised in the Income Statement are as follows:						
Current service cost	**(24)**	(26)	**(3)**	(3)	**(27)**	(29)
Interest cost	**(184)**	(194)	**(24)**	(20)	**(208)**	(214)
Expected return on plan assets	**372**	400	**21**	20	**393**	420
Past service cost	**-**	-	**-**	-	**-**	-
Employer financed benefits within Accumulation Division	**(172)**	(163)	**-**	-	**(172)**	(163)
Gains/(losses) on curtailment and settlements	**-**	-	**-**	-	**-**	-
Actuarial gains/(losses) recognised in Income Statement	**-**	-	**-**	-	**-**	-
Total included in defined benefit superannuation plan expense	**(8)**	17	**(6)**	(3)	**(14)**	14
Actuarial return on plan assets	**(457)**	(120)	**(5)**	(1)	**(462)**	(121)
Changes in the present value of the defined benefit obligation are as follows:						
Opening defined benefit obligation	**(2,892)**	(3,094)	**(386)**	(401)	**(3,278)**	(3,495)
Current service cost	**(20)**	(24)	**(3)**	(3)	**(23)**	(27)
Interest cost	**(184)**	(194)	**(24)**	(20)	**(208)**	(214)
Member contributions	**(13)**	(13)	**-**	-	**(13)**	(13)
Actuarial gains/(losses)	**(204)**	226	**2**	(26)	**(202)**	200
(Losses)/gains on curtailments	**-**	-	**-**	-	**-**	-
Liabilities extinguished on settlements	**-**	-	**-**	-	**-**	-
Liabilities assumed in a business combination	**-**	-	**-**	-	**-**	-
Benefits paid	**195**	207	**15**	14	**210**	221
Exchange differences on foreign plans	**-**	-	**2**	50	**2**	50
Closing defined benefit obligation	**(3,118)**	(2,892)	**(394)**	(386)	**(3,512)**	(3,278)
Changes in the fair value of plan assets are as follows:						
Opening fair value of plan assets	**4,428**	4,907	**321**	372	**4,749**	5,279
Expected return	**372**	400	**21**	20	**393**	420
Experience (losses)/gains	**(829)**	(520)	**(26)**	(21)	**(855)**	(541)
Assets distributed on settlements	**-**	-	**-**	-	**-**	-
Total contributions	**13**	13	**10**	10	**23**	23
Assets acquired in a business combination	**-**	-	**-**	-	**-**	-
Exchange differences on foreign plans	**-**	-	**(3)**	(46)	**(3)**	(46)
Benefits and expenses paid	**(199)**	(209)	**(15)**	(14)	**(214)**	(223)
Employer financed benefits within Accumulation Division	**(172)**	(163)	**-**	-	**(172)**	(163)
Closing fair value of plan assets	**3,613**	4,428	**308**	321	**3,921**	4,749

Note 42 Retirement Benefit Obligations (continued)

Defined Benefit Superannuation Plans (continued)

	OSF		CBA(UK)SBS		Total	
	2009	2008	2009	2008	2009	2008
	$M	$M	$M	$M	$M	$M
Experience (losses)/gains on plan liabilities	**(120)**	134	**2**	6	**(118)**	140
Experience (losses)/gains on plan assets	**(829)**	(520)	**(26)**	(21)	**(855)**	(541)
Gains/(losses) from changes in actuarial assumptions	**(84)**	92	**-**	(32)	**(84)**	60
Total net actuarial (losses)/gains	**(1,033)**	(294)	**(24)**	(47)	**(1,057)**	(341)

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 commencement of AIFRS (1 July 2005) to 30 June 2009 were $107 million.

	OSF		CBA(UK)SBS	
	2009	2008	2009	2008
Economic Assumptions	%	%	%	%
The above calculations were based on the following assumptions:				
Discount rate at 30 June (gross of tax)	**5.50**	6.50	**6.10**	6.20
Expected return on plan assets at 30 June	**8.00**	8.75	**6.60**	6.50
Expected rate salary increases at 30 June (per annum) [1]	**3.90**	4.50	**4.70**	4.90

(1) For the OSF, additional age related allowances were made for the expected salary increases from future promotions. At 30 June 2008 and 30 June 2009, 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.

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 on 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	
	2009	2008	2009	2008
Expected Life Expectancies for Pensioners	Years	Years	Years	Years
Male pensioners currently aged 60	**28.8**	30.4	**26.8**	26.8
Male pensioners currently aged 65	**23.9**	25.6	**22.0**	22.0
Female pensioners currently aged 60	**33.9**	33.8	**29.7**	29.7
Female pensioners currently aged 65	**28.8**	28.7	**24.9**	24.9

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 2009, the benchmark asset allocations and actual asset allocations for the assets backing the defined benefit portion of the OSF are as follows:

	Benchmark Allocation	Actual Allocation
Asset Allocations	%	%
Australian Equities	27.5	24.6
Overseas Equities	21.0	14.5
Real Estate	12.0	18.5
Fixed Interest Securities	25.5	29.0
Cash	5.0	4.8
Other [1]	9.0	8.6

(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 as at 30 June 2009 was $72 million (2008: $77 million). Amounts on deposit with the Bank at 30 June 2009 totalled $22 million (2008: $26 million). Other financial instruments with the Group at 30 June 2009 totalled $13 million (2008: $13 million).

Note 43 Controlled Entities

Entity Name	Extent of Beneficial Interest if not 100%	Incorporated in
Australia		
(a) Banking		
Commonwealth Bank of Australia		Australia
Controlled Entities:		
CBFC Limited		Australia
CBCL Australia Limited		Australia
Commonwealth Securities Limited		Australia
Homepath Pty Limited		Australia
Sparad (No. 24) Pty Limited		Australia
Colonial Finance Limited		Australia
PERLS III Trust		Australia
Loft No.1 Pty Limited		Australia
Loft No.2 Pty Limited		Australia
Loft No.3 Pty Limited		Australia
Medallion Trust Series 2003-1G		Australia
Medallion Trust Series 2004-1G		Australia
Medallion Trust Series 2005-1G		Australia
Medallion Trust Series 2005-2G		Australia
Medallion Trust Series 2006-1G		Australia
Medallion Trust Series 2007-1G		Australia
Medallion Trust Series 2008-1R		Australia
SHIELD Series 50		Australia
GT Operating No.2 Pty Limited		Australia
GT Operating No.4 Pty Limited		Australia
GT Funding No.6 Ltd Partnership		Australia
Securitisation Advisory Services Pty Ltd		Australia
MIS Funding No.1 Pty Limited		Australia
IWL Limited		Australia
IWL Broking Solutions Limited		Australia
CBFC Leasing Pty Limited		Australia
Christmas Break Pty Limited		Australia
JDV Limited		Australia
Bank of Western Australia Limited		Australia
BWA Group Services Pty Limited		Australia
Swan Trust Series 2006-1E		Australia
Swan Trust Series 2007-1E		Australia
Swan Trust Series 2008-1D		Australia
CBA USD Investments Partnership		Australia
Australian Investment Exchange Ltd		Australia

Note 43 Controlled Entities (continued)

Entity Name	Extent of Beneficial Interest if not 100%	Incorporated in
(b) Insurance and Funds Management		
Commonwealth Insurance Limited		Australia
Colonial Holding Company Limited		Australia
Commonwealth Insurance Holdings Limited		Australia
Commonwealth Managed Investments Limited		Australia
Colonial First State Group Limited		Australia
Colonial First State Investments Limited		Australia
Avanteos Pty Limited		Australia
Avanteos Investments Ltd		Australia
Colonial First State Property Limited		Australia
Colonial First State Property Retail Trust		Australia
Colonial First State Property Management Trust		Australia
Commonwealth International Holdings Pty Limited		Australia
The Colonial Mutual Life Assurance Society Limited		Australia
Jacques Martin Administration and Consulting Pty Limited		Australia
Jacques Martin Pty Limited		Australia
Commonwealth Financial Planning Limited		Australia
Capital 121 Pty Limited		Australia
Financial Wisdom Limited		Australia
First State Investment Managers (Asia) Limited		Australia
Colonial First State Asset Management (Australia) Limited		Australia
CFS Managed Property Limited		Australia
St Andrew's Australia Pty Limited		Australia

Notes to the Financial Statements

Note 43 Controlled Entities (continued)

Entity Name	Interest if not 100%	
New Zealand		
(a) Banking		
ASB Holdings Limited		New Zealand
ASB Bank 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 Trust (New Zealand) Series 2009-1R		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		
CBA Asia Limited		Singapore
CTB Australia Limited		Hong Kong
PT Bank Commonwealth	97%	Indonesia
National Bank of Fiji Limited		Fiji
CBA (Delaware) Finance Incorporated		Delaware USA
CBA Capital Trust 1		Delaware USA
CBA Funding Trust 1		Delaware USA
CBA Capital Trust II		Delaware USA
CBA (Europe) Finance Limited		United Kingdom
Pontoon (Funding) PLC		United Kingdom
Burdekin Investments Limited		Cayman Islands
Pavilion & Park Limited		United Kingdom
Newport Limited		Malta
CommInternational Limited		Malta
CommCapital S.a.r.l		Luxembourg
CommBank Europe Limited		Malta
CommBank Management Consulting (Asia) Co Ltd		Hong Kong
CommTrading Limited		Malta
Watermark Limited		Hong Kong
D Compartment ABI Lux Co		Luxembourg
(b) Insurance and Funds Management		
Colonial First State (UK) Holdings Limited		United Kingdom
Colonial Fiji Life (Fiji) Limited		Fiji
First State (Hong Kong) LLC		United States
First State Investment Holdings (Singapore) Ltd		Singapore
Indonesian Life Insurance Company	80%	Indonesia
FS Investments (Bermuda) Ltd		Bermuda

Non-operating and minor operating controlled entities and investment vehicles holding policyholder assets are excluded from the above list.

Note 44 Investments in Associated Entities and Joint Ventures

	Group 2009 $M	2008 $M	Extent of Ownership Interest %	Principal Activities	Country of Incorporation	Balance Date
Acadian Asset Management (Australia) Limited	**2**	2	50	Investment Management	Australia	30-Jun
CMG CH China Funds Management Limited	**1**	1	50	Investment Management	Australia	31-Mar
Equion Health (Barts) Limited	**-**	1	50	Financial Services	United Kingdom	31-Dec
Equigroup Pty Limited	**15**	15	50	Leasing	Australia	30-Jun
China Life CMG Life Assurance Company Limited	**11**	11	49	Life Insurance	China	31-Dec
First State Cinda Fund Management Company Limited	**14**	13	46	Funds Management	China	31-Dec
Healthcare Support (Newcastle) Limited	**2**	1	40	Financial Services	United Kingdom	31-Dec
Aussie Home Loans Pty Limited	**71**	-	33	Mortgage Broking	Australia	30-Jun
International Private Equity Real Estate Fund	**5**	5	33	Funds Management	Australia	30-Jun
AMTD Group Company Limited	**1**	1	30	Financial Services	Virgin Islands	31-Dec
452 Capital Pty Limited	**30**	44	30	Investment Management	Australia	30-Jun
Qilu Bank Co. Ltd.	**112**	-	20	Commercial Banking	China	31-Dec
Bank of Hangzhou Co. Ltd.	**205**	164	19.9	Commercial Banking	China	31-Dec
FS Media Works Fund 1, LP	**22**	-	11	Investment Fund	United Kingdom	31-Dec
CFS Retail Property Trust (1)	**438**	438	8.9	Funds Management	Australia	30-Jun
Commonwealth Property Office Fund (2)	**118**	209	6.8	Funds Management	Australia	30-Jun
Sandalwood Pty Ltd	**-**	1	-	Property Management	Singapore	31-Dec
Total	**1,047**	906				

(1) The value for CFS Retail Property Trust based on published quoted prices as at 30 June 2009 is $363 million (2008: $407 million).

(2) The value for Commonwealth Property Office Fund based on published quoted prices as at 30 June 2009 is $104 million (2008: $196 million). During the 2009 financial year an impairment loss of $91 million was recognised in Funds management and investment contracts income-other for the Group and net gain/(loss) on Other non-trading instruments for the Bank.

	Group 2009 $M	2008 $M
Share of Associates' profits/(losses)		
Operating profits/(losses) before income tax	**144**	98
Income tax expense	**(3)**	(6)
Operating profits/(losses) after income tax	**141**	92
Carrying amount of investments in associated entities	**1,047**	906

Notes to the Financial Statements

Note 44 Investments in Associated Entities and Joint Ventures (continued)

	Group	
	2009	2008
	$M	$M
Financial Information of Associates		
Assets	**47,972**	25,610
Liabilities	**38,583**	17,967
Revenues	**2,454**	2,213
Expenses	**1,708**	1,436

	Group	
	2009	2008
	$M	$M
Financial Information of Joint Ventures		
Assets	**354**	359
Liabilities	**298**	63
Revenues	**157**	231
Expenses	**159**	78

Note 45 Director and Executive Disclosures

Details of the Directors' and Specified Executives' remuneration, interests in long term incentive plans, shares, options and loans are included in the Remuneration Report of the Directors' Report. 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 Annual Financial Reports.

	Group		Bank	
	2009	2008	2009	2008
Key Management Personnel Compensation	$M	$M	$M	$M
Short Term Benefits	**34**	28	**34**	28
Post-employment Benefits	**2**	1	**2**	1
Share-based Payments	**20**	9	**20**	9
Termination benefits	**-**	1	**-**	1
Long term benefits	**3**	-	**3**	-
	59	39	**59**	39

Note 46 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.

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 for the financial year ended 30 June 2009.

	For the Year Ended and as at 30 June 2009		
	Associates	Joint Ventures	Total
Group	$M	$M	$M
Interest and dividend income	**68**	**7**	**75**
Interest expense	**3**	**-**	**3**
Fees and commissions for services provided	**117**	**15**	**132**
Fees and commissions for services received	**189**	**-**	**189**
Loans, bills discounted and equity contributions	**373**	**28**	**401**
Other assets	**91**	**10**	**101**
Deposits	**74**	**-**	**74**
Derivative liabilities	**4**	**-**	**4**
Other liabilities	**-**	**7**	**7**

	For the Year Ended and as at 30 June 2008		
	Associates	Joint Ventures	Total
Group	$M	$M	$M
Interest and dividend income	86	6	92
Interest expense	3	-	3
Fees and commissions for services provided	87	10	97
Fees and commissions for services received	74	-	74
Loans, bills discounted and equity contributions	111	387	498
Other assets	31	8	39
Deposits	31	-	31
Derivative liabilities	283	-	283
Other liabilities	1	6	7

Notes to the Financial Statements

Note 46 Related Party Disclosures (continued)

	For the Year Ended and as at 30 June 2009			
			Joint	
	Subsidiaries	Associates	Ventures	Total
Bank	$M	$M	$M	$M
Interest and dividend income	**4,075**	**62**	**6**	**4,143**
Interest expense	**3,627**	**2**	**-**	**3,629**
Fees and commissions for services provided	**601**	**-**	**12**	**613**
Fees and commissions for services received	**359**	**188**	**-**	**547**
Available-for-sale securities	**39,832**	**-**	**-**	**39,832**
Loans, bills discounted and equity contributions	**54,808**	**372**	**-**	**55,180**
Derivative assets	**188**	**-**	**-**	**188**
Other assets	**459**	**24**	**9**	**492**
Deposits	**82,008**	**65**	**-**	**82,073**
Derivative liabilities	**202**	**4**	**-**	**206**
Debt issues and loan capital	**3,006**	**-**	**-**	**3,006**
Other liabilities	**2,287**	**-**	**4**	**2,291**

	For the Year Ended and as at 30 June 2008			
			Joint	
	Subsidiaries	Associates	Ventures	Total
Bank	$M	$M	$M	$M
Interest and dividend income	3,110	76	6	3,192
Interest expense	2,974	2	-	2,976
Fees and commissions for services provided	755	5	9	769
Fees and commissions for services received	333	72	-	405
Available-for-sale securities	16,380	-	-	16,380
Loans, bills discounted and equity contributions	37,472	110	380	37,962
Derivative assets	1,724	-	-	1,724
Other assets	1,884	-	8	1,892
Deposits	54,711	31	-	54,742
Derivative liabilities	528	283	-	811
Debt issues and loan capital	3,501	-	-	3,501
Other liabilities	1,221	1	6	1,228

Details of controlled entities are disclosed in Note 43.

The Bank's aggregate investment in and loans to controlled entities are disclosed in Note 17.

Amounts due to controlled entities are disclosed in the Balance Sheet of the Bank.

Details of amounts paid to or received from related parties, in the form of dividends or interest, are set out in Note 2.

All transactions between Group entities are eliminated on consolidation.

Note 46 Related Party Disclosures (continued)

Equity Holdings of Key Management Personnel

Shareholdings

All shares were acquired by Directors on normal terms and conditions or through the Non-Executive Directors' Share Plan.

Shares awarded under the Equity Reward Plan and the mandatory component of the Equity Participation Plan are registered in the name of the Trustee. For further details of the Non-Executive Directors' Share Plan, previous Equity Reward Plan, previous Executive Option Plan and Equity Participation Plan refer to Note 32 Share Capital.

Details of 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 as follows:

Shares held by Directors

Name	Class (1)	Balance 1 July 2008	Acquired/ Granted as Remuneration (2)	Reward Shares Vested (3)	Net Change other (4)	Balance 30 June 2009
Directors						
J M Schubert	Ordinary	27,308	4,214	-	1,261	**32,783**
R J Norris	Ordinary	10,000	-	-	100,713	**110,713**
	Reward Shares	191,238	-	(100,328)	-	**90,910**
	Deferred Shares	-	22,707	-	-	**22,707**
J A Anderson	Ordinary	11,565	1,366	-	1,219	**14,150**
R J Clairs	Ordinary	18,900	1,453	-	-	**20,353**
C R Galbraith	Ordinary	13,054	1,424	-	856	**15,334**
J S Hemstritch	Ordinary	16,491	1,482	-	3,385	**21,358**
S C H Kay	Ordinary	9,037	1,482	-	-	**10,519**
A Mohl (5)	Ordinary	-	788	-	8,500	**9,288**
F D Ryan	Ordinary	15,342	1,657	-	385	**17,384**
D J Turner	Ordinary	1,241	5,691	-	2,000	**8,932**
H Young	Ordinary	21,997	1,656	-	1,631	**25,284**
Total For Directors	**Ordinary**	144,935	21,213	-	119,950	**286,098**
	Reward Shares	191,238	-	(100,328)	-	**90,910**
	Deferred Shares	-	22,707	-	-	**22,707**

(1) For Non-Executive Directors, represents shares acquired under NEDSP on 20 August 2007 and 4 March 2008 by mandatory sacrifice of fees. All shares acquired through NEDSP are subject to a 10 year trading restriction (shares will be tradeable earlier if the Director leaves the Board). For Mr Norris this represents Reward Shares granted under the ERP subject to performance hurdles. For the ERP, the first possible date for meeting the performance hurdle is 14 July 2009 with the last possible date for vesting being 14 July 2010. See Note 32 to the Financial Statements for further details on the NEDSP and ERP.

(2) Represents shares acquired under NEDSP on 20 August 2008 and 4 March 2009 by mandatory sacrifice of fees. All shares acquired through NEDSP are subject to a 10 year trading restriction (shares will be tradeable earlier if the Director leaves the Board). See Note 32 to the Financial Statements for further details on the NEDSP.

(3) Reward Shares become ordinary shares upon vesting.

(4) "Net Change Other" incorporates changes resulting from purchases and sales during the year.

(5) Mr Mohl commenced on 1 July 2008.

Note 46 Related Party Disclosures (continued)

Shares held by Key Management Personnel

Name	Class (1)	Balance 1 July 2008	Acquired/Granted as Remuneration	On Exercise of Options	Reward Shares Vested (2)	Net Change other (3)	Balance 30 June 2009
Executives							
B J Chapman	Ordinary	450	-	-	-	1,121	**1,571**
	Reward Shares	17,046	-	-	-	-	**17,046**
	Deferred Shares	-	7,968	-	-	-	**7,968**
D Cohen	Ordinary	-	13,781	-	-	-	**13,781**
	Reward Shares	-	-	-	-	-	**-**
	Deferred Shares	-	-	-	-	-	**-**
D P Craig	Ordinary	6,000	-	-	-	6,385	**12,385**
	Reward Shares	22,728	-	-	-	-	**22,728**
	Deferred Shares	-	11,951	-	-	-	**11,951**
S I Grimshaw (4)	Ordinary	29,999	-	-	-	-	**29,999**
	Reward Shares	67,640	-	-	(35,140)	(32,500)	**-**
	Deferred Shares	-	11,951	-	-	(11,951)	**-**
M R Harte	Ordinary	-	-	-	-	-	**-**
	Reward Shares	14,318	-	-	-	-	**14,318**
	Deferred Shares	-	10,358	-	-	-	**10,358**
G L Mackrell (5)	Ordinary	42,196	-	-	-	7,455	**49,651**
	Reward Shares	51,888	-	-	(27,570)	(24,318)	**-**
	Deferred Shares	-	7,569	-	(7,569)	-	**-**
R M McEwan	Ordinary	-	-	-	-	-	**-**
	Reward Shares	-	-	-	-	-	**-**
	Deferred Shares	-	11,951	-	-	-	**11,951**
I M Narev (6)	Ordinary	-	-	-	-	-	**-**
	Reward Shares	1,137	-	-	-	-	**1,137**
	Deferred Shares	6,610	5,976	-	-	-	**12,586**
G A Petersen	Ordinary	13,365	-	-	-	22,879	**36,244**
	Reward Shares	45,280	-	-	(20,280)	-	**25,000**
	Deferred Shares	-	8,765	-	-	-	**8,765**
I M Saines (7)	Ordinary	8,563	-	-	-	5,661	**14,224**
	Reward Shares	10,000	-	-	(5,000)	-	**5,000**
	Deferred Shares	12,653	13,943	-	-	-	**26,596**
A Toevs	Ordinary	-	-	-	-	9,000	**9,000**
	Reward Shares	-	-	-	-	-	**-**
	Deferred Shares	37,784	-	-	-	-	**37,784**
Other Executives		-	-	-	-	-	**-**
M Lau	Ordinary	-	-	-	-	-	**-**
	Reward Shares	-	-	-	-	-	**-**
	Deferred Shares	-	-	-	-	-	**-**
M Lazberger (8)	Ordinary	-	-	-	-	-	**-**
	Reward Shares	-	-	-	-	-	**-**
	Deferred Shares	-	93,852	-	-	-	**93,852**
S Paul	Ordinary	-	-	-	-	-	**-**
	Reward Shares	-	-	-	-	-	**-**
	Deferred Shares	-	-	-	-	-	**-**
Total for Key	**Ordinary**	**100,573**	**13,781**	**-**	**-**	**52,501**	**166,855**
Management	**Reward Shares**	**230,037**	**-**	**-**	**(87,990)**	**(56,818)**	**85,229**
Personnel	**Deferred Shares**	**57,047**	**184,284**	**-**	**(7,569)**	**(11,951)**	**221,811**

(1) Reward Shares represents shares granted under the Equity Reward Plan (ERP) and are subject to a performance hurdle. The last possible date for vesting is 14 July 2010. See Note 32 to the Financial Statements for further details on the ERP. Deferred shares represents one third of the 2007/08 STI payment deferred into shares for three years, except for Mr Lazberger where deferred shares represents shares granted as part of his commencement arrangements.

(2) Reward Shares and Deferred Shares become ordinary shares upon vesting.

(3) “Net Change Other” incorporates changes resulting from purchases, sales and forfeitures during the year.

(4) Mr Grimshaw ceased employment on 30 December 2008.

(5) Mr Mackrell ceased employment on 30 June 2009.

(6) Mr Narev was appointed a KMP on 27 January 2009.

(7) Mr Saines was appointed a KMP on 31 December 2008.

(8) Mr Lazberger commenced on 1 September 2008.

Note 46 Related Party Disclosures (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 hold significant voting power) have been provided on an arms-length commercial basis including the term of the loan, security required and the interest rate (which may be fixed or variable).

Total Loans to Key Management Personnel

	Year Ended 30 June	Balance 1 July $000s	Interest Charged $000s	Interest Not Charged $000s	Write-off $000s	Balance 30 June $000s	Number in Group at 30 June
Directors							
	2009	**2,840**	**211**	**-**	**-**	**1,991**	**1**
	2008	3,648	258	-	-	2,795	1
Executives							
	2009	**11,359**	**667**	**-**	**-**	**8,462**	**10**
	2008	6,103	781	-	-	12,369	9
Total for key Management Personnel	**2009**	**14,199**	**878**	**-**	**-**	**10,453**	**11**
	2008	9,751	1,039	-	-	15,164	10
Other Executives							
	2009	**-**	**-**	**-**	**-**	**-**	**-**
	2008	1,442	68	-	-	1,335	1
Total							
	2009	**14,199**	**878**	**-**	**-**	**10,453**	**11**
	2008	11,193	1,107	-	-	16,499	11

Individual Loans above $100,000 to Key Management Personnel

	Balance 1 July 2008 $000s	Interest Charged $000s	Interest Not Charged $000s	Write-off $000s	Balance 30 June 2009 $000s	Highest Balance in Period $000s
Directors						
R J Norris (1)	2,840	211	-	-	1,991	2,771
Executives						
B J Chapman	2,667	148	-	-	2,230	2,726
D Cohen	941	59	-	-	601	941
D P Craig	233	16	-	-	11	228
M R Harte	3,394	217	-	-	3,024	3,442
G L Mackrell	647	8	-	-	-	805
R M McEwan (1)	977	125	-	-	1,560	2,967
I M Narev	754	40	-	-	472	754
G A Petersen	976	15	-	-	2	930
I M Saines	721	39	-	-	562	1,201
Total for Key Management Personnel	**14,150**	**878**	**-**	**-**	**10,453**	**16,765**
Other Executives						
Total for Other Executives	**-**	**-**	**-**	**-**	**-**	**-**
Total for Key Management Personnel & Other Executives	**14,150**	**878**	**-**	**-**	**10,453**	**16,765**

(1) Balance declared in NZD for Mr Norris, Ms Chapman and Mr McEwan. Exchange rates are taken from Forex as at 30 June 2009 for interest charged, 30 June 2009 balances and highest balance in period. The exchange rate as at 30 June 2008 has been used for the 1 July 2008 balances. Highest in period appears lower than opening balance due to the application of exchange rates.

Notes to the Financial Statements

Note 47 Notes to the Statements of Cash Flows

Note 47(a) Reconciliation of Net Profit after Income Tax to Net Cash provided by/(used in) Operating Activities

	Year Ended 30 June				
	Group			Bank	
	2009	2008	2007	2009	2008
	$M	$M	$M	$M	$M
Net profit after income tax	**4,753**	4,822	4,497	**3,086**	4,358
Net decrease/(increase) in interest receivable	**301**	187	(745)	**516**	(174)
(Decrease)/increase in interest payable	**(54)**	449	362	**(587)**	451
Net decrease/(increase) in assets at fair value through Income Statement (excluding life insurance)	**690**	196	(7,272)	**568**	1,324
Net (gain)/loss on sale of investments	**(1)**	(1)	-	**(1)**	1
Net (increase) in derivative assets	**(7,789)**	(5,459)	(3,068)	**(6,279)**	(5,654)
Net loss on sale of property, plant and equipment	**11**	15	16	**9**	14
Net (gain) on sale of Visa Initial Public Offering	**-**	(127)	-	**-**	(111)
Equity accounting profit	**(141)**	(92)	(34)	**-**	-
Gain on acquisition of controlled entities	**(983)**	-	-	**-**	-
Impairment expense	**3,048**	930	434	**2,703**	902
Investment impairment expense	**-**	-	-	**110**	-
Depreciation and amortisation (including asset write downs)	**519**	423	270	**306**	330
Increase/(decrease) in liabilities at fair value through Income Statement (excluding life insurance)	**661**	(884)	5,799	**405**	(2,286)
Increase in derivative liabilities	**13,361**	4,622	5,860	**10,700**	4,149
Increase in other provisions	**60**	296	57	**6**	250
Increase/(decrease) in income taxes payable	**521**	29	297	**440**	(111)
(Decrease)/increase in deferred income taxes payable	**(355)**	(643)	175	**21**	(72)
(Increase)/decrease in deferred tax assets	**(967)**	178	(272)	**(1,255)**	(97)
Decrease/(increase) in accrued fees/reimbursements receivable	**41**	(153)	(163)	**173**	193
Increase/(decrease) in accrued fees and other items payable	**178**	(575)	386	**575**	(1,011)
(Decrease)/increase in life insurance contract policy liabilities	**(1,025)**	184	(1,460)	**-**	(10)
(Decrease)/increase in cash flow hedge reserve	**(1,651)**	(150)	547	**(1,068)**	106
Dividend received from controlled entities	**-**	-	-	**(820)**	(1,636)
Changes in operating assets and liabilities arising from cash flow movements	**(9,802)**	(6,124)	(560)	**(19,446)**	(11,062)
Other	**100**	(198)	515	**33**	(149)
Net cash provided/(used in) by operating activities	**1,476**	(2,075)	5,641	**(9,805)**	(10,295)

Note 47(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	
	2009	2008	2007	2009	2008
	$M	$M	$M	$M	$M
Notes, coins and cash at banks	**3,755**	2,476	4,557	**2,198**	1,344
Other short term liquid assets	**3,128**	1,309	967	**3,031**	1,118
Receivables due from other financial institutions – at call [1]	**1,889**	3,357	4,607	**5,962**	2,672
Payables due to other financial institutions – at call [1]	**(6,586)**	(4,877)	(6,047)	**(7,755)**	(4,797)
Cash and cash equivalents at end of year	**2,186**	2,265	4,084	**3,436**	337

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

Note 47(c) Disposal of Controlled Entities

	Group		
	2009	2008	2007
	$M	$M	$M
Fair value of net tangible assets disposed			
Other assets	**-**	1	-
Profit on sale	**-**	1	-
Cash consideration received	**-**	2	-
Less cash and cash equivalents disposed	**-**	-	-
Net cash inflow on disposal	**-**	2	-

Note 47 Notes to the Statements of Cash Flows (continued)

Note 47(d) Non-cash Financing and Investing Activities

	Group		
	2009	2008	2007
	$M	$M	$M
Shares issued under the Dividend Reinvestment Plan	**1,099**	1,109	818

Note 47(e) Controlled Entities

On 19 December 2008, the Group acquired 100% of the share capital of Bank of Western Australia Ltd (consisting of retail and business banking), St Andrew's Australia Pty Ltd (consisting of insurance and wealth management services businesses) and HBOSA Group (Services) Pty Ltd (an internal administrative support entity) for cash consideration (including transaction costs) of $2.2 billion. These businesses collectively represent the retail and business operations of HBOSA.

During the 2008 financial year, on 26 July 2007, PT Commonwealth Bank acquired 83% of Arta Niaga Kencana (ANK) Bank in Indonesia. The merger was completed on 31 December 2007 and thereafter the Group owned 97% of the merged entities. On 27 November 2007, the Group completed the 100% acquisition of IWL Limited, an online broking business. These acquisitions were considered individually immaterial to the group.

The assets and liabilities arising from the acquisitions, are as follows:

	As at time of acquisition					
	Carrying value	Fair Value	Carrying value	Fair Value	Carrying value	Fair Value
	2009	2009	2008	2008	2007	2007
	$M	$M	$M	$M	$M	$M
Assets acquired						
Cash and liquid assets	**422**	**422**	24	24	-	-
Receivables due from other financial institutions	**283**	**283**	-	-	-	-
Assets at fair value through Income Statement:						
Trading	**5,907**	**5,907**	-	-	-	-
Insurance	**212**	**212**	-	-	4	4
Derivative assets	**1,014**	**1,014**	-	-	-	-
Available-for-sale investments	**3**	**3**	112	112	-	-
Loans, bills discounted and other receivables	**58,153**	**57,351**	241	241	-	-
Property, plant and equipment	**177**	**225**	-	-	-	-
Intangible assets	**98**	**806**	4	64	-	-
Deferred tax assets	**255**	**610**	-	-	-	-
Other assets	**289**	**288**	11	11	-	-
Total assets	**66,813**	**67,121**	392	452	4	4
Liabilities acquired						
Deposits and other public borrowings	**50,401**	**50,677**	202	202	-	-
Payables due to other financial institutions	**4,673**	**4,673**	130	130	-	-
Liabilities at fair value through Income Statement	**250**	**250**	-	-	-	-
Derivative liabilities	**512**	**512**	-	-	-	-
Deferred tax liabilities	**54**	**258**	-	-	-	-
Other provisions	**84**	**84**	-	-	-	-
Insurance policy liabilities	**202**	**202**	-	-	-	-
Debt issues	**5,221**	**5,221**	-	-	-	-
Bills payable and other liabilities	**357**	**357**	11	30	-	-
Loan capital	**1,211**	**1,211**	-	-	-	-
Total liabilities	**62,965**	**63,445**	343	362	-	-
Net assets	**3,848**	**3,676**	49	90	4	4
Preference share placement	**-**	**(530)**	-	-	-	-
Goodwill	**-**	**-**	50	316	-	3
Gain on acquisition	**-**	**(983)**	-	-	-	-
Provision for remaining consideration	**-**	**-**	-	-	-	-
Cash consideration paid (including transaction costs)	**-**	**2,163**	-	406	-	7
Less: Cash and cash equivalents acquired	**-**	**422**	-	24	-	-
Net consideration paid	**-**	**1,741**	-	382	-	7
Less: Non-cash consideration	**-**	**-**	-	141	-	-
Net cash outflow on acquisition	**-**	**1,741**	-	241	-	7

Note 47 Notes to the Statements of Cash Flows (continued)

	2009	2008	2007
Details of equity instruments issued as part of business combinations			
Number of equity instruments issued	-	2,327,431	-
Fair value of equity issued ($)	-	140,952,360	-

The gain on acquisition has arisen after the Group's reassessment of the fair value of the acquired entities' identifiable assets, liabilities and contingent liabilities and the cost of the acquisition, and has been recognised in the Group's statutory net profit in the current period.

Note 47(f) Financing Facilities

Standby funding lines are considered immaterial.

Note 48 Disclosures about Fair Value of Financial Instruments

48(a) Fair Value of Financial Assets and Financial Liabilities

These amounts represent estimates of the fair values of the Group's financial assets and financial liabilities at Balance Sheet date based on the following valuation methods and assumptions. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted market prices are used to determine fair value where an active market (such as a recognised stock exchange) exists, as it is the best evidence of the fair value of a financial instrument (level one). Quoted market prices are not, however, available for a significant number of the financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no quoted market price is available, the fair values presented in the following tables have been estimated using present value or other valuation techniques based on market conditions existing at Balance Sheet dates. These valuation techniques rely on market observable inputs wherever possible (level two), or in a limited number of instances, rely on inputs which are reasonable assumptions based on market conditions at balance date (level three).

While the fair value amounts are designed to represent estimates at which these instruments could be exchanged in a current transaction between willing parties, many of the Group's financial instruments lack an available trading market as characterised by willing parties engaging in an exchange transaction.

In addition, it is the Bank's intent to hold most of its financial instruments to maturity and therefore it is not probable that the fair values shown would be realised in a current transaction.

The estimated fair values disclosed do not reflect the value of assets and liabilities that are not considered financial instruments. In addition, the value of long term relationships with depositors (core deposit intangibles) and other customers (credit card intangibles) are not reflected. The value of these items is considered significant.

Because of the wide range of valuation techniques and the numerous estimates that must be made, it may be difficult to make reasonable comparisons of the Bank's fair value information with that of other financial institutions. It is important that the many uncertainties discussed above be considered when using the estimated fair value disclosures and to realise that because of these uncertainties, the aggregate fair value amount should in no way be construed as representative of the underlying value of the Commonwealth Bank of Australia.

Note 48 Disclosures about Fair Value of Financial Instruments (continued)

48(a) Fair Value of Financial Assets and Financial Liabilities (continued)

	Group			
	2009		2008	
	Carrying Value $M	Fair Value $M	Carrying Value $M	Fair Value $M
Assets				
Cash and liquid assets	**11,340**	**11,340**	7,736	7,736
Receivables due from other financial institutions	**14,421**	**14,421**	6,984	6,984
Assets at fair value through Income Statement:				
Trading	**25,401**	**25,401**	21,676	21,676
Insurance	**17,260**	**17,260**	20,650	20,650
Other	**1,677**	**1,677**	3,266	3,266
Derivative assets	**26,358**	**26,358**	18,232	18,232
Available-for-sale investments	**21,504**	**21,504**	11,488	11,488
Loans, bills discounted and other receivables	**466,631**	**467,774**	361,282	357,618
Bank acceptances of customers	**14,728**	**14,728**	18,278	18,278
Other assets	**5,895**	**5,895**	6,694	6,694
Liabilities				
Deposits and other public borrowings	**368,721**	**368,668**	263,706	262,832
Payables due to other financial institutions	**15,109**	**15,109**	17,672	17,672
Liabilities at fair value through Income Statement	**16,596**	**16,596**	15,526	15,526
Derivative liabilities	**32,134**	**32,134**	19,541	19,541
Bank acceptances	**14,728**	**14,728**	18,278	18,278
Insurance policy liabilities	**16,056**	**16,056**	18,495	18,495
Debt issues	**101,819**	**102,231**	85,817	84,979
Managed funds units on issue	**914**	**914**	1,109	1,109
Bills payable and other liabilities	**6,046**	**6,046**	5,724	5,724
Loan capital	**12,039**	**11,900**	11,559	11,724

	Bank			
	2009		2008	
	Carrying Value $M	Fair Value $M	Carrying Value $M	Fair Value $M
Assets				
Cash and liquid assets	**9,684**	**9,684**	7,282	7,282
Receivables due from other financial institutions	**13,986**	**13,986**	6,731	6,731
Assets at fair value through Income Statement:				
Trading	**20,988**	**20,988**	19,168	19,168
Other	**60**	**60**	274	274
Derivative assets	**25,536**	**25,536**	19,287	19,287
Available-for-sale investments	**60,659**	**60,659**	27,067	27,067
Loans, bills discounted and other receivables	**353,408**	**354,061**	309,714	306,655
Bank acceptances of customers	**14,726**	**14,726**	18,278	18,278
Loans to controlled entities	**33,352**	**33,394**	13,796	13,833
Other assets	**4,090**	**4,090**	5,473	5,473
Liabilities				
Deposits and other public borrowings	**305,170**	**304,886**	240,871	239,996
Payables due to other financial institutions	**14,942**	**14,942**	17,625	17,625
Liabilities at fair value through Income Statement	**3,485**	**3,485**	2,930	2,930
Derivative liabilities	**29,442**	**29,442**	19,367	19,367
Bank acceptances	**14,726**	**14,726**	18,278	18,278
Due to controlled entities	**81,084**	**80,646**	54,119	54,171
Debt issues	**62,894**	**63,675**	55,778	54,802
Bills payable and other liabilities	**3,947**	**3,947**	4,121	4,121
Loan capital	**12,174**	**11,626**	11,620	11,822

Notes to the Financial Statements

Note 48 Disclosures about Fair Value of Financial Instruments (continued)

48(a) Fair Value of Financial Assets and Financial Liabilities (continued)

	Fair Value at 30 June 2009			
	Level 1	Level 2	Level 3	Total
Group	$M	$M	$M	$M
Assets				
Assets at fair value through Income Statement:				
Trading	3,720	21,564	117	**25,401**
Insurance	16,164	1,096	-	**17,260**
Other	-	1,677	-	**1,677**
Derivative assets	44	26,313	1	**26,358**
Available-for-sale investments	775	20,728	1	**21,504**
Total assets	20,703	71,378	119	**92,200**
Liabilities				
Liabilities at fair value through Income Statement	1,048	15,548	-	**16,596**
Derivative liabilities	26	32,101	7	**32,134**
Life investment contracts	12,328	-	-	**12,328**
Total liabilities	13,402	47,649	7	**61,058**

	Fair Value at 30 June 2009			
	Level 1	Level 2	Level 3	Total
Bank	$M	$M	$M	$M
Assets				
Assets at fair value through Income Statement:				
Trading	1,830	19,150	8	**20,988**
Other	-	60	-	**60**
Derivative assets	43	25,492	1	**25,536**
Available-for-sale investments	274	60,385	-	**60,659**
Total assets	2,147	105,087	9	**107,243**
Liabilities				
Liabilities at fair value through Income Statement	1,048	2,437	-	**3,485**
Derivative liabilities	25	29,410	7	**29,442**
Total liabilities	1,073	31,847	7	**32,927**

The fair value estimates were determined by the following methodologies and assumptions:

Liquid assets and Bank acceptances of customers

The carrying values of cash and liquid assets, receivables from other financial institutions and bank acceptances of customers approximate their fair value as they are short term in nature or are receivable on demand.

Receivables due from other financial institutions also includes statutory deposits with central banks. The fair value is assumed to be equal to the carrying value as the Group is only able to continue as a going concern with the maintenance of these deposits.

Assets at Fair Value through Income Statement

Assets at fair value through Income Statement are carried at fair value determined using quoted market prices or valuation techniques including discounted cash flow models using market observable and non-market observable inputs. Discount rates have been adjusted for changes in customer credit ratings, where appropriate.

Available-for-sale investments

Assets available-for-sale are measured at fair value determined using quoted market prices. For shares in companies, the estimated fair values are estimated based on market price inputs.

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. Customers 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 variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of fair value. The fair value for fixed rate loans was calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio future principal and interest cash flows), based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio plus an add-on of the average credit margin of the existing portfolio, adjusted for changes in customer credit ratings, where appropriate.

The fair value of impaired loans was calculated by discounting estimated future cash flows using the loan's original effective interest rate.

Note 48 Disclosures about Fair Value of Financial Instruments (continued)

48(a) Fair Value of Financial Assets and Financial Liabilities (continued)

Retirement benefit surplus

The fair value of the retirement benefit surplus is the carrying value at Balance Sheet date determined using a present value calculation based on assumptions that are outlined in Note 42.

All other financial assets

Included in this category are interest and fees receivable, unrealised income, and investments in associates of $1,047 million (2008: $906 million), where the carrying amount is considered to be a reasonable estimate of fair value. Other financial assets are net of goodwill and other intangibles, future income tax benefits and prepayments/unamortised payments, as these do not constitute financial instruments.

Deposits and other public borrowings

The carrying value of non-interest bearing, call and variable rate deposits, and fixed rate deposits repricing within six months, approximate their value as they are short term in nature or are payable on demand. Discounted cash flow models based upon deposit type and related maturity, were used to calculate the fair value of other term deposits.

Short term liabilities

The carrying value of payables to other financial institutions and bank acceptances approximate their fair value as they are short term in nature and reprice frequently.

Debt issues and loan capital

The fair values of debt issues and loan capital were calculated using quoted market prices at Balance Sheet date. For those debt issues where quoted market prices were not available, discounted cash flow and option pricing models were used, utilising a yield curve appropriate to the expected remaining maturity of the instrument and adjusted for any change in the Group's applicable credit rating.

Liabilities at Fair Value through Income Statement

Liabilities at Fair Value through Income Statement are carried at fair value determined using quoted market prices, or valuation techniques including discounted cash flow models using market observable inputs. Discount rates have been adjusted for any changes in the Group's applicable credit rating.

Derivative Assets and Liabilities

The fair value of trading and hedging derivative contracts, were obtained from quoted market prices, discounted cash flow models or option pricing models that used market based and non-market based inputs.

The fair value of these instruments is disclosed in Note 11.

Life Insurance Policy Holder Liabilities

Life insurance policyholder liabilities are measured on a net present value basis using assumptions outlined in Note 36. This treatment is in accordance with AASB 1038: Life Insurance Business.

All other financial liabilities

This category includes interest payable and unrealised expenses payable for which the carrying amount is considered to be a reasonable estimate of net fair value. For liabilities that are long term, fair values have been estimated using the rates currently offered for similar liabilities with remaining maturities. Other provisions including provision for dividend, income tax liability and unamortised receipts are not considered financial instruments.

Commitments to extend credit, letters of credit, guarantees, warranties and indemnities issued

The fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risk and attract fees in line with market prices for similar arrangements. They are not presently sold or traded. The items generally do not involve cash payments other than in the event of default. The fee pricing is set as part of the broader customer credit process and reflects the probability of default. The fair value may be represented by the present value of fees expected to be received, less associated costs, however the overall level of fees involved is not material.

48(b) The Impact of Fair Values Calculated Using Non-market Observable Assumptions

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, such that 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, the Group's or the Bank's results.

Notes to the Financial Statements

Note 49 Acquisition of Controlled Entities

On 19 December 2008, the Group acquired 100% of the share capital of Bank of Western Australia Ltd (consisting of retail and business banking), St Andrew's Australia Pty Ltd (consisting of insurance and wealth management services businesses) and HBOSA Group (Services) Pty Ltd (an internal administrative support entity) for cash consideration (including transaction costs) of $2.2 billion. These businesses collectively represent the retail and business operations in HBOSA.

Details of the purchase consideration and the gain arising on acquisition are as follows:

Purchase consideration	$M
Cash paid	**2,126**
Direct costs relating to the acquisition	**37**
Total purchase consideration	**2,163**
Fair value of net identifiable assets acquired (see below)	**3,676**
Less: Preference share placement	**(530)**
Gain on acquisition before tax	**983**

The gain on acquisition has arisen after the Group's reassessment of the fair value of the acquired entities' identifiable assets, liabilities and contingent liabilities and the cost of the acquisition, and has been recognised in the Group's statutory net profit in the current period.

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

	Pre-acquisition carrying amount $M	Recognised values on acquisition $M
Cash and liquid assets	422	422
Receivables due from other financial institutions	283	283
Assets at fair value through Income Statement:		
Trading	5,907	5,907
Insurance	212	212
Derivative assets	1,014	1,014
Available-for-sale investments	3	3
Loans, bills discounted and other receivables	58,153	57,351
Property, plant and equipment	177	225
Intangible assets	98	806
Deferred tax assets	255	610
Other assets	289	288
Total assets	66,813	67,121
Deposits and other public borrowings	50,401	50,677
Payables due to other financial institutions	4,673	4,673
Liabilities at fair value through Income Statement	250	250
Derivative liabilities	512	512
Deferred tax liabilities	54	258
Other provisions	84	84
Insurance policy liabilities	202	202
Debt issues	5,221	5,221
Bills payable and other liabilities	357	357
Loan capital	1,211	1,211
Total liabilities	62,965	63,445
Net assets	3,848	3,676
Outflow of cash to to acquire business, net of cash acquired:		
Cash consideration	n/a	2,126
Direct costs relating to acquisition	n/a	37
Cash and cash equivalents in subsidiaries acquired	n/a	(422)
Cash outflow on acquisition	n/a	1,741

During the period 19 December 2008 to 30 June 2009, these operations contributed $113 million to the consolidated net profit after tax ("cash basis") and a net profit after tax of $42 million to the consolidated statutory net profit after tax for the year.

If the acquisition had occurred on 1 July 2008 the contribution to the Group's revenue would have been $1,561 million for the year and contributed to the Group's net profit after tax would have been a net loss after tax of $184 million for the year ended 30 June 2009. This pro-forma financial information uses data for the twelve month period ended 30 June 2009 and represents the historical operating results reported in accordance with the Group's accounting policies.

Directors' Declaration

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

(a) the Financial Statements and notes thereto of the Bank and the Group, and the additional disclosures included in the Directors' Report designated as audited, comply with Accounting Standards and in their opinion are in accordance with the Corporations Act 2001;

(b) the Financial Statements and notes thereto give a true and fair view of the Bank's and the Group's financial position as at 30 June 2009 and of their performance for the year ended on that date;

(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 under Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the Directors.

J M Schubert
Chairman
12 August 2009

R J Norris
Managing Director and Chief Executive Officer
12 August 2009

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The Directors
Commonwealth Bank of Australia
48 Martin Place
SYDNEY NSW 2000

27 August 2009

Dear Directors

Audit of the 30 June 2009 financial statements

The attached financial statements of Commonwealth Bank of Australia and its controlled entities comprising the balance sheets as at 30 June 2009, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a summary of significant accounting policies, and other explanatory notes, including the directors' declaration, is the financial report on which we issued an unqualified audit opinion dated 12 August 2009.

Yours sincerely

Rahoul Chowdry

Rahoul Chowdry
Partner