Rule 4.3A

Appendix 4D

Name of entity

PREFERRED CAPITAL LIMITED

ABN or equivalent company reference	Half-Year Ending
ABN 68 101 938 176	**31 December 2011**

Results for announcement to the market

	For the half-year ended 31 December 2011 $’000	up/down	% movement
Revenue	26,840	up	0.62%
Profit after tax attributable to members	2,582	up	2.10%
Net profit attributable to members	2,582	up	2.10%

Commentary

The Company's principal activity is to act as a special purpose vehicle for capital raising purposes as part of the Commonwealth Bank of Australia's capital management program. Capital was raised through the issue of Perpetual Exchangeable Repurchaseable Listed Shares (PERLS III) under a prospectus dated 3 March 2006. The Company was subsequently admitted to the Official List of the Australian Securities Exchange (ASX) as an ASX Debt Listing on 7 April 2006. PERLS III are quoted on the ASX. The gross proceeds of $1,166.460 million received by the Company through the issue of PERLS III have been invested in Convertible Notes issued by the Commonwealth Bank of Australia's New Zealand branch.

Revenue of $26.84 million (2010: $26.68 million) is comprised primarily of interest income earned on the investment in Convertible Notes issued by Commonwealth Bank of Australia's New Zealand branch. The increase in revenue is the result of higher market rates during the six months ended 31 December 2011 in comparison to the six months ended 31 December 2010.

The Company recorded a net profit after tax for the half-year ended 31 December 2011 of $2.58 million (2010: $2.53 million).

During the half-year, the Directors resolved and paid fully franked dividend of $24.51 million (2010: $23.32 million) in respect of PERLS III ($4.2028 per share) (2010: $3.9975per share) and $2.73 million (2010: $2.21) in respect of ordinary shares ($227,309.82 per share) (2010: $184,479.97 per share). Under AASB139 dividends pertaining to these PERLS III are classified as finance costs.

On 12 December 2011 the Directors resolved to pay a fully franked dividend of $11.82 million (10 December 2010: $12.10 million) in respect of PERLS III ($2.0267 per share) (10 December 2010: $2.0749 per share) to be payable on 6 January 2012. Payment of dividends was subject to certain conditions being met on the date prior to payment as set out in the PERLS III Terms of Issue. All necessary conditions were met and payment was made on 6 January 2012.

FOR FURTHER DETAILS, REFER TO THE FOLLOWING ATTACHED FINANCIAL REPORT AUDITED BY PricewaterhouseCoopers

Marzena Gellert
Company Secretary
Date: 24 February 2012

For the half-year ended

31 December

2011

Preferred Capital Limited
ABN 68 101 938 176

Half-Year Financial Statements

Produced by: Subsidiary Reporting, Financial Operations, Commonwealth Bank of Australia

Contents

The Directors of Preferred Capital Limited (the 'Company') submit the following report for the half-year ended 31 December 2011.

Directors

The names of the Directors of the Company holding office during the half-year ended 31 December 2011 and until the date of this report were:

M J T Ford (appointed 12 December 2011)
G A Petersen
M J Venter (resigned 12 December 2011)
S P Kinsella
I M Saines

Corporate information

Preferred Capital Limited is a company limited by shares that is incorporated and domiciled in Australia.

Its immediate and ultimate parent entity is Commonwealth Bank of Australia (the 'Bank').

The registered office of Preferred Capital Limited is located at Ground Floor, Tower 1, 201 Sussex St., Sydney NSW 2000, Australia.

Principal activities

The Company's principal activity is to act as a special purpose vehicle for capital raising purposes as part of the Bank's capital management program. Capital was raised through the issue of Perpetual Exchangeable Repurchaseable Listed Shares (PERLS III) under a prospectus dated 3 March 2006. The Company was subsequently admitted to the Official List of the Australian Securities Exchange (ASX) as an ASX Debt Listing on 7 April 2006 and PERLS III are quoted on the ASX. The gross proceeds of $1,166.46 million received by the Company through the issue of PERLS III have been invested in Convertible Notes issued by the Bank's New Zealand branch ('CBA New Zealand').

Review and results of operations

Revenue for the half-year ended 31 December 2011 was $26.84 million (2010: $26.68 million) and is comprised primarily of interest income earned on the investment in Convertible Notes issued by CBA New Zealand.

The Company recorded a net profit after tax for the half-year ended 31 December 2011 of $2.58 million (2010: $2.53 million).

Likely developments, expected results of operations and business strategy

The Company will continue to act as a vehicle for PERLS III. Expected results are that the Company will continue to earn interest on Convertible Notes, pay dividends on PERLS III in accordance with the PERLS III Terms of Issue and pay dividends on the ordinary shares provided there is a surplus after paying dividends on PERLS III. There is currently no intention to make any further issue of securities.

Financial position

At 31 December 2011 the Company held total assets of $1,179.11 million (30 June 2011: $1,179.51 million) and net assets of $1.44 million (30 June 2011: $1.59 million). The decrease in net assets is as a result of lower margin over the half-year.

Dividends

	31 December 2011 $'000	31 December 2010 $'000
PERLS III		
PERLS III fully franked dividends paid on 6 July 2011 ($2.0750 per share) (6 July 2010: $1.9261 per share)	**12,102**	11,234
PERLS III fully franked dividends paid on 6 October 2011 ($2.1278 per share) (6 October 2010: $2.0714 per share)	**12,410**	12,081
	24,512	23,315
Ordinary shares		
Ordinary shares fully franked dividends paid on 6 July 2011 ($109,928 per share) (6 July 2010: $78,888 per share)	**1,319**	947
Ordinary shares fully franked dividends paid on 6 October 2011 ($117,382 per share) (6 October 2010: $105,592 per share)	**1,409**	1,267
	2,728	2,214

On 12 December 2011, the Directors resolved to pay a fully franked dividend of $11.82 million (10 December 2010: $12.10 million) in respect of PERLS III ($2.0267 per share) (10 December 2010: $2.0749 per share) to be payable on 6 January 2012. The dividends were paid on 6 January 2012. Payment of dividends was subject to certain conditions being met on the date prior to payment as set out in the PERLS III Terms of Issue. All necessary conditions were met and payment was made on 6 January 2012.

On 12 December 2011, the Directors resolved to pay a fully franked dividend of $1.16 million (10 December 2010: $1.28 million) to the Bank in respect of ordinary shares ($96,274.85 per share) (10 December 2010: $106,341.26 per share) to be payable on 6 January 2012. The dividend was paid on 6 January 2012. Payment of the dividend was subject to certain conditions being met on the date prior to payment as set out in the PERLS III Terms of Issue. All necessary conditions were met and payment was made on 6 January 2012.

Auditor's independence declaration

The Company's auditor, PricewaterhouseCoopers, has provided the Directors with a declaration of its independence, which is attached to the Directors' Report.

Rounding of amounts

The amounts contained in the Directors' Report and the Financial Statements have been rounded to the nearest one thousand dollars unless otherwise stated, under the option available to the Company under ASIC Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission.

Signed in accordance with a resolution of Directors.

Director
Sydney, NSW
24 February 2012

pwc

Auditor's Independence Declaration

As lead auditor for the review of Preferred Capital Limited for the half year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Preferred Capital Limited during the period.

Stuart Scoular
Partner
PricewaterhouseCoopers

Sydney
24 February 2012

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

Preferred Capital Limited
Statement of Comprehensive Income
For the half-year ended 31 December 2011

	Notes	**31 December 2011 $'000**	31 December 2010 $'000
Revenue from continuing operations	3	**26,840**	26,675
Expenses	3	**(24,255)**	(24,144)
Profit before income tax		**2,585**	2,531
Income tax expense		**(3)**	(2)
Net profit for the half-year after tax		**2,582**	2,529
Other comprehensive income		**-**	-
Total comprehensive income attributable to owners of Preferred Capital Limited		**2,582**	2,529

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

Preferred Capital Limited
Statement of Financial Position
As at 31 December 2011

	31 December 2011 $'000	30 June 2011 $'000
ASSETS		
Current assets		
Cash and cash equivalents	**376**	364
Receivables	**12,273**	12,686
Total current assets	**12,649**	13,050
Non-current assets		
Loans and other receivables	**1,166,456**	1,166,456
Total non-current assets	**1,166,456**	1,166,456
Total assets	**1,179,105**	1,179,506
LIABILITIES		
Current liabilities		
Payables	**11,179**	11,437
Income tax liabilities	**26**	23
Total current liabilities	**11,205**	11,460
Non-current liabilities		
Interest bearing liabilities	**1,166,456**	1,166,456
Total non-current liabilities	**1,166,456**	1,166,456
Total liabilities	**1,177,661**	1,177,916
Net assets	**1,444**	1,590
Shareholder's equity		
Share capital*	**-**	-
Retained profits	**1,444**	1,590
Total equity attributable to owners	**1,444**	1,590

* Share capital of $12 has been rounded to nil.

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

	Notes	Share Capital* $'000	Retained Earnings $'000	Total Shareholder's Equity $'000
Balance at 1 July 2010		-	1,184	1,184
Net profit for the half-year after tax		-	2,529	2,529
Other comprehensive income for the half-year		-	-	-
Transactions with owners in their capacity as owners				
Dividends paid	4	-	(2,214)	(2,214)
Balance at 31 December 2010		-	1,499	1,499
Net profit for the half-year after tax		-	2,746	2,746
Other comprehensive income for the half-year		-	-	-
Transactions with owners in their capacity as owners				
Dividends paid	4	-	(2,655)	(2,655)
Balance at 30 June 2011		-	1,590	1,590
Net profit for the half-year after tax		-	2,582	2,582
Other comprehensive income for the half-year		-	-	-
Transactions with owners in their capacity as owners				
Dividends paid	4	-	(2,728)	(2,728)
Balance at 31 December 2011		-	1,444	1,444

* Share capital of $12 has been rounded to nil

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

	Notes	**31 December 2011 $'000**	31 December 2010 $'000
Cash flows from operating activities			
Interest income received		**27,253**	25,535
Interest expense paid		**(24,511)**	(23,314)
Other expenses paid		**(2)**	(2)
Income tax paid		**-**	(2)
Net cash flows from operating activities		**2,740**	2,217
Cash flows from investing activities		**-**	-
Net cash flows from investing activities		-	-
Cash flows from financing activities			
Dividends paid	4	**(2,728)**	(2,214)
Net cash flows from financing activities		**(2,728)**	(2,214)
Net increase in cash and cash equivalents held		**12**	3
Cash and cash equivalents at the beginning of the half-year		**364**	292
Cash and cash equivalents at the end of the half-year		**376**	295

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

Note 1 Summary of significant accounting policies

(a) General information

The Interim Financial Statements of Preferred Capital Limited (the ‘Company’) for the half-year ended 31 December 2011 were approved and authorised for issue by the Board of Directors on 24 February 2012. The Directors have the power to amend and reissue the Financial Statements. These Financial Statements are the individual Financial Statements of the Company as an individual entity.

The Company is incorporated and domiciled in Australia. It is a company limited by shares. The address of its registered office is Ground Floor, Tower 1, 201 Sussex Street, Sydney, NSW 2000, Australia.

The ultimate parent entity is Commonwealth Bank of Australia (the ‘Bank’).

The Company's principal activity is to act as a special purpose vehicle for capital raising purposes as part of the Bank's capital management program. The Company was used to raise capital through the issue of Perpetual Exchangeable Repurchaseable Listed Shares (‘PERLS III’) under a prospectus dated 3 March 2006. The gross proceeds of $1.17 billion received by the Company through the issue of PERLS III have been invested in Convertible Notes issued by the Bank’s New Zealand branch (‘CBA New Zealand’).

The functional and presentational currency of the Company 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 Company.

The principal accounting policies adopted in the presentation of these Interim Financial Statements are set out below.

(b) Bases of accounting

This Interim Financial Report for the half-year ended 31 December 2011 has been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 Interim Financial Reporting.

This Interim Financial Report does not include all notes of the type normally included in an annual financial report. Accordingly, this Report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(c) Basis of preparation

The Interim Financial Statements are prepared on the basis of historical cost convention.

For the purpose of these half-year Interim Financial Statements, the half year has been treated as a discrete reporting period.

The following standards and amendments are being applied for the financial year commencing 1 July 2011. They have not significantly impacted the Company’s financial results, or resulted in significant changes to the Company’s accounting policies:

- Revised AASB 124 Related Party Disclosures.
- AASB 2009-12 Amendments to Australian Accounting Standards.
- AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 and AASB 134, and Interpretation 13].
- AASB 2010-5 Amendments to Australian Accounting Standards, which makes editorial amendments to a number of standards.
- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets.
- AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project and AASB 1054 Additional Australian Disclosures.

Note 1 Summary of significant accounting policies (continued)

(d) Impact of standards issued but not yet applied

The Company did not early adopt any standards, interpretations or amendments during the half-year ended 31 December 2011.

The following standard is not mandatory until accounting periods beginning on or after 1 July 2012 but early adoption is permitted:

- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income. The amendments change the disclosure of items presented in other comprehensive income (OCI) in the Statement of Comprehensive Income. The key changes include:
  - Items are presented separately, in two groups in OCI, based on whether or not they may be recycled to profit or loss in the future.
  - Where OCI items have been presented before tax, the amount of tax related to the two groups will need to be shown.

The following standards are not mandatory until accounting periods beginning on or after 1 January 2013 but early adoption is permitted:

- AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010). AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. It replaces the corresponding requirements in AASB 139 Financial Instruments: Recognition and Measurement, and will introduce significant changes in the way the Company accounts for financial instruments. Key changes include:
  - Financial assets: will be classified as either at amortised cost, or at fair value through Income Statement, except for certain non-trading equity investments, which may be classified as at fair value through Other Comprehensive Income;
  - Financial liabilities: Gains and losses on own credit arising from financial liabilities designated as at fair value through Income Statement, will be excluded from the Income Statement and instead taken to Other Comprehensive Income.

  In addition, by January 2013 it is expected that IFRS 9 Financial Instruments will include new requirements for impairment, offsetting and hedge accounting. Key changes include:
  - Impairment: Both expected losses and incurred losses will be reflected in impairment allowances for loans and advances;
  - Hedge accounting: will be more closely aligned with financial risk management;
  - Offsetting: The conditions for offsetting financial assets and financial liabilities in the Statement of Financial Position will be clarified.

  The Company is currently evaluating the impact of this amended standard.
- AASB 13 Fair Value Measurement which is not expected to significantly impact on the Company.
- AASB 2011-8 amendments to accounting standards arising from AASB 13, which are not expected to significantly impact on the Company.

The following standard is not mandatory until accounting periods beginning on or after 1 July 2013 but early adoption is permitted:

- AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements. This is the first stage of revisions to the differential reporting framework in Australia, and introduces a two-tier differential reporting regime that applies to all entities that prepare General Purpose Financial Statements. AASB1053 identifies the types of entities that must apply full IFRS as adopted in Australia (Tier 1) in preparing General Purpose Financial Statements, including for-profit private sector entities that have public accountability. Other entities, including for-profit private sector entities that do not have public accountability and all not-for-profit private sector entities, must apply as a minimum the Reduced Reporting Requirements (Tier 2) in preparing General Purpose Financial Statements. On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare General Purpose Financial Statements. Preferred Capital Limited has public accountability as it is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. As a consequence, the two standards will have no impact on the financial statements of the entity.

Note 1 Summary of significant accounting policies (continued)

The following standard is not mandatory until accounting periods beginning on or after 1 July 2013, and early adoption is not permitted:

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements. This standard amends AASB 124 Related Party Disclosures by removing the requirement to disclose information about individual key management personnel, only aggregate disclosures will be required. It is not expected to have any significant impact on the Company.

In addition to the above, the International Accounting Standards Board plans to issue new standards on Leases, Insurance Contracts and Revenue recognition. The Company will consider the financial impacts of these new standards as they are finalised.

(e) Cash and cash equivalents

Cash and cash equivalents include cash at banks and money at short call with an original maturity of three months or less. They are brought to account at the face value or the gross value of outstanding balance.

(f) Revenue recognition

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The principal source of revenue is interest income and Top-up payments from the ultimate parent entity..

Interest income
Interest income is recognised on an accruals basis using the effective interest method.

Top-up payments
Where the Company does not receive sufficient funds from the Convertible Notes to cover payments required on PERLS III, the Bank has the right under the "Top-up Deed", in its absolute discretion to make a Top-up payment to cover the shortfall. Top-up payments are recognised only when approved by the Bank.

(g) Financial instruments

Financial assets and financial liabilities which are not at fair value are carried at cost or amortised cost.

Under AASB 132 and AASB 139, financial instruments are required to be classified into certain categories which determine the accounting treatment of the item. The Company has adopted the following categories:

- Loans and other receivables (Note 1(h))
- Liabilities at amortised cost
- Equity

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party and the risks and rewards have substantially been transferred.

(h) Loans and other receivables

Loans and other receivables are primarily financial assets with fixed and determinable payments that are not quoted on an active market and include Convertible Notes issued by CBA New Zealand. These amounts are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost using the effective interest method.

Note 1 Summary of significant accounting policies (continued)

(i) Provisions for impairment

Loans and other receivables
The Company assesses at each balance date whether there is any objective evidence of impairment. If there is objective evidence that an impairment loss on loans and other receivables has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the expected future cash flows, discounted at the financial assets' original effective interest rate. Short-term balances are not discounted.

Loans and other receivables are presented net of provisions for loan impairment.

(j) Income tax

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

Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax is provided using the 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 end of reporting period and 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Taxation of Financial Arrangements ('TOFA')

The tax regime for financial instruments TOFA began to apply to the Company from 1 July 2010. The regime allows a closer alignment of the tax and accounting recognition and measurement of financial arrangements and their related flows. The Company does not have any financial arrangements that are subject to TOFA, and so it was not impacted by this change.

(k) Provisions

A provision is recognised in the Statement of Financial Position when the Company has a legal or constructive obligation as a result of a past event, and where it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provision for dividend

A provision for dividend payable is recognised when dividends are determined the period in which they are approved by the Company's Directors and all terms and conditions set out in the PERLS III Terms of Issue are met.

The dividends payable to PERLS III holders are expected to be primarily sourced from interest paid on Convertible Notes issued by CBA New Zealand.

Note 1 Summary of significant accounting policies (continued)

(l) Interest bearing liabilities

Interest bearing liabilities include PERLS III issued by the Company. PERLS III are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost using the effective interest method.

PERLS III may be exchanged for ordinary shares in the Bank, Bank PERLS III preference shares or a combination of Bank ordinary shares and cash after 6 April 2016, under certain circumstances as set out in the PERLS III Terms of Issue. PERLS III offers a non-cumulative floating rate return. Dividends are reset quarterly commencing on 6 April 2006 and are payable quarterly in arrears.

(m) Payables and other liabilities

Payables and other liabilities include interest payable which is recognised on a time proportion basis using the effective interest rate method.

(n) Shareholders' equity

Ordinary share capital is the amount of paid up capital from the issue of ordinary shares and is classified as equity. Redeemable preference shares are classified as liabilities.

Retained profits are derived from revenue profits and are available for dividend.

(o) Critical accounting policies and estimates

These notes to the Financial Statements contain a summary of the Company's significant accounting policies. Certain of these policies are considered to be more important in the determination of the Company's financial position, since they may require management to make difficult, complex or subjective judgements, some of which may relate to matters that are inherently uncertain. During the half-year management have not been required to make any decisions of this nature.

(p) Rounding of amounts

The amounts contained in the Director's Report and the Interim Financial Statements have been rounded to the nearest one thousand dollars unless otherwise stated, under the option available to the Company under ASIC Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission.

Note 2 Segment information

The Company operates predominantly in one geographical area, Australia, and operates predominantly in one business segment. The Company's primary activity is to invest funds raised from the issue of PERLS III in Convertible Notes issued by CBA New Zealand. The Company is domiciled in Australia.

Note 3 Revenue and expenses

	31 December 2011 $'000	31 December 2010 $'000
Revenue from continuing operations		
Interest income from ultimate parent entity	**13**	7
Interest income from CBA New Zealand convertible notes	**26,827**	26,668
Total revenue from continuing operations	**26,840**	26,675
Expenses		
Interest paid	**24,253**	24,142
Other operational expenses	**2**	2
Total expenses	**24,255**	24,144

Note 4 Dividends

	31 December 2011 $'000	31 December 2010 $'000
Ordinary shares fully franked dividends paid on 6 July 2011 ($109,928 per share) (6 July 2010: $78,888 per share)	**1,319**	947
Ordinary shares fully franked dividends paid on 6 October 2011 ($117,382 per share) (6 October 2010: $105,592 per share)	**1,409**	1,267
	2,728	2,214

Note 5 Contingent assets, liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2011 (30 June 2011: $nil). CBA New Zealand and the Company entered into an agreement under which, in consideration for the Company agreeing to subscribe for Convertible Notes, CBA New Zealand agrees to pay all of the Company's upfront costs and expenses in connection with the offer and the issue of PERLS III including, without limitation, all legal, accounting, share registry, listing, printing, advertising and other expenses.

Note 6 Events after the reporting date

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

On 12 December 2011, the Directors resolved to pay a fully franked dividend of $11.82 million (10 December 2010: $12.10 million) in respect of PERLS III ($2.0267 per share) (10 December 2010: $2.0749 per share) to be payable on 6 January 2012. The dividends were paid on 6 January 2012. Payment of dividends was subject to certain conditions being met on the date prior to payment as set out in the PERLS III Terms of Issue. All necessary conditions were met and payment was made on 6 January 2012.

On 12 December 2011, the Directors resolved to pay a fully franked dividend of $1.16 million (10 December 2010: $1.28 million) to the Bank in respect of ordinary shares ($96,274.85 per share) (10 December 2010: $106,341.26 per share) to be payable on 6 January 2012. The dividend was paid on 6 January 2012. Payment of the dividend was subject to certain conditions being met on the date prior to payment as set out in the PERLS III Terms of Issue. All necessary conditions were met and payment was made on 6 January 2012.

In accordance with a resolution of the Directors of Preferred Capital Limited ('Company'), we declare that in the opinion of the Directors:

(a) the half-year Financial Statements and notes thereto of the Company are in accordance with the *Corporations Act 2001* and:
   (i) give a true and fair view of the financial position of the Company as at 31 December 2011 and of its performance for the half-year ended on that date; and
   (ii) comply with the Accounting Standards and any further requirements in the *Corporations Regulations 2011*; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

Signed in accordance with a resolution of the Directors.

Director
Sydney, NSW
24 February 2012

Independent auditor's review report to the members of Preferred Capital Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Preferred Capital Limited, which comprises the balance sheet as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Preferred Capital Limited (the company).

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Preferred Capital Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

Stuart Scoular
Partner

Sydney
24 February 2012