Commonwealth Bank

Commonwealth Bank of Australia

ACN 123 123 124

Financial Report (U.S. Version)

Year Ended 30 June 2010

Contents

Introduction

Introduction

The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2010, which contains the Financial Statements for the years ended 30 June 2008, 2009 and 2010 and as of 30 June 2009 and 2010 (the "2010 Financial Report") should be read in conjunction with:

- The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2009, which contains the Financial Statements for the years ended 30 June 2007, 2008 and 2009 and as of 30 June 2008 and 2009 (the "2009 Financial Report");

as found on the U.S. Investor Website located at http://www.commbank.com.au/usinvestors.

The Directors of the Commonwealth Bank of Australia submit their report, together with the financial report of the Commonwealth Bank of Australia ("the 'Bank") and of the Group, being the Bank and its controlled entities, for the year ended 30 June 2010.

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

David J Turner, Chairman

Mr Turner was appointed to the Board in August 2006 and has been Chairman since 10 February 2010. He is Chairman of the Board Performance and Renewal Committee and a member of the Risk Committee and the People & Remuneration Committee.

From May 2008 until May 2010, Mr Turner was Chairman of Cobham plc. Until his retirement on 30 June 2007, Mr Turner was CEO of Brambles Limited, occupying the role since October 2003. He joined Brambles as Chief Financial Officer in 2001, having previously been Finance Director of GKN plc. Mr Turner has also served as a member of the Board of Whitbread plc and as Chairman of its Audit Committee from 2000 until 2006. He is a Fellow of The Institute of Chartered Accountants in England and Wales and has extensive experience in finance, international business and governance.

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

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

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

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

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

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

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

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

Mr Norris is a resident of New South Wales. Age 61.

Sir John A Anderson, KBE

Sir John joined the Board on 12 March 2007. He is a member of the Risk Committee and Board Performance and Renewal Committee. Sir John is a highly respected business and community leader, having held many senior positions in the New Zealand finance industry including Chief Executive Officer and Director of ANZ National Bank Limited from 2003 to 2005 and the National Bank of New Zealand Limited from 1989 to 2003.

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

Chairman: Television New Zealand Limited, Capital and Coast District Health Board, New Zealand Venture Investment Fund, Hawke's Bay District Health Board and PGG Wrightson Limited.

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

Sir John is a resident of Wellington, New Zealand. Age 65.

Colin R Galbraith, AM

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

Chairman: BHP Billiton Community Trust.

Director: OneSteel Limited and Australian Institute of Company Directors.

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

Mr Galbraith is a resident of Victoria. Age 62.

Jane S Hemstritch

Ms Hemstritch was appointed to the Board effective 9 October 2006. She is Chairman of the People & Remuneration Committee and a member of the Risk Committee.

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

Director: The Global Foundation, Tabcorp Ltd and Santos Ltd.

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

Ms Hemstritch is a resident of Victoria. Age 56.

Carolyn H Kay

Ms Kay has been a member of the Board since 2003 and is also a member of the Audit, People & Remuneration and Risk Committees. She holds Bachelor Degrees in Law and Arts and a Graduate Diploma in Management. She has extensive experience in Finance, particularly in International Finance, having worked as both a banker and a lawyer at Morgan Stanley, JP Morgan and Linklaters & Paines in London, New York and Australia.

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

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

Ms Kay is a resident of New South Wales. Age 49.

Andrew M Mohl

Mr Mohl was appointed to the Board effective 1 July 2008 and is a member of the Risk and People & Remuneration Committees. He has over 30 years of financial services experience. Mr Mohl was Managing Director and Chief Executive Officer of AMP Limited from October 2002, until December 2007.

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

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

Chairman: Federal Government Export Finance and Insurance Corporation.

Director: AMP Foundation.

Other Interests: Coaching services to senior executives, (Member) the Advisory Council of the Australian School of Business and the Corporate Council of the European Australian Business Council (Member).

Mr Mohl is a resident of New South Wales. Age 54.

Fergus D Ryan

Mr Ryan has been a member of the Board since 2000 and is Chairman of the Audit Committee and a member of the Risk Committee. He has extensive experience in accounting, audit, finance and risk management. He was a senior partner of Arthur Andersen until his retirement in 1999, after 33 years with that firm, including five years as Managing Partner Australasia. Until 2002, he was Strategic Investment Co-ordinator and Major Projects Facilitator for the Commonwealth Government.

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

Other Interests: Committee for Melbourne (Counsellor) and Pacific Institute (Patron).

Mr Ryan is a resident of Victoria. Age 67.

Harrison H Young

Mr Young has been a member of the Board since 2007. He is Chairman of the Risk Committee and a member of the Audit Committee. On appointment to the Board, Mr Young retired as Chairman of Morgan Stanley Australia, a position he had held since 2003. From 1997 to 2003 he was a Managing Director and Vice Chairman of Morgan Stanley Asia. Prior to that, he spent two years in Beijing as Chief Executive Officer of China International Capital Corporation. From 1991 to 1994 he was a senior officer of the Federal Deposit Insurance Corporation in Washington.

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

Deputy Chairman: The Asia Society AustralAsia and Asialink (Advisory Board).

Director: Bank of England and Financial Services Volunteer Corps.

Mr Young is a resident of Victoria. Age 65.

John M Schubert, Chairman (retired 10 February 2010)

Dr Schubert was a member of the Board from 1991 and Chairman from November 2004, until his retirement in February 2010. He was Chairman of the Board Performance & Renewal Committee and a member of the Risk Committee and People & Remuneration Committee. He holds a Bachelor's Degree and PhD in Chemical Engineering and has executive experience in the petroleum, mining and building materials industries. Dr Schubert is the former Managing Director and Chief Executive Officer of Pioneer International Limited and the former Chairman and Managing Director of Esso Australia Ltd.

Chairman: G2 Therapies Limited, Great Barrier Reef Foundation.

Director: BHP Billiton Limited, BHP Billiton Plc and Qantas Airways Limited, Committee for Economic Development of Australia.

Other Interests: Academy of Technological Science and Engineering (Fellow), Institute of Engineers (Fellow) and Honorary Member & Past President, Business Council of Australia.

Dr Schubert is a resident of New South Wales. Age 67.

David Turner succeeded John Schubert as Chairman in February 2010.

Reg J Clairs, AO (retired 13 April 2010)

Mr Clairs was a member of the Board since 1999. He was Chairman of the People & Remuneration Committee, and a member of the Risk Committee. As the former Chief Executive Officer of Woolworths Limited, he has 33 years experience in retailing, branding and customer service.

Director: David Jones Limited

Other Interests: Australian Institute of Company Directors (Member).

Mr Clairs is a resident of Queensland. Age 72.

Other Directorships

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

Director	Company	Date Appointed	Date of Ceasing (if applicable)
D J Turner	Brambles Limited	21/03/2006	16/11/2007
	Cobham plc	01/12/2007	06/05/2010
C R Galbraith	OneSteel Limited	25/10/2000	
J S Hemstritch	Tabcorp Holdings Limited	13/11/2008	
	Santos Limited	16/02/2010	
S C H Kay	Brambles Industries Limited	01/06/2006	
A M Mohl	AMP Limited	07/10/2002	31/12/2007
F D Ryan	Australian Foundation Investments Company Limited	08/08/2001	
J M Schubert	BHP Biliton Limited	01/06/2000	
	Qantas Airways Limited	23/10/2000	
	BHP Biliton Plc	29/06/2001	
R J Clairs	David Jones Limited	22/02/1999	
	Cellnet Group Limited	01/07/2004	20/08/2007

Directors' Meetings

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

Director	No. of Meetings Held [1]	No. of Meetings Attended
D J Turner	11	11
R J Norris	13	12
J A Anderson	13	12
C R Galbraith	13	13
J S Hemstritch	13	13
S C H Kay	13	13
A M Mohl	13	13
F D Ryan	13	13
H H Young	11	10
J M Schubert [2]	10	10
R J Clairs [3]	11	9

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

(2) Mr Schubert retired 10 February 2010.

(3) Mr Clairs retired 13 April 2010.

Directors' Report

Committee Meetings

Director	Risk Committee		Audit Committee		People & Remuneration Committee	
	No. of Meetings Held (1)	No. of Meetings Attended	No. of Meetings Held (1)	No. of Meetings Attended	No. of Meetings Held (1)	No. of Meetings Attended
D J Turner	6	6	4	4	4	4
R J Norris	6	5	-	-	-	-
J A Anderson	6	5	-	-	-	-
C R Galbraith	6	6	6	6	-	-
J S Hemstritch	6	6	-	-	9	7
S C H Kay	6	6	6	6	9	9
A M Mohl	6	6	-	-	9	9
F D Ryan	6	6	6	6	-	-
H H Young	6	6	6	6	-	-
J M Schubert	4	4	-	-	5	5
R J Clairs	5	3	-	-	8	6

Director	Board Performance & Renewal Committee	
	No. of Meetings Held (1)	No. of Meetings Attended
D J Turner	8	8
J A Anderson	2	2
C R Galbraith	8	8
J M Schubert	6	6

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

Principal Activities

The principal activities of the Group during the financial year ended 30 June 2010 were the provision of a broad range of banking and financial products and services to retail, small business, corporate and institutional clients.

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

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

Consolidated Profit

Consolidated net profit after income tax and non controlling interests for the financial year ended 30 June 2010 was $5,664 million (2009: $4,723 million).

The net operating profit for the year ended 30 June 2010 after tax and non controlling interests and before Bankwest significant items, tax on New Zealand structured finance transactions, treasury shares valuation adjustment, hedging and AIFRS volatility, loss on disposal of controlled entities and other one off expenses was $6,101 million. This is an increase of $1,686 million or 38% over the year ended 30 June 2009.

The result for the year was favourably impacted by a lower loan impairment expense as the domestic economy recovers.

While the environment remains challenging, the Group's operating performance has been healthy. Operating income growth was solid, reflecting strong volume growth.

Operating expense growth reflects the effect of inflation on salary and general expenses, as well as higher occupancy and volume expenses.

Loan impairment expense decreased significantly compared to the prior year as a result of improved economic conditions.

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

Dividends

The Directors have declared a fully franked (at 30%) final dividend of 170 cents per share amounting to $2,633 million. The dividend will be payable on 1 October 2010 to shareholders on the register at 5pm AEST on 20 August 2010. Dividends paid in the year ended 30 June 2010 were as follows:

- As declared in the 30 June 2009 Annual Report, a fully franked final dividend of 115 cents per share amounting to $1,747 million was paid on 1 October 2009. The payment comprised cash disbursements of $1,058 million, with $688 million being reinvested by participants through the Dividend Reinvestment Plan (DRP); and
- In respect of the year to 30 June 2010, a fully franked interim dividend of 120 cents per share amounting to $1,841 million was paid on 1 April 2010. The payment comprised direct cash disbursements of $1,067 million, with $774 million being reinvested by participants through the DRP.

Review of Operations

An analysis of operations for the financial year is set out in the Highlights section and in the sections for Retail Banking Services, Business and Private Banking, Institutional Banking and Markets, Wealth Management, New Zealand, Bankwest and Other Divisions.

Changes in State of Affairs

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

Highlights included:

- Successful migration of over one million deposit accounts to the new Core Banking platform, enabling real time visibility and improved functionality for customers;
- A range of additional features were launched within CommBiz to help business customers conduct their transactions faster;
- Continued NetBank enhancements benefitting over five million online customers, including free SMS services and new autopay functionality; and
- The successful launch of the new American Express companion card, and the Travel Money Card.

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

Events Subsequent to Balance Date

On 1 July 2010 the Tax consolidated Group began to apply the new tax regime for financial instruments – Taxation of Financial Arrangements ("TOFA"). Further details are set out in Note 5 Income Tax Expense.

On 2 July 2010, class action proceedings were commenced against the Bank in relation to Storm Financial. At this stage, the size of the class action has not been defined and damages sought have not been quantified. The Group is also aware from media reports and other public announcements that class action proceedings may be commenced against it and other Australian banks with respect to exception fees. At this stage, such proceedings have not commenced.

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

The Dividend Reinvestment Plan for the final dividend for the 2010 financial year will be satisfied fully or partially by an on-market purchase and transfer of shares.

Business Strategies and Future Developments

Accommodation Strategy

The Group is implementing a property strategy to consolidate its Sydney metropolitan teams across three main precincts: Sydney Central Business District (CBD), Sydney Olympic Park and Parramatta. At 30 June 2010, over 4,000 employees are accommodated in Darling Park Tower 1. In the coming 12 months, employees will commence occupying a new building – Commonwealth Bank Place. This will result in rationalisation of the existing Sydney CBD property space in line with lease expiry profiles.

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

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

Business Strategies

Business strategies, prospects and future developments, which may affect the operations of the Group in subsequent years, are referred to in the Chief Executive Officer's Statement. In the opinion of the Directors, disclosure of any further information on likely strategic developments would be unreasonably prejudicial to the interests of the Group.

Directors' Report

Environmental Reporting

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

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

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

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

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

Directors' Shareholdings and options

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

An Executive Option Plan ("EOP") was approved by shareholders at the Annual General Meeting on 8 October 1996 and its continuation was approved by shareholders at the Annual General Meeting on 29 October 1998. At the 2000 Annual General Meeting, the EOP was discontinued and shareholders approved the establishment of the Equity Reward Plan ("ERP").

The last grant of options to be made under the ERP was the 2001 grant, with options being granted on 31 October 2001, 31 January 2002 and 15 April 2002.

A total of 3,007,000 options were granted by the Bank to 81 executives in the 2001 grant.

All option grants have now met their specified performance hurdles and are available for exercise by participants.

During the financial year and for the period to the date of this report 102,340 shares were allotted by the Bank following the exercise of options granted under the EOP and ERP. Full details of the Plan are disclosed in Note 29 to the Financial Statements. No options have been allocated since the beginning of the 2002 financial year.

The names of persons who currently hold options in the Plan are entered in the register of option holders kept by the Bank pursuant to Section 170 of the Corporations Act 2001. The register may be inspected free of charge.

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

Directors' Interests in Contracts

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

Directors' and Officers' Indemnity

Articles 19.1, 19.2 and 19.3 of the Commonwealth Bank of Australia's Constitution provides:

"19. Indemnity

19.1 Persons to whom articles 19.2 and 19.4 apply

Articles 19.2 and 19.4 apply:

(a) to each person who is or has been a Director, secretary or senior manager of the Company; and

(b) to such other officers, employees, former officers or former employees of the Company or of its related bodies corporate as the Directors in each case determine,

(each an "Officer" for the purposes of this article).

19.2 Indemnity

The Company must indemnify each Officer on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses ("Liabilities") incurred by the Officer as an officer of the Company or of a related body corporate.

19.3 Extent of indemnity

The indemnity in article 19.2:

(a) is enforceable without the Officer having to first incur any expense or make any payment;

(b) is a continuing obligation and is enforceable by the Officer even though the Officer may have ceased to be an officer of the Company or its related bodies corporate; and

(c) applies to Liabilities incurred both before and after the adoption of this constitution."

An indemnity for employees, who are not Directors, secretaries or senior managers, is not expressly restricted in any way by the Corporations Act 2001.

The Directors, as named on pages 63 and 64 of this report, and the Secretaries of the Commonwealth Bank of Australia, being J D Hatton and C F Collingwood, are indemnified under articles 19.1, 19.2 and 19.3, as are all the senior managers of the Commonwealth Bank of Australia.

Deeds of indemnity have been executed by the Commonwealth Bank of Australia, consistent with the above articles in favour of each Director.

An indemnity deed poll has been executed by the Commonwealth Bank of Australia, consistent with the above articles in favour of each secretary and senior manager of the Bank, each Director, secretary and senior manager of a related body corporate of the Bank (except where in the case of a partly owned subsidiary the person is a nominee of an entity which is not a related body corporate of the Bank unless the Bank's Chief Executive Officer has certified that the indemnity shall apply to that person), and any person who, at the prior formal request of the Bank, act as Director, secretary or senior management of a body corporate which is not a related body corporate of the Bank (in which case the indemnity operates excess of protection provided by that body corporate).

Directors' and Officers' Insurance

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

Directors' Report – Remuneration Report

Message from the People & Remuneration Committee Chairman

Dear Shareholder

2010 has been a year of great challenges. Once again remuneration practices in Australia and overseas have come under the spotlight, and regulatory change has followed.

Our considered approach to remuneration

At the Commonwealth Bank, we have followed a careful, measured approach to remuneration, in particular as it applies to our executive remuneration arrangements.

However, your Board is determined not to be complacent. The People & Remuneration Committee of the Board continues to focus on our remuneration practices. Our aim is to continually review those remuneration practices to ensure they drive achievement of our strategy, comply with changing regulations and incorporate high standards of governance.

A key step in this process is the way we communicate our remuneration philosophy, frameworks and outcomes to shareholders and the community. This year we have refreshed our approach. We have worked to present our Remuneration Report in a clear and concise way that we believe is easier to read.

We have also engaged Hewitt Associates as our independent remuneration consultant. Hewitt Associate's role is to pro-actively advise the People & Remuneration Committee on regulatory and market developments, as well as specific remuneration matters.

Executive Remuneration Philosophy

Our approach is embodied in our remuneration philosophy for the Chief Executive Officer and his senior executive team. Our remuneration philosophy is to:

- provide target remuneration which is market competitive, without putting upward pressure on the market;
- clearly articulate to executives the link between individual and Group performance and individual reward;
- reward superior performance, while managing risks associated with delivering and measuring that performance;
- align rewards with shareholder interests and our business strategy;
- provide flexibility to meet changing needs and emerging market practice; and
- provide appropriate benefits on termination, that do not deliver any windfall payment.

The same remuneration philosophy applies throughout the executive levels of the Group.

Non-Executive Director Remuneration Philosophy

For our own remuneration, we have a straightforward and effective remuneration philosophy.

- Non-Executive Directors receive fees that are market competitive in order to attract and retain a high calibre of experienced Directors.
- We do not receive performance based incentive payments, in keeping with our strategic role. However, we undertake individual performance reviews each year.
- Our fees are managed within a cap approved by shareholders. This cap is set at a moderate level that will not burden the Group.
- We receive 20% of our annual fees as Commonwealth Bank Shares. This supports alignment of all Directors with shareholder interests.

Continuing to meet the challenges of the global economic crisis

These remuneration philosophies were put to the test during 2010. I am very pleased that our approach stood up well to the challenges of the economic crisis.

- As performance contracted with the economic environment, so did executive performance-based pay. As the environment improved, along with a strengthened share price, so did performance-based pay, albeit within caps set by your Board.
- In addition, your Directors and the CEO took a voluntary 10% pay cut during the worst of the crisis. Group Executives took a 5% pay cut. This set a responsible example in the market, and sent a strong message to our customers, shareholders and staff.
- Throughout the unsettling turmoil of 2009/10 our executives remained focused. Our long term incentives focused our executives on improving customer satisfaction and creating shareholder value. Our customer satisfaction increased during 2010, and our share price and dividend yield delivered higher gains to shareholders than most of our peers.

Our continuing remuneration focus

Our focus continues to be on achieving the most effective remuneration framework for our varied businesses, with strong governance and risk oversight.

We do this to ensure our bank continues to earn the respect of the community and our customers, while paying for the performance that drives value for our shareholders.

Jane Hemstritch

Committee Chairman

The Information Provided in this Report

This report details the Group's remuneration frameworks and 2010 outcomes for Key Management Personnel and one Other Executive. The information is set out in four sections:

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

2010 Remuneration in Review

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

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

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

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

Non-Executive Directors

Key developments for 2010:

- Dr John Schubert retired as the Chairman of the Board, and was replaced by David Turner in February 2010;
- Reg Clairs retired from the Board in April 2010;
- Non-Executive Directors took a voluntary 10% pay cut during the worst of the global financial crisis from 1 July to 31 December 2009;
- Jane Hemstritch replaced Reg Clairs as Chairman of the People & Remuneration Committee (the Committee) in January 2010; and
- Hewitt Associates was engaged as the Committee's independent remuneration consultant.

We continue to retain a strong line-up of skilled, knowledgeable and experienced Directors. We believe the Board provided strong and clear stewardship in conjunction with the CEO during the 2010 financial year, in the face of unprecedented market dislocation.

Non-Executive Directors are remunerated in their role of providing strategic leadership to the Group. They receive fees which are market competitive compared to other large complex organisations.

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

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

CEO and Group Executives

Key developments for 2010:

- The CEO took a voluntary 10% pay-cut during the worst of the global financial crisis from 1 July to 31 December 2009;
- Group Executives' voluntary pay-cut was 5% during the same period; and
- The executive team line-up remained unchanged during 2010.

Key achievements for 2010:

- The Group achieved strong profit results despite the challenges of the business environment;
- Shareholder returns remained strong during 2010, and high relative to our peers;
- We continue to deliver on our business strategy, centred on improving customer satisfaction;
- Employee engagement remains high;
- Our investment in technology and operations continues to deliver strong results;
- We continue to foster and develop our key talent; and
- Diversity continues to be a key focus of the Board and executive team, which also actively focuses on the support and development of women in our Group.

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

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

The executive remuneration framework has three components:

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

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

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

Directors' Report – Remuneration Report

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

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

This year we increased the portion of target remuneration the CEO and Group Executives received in long term incentives. This is intended to increase the focus on our long term business strategy and shareholder value creation. Our new long term incentive plan has performance hurdles directly related to those aims; through customer satisfaction and Total Shareholder Return.

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

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

Short Term Incentives Drive Performance Over the Financial Year.

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

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

Executives' performance evaluations are conducted following the end of each financial year. Performance evaluations for the 2010 financial year were conducted in July 2010. Similarly, performance evaluations for the 2009 financial year were conducted in July 2009.

Long Term Incentives Drive Performance Over Four Years.

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

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

Performance is generally measured over a four year period:

- One half of each long term incentive award measures our customer satisfaction results relative to our peers. Our research demonstrates a direct relationship between high levels of customer satisfaction and high levels of shareholder returns; and
- The other half measures our Total Shareholder Return relative to our peers. Shareholder return is a cornerstone of our remuneration philosophy.

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

All our activities are carefully managed within our risk appetite, and individual incentive outcomes are reviewed and may be reduced in light of any risk management issues. Risk management is also built into our remuneration framework.

Profit After Capital Charge (PACC) is the performance measure that drives short term incentive outcomes. This is important, as PACC is a risk-adjusted measure. That is, it takes into account not just the profit achieved, but also considers the risk to capital that was taken to achieve it.

Risk is also managed by deferring half of the 2010 short term incentive of the CEO and each Group Executive for one year.

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

We align rewards with shareholder interests and our business strategy.

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

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

Our results for 2010 are strong. Our one year Total Shareholder Return is ranked in the top 10% of our peers. The peer group[(1)] includes the large financial services companies we compete with for customers and capital.

Our 2010 customer satisfaction results are also strong.

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

This flexibility was clearly demonstrated during 2010, when uncertainty around changes to the taxation of employee share awards impacted short term incentive deferral arrangements.

In the recent past, the CEO and Group Executives received their deferred short term incentive as Commonwealth Bank Shares. However, in July 2009 this arrangement was suspended while the Federal Government finalised its changes to the taxation of employee share awards.

Our remuneration framework allows the Board flexibility to meet these types of challenges, and the 2010 deferred short term incentive will be received as cash, with a higher portion deferred to maintain alignment with shareholders' interests.

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

(1) The peer group is made up of the 20 largest companies listed on the Australian Securities Exchange, after excluding resources companies and CBA.

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

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

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

Entitlements on termination for the CEO and Group Executives were reviewed and standardised prior to the end of the 2010 financial year. Remuneration arrangements for other executives in the Group continue to be reviewed and standardised as part of an ongoing program.

During 2010, the Federal Government amended the Corporations Act to reduce the limit of benefits that directors and disclosed executives may receive when they leave a company.

Almost all affected employees' termination entitlements are already within the revised limit. This includes the CEO and Group Executives. We continue to manage the small number of exceptions who have legacy arrangements.

Our long term incentive plan for the CEO and Group Executives supports our approach. Under the plan, executives who resign or are dismissed forfeit their long term incentive award.

Executives who are retrenched or retire do not lose their award. However, their award is generally pro-rated for the time served, and the performance period continues unchanged. Performance is measured at the end of the performance period in the normal way, and the Board determines the portion of the remaining award that may vest.

Directors' Report – Remuneration Report

2010 Executive Remuneration Outcomes Summary

CEO & Group Executives

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

To assist shareholders, table (a) below provides a clear report of the remuneration the CEO and Group Executives actually received in relation to the 2010 financial year. The table sets out base remuneration, employer superannuation, the portion of the 2010 short term incentive that is not required to be deferred, and the value of executives' 2006 long term incentive awards that vested during the 2010 financial year.

The information provided in table (a) is different to the information provided in the statutory remuneration table on page 84, which has been prepared in accordance with the accounting requirements and shows the accounting expense incurred for the 2010 financial year of each component of remuneration.

Table (b) provides a reconciliation in relation to the CEO of the remuneration details set out in table (a) with the remuneration information provided in the statutory remuneration table on page 84.

(a) Remuneration received in relation to the 2010 Financial Year

	Base Remuneration & Superannuation (1) $	2010 STI for Performance to 30 June 2010 (2) $	Total cash payments $	Previous years' awards that vested during 2010 (3) $
Managing Director and CEO				
Ralph Norris	2,961,863	1,852,500	4,814,363	4,318,014
Executives				
Simon Blair	742,877	464,453	1,207,330	-
Barbara Chapman	828,459	517,969	1,346,428	809,598
David Cohen	804,092	502,734	1,306,826	-
David Craig	1,023,390	639,844	1,663,234	1,079,527
Michael Harte	925,925	578,906	1,504,831	680,072
Ross McEwan	1,169,589	731,250	1,900,839	682,326
Ian Narev	828,459	517,969	1,346,428	54,005
Grahame Petersen	1,072,123	670,313	1,742,436	1,187,442
Ian Saines	1,267,055	792,188	2,059,243	237,488
Alden Toevs	1,364,521	853,125	2,217,646	-

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

(2) This is the 50% of the 2010 short term incentive payable in cash for performance during the 12 months to 30 June 2010. The remaining 50% is deferred until 1 July 2011.

(3) The value of long term incentive awards granted under the Equity Reward Plan in July 2006 that vested in July 2009, calculated as the number of Reward Shares that vested multiplied by the market price of Commonwealth Bank shares at that time, plus dividends earned. Simon Blair, David Cohen and Alden Toevs joined the Group after the 2006 LTI awards were made.

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

	2010 ($)	Financial year award vests
Cash remuneration received in relation to 2010 - refer to table (a) above	4,814,363	n/a
2010 STI deferred for one year at risk	1,852,500	2012
Annual leave and long service leave accruals	302,903	n/a
Other payments	441	n/a
Share based payments: accounting expense in 2010 for LTI awards made over the past 5 years		
2005 ERP – Expense for shares that have now vested following relative TSR outperformance over 3 years	351,306	2009
2006 ERP – Expense for shares that have now vested following relative TSR outperformance over 3 years	651,453	2010
2007 GLSP – Expense reflecting $2.4 billion increase in PACC (see page 81) in the past 3 years. The 2007 award is now due to vest and the 2008 award may vest in 2012	3,629,999	2011
2008 GLSP – Expense reflecting $2.4 billion increase in PACC (see page 81) in the past 3 years. The 2007 award is now due to vest and the 2008 award may vest in 2012	2,785,736	2012
2009 GLRP: Expense for two awards that may vest subject to improved customer satisfaction performance	887,312	2013 & 2014
2009 GLRP: Expense for two awards that may vest subject to improved relative TSR outperformance	881,733	2013 & 2014
Total remuneration as per page 84	16,157,746	

Remuneration Arrangements

This section details the Group's remuneration arrangements for Key Management Personnel and the Other Executive during the year ended 30 June 2010.

Name	Position	Term
1. Key Management Personel		
Non-Executive Directors		
David Turner	Chairman (from 10 February 2010)	Full Year
John Schubert	Former Chairman (until 10 February 2010)	Retired 10 February 2010
John Anderson	Director	Full Year
Reg Clairs	Former Director	Retired 13 April 2010
Colin Galbraith	Director	Full Year
Jane Hemstritch	Director	Full Year
Carolyn Kay	Director	Full Year
Andrew Mohl	Director	Full Year
Fergus Ryan	Director	Full Year
Harrison Young	Director	Full Year
Managing Director and CEO		
Ralph Norris	Managing Director and CEO	Full Year
Group Executives		
Simon Blair	Group Executive, International Financial Services	Full Year
Barbara Chapman	Group Executive, Human Resources and Group Services	Full Year
David Cohen	Group General Counsel	Full Year
David Craig	Group Executive, Financial Services and Chief Financial Officer	Full Year
Michael Harte	Group Executive, Enterprise Services and Chief Information Officer	Full Year
Ross McEwan	Group Executive, Retail Banking Services	Full Year
Ian Narev	Group Executive, Business and Private Banking	Full Year
Grahame Petersen	Group Executive, Wealth Management	Full Year
Ian Saines	Group Executive, Institutional Banking and Markets	Full Year
Alden Toevs	Group Chief Risk Officer	Full Year
2. Other Executive		
Mark Lazberger	CEO Colonial First State Global Asset Management	Full Year

Governance & Risk Management

People & Remuneration Committee

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

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

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

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

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

Membership

During 2010 the Committee consisted of:

- Jane Hemstritch (Chairman from 1 January 2010);
- Reg Clairs (Chairman until 1 January 2010);
- Carolyn Kay;
- Andrew Mohl; and
- David Turner

Independent Remuneration Consultants

During the year, the People & Remuneration Committee engaged Hewitt Associates as their on-going independent remuneration consultant. Hewitt Associates will advise the Committee on specific remuneration matters, as well as changes to regulatory environment and market practice.

During 2010, and prior to engaging Hewitt Associates, the Committee also obtained independent advice from Guerdon Associates.

Risk Management

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

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

Remuneration Arrangements in Detail

Non-Executive Directors' Remuneration

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

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

Fee Structure

The Bank's Non-Executive Directors' receive a base fee for service on the Board and fees for serving on Committees. Different Committees have different fees, according to workload, and there are separate fees for chairing and membership of a Committee. The following table sets out the fee structure for Non-Executive Directors at 30 June 2010.

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

The Board Performance and Renewal Committee reviews the Non-Executive Directors' fee schedule annually and assesses fee levels in comparison to market trends. Last year, Non-Executive Directors elected to reduce their base and committee fees by 10% from 1 July 2009, in response to economic conditions at that time. Economic conditions subsequently improved and fees were reinstated to their previous level, effective 1 January 2010.

People & Remuneration Committee fees increased by $10,000 for the Chairman and $5,000 for members with effect from 1 January 2010. This change recognises the increased responsibilities of the People & Remuneration Committee, and also brings fees into alignment with the Audit and Risk Committees.

Superannuation

Non-Executive Directors also receive statutory superannuation contributions of 9% of their superannuation salary, up to the superannuation concessional contribution cap that applies to them. In general, superannuation salary is 80% of their total fees. Reg Clairs did not receive superannuation contributions from the Group as he is above the age where contributions are required (i.e. 70 years).

Shareholder Alignment

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

Service Agreements

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

Retirement Benefits

During the year, four Non-Executive Directors held entitlements under the Directors' Retirement Allowance Scheme. This scheme was approved by shareholders at the 1997 Annual General Meeting. However, the Board discontinued the scheme in 2002 and froze entitlements for participating directors at that time. The scheme was also closed to new participants at that time.

Frozen entitlements for directors under this scheme are set out in the remuneration disclosures in section 3. Entitlements paid on retirement during 2010 for John Schubert ($636,398) and Reg Clairs ($202,989) were disclosed in previous years' remuneration reports.

Executive Remuneration

Remuneration Framework and Pay Mix

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

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

Our incentive programs are designed to discourage excessive risk taking. The Committee has discretion to reduce deferred incentive awards where performance outcomes are not ultimately realised.

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

CEO and Group Executives

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

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

Mark Lazberger's Remuneration Arrangements

Mark Lazberger receives fixed remuneration, a short term incentive and a long term incentive. His remuneration is set considering the size and responsibility of his role as well as external benchmarks, and is reviewed annually.

CEO and Group Executives' Remuneration in Detail

Fixed Remuneration

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

Fixed remuneration includes cash salary, any salary sacrifice items and employer superannuation contributions. Salary sacrifice means using before-tax salary to receive benefits such as child care and car parking. The Group provides employer superannuation contributions of 9% of each executive's superannuation salary, up to the superannuation concessional contribution cap that applies to them. In general, superannuation salary is 80% of their base remuneration.

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

Short Term Incentives

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

Setting Performance Objectives

At the beginning of each financial year, each executive's performance objectives are set. The performance objectives are linked to our strategic priorities. The Committee reviews the performance objectives and measures and recommends them to the Board for approval. For 2010, short term incentive performance measures included:

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

Measuring Performance and Determining Short Term Incentive Outcomes

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

The review by the Board and Committee drives the short term incentive outcome for each executive, within an overall cap. Depending on performance outcomes, executives may receive 0% to 125% of their 2010 short term incentive target.

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

Payment and Mandatory Deferral

Half the CEO and Group executives' short term incentive is paid in cash following the annual results announcement, usually in September each year. The other half is deferred for one year. The 2010 deferred component will be paid as cash, and will attract interest at the same rate as a Commonwealth Bank one year term deposit.

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

The Board reserves the right to reduce the deferred portion, or reduce future short term incentive outcomes, and receives advice from the Risk Committee each year in this regard.

2010 Performance Outcomes

The following table provides a summary of performance for the year ended 30 June 2010 against the Group's performance objectives.

Performance Objective	2010 Achievements
Customer Satisfaction	**We have achieved significant improvements in Customer Satisfaction** The Group has made significant progress towards its vision "to be Australia's finest financial services organisation through excelling in customer service". The Group is now ranked third among the five main Australian banks in retail customer satisfaction as measured by Roy Morgan Research[1], with the gap to the number one improved from 12.3 percentage points in January 2006, to 5.1 percentage points in June 2010. Over this period, the Group's customer satisfaction score has increased by 9.9 percentage points, and the Group now has over 4 million satisfied customers, which is more than Westpac, NAB and St. George combined. In business banking as measured by the TNS Business Finance Monitor, the Group has improved the gap to number one main bank from 16.6% in January 2006 to 6.2% in June 2010. Our Wealth Management business has maintained its number one position in customer satisfaction since 2008. In May 2010, the Group was awarded Money Magazine's "Bank of the Year" for the second time in three years, and was also recognised as "Australia's leading financial institution (Retail)" at the 2010 Australian Banking & Finance Awards. [1] Roy Morgan Research Australians 14+, MFI customers, excluding BankWest, six-month rolling average.
Business Banking	**The Group's market share in the Business Banking segment has been strengthened** The Business Banking growth strategy is designed to improve the Group's historically underweight position in this key market segment. In recent times, key initiatives have included the expansion of our distribution footprint, the introduction of local business bankers across the branch network and the rollout of CommBiz, our market leading transactional online banking presence. These initiatives, together with the establishment of Business and Private Banking under the leadership of a dedicated Group Executive in early 2009, have been the catalyst for significant improvement in the Group's business banking performance. The Group's market share in this segment has been strengthened, customer satisfaction scores have improved relative to peers, and staff engagement is higher. CommSec, the Group's market leading retail online broking platform, continues to perform strongly. In June, the Group's Private Banking team was awarded "Outstanding Private Banking Institute of the Year" in the $1m to $10m category at the Australian Private Banking Awards 2010.

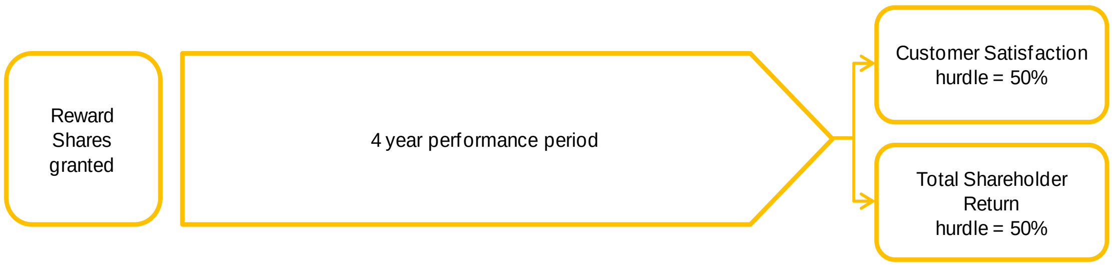
Performance Objective	2010 Achievements
Technology & Operational Excellence	**Our Core Banking Modernisation program is on track and progressing well** The Group's Technology and Operational Excellence initiatives are designed to improve efficiency and productivity levels, whilst at the same time enhancing the service proposition to customers through more innovative and responsive systems, processes and procedures. The key undertaking in this regard is the Core Banking Modernisation program, which represents a complete overhaul of the Group's ageing core banking platforms. The program is progressing well, with recent milestones including the successful migration of over 1 million Term Deposit accounts. Other key deposit and lending products will be progressively migrated over the next 1-2 years. Once completed, the program will drive a step-change improvement in customer service and efficiency levels, positioning the Group well for future growth.
Trust & Team Spirit	**We have achieved significant improvements in employee engagement** Trust and team spirit focuses on achieving a culture where our people feel engaged, passionate and valued, which is central to the success of the Group's vision "to be Australia's finest financial services organisation's through excelling in customer service". A range of programs and initiatives over recent years have led to significant improvements in this area. This is highlighted by the Group now achieving top quartile staff engagement in the Gallup Worldwide database.
Profitable Growth	**The Group continues to pursue a targeted growth strategy in Asia** The Profitable Growth strategy is designed to enhance the Group's growth profile through the targeted pursuit of investment and acquisition opportunities which complement the overall Group strategy and which offer sustainable, long term shareholder value. In recent times, this has included the acquisition of Bankwest at a very attractive price and the taking of a strategic stake in Aussie Home Loans, Australia's leading home loan mortgage broker. The Group continues to pursue a targeted growth strategy in Asia, including stakes in two city commercial banks in China, as well as ownership of the largest foreign branch network in Indonesia, through PT Bank Commonwealth. In April, the Group announced a strategic partnership with Vietnam International Bank (VIB), which will lead to the Group taking a 15% stake in VIB, one of the top eight Joint Stock Banks in Vietnam.

Long Term Incentives

Long term incentives reward sustained performance over the longer term. Long term incentive awards are subject to performance hurdles designed to build shareholder value, and achieve the Group's long term business objectives.

Group Leadership Reward Plan (GLRP)

CEO and Group Executives received long term incentive awards under the GLRP during the 2010 financial year. In general, the GLRP delivers value to executives over a four year performance period, subject to meeting performance hurdles, as shown in the following diagram.



The key features of the GLRP are set out in the following table.

Feature	Description
Instrument	Reward Shares. Each Reward Share entitles the executive to receive one Commonwealth Bank ordinary share in the future, subject to meeting performance hurdles set out below.
Determining the number of Reward Shares	The number of Reward Shares each executive receives depends on their long term incentive target. The number of Reward Shares received is calculated taking into account the expected number of shares to vest at the end of the performance period.
Performance Period	The performance period is four years, starting at the beginning of the financial year in which the award is made. Transitional arrangements were applied to awards made in 2010, in view of the transition from the Group's previous long term incentive arrangements that measured performance over a three year period. During 2010, executives received their long term incentive in two awards. The first award is subject to a three year performance period. The second award is subject to a four year performance period.
Performance Hurdles	Half of each award is subject to a performance hurdle which measures the Group's Customer Satisfaction achievements relative to a peer group. The other half is subject to a performance hurdle which measures the Groups Total Shareholder Return relative to a separate peer group.
Peer Groups	• The peer group for the Customer Satisfaction performance hurdle is Australia & New Zealand Banking Group Limited (ANZ), National Australia Bank Limited (NAB), St. George Bank Limited (St. George), and Westpac Banking Corporation (WBC). • The peer group for the Total Shareholder Return performance hurdle is made up of the 20 largest companies listed on the Australian Securities Exchange at the beginning of the performance period, after excluding resources companies and CBA. The peer group for the most recent award includes: - AGL Energy Limited, AMP Limited, Australia and New Zealand Banking Group Limited, ASX Limited, Brambles Industries Limited, CSL Limited, Foster's Group Limited, Insurance Australia Group Limited, Macquarie Group Limited, National Australia Bank Limited, Qantas Airways Limited, QBE Insurance Group Limited, Stockland, Suncorp-Metway Limited, Transurban Group, Telstra Corporation Limited, Wesfarmers Limited, Westfield Group, Westpac Banking Corporation and Woolworths Limited.
Vesting Framework	*Total Shareholder Return hurdle applies to half the award* • No Reward Shares in this part of the award will vest if the Group's Total Shareholder Return is ranked below the median of the peer group; • If the Group is ranked at the median, half the Reward Shares will vest; • Full vesting is achieved if the Group's Total Shareholder Return is ranked in the top quarter of the peer group (i.e. 75th percentile or higher); and • Vesting increases on a sliding scale if the Group is ranked between the median and below the 75th percentile. *Customer Satisfaction hurdle applies to half the award* • The vesting scale for each award is determined with reference to the Group's position relative to the peer group; • For this part of the GLRP awarded during 2010: - Full vesting applies if the Group is ranked 1st relative to our peers; - 75% will vest if the Group is ranked 2nd; - If the Group is ranked 3rd, half will vest; and - None of the Reward Shares in this portion of the award will vest if the Group is ranked 4th or 5th.
Who calculates the performance results	Customer satisfaction is measured with reference to three separate independent surveys provided by: • Roy Morgan Research, which measures customer satisfaction across the retail bank base; • TNS Business Finance Monitor, which measures business banking customer satisfaction; • Wealth Insights 2010 Service Level Report, Platforms, which measures wealth management service performance of master trusts/wraps in Australia; Total Shareholder Return is calculated independently by Standard & Poors.
If an executive leaves during a performance period	If the executive ceases employment with the Group before the Reward Shares vest, they will generally forfeit that award unless the Board determines otherwise. For example, in cases of death or ill health the Board may require the award to be pro-rated for the portion of the performance period served, with the performance period continuing unchanged. In such cases any portion of the award that ultimately vests may be satisfied by cash rather than shares.
Expiry	At the end of the applicable performance period, any Reward Shares that have not vested will expire.

Previous and Other Long Term Incentive Plans

The Group regularly reviews remuneration arrangements to ensure they continue to align with and support our strategic objectives. During the year the Group introduced the GLRP for long term incentive awards to the CEO and Group Executives. Prior year's long term incentive awards were made under legacy plans. These legacy plans are now closed to new offers, and existing awards continue to run their course. The legacy plans are summarised in this section.

Group Leadership Share Plan (GLSP)

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

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

The number of shares each executive will ultimately receive is determined in three steps:

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

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

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

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

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

Equity Reward Plan (ERP)

We reported in the 2009 Remuneration Report that the final ERP award vested on 14 July 2009. This plan was closed to new offers in July 2006. Under the ERP executives received awards where vesting was subject to the Group's Total Shareholder Return growth relative to a set peer group. At the end of the performance period the peer group included: Adelaide Bank, AMP Limited, Australia and New Zealand Banking Group Limited, AXA Asia Pacific Holdings Limited, Bank of Queensland Limited, Bendigo Bank Limited, Insurance Australia Group, Macquarie Bank Limited, National Australia Bank Limited, QBE Insurance Group Limited, St. George Bank Limited, Suncorp-Metway Limited and Westpac Banking Corporation.

The Total Shareholder Return growth calculation for each company in the peer group was weighted according to the company's market capitalisation.

Other Long Term Incentive Plans

In line with our philosophy of providing flexibility to provide effective reward structures linked to our business strategy, the Group operates other long term incentive plans for key employees in parts of our business.

Mark Lazberger participates in the Colonial First State Global Asset Management (CFS GAM) cash-settled long term incentive plan.

The purpose of this plan is retention and motivation of key employees with specific and unique skill sets highly valued in the market. The decision of investors to grant an investment mandate to CFS GAM is dependent on their confidence in the investment capability, experience and long term tenure of individual fund managers. Awards made under this plan during 2010 have a three year vesting period and are not subject to performance hurdles.

Hedging

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

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

Directors' Report – Remuneration Report

Group Performance Relating to Long Term Incentives

Equity Reward Plan (ERP)

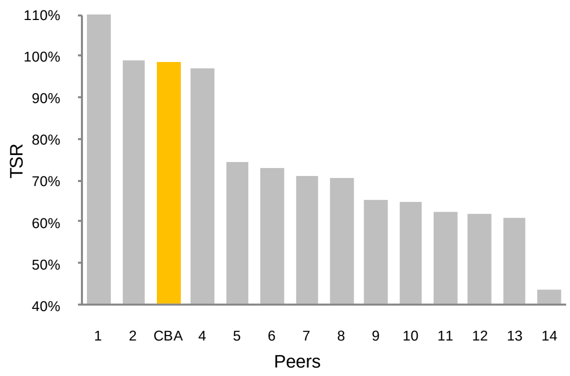
Executives only receive value from their long term incentive awards when performance hurdles are met. During the 2010 financial year, the long term incentive award made under the ERP in July 2006 reached a performance test date.

Under the ERP, the value executives receive at the end of the performance period depends on the Group's Total Shareholder Return growth relative to a set peer group, and weighted by market capitalisation.

For the 2006 ERP award, the Group's Total Shareholder Return to the measurement date of 14 July 2009 was among the highest 25% of the peer group, and resulted in full vesting.

The following graph demonstrates the Group's Total Shareholder Return performance over the three year period, relative to each of the thirteen other companies in the peer group.

CBA TSR Performance Relative to Peer Group

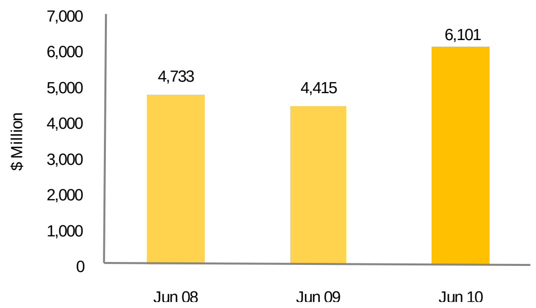


Group Leadership Share Plan (GLSP) [(1)]

Awards were made under the GLSP in the 2008 and 2009 financial years, and have a three year performance period. These awards are subject to performance hurdles of NPAT and customer satisfaction relative to our peers.

- The following graph demonstrates our NPAT performance over the past three years. It shows our strong cash NPAT over the period, despite a challenging economic environment.

Cash NPAT



(1) This information is general. For each award, performance is measured from the beginning of that award's performance period to the end.

- At 30 June 2010, we were ranked third overall against our peers in Customer Satisfaction, under the GLSP. Under the GLSP Customer Satisfaction is measured based on independent surveys provided by Roy Morgan Research, TNS Business Finance Monitor, and the Wealth Insights 2010 Service Level Report, Platforms.

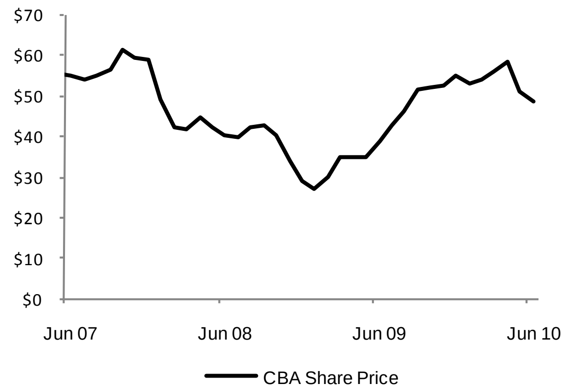
The GLSP award granted during the 2008 financial year reached the end of its performance period on 1 July 2010. Since the year end, the Board has reviewed performance against the financial and customer satisfaction hurdles and has determined that 50% of the available pool will vest. This results in a total distribution of $14.8 million in the 2011 financial year.

Group Leadership Reward Plan (GLRP)

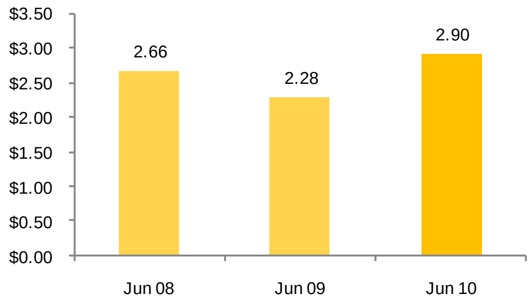
The GLRP is the Group's current LTI plan for the CEO and Group Executives. Awards under the GLRP are subject to performance hurdles of relative Total Shareholder Return and Customer Satisfaction. The Customer Satisfaction measure for the GLRP is consistent with the methodology used under the GLSP.

Total Shareholder Return measures a company's share price movement, dividends and any return of capital over a specific period. The Commonwealth Bank's share price movement and dividends per share for the three year period to June 2010 are shown in the following graphs.

Share Price



CBA Dividends Per Share



Statutory Remuneration Disclosures

Remuneration of Non-Executive Directors

Individual remuneration details for Non-Executive Directors for the year ended 30 June 2010.

	Short Term Benefits	Post employment Benefits		Share-based payments	
	Cash [(1)]	Super-annuation [(2)]	Retiring Allowance Paid	Non-executive Directors' Share Plan [(3)]	Total Remuneration
	$	$	$	$	$
Chairman					
David Turner [(4)]					
2010	**353,933**	**47,854**	**-**	**88,483**	**490,270**
2009	-	99,313	-	176,617	275,930
John Schubert [(5)]					
2010	**357,027**	**24,500**	**636,398**	**68,055**	**1,085,980**
2009	589,918	53,093	-	147,480	790,491
Non-Executive Directors					
John Anderson					
2010	**180,232**	**16,221**	**-**	**45,058**	**241,511**
2009	188,000	16,920	-	47,000	251,920
Reg Clairs [(5)]					
2010	**160,362**	**-**	**202,989**	**37,775**	**401,126**
2009	209,918	-	-	52,480	262,398
Colin Galbraith [(6)]					
2010	**205,111**	**18,460**	**-**	**51,278**	**274,849**
2009	205,918	18,533	-	51,480	275,931
Jane Hemstritch					
2010	**205,618**	**18,506**	**-**	**51,404**	**275,528**
2009	204,000	18,360	-	51,000	273,360
Carolyn Kay					
2010	**214,692**	**19,322**	**-**	**53,673**	**287,687**
2009	213,918	19,253	-	53,479	286,650
Andrew Mohl					
2010	**195,700**	**33,613**	**-**	**48,925**	**278,238**
2009	129,072	82,299	-	48,479	259,850
Fergus Ryan [(6)]					
2010	**216,506**	**19,486**	**-**	**54,127**	**290,119**
2009	228,000	20,520	-	57,000	305,520
Harrison Young					
2010	**216,506**	**19,486**	**-**	**54,127**	**290,119**
2009	228,000	20,520	-	57,000	305,520

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

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

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

(4) David Turner was appointed as Chairman on 10 February 2010.

(5) John Schubert retired from the Board on 10 February 2010. Reg Clairs retired from the Board on 13 April 2010. Both directors received payments of $636,398 and $202,989 respectively, representing their entitlements under the Directors' Retirement Allowance Scheme.

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

Directors' Report – Remuneration Report

Remuneration of Executives

The following table sets out remuneration disclosures for the CEO, Group Executives (who are Key Management Personnel), and the Other Executive for the year ended 30 June 2010. The table has been prepared in accordance with the accounting requirements and does not represent the remuneration each individual executive actually received during the year. Details of the remuneration the CEO and Group Executives received in relation to the 2010 performance year are set out in the tables on page 74.

In the table below, where a component of remuneration (such as an equity award) vests over a number of years and some of the vesting period fell during 2010, we are required to show the portion of the expense relating to the 2010 year. In some cases, where performance exceeds expectations we may be required to recognise a greater expense. This occurred during the year in relation to performance under both GLSP awards. Higher performance has resulted in a higher expense recognised this year in the table below under 'LTI Performance Rights At Risk'.

	Short Term Benefits					Post employment	Long-term benefits	Share-based payments			
	Cash Fixed (1) ($)	Non Monetary Fixed (2) ($)	Cash STI Payment At Risk (3) ($)	STI Deferred At Risk (4) ($)	Other (5) ($)	Superannuation fixed (6) ($)	Other (7) ($)	LTI Performance Rights At Risk (8) ($)	LTI Reward Shares At Risk (9) ($)	LTI Performance Units At Risk (10) ($)	Total Remuneration (11) ($)
Managing Director and CEO											
Ralph Norris											
2010	**3,128,875**	**-**	**1,852,500**	**1,852,500**	**441**	**50,000**	**85,891**	**6,415,735**	**2,771,804**	**-**	**16,157,746**
2009	3,253,551	-	1,733,333	866,667	-	100,000	82,020	1,936,546	1,237,635	-	9,209,752
Group Executives											
Simon Blair (12)											
2010	**746,742**	**14,078**	**464,453**	**464,453**	**-**	**49,338**	**17,219**	**-**	**228,441**	**-**	**1,984,724**
Barbara Chapman											
2010	**865,094**	**13,231**	**517,969**	**517,969**	**20,744**	**25,000**	**151,926**	**1,334,602**	**630,874**	**-**	**4,077,409**
2009	861,370	13,233	600,000	300,000	10,357	50,000	20,635	403,956	133,255	87,861	2,480,667
David Cohen											
2010	**811,941**	**25,237**	**502,734**	**502,734**	**-**	**50,000**	**15,811**	**1,334,602**	**493,756**	**-**	**3,736,815**
2009	834,452	13,233	800,000	400,000	573,004	50,000	12,612	403,956	-	-	3,087,257
David Craig											
2010	**1,047,974**	**13,231**	**639,844**	**639,844**	**-**	**50,000**	**27,859**	**1,506,616**	**791,291**	**-**	**4,716,659**
2009	1,049,649	13,233	800,000	400,000	4,711	79,944	31,175	454,521	177,673	-	3,010,906
Michael Harte											
2010	**970,037**	**14,341**	**578,906**	**578,906**	**24,475**	**25,000**	**15,540**	**1,334,602**	**671,174**	**-**	**4,212,981**
2009	969,041	13,218	800,000	400,000	14,058	50,000	14,449	403,956	111,929	-	2,776,651
Ross McEwan											
2010	**1,205,475**	**13,045**	**731,250**	**731,250**	**12,815**	**50,000**	**30,344**	**1,815,846**	**718,201**	**121,487**	**5,429,713**
2009	1,185,722	13,268	933,333	466,667	11,492	100,231	62,670	542,317	-	220,393	3,536,093
Ian Narev (14)											
2010	**845,414**	**13,182**	**517,969**	**517,969**	**10,505**	**43,182**	**11,743**	**374,100**	**516,871**	-	**2,850,935**
2009	370,006	5,491	254,820	127,410	5,445	24,087	7,120	143,334	-	-	937,713
Grahame Petersen											
2010	**1,100,413**	**14,666**	**670,313**	**670,313**	**-**	**50,000**	**53,602**	**1,709,081**	**914,029**	-	**5,182,417**
2009	1,080,395	12,446	666,667	333,333	-	101,026	86,307	516,753	372,781	-	3,169,708
Ian Saines (14)											
2010	**1,274,982**	**11,832**	**792,188**	**792,188**	-	**85,101**	**73,266**	**374,100**	**832,237**	-	**4,235,894**
2009	651,383	3,660	403,280	201,640	-	43,298	55,459	143,334	-	-	1,502,054
Alden Toevs											
2010	**1,415,581**	**14,341**	**853,125**	**853,125**	**1,011,765**	**50,000**	**536,909**	**506,339**	**837,902**	-	**6,079,087**
2009	1,399,726	-	1,066,667	533,333	241,699	100,000	532,797	194,000	-	-	4,068,222
Other Executive (13)											
Mark Lazberger											
2010	**791,835**	**12,038**	**807,934**	**403,967**	**-**	**25,000**	**1,261,296**	**-**	**-**	**2,500,000**	**5,802,070**
2009	615,611	9,335	498,000	249,000	1,000,000	41,679	1,743,674	-	-	1,750,000	5,907,299

(1) Cash Fixed remuneration is the total cost of salary, including any annual leave accruals and salary sacrificed benefits.

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

(3) 2010 Cash STI payment includes for the CEO and Group Executives 50%, and for Mark Lazberger 66.6%, of the total STI award in recognition of performance for the year ended 30 June 2010 (2009: 66.6%). Any portion of STI sacrificed to superannuation is included under 'Superannuation.'

(4) 2010 STI Deferred includes the compulsory deferral of 50% of the CEO and Group Executives' STI payments for performance for the year ended 30 June 2010 (2009: 33%). These amounts are deferred until 1 July 2011. For Mark Lazberger, 2010 STI Deferred includes the compulsory deferral of 33.4% of his STI payment for performance for the year ended 30 June 2010 (2009: 33.4%). These amounts are deferred for three years, and he will need to be an employee of the Group at the end of the deferral period to receive this payment.

(5) Other Short Term Benefits relate to company funded benefits (including associated fringe benefits tax where applicable). These benefits include preparation of Australian taxation returns for expatriates, club memberships, and relocation costs. This item also includes a payment to Mr Toevs of $929,970 in June 2010 relating to his sign-on arrangements. The 2009 amounts for David Cohen, Mark Lazberger and Alden Toevs relate to sign on arrangements.

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

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

(8) This includes Performance Rights awarded under the GLSP in the 2008 and 2009 financial years (now closed to new offers).

(9) This includes Reward Shares awarded during the 2010 financial year under the GLRP, and in 2006 Reward Shares awarded under the ERP (now closed to new offers).

(10) For Barbara Chapman and Ross McEwan this includes awards made under a cash-equivalent plan to the ERP (now closed to new offers) to executives who were located outside Australia at the time of the award. For Mark Lazberger, this represents awards made under the CFS GAM long term incentive plan.

(11) The percentage of 2010 remuneration related to performance was: Ralph Norris 80%, Simon Blair 58%, Barbara Chapman 74%, David Cohen 76%, David Craig 76%, Michael Harte 75%, Mark Lazberger 64%, Ross McEwan 76%, Ian Narev 68%, Grahame Petersen 76%, Ian Saines 66% and Alden Toevs 50%. None of the remuneration was received as options.

(12) Simon Blair was appointed to a Key Management Personnel role on 1 July 2009.

(13) The five executives who received the highest remuneration for the year ended 30 June 2010 as defined in the Section 300A of the Corporations Act 2001, include Mark Lazberger, who is not one of the Key Management Personnel, Ross McEwan, Ralph Norris and Grahame Petersen and Alden Toevs.

(14) Ian Narev and Ian Saines were appointed KMP during the 2009 financial year, 27 January 2009 and 31 December 2008 respectively. The 2009 remuneration disclosed relates to the portion of the year that they were a KMP.

STI Allocations to Executives for the Year Ended 30 June 2010

	STI Target	Maximum STI Potential (1)	STI Paid (2)		STI Portion Deferred (3)	
	($)	(%)	(%)	($)	(%)	($)
Managing Director and CEO						
Ralph Norris	2,964,000	125%	50%	1,852,500	50%	1,852,500
Group Executives						
Simon Blair	743,125	125%	50%	464,453	50%	464,453
Barbara Chapman	828,750	125%	50%	517,969	50%	517,969
David Cohen	804,375	125%	50%	502,734	50%	502,734
David Craig	1,023,750	125%	50%	639,844	50%	639,844
Michael Harte	926,250	125%	50%	578,906	50%	578,906
Ross McEwan	1,170,000	125%	50%	731,250	50%	731,250
Ian Narev	828,750	125%	50%	517,969	50%	517,969
Grahame Petersen	1,072,500	125%	50%	670,313	50%	670,313
Ian Saines	1,267,500	125%	50%	792,188	50%	792,188
Alden Toevs	1,365,000	125%	50%	853,125	50%	853,125
Other Executive						
Mark Lazberger	n/a	n/a	67%	807,934	33%	403,967

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

(2) Includes the annual cash award immediately payable in recognition of performance for the year ended 30 June 2010.

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

Directors’ Report – Remuneration Report

Equity Awards Received as Remuneration

The following table sets out the number and value of equity awards that were granted, exercised, or forfeited/lapsed during 2010. It also shows the value of awards made in previous years that vested during 2010. Further information about equity holdings of Key Management Personnel are provided in Note 44 to the financial statements.

		Granted during 2010		Previous years' awards that vested during 2010	Ordinary shares received on exercise of previous year's awards during 2010 (1)		Forfeited or lapsed during 2010	
Name	**Class**	**(Units)**	**($)**	**(Units)**	**(Units)**	**($)**	**(Units)**	**($)**
Managing Director and CEO								
Ralph Norris	Reward Shares	204,626	9,027,208	90,910	-	-	-	-
	Deferred Shares	16,460	868,100	-	-	-	-	-
Group Executives								
Simon Blair	Reward Shares	30,190	1,336,511	-	-	-	-	-
	Deferred Shares	-	-	-	-	-	-	-
Barbara Chapman	Reward Shares	58,844	2,595,931	17,045	-	-	-	-
	Deferred Shares	5,698	300,513	-	-	-	-	-
David Cohen	Reward Shares	57,113	2,519,573	-	-	-	-	-
	Deferred Shares	7,597	400,666	-	-	-	-	-
David Craig	Reward Shares	72,690	3,206,757	22,728	-	-	-	-
	Deferred Shares	7,597	400,666	-	-	-	-	-
Michael Harte	Reward Shares	65,767	2,901,351	14,318	-	-	-	-
	Deferred Shares	7,597	400,666	-	-	-	-	-
Ross McEwan	Reward Shares	83,074	3,664,854	-	-	-	-	-
	Deferred Shares	8,863	467,435	-	-	-	-	-
Ian Narev	Reward Shares	58,844	2,595,931	1,137	-	-	-	-
	Deferred Shares	5,698	300,513	-	-	-	-	-
Grahame Petersen	Reward Shares	76,151	3,359,449	25,000	-	-	-	-
	Deferred Shares	6,331	333,897	-	-	-	-	-
Ian Saines	Reward Shares	89,997	3,970,275	5,000	-	-	-	-
	Deferred Shares	7,597	400,666	-	-	-	-	-
Alden Toevs	Reward Shares	96,920	4,275,681	-	-	-	-	-
	Deferred Shares	10,130	534,256	-	-	-	-	-
Other Executive				-			-	-
Mark Lazberger	Reward Shares	-	-	23,463	-	-	-	-
	Deferred Shares	4,729	249,407	-	-	-	-	-

(1) No amounts are payable on exercise.

Equity Awards Outstanding during 2010 – Fair Value Assumptions

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

Award type	Grant Date	Fair Value ($)	Exercise Price ($)	Performance Period End	Expected Life (years)	Expected Dividend Yield (%)	Expected Volatility (%)	Risk free rate (%)
GLRP - Reward Shares(1)	25/09/2009	51.30	Nil	30/06/2012	2.8	Nil	30	5.1
GLRP - Reward Shares(2)	25/09/2009	36.52	Nil	30/06/2012	2.8	Nil	30	5.1
GLRP - Reward Shares(1)	25/09/2009	51.30	Nil	30/06/2013	3.8	Nil	30	5.4
GLRP - Reward Shares(2)	25/09/2009	37.24	Nil	30/06/2013	3.8	Nil	30	5.4
GLSP - Performance Rights	3/12/2008	26.20	Nil	1/07/2011	2.6	6.75	30	4.7
GLSP - Performance Rights	12/10/2007	53.50	Nil	1/07/2010	2.8	6.75	30	4.7
ERP - Reward Shares	3/11/2006	30.62	Nil	14/07/2009	3.9	Nil	30	5.4

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

Termination Arrangements

The Group's executive contracts provide for the following termination arrangements for Key Management Personnel and the Other Executive:

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

(1) Permanent contracts are ongoing until notice is given by either party.
(2) Severance applies where termination is initiated by the Group, other than for misconduct or unsatisfactory performance.

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

Loans to Key Management Personnel

Information on loans to Key Management Personnel, including loan amounts, interest charged, and loan balances outstanding are set out in note 44 to the financial statements.

Glossary of Key Terms

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

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

Company Secretaries

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

John Hatton has been Company Secretary of the Commonwealth Bank of Australia since 1994.

From 1985 until 1994, he was a solicitor with the Bank's Legal Department.

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

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

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

Non-Audit Services

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

	2010 $'000
Regulatory audits, reviews, attestations and assurances for Group entities – Australia	870
Regulatory audits, reviews, attestations and assurances for Group entities – Offshore	140
APRA reporting (including the tripartite review)	174
Financial and other audits, reviews, attestations and assurances for Group entities - Australia	405
Financial and other audits, reviews, attestations and assurances for Group entities – Offshore	182
Agreed upon procedures and comfort letters in respect of financing, debt raising and related activities	503
Taxation services	2,342
Controls review and related work	1,093
Other	2,566
Total (1)	8,275

(1) An additional amount of $7,867,223 was paid to PricewaterhouseCoopers by way of fees for entities not consolidated into the Financial Statements. Of this amount $6,794,440 relates to statutory audits.

Audit Services

Amounts paid or payable for audit services to PricewaterhouseCoopers totalled $17,654,000.

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

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

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

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

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

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

Auditor's Declaration of Independence

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

Signed in accordance with a resolution of the Directors.

D J Turner

Chairman

11 August 2010

R J Norris

Managing Director and Chief Executive Officer

11 August 2010

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
www.pwc.com/au

Auditor's independence declaration

As lead auditor for the audit of the Commonwealth Bank of Australia for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

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

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

RChowdry

Rahoul Chowdry | Sydney
Partner | 11 August 2010

PricewaterhouseCoopers

PricewaterhouseCoopers

Liability limited by a scheme approved under Professional Standards Legislation

Financial Statements

Financial Statements

Income Statements

For the year ended 30 June 2010

		Group			Bank	
		2010	2009	2008	2010	2009
	Note	$M	$M	$M	$M	$M
Interest income	2	**32,215**	31,519	29,234	**27,754**	27,991
Interest expense	2	**(20,293)**	(21,218)	(21,327)	**(18,603)**	(19,956)
Net interest income		**11,922**	10,301	7,907	**9,151**	8,035
Other operating income	2	**4,208**	3,914	3,559	**5,260**	4,151
Net banking operating income		**16,130**	14,215	11,466	**14,411**	12,186
Funds management income		**1,906**	1,618	2,369	**-**	-
Investment revenue/(expense)		**975**	(859)	(525)	**-**	-
Claims and policyholder liability (expense)/revenue		**(953)**	731	519	**-**	-
Net funds management operating income	2	**1,928**	1,490	2,363	**-**	-
Premiums from insurance contracts		**1,794**	1,651	1,373	**-**	-
Investment revenue/(expense)		**687**	(232)	(27)	**-**	-
Claims and policyholder liability expense from insurance contracts		**(1,251)**	(650)	(606)	**-**	-
Net Insurance operating income	2	**1,230**	769	740	**-**	-
Total net operating income	2	**19,288**	16,474	14,569	**14,411**	12,186
Gain on acquisition of controlled entities	46(e)	**-**	983	-	**-**	-
Impairment expense	2,14	**(2,379)**	(3,048)	(930)	**(1,193)**	(2,703)
Operating expenses	2	**(8,716)**	(7,960)	(7,384)	**(5,917)**	(5,553)
Net profit before income tax	2	**8,193**	6,449	6,255	**7,301**	3,930
Corporate tax expense	5	**(2,383)**	(1,860)	(1,548)	**(1,686)**	(844)
Policyholder tax (expense)/benefit	5	**(130)**	164	115	**-**	-
Net profit after income tax		**5,680**	4,753	4,822	**5,615**	3,086
Non-controlling interests		**(16)**	(30)	(31)	**-**	-
Net profit attributable to Equity holders of the Bank		**5,664**	4,723	4,791	**5,615**	3,086

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

		Group		
		2010	2009	2008
	Note	Cents per share		
Earnings per share:				
Basic	7	**367. 9**	328. 5	363. 0
Fully diluted	7	**354. 2**	313. 4	348. 7

Statements of Comprehensive Income

For the year ended 30 June 2010

	Group			Bank	
	2010	2009	2008	2010	2009
	$M	$M	$M	$M	$M
Profit from ordinary activities after income tax for the financial year	**5,680**	4,753	4,822	**5,615**	3,086
Other comprehensive income/(expense):					
Actuarial gains and losses from defined benefit superannuation plans	**(64)**	(739)	(240)	**(64)**	(739)
Gains and losses on cash flow hedging instruments:					
Recognised in equity	**(239)**	(1,630)	422	**11**	(872)
Transferred to Income Statement	**828**	(21)	(573)	**208**	(199)
Gains and losses on available-for-sale investments:					
Recognised in equity	**327**	10	262	**160**	52
Transferred to Income Statement on disposal	**(24)**	(24)	(312)	**(16)**	(24)
Transferred to Income Statement on impairment	**2**	37	-	**-**	-
Revaluation of properties	**50**	(25)	20	**39**	(20)
Foreign currency translation reserve	**(19)**	168	(648)	**(67)**	158
Income tax on items transferred directly to/from equity:					
Foreign currency translation reserve	**(1)**	94	53	**1**	-
Available-for-sale investments revaluation reserve	**(77)**	(37)	44	**(33)**	(17)
Revaluation of properties	**(9)**	9	(4)	**(7)**	8
Cash flow hedge reserve	**(193)**	497	52	**(71)**	319
Other comprehensive income/(expense) net of income tax	**581**	(1,661)	(924)	**161**	(1,334)
Total comprehensive income for the financial year	**6,261**	3,092	3,898	**5,776**	1,752
Total comprehensive income for the financial year is attributable to:					
Equity holders of the Bank	**6,245**	3,062	3,867	**5,776**	1,752
Non-controlling interests	**16**	30	31	**-**	-
Total comprehensive income for the financial year	**6,261**	3,092	3,898	**5,776**	1,752

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

Financial Statements

Balance Sheets

As at 30 June 2010

	Note	Group 2010 $M	Group 2009 $M	Bank 2010 $M	Bank 2009 $M
Assets					
Cash and liquid assets	8	**10,119**	11,340	**8,711**	9,684
Receivables due from other financial institutions	9	**10,072**	14,421	**9,766**	13,986
Assets at fair value through Income Statement:	10				
Trading		**22,851**	25,401	**18,775**	20,988
Insurance		**15,940**	17,260	**-**	-
Other		**654**	1,677	**-**	60
Derivative assets	11	**27,689**	26,358	**27,363**	25,536
Available-for-sale investments	12	**32,915**	21,504	**65,779**	60,659
Loans, bills discounted and other receivables	13	**493,459**	466,631	**377,195**	353,408
Bank acceptances of customers		**11,569**	14,728	**11,569**	14,726
Shares in and loans to controlled entities	49	**-**	-	**49,809**	54,671
Property, plant and equipment	15	**2,351**	2,472	**1,506**	1,572
Investment in associates	43	**1,490**	1,047	**1,194**	845
Intangible assets	16	**9,420**	9,245	**3,382**	3,101
Deferred tax assets	5	**1,270**	1,653	**1,242**	1,628
Other assets	17	**6,482**	6,070	**4,706**	3,866
		646,281	619,807	**580,997**	564,730
Assets held for sale	18	**49**	565	**49**	370
Total assets		**646,330**	620,372	**581,046**	565,100
Liabilities					
Deposits and other public borrowings	19	**374,663**	368,721	**307,844**	305,170
Payables due to other financial institutions	20	**12,608**	15,109	**12,422**	14,942
Liabilities at fair value through Income Statement	21	**15,342**	16,596	**4,613**	3,485
Derivative liabilities	11	**24,884**	32,134	**23,689**	29,442
Bank acceptances		**11,569**	14,728	**11,569**	14,726
Due to controlled entities		**-**	-	**52,411**	81,084
Current tax liabilities	22	**1,056**	883	**1,016**	835
Deferred tax liabilities	22	**221**	168	**-**	40
Other provisions	23	**1,197**	1,243	**934**	913
Insurance policy liabilities	33	**14,592**	16,056	**-**	-
Debt issues	24	**130,210**	101,819	**107,039**	62,894
Managed funds units on issue		**880**	914	**-**	-
Bills payable and other liabilities	25	**10,025**	8,520	**10,733**	7,969
		597,247	576,891	**532,270**	521,500
Loan capital	26	**13,513**	12,039	**13,575**	12,174
Total liabilities		**610,760**	588,930	**545,845**	533,674
Net assets		**35,570**	31,442	**35,201**	31,426
Shareholders' Equity					
Share capital:					
Ordinary share capital	28	**23,081**	21,642	**23,379**	21,825
Other equity instruments	28	**939**	939	**1,895**	1,895
Reserves	27	**1,089**	516	**2,047**	1,697
Retained profits	27	**9,938**	7,825	**7,880**	6,009
Shareholders' equity attributable to Equity holders of the Bank		**35,047**	30,922	**35,201**	31,426
Non-controlling interests	30	**523**	520	**-**	-
Total Shareholders' equity		**35,570**	31,442	**35,201**	31,426

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

Statements of Changes in Equity

For the year ended 30 June 2010

							Group
	Ordinary share capital $M	Other equity instruments $M	Reserves $M	Retained profits $M	Shareholders' equity attributable to Equity holders of the Bank $M	Non-controlling interests $M	Total Shareholders' equity $M
As at 30 June 2008	15,727	939	1,206	7,747	**25,619**	518	**26,137**
Total comprehensive income for the financial year	-	-	(922)	3,984	**3,062**	30	**3,092**
Transactions with equity holders in their capacity as equity holders:							
Issue of shares (net of issue costs)	4,829	-	-	-	**4,829**	-	**4,829**
Dividends paid	-	-	-	(3,731)	**(3,731)**	-	**(3,731)**
Dividend reinvestment plan (net of issue costs)	1,099	-	-	-	**1,099**	-	**1,099**
Other equity movements:							
Share based payments	1	-	39	-	**40**	-	**40**
(Purchase)/sale and vesting of treasury shares	(14)	-	-	-	**(14)**	-	**(14)**
Other changes	-	-	193	(175)	**18**	(28)	**(10)**
As at 30 June 2009	21,642	939	516	7,825	**30,922**	520	**31,442**
Total comprehensive income for the financial year	**-**	**-**	**645**	**5,600**	**6,245**	**16**	**6,261**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid	**-**	**-**	**-**	**(3,621)**	**(3,621)**	**-**	**(3,621)**
Dividend reinvestment plan (net of issue costs)	**1,457**	**-**	**-**	**-**	**1,457**	**-**	**1,457**
Other equity movements:							
Share based payments	**2**	**-**	**125**	**-**	**127**	**-**	**127**
(Purchase)/sale and vesting of treasury shares	**(20)**	**-**	**-**	**-**	**(20)**	**-**	**(20)**
Other changes	**-**	**-**	**(197)**	**134**	**(63)**	**(13)**	**(76)**
As at 30 June 2010	**23,081**	**939**	**1,089**	**9,938**	**35,047**	**523**	**35,570**

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

Statements of Changes in Equity (continued)

For the year ended 30 June 2010

					Bank
	Ordinary share capital $M	Other equity instruments $M	Reserves $M	Retained profits $M	Shareholders' equity attributable to Equity holders of the Bank $M
As at 30 June 2008	15,927	1,895	2,253	7,353	**27,428**
Total comprehensive income for the financial year	-	-	(595)	2,347	**1,752**
Transactions with equity holders in their capacity as equity holders:					
Issue of shares (net of issue costs)	4,829	-	-	-	**4,829**
Dividends paid	-	-	-	(3,691)	**(3,691)**
Dividend reinvestment plan (net of issue costs)	1,099	-	-	-	**1,099**
Other equity movements:					
Share based payments	1	-	39	-	**40**
(Purchase)/sale and vesting of treasury shares	(31)	-	-	-	**(31)**
As at 30 June 2009	21,825	1,895	1,697	6,009	**31,426**
Total comprehensive income for the financial year	**-**	**-**	**225**	**5,551**	**5,776**
Transactions with equity holders in their capacity as equity holders:					
Dividends paid	**-**	**-**	**-**	**(3,587)**	**(3,587)**
Dividend reinvestment plan (net of issue costs)	**1,457**	**-**	**-**	**-**	**1,457**
Other equity movements:					
Share based payments	**2**	**-**	**125**	**-**	**127**
Sale/(purchase) and vesting of treasury shares	**95**	**-**	**-**	**-**	**95**
Other changes	**-**	**-**	**-**	**(93)**	**(93)**
As at 30 June 2010	**23,379**	**1,895**	**2,047**	**7,880**	**35,201**

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

				Group
		2010	2009	2008
	Note	Cents per share		
Dividends per share attributable to shareholders of the Bank:				
Ordinary shares	6	**290**	228	266
Trust preferred securities		**6,715**	8,142	6,850

Statements of Cash Flows [1]

For the year ended 30 June 2010

	Note	Group 2010 $M	Group 2009 $M	Group 2008 $M	Bank 2010 $M	Bank 2009 $M
Cash Flows from Operating Activities						
Interest received		**31,663**	31,745	29,464	**27,197**	28,380
Interest paid		**(19,387)**	(20,986)	(20,786)	**(17,625)**	(20,254)
Other operating income received		**5,573**	5,551	5,314	**3,181**	3,371
Expenses paid		**(7,766)**	(7,334)	(6,882)	**(4,988)**	(5,028)
Income taxes paid		**(2,022)**	(2,043)	(1,905)	**(1,628)**	(1,938)
Net (increase)/decrease in assets at fair value through Income Statement (excluding life insurance)		**(2,466)**	4,864	(990)	**(3,962)**	4,705
Net increase/(decrease) in liabilities at fair value through Income Statement:						
Life insurance:						
Investment income		**335**	275	509	**-**	-
Premiums received [2]		**2,094**	2,063	2,304	**-**	-
Policy payments [2]		**(3,901)**	(3,144)	(3,789)	**-**	-
Other liabilities at fair value through Income Statement		**(1,200)**	287	810	**1,260**	405
Cash flows from operating activities before changes in operating assets and liabilities		**2,923**	11,278	4,049	**3,435**	9,641
Changes in operating assets and liabilities arising from cash flow movements						
Movement in available-for-sale investments:						
Purchases		**(60,021)**	(37,200)	(35,113)	**(36,325)**	(59,909)
Proceeds from sale		**4,107**	4,996	610	**4,095**	4,996
Proceeds at or close to maturity		**44,201**	22,189	31,974	**26,635**	22,049
Net change in deposits with regulatory authorities		**-**	25	13	**2**	(2)
Net (increase) in loans, bills discounted and other receivables		**(28,999)**	(52,878)	(51,570)	**(25,159)**	(48,392)
Net decrease/(increase) in receivables due from other financial institutions not at call		**2,725**	(5,575)	(2,621)	**2,641**	(3,959)
Net decrease/(increase) in securities purchased under agreements to resell		**776**	(507)	634	**751**	363
Life insurance business:						
Purchase of insurance assets at fair value through Income Statement		**(5,660)**	(11,950)	(8,719)	**-**	-
Proceeds from sale/maturity of insurance assets at fair value through Income Statement		**8,384**	14,478	11,159	**-**	-
Net increase in deposits and other public borrowings		**8,852**	47,394	49,603	**5,321**	57,471
Net proceeds from issuance of debt securities		**30,128**	10,253	(4,816)	**43,042**	6,754
Net (decrease)/increase in payables due to other financial institutions not at call		**(1,157)**	(8,012)	4,486	**(1,112)**	(5,641)
Net (decrease)/increase in securities sold under agreements to repurchase		**(2,814)**	6,985	(1,764)	**(2,650)**	6,824
Changes in operating assets and liabilities arising from cash flow movements		**522**	(9,802)	(6,124)	**17,241**	(19,446)
Net cash provided by/(used in) operating activities	46(a)	**3,445**	1,476	(2,075)	**20,676**	(9,805)
Cash Flows from Investing Activities						
Payments for acquisition of controlled entities	46(e)	**-**	(1,741)	(241)	**-**	(2,101)
Proceeds from disposal of controlled entities	46(c)	**(11)**	-	2	**44**	-
Proceeds from disposal of entities and businesses (net of cash disposals)		**(22)**	-	-	**-**	-
Dividends received		**71**	76	39	**1,648**	863
Net amounts received from/(paid to) controlled entities		**-**	-	-	**(23,823)**	11,833
Proceeds from sale of property, plant and equipment		**70**	9	14	**61**	6
Purchases of property, plant and equipment		**(293)**	(987)	(482)	**(230)**	(499)
Payments for acquistions of investments in associates/joint ventures		**(414)**	(144)	-	**(396)**	(144)
Purchase of intangible assets		**(454)**	(405)	(226)	**(427)**	(369)
Sale/(purchase) of assets held for sale		**542**	(22)	766	**346**	(23)
Net decrease/(increase) in other assets		**254**	(77)	(24)	**193**	(180)
Net cash (used in)/provided by investing activities		**(257)**	(3,291)	(152)	**(22,584)**	9,386

(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.

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

Financial Statements

Statements of Cash Flows [1]

For the year ended 30 June 2010

		Group			Bank	
		2010	2009	2008	2010	2009
	Note	$M	$M	$M	$M	$M
Cash Flows from Financing Activities						
Proceeds from issue of shares (net of issue costs)		**2**	4,830	3	**2**	4,830
Dividends paid (excluding Dividend Reinvestment Plan) [2]		**(2,149)**	(2,620)	(2,351)	**(2,119)**	(2,580)
Net movement in other liabilities		**(240)**	344	553	**1,309**	1,956
Net (purchase) /sale of treasury shares		**(20)**	(14)	(9)	**95**	(31)
Issue of loan capital		**3,707**	500	2,091	**3,707**	500
Redemption of loan capital		**(1,760)**	(1,250)	(7)	**(1,760)**	(1,250)
Other		**3**	(54)	128	**284**	93
Net cash (used in)/provided by financing activities		**(457)**	1,736	408	**1,518**	3,518
Net increase/(decrease) in cash equivalents		**2,731**	(79)	(1,819)	**(390)**	3,099
Cash and cash equivalents at beginning of period		**2,186**	2,265	4,084	**3,436**	337
Cash and cash equivalents at end of period	46(b)	**4,917**	2,186	2,265	**3,046**	3,436

(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 Reinvestments plan in the year ended 30 June 2008.

The above 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 2010, were approved and authorised for issue by the Board of Directors on 11 August 2010.

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

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

(a) Bases of Accounting

This general purpose Financial Report for the year ended 30 June 2010 has been prepared in accordance with Australian Accounting Standards ("AIFRS") and the requirements of the Corporations Act 2001.

The basis of the AIFRS standards is 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 International Financial Reporting Interpretations Committee ("IFRIC").

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 (ii) 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 principal accounting policies adopted in the preparation of this financial report and that of the previous financial year are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (which includes Australian Interpretations by virtue of AASB 1048 Interpretation and Application of Standards) and the Corporations Act 2001.

Historical Cost Convention

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

Use of Estimates and Assumptions

The preparation of the financial report requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable. Actual results may differ from these estimates. Discussion of the critical accounting treatments, which include complex or subjective decisions or assessments, are covered in note 1 (ii). Such estimates may require review in future periods.

Comparatives

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

Rounding of Amounts

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

The Financial Report is presented in Australian dollars.

Segment Reporting

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

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

During the year, the Group restructured the former International Financial Services segment which incorporated the results of ASB Bank, Sovereign, Fiji and Asian businesses. This led to the formation of:

- New Zealand incorporating ASB Bank and Sovereign businesses; and
- Asia incorporating the majority of the Group's Asian businesses.

On the grounds of materiality, disclosures with respect to Asia have been combined with the "Other" segment. Comparatives have been restated accordingly.

Changes in Accounting Policies

The Group has continued to apply the accounting policies used for the 2009 Annual Report and has adopted the following:

AASB 101 'Presentation of Financial Statements' (revised September 2007) and AASB 2007-8 and 2007-10 'Amendments arise in from the revisions to AASB 101 - the revised standard does not impact the financial position or results of the Bank or the Group. It does, however, result in certain presentational changes in the Financial Statements, including:

- presentation of all items of income and expense in the "Consolidated Income Statement",
- presentation of non-owner changes in equity in a "Consolidated Statement of Comprehensive Income" that replaces the "Consolidated Statement of Recognised Income and Expense", and
- presentation of a "Consolidated Statement of Changes in Equity" as a primary statement, showing owner changes in equity.

AASB 3 'Business Combinations (revised)', AASB 127 'Consolidated and Separate Financial Statements', AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 - the revised standards, applied prospectively from 1 July 2009 changes certain aspects of accounting for business combinations including:

- Transaction costs associated with a business combination are immediately expensed, unless the cost relates to issuing debt or equity securities; and

Note 1 Accounting Policies (continued)

- Contingent consideration is recognised at its fair value at acquisition date and classified as a liability or equity. If the contingent consideration is classified as a liability, subsequent changes in that liability are recognised in profit or loss. If classified as equity, it is not remeasured in subsequent periods.

AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments' – the amendment has lead to additional disclosures around financial instruments measured at fair value and liquidity risk.

AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate' – the amendment removes 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.

The following amendments to Australian Accounting Standards adopted during the year are of a technical or clarifying nature and do not have a material impact on the Bank or the Group:

- AASB 2008-1 'Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations';
- AASB 2009-6 'Amendments to Australian Accounting Standards';
- AASB 123 'Borrowing Costs (revised)';
- AASB 2009-4, 2008-6 and 2008-5 'Amendments arising from the first annual improvements project'; and
- AASB 2008-8 'Amendments to Australian Accounting Standards – Eligible Hedged Items'.

Future Accounting Developments

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but have not been adopted. They are not expected to result in significant changes to the Group's accounting policies.

- AASB 2009-8 'Amendments to group cash-settled share-based payments'; and
- AASB 2009-5 'Further amendments arising from the second annual improvements project'.

AASB 9 'Financial Instruments: Classification and Measurement' was published on 12 November 2009. It is the first phase of a project to replace AASB 139 and will ultimately result in fundamental changes in the way that the Group accounts for financial instruments.

Adoption of the standard is not mandatory until accounting periods beginning on or after 1 January 2013 but early adoption is permitted. The main changes from AASB 139 include:

- All financial assets, except for certain equity investments, will be classified into two categories:
  - amortised cost, where they generate solely payments of interest and principal and the business model is to collect contractual cash flows that represent principal and interest; or
  - fair value through Income Statement.

Certain non-trading equity investments would be classified at fair value through Income Statement or fair value through other comprehensive income with dividends recognised in net income.

- Embedded derivatives will no longer be considered for bifurcation but included in the assessment of cash flows for the classification of the financial asset as a whole.
- Financial assets which meet the requirements for classification at amortised cost are optionally permitted to be measured at fair value if that eliminates or significantly reduces an accounting mismatch.

Aspects of financial instrument accounting which will be addressed in future phases of the project include the accounting for financial liabilities, impairment of amortised cost financial assets and hedge accounting.

The Group is assessing the impacts of the first phase, as well as following developments in the future phases.

(c) Principles of Consolidation

Subsidiaries

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

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

Impairment of Subsidiaries

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

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

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

(d) Revenue Recognition

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

Note 1 Accounting Policies (continued)

Interest Income

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

Fee and Commission Income

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

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

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

Other Income

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

(e) Foreign Currency Translation

Functional and Presentation Currency

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

Foreign Currency Transactions

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

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

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

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

Foreign Operations

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

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

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

(f) Cash and Liquid Assets

Cash and liquid assets 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.

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

(g) Receivables From Other Financial Institutions

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

(h) Financial Instruments

Financial Assets

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

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

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

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

Notes to the Financial Statements

Note 1 Accounting Policies (continued)

The Group has no held to maturity investments.

Financial Liabilities

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

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

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

Offsetting

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

Recognition of Deferred Day One Profit or Loss

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

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

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

Derecognition of Financial Assets

Financial assets are derecognised either when sold, or when the rights to receive cash flows from the financial assets have expired or have been transferred, or when the Group has transferred substantially all the risks and rewards of ownership. In transactions where substantially all the risks and rewards are neither retained nor transferred, the Group derecognises assets 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. Designation is made when it reduces significant accounting mismatches between assets and related liabilities, the group of financial assets are managed and their performance is evaluated on a fair value basis, or where the asset is a contract which contains an embedded derivative.

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

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

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

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 debt and equity securities that are actively traded.

Insurance

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

Other

Other investments include financial assets which the Group has designated as at fair value through Income Statement at inception to eliminate an accounting mismatch.

(j) Available-for-Sale Investments

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

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

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

Note 1 Accounting Policies (continued)

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

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

(l) Loans, Bills Discounted and Other Receivables

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

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

Non-Performing Facilities

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

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

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

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

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

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

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

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

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

(n) Provisions for Impairment

Financial Assets

Financial assets, excluding derivative assets and assets at fair value through Income Statement, are reviewed at each Balance Sheet date to determine whether there is objective evidence of impairment. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment 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.

Note 1 Accounting Policies (continued)

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

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

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

Available-for-Sale Investments

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

Goodwill and Other Non-Financial Assets

Goodwill balances and intangible assets with an indefinite useful life are assessed for impairment annually or more regularly where an indication of impairment exists. Refer to Note 1(s) 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.

Off-Balance Sheet Items

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

The receivable for an off balance sheet item only crystallises when the facility is drawn upon. Therefore, generally it will not be appropriate to provision for these assets under an incurred loss model. However, the Group has determined that it is appropriate to include these assets in an impairment calculation where a customer has been downgraded. A risk rated model is used to calculate these provisions (e.g. Collective Provision = Probability of Default (PD) x Loss Given Default x Exposure At Default). The PD is based on the remaining life of the exposure, capped at 5 years.

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

(o) Bank Acceptances of Customers

The exposure arising from the acceptance of bills of exchange that are sold into the market is recognised as a liability. An asset of equal value is 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

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

(q) Assets Classified as Held for Sale

Assets are classified as held for sale when their carrying amounts are expected to be recovered principally through sale within 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.

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

(r) Property, Plant and Equipment

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

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

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

Computer software is capitalised at cost and classified as Property, Plant and Equipment where it is integral to the operation of associated hardware.

Note 1 Accounting Policies (continued)

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

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

Depreciation rates and methods are kept under review to take account of any change in circumstances.

No depreciation is charged on freehold land, although, in common with all long-lived assets, it is subject to impairment testing, if deemed appropriate.

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately through the Income Statement to its recoverable amount.

(s) Intangibles

Goodwill

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

Computer Software Costs

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

Costs incurred on software maintenance are expensed as incurred.

Core Deposits

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

Brand Names

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

Management Fee Rights

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

Other Intangibles

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

Impairment

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Intangible assets (other than goodwill) that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(t) Deposits From Customers

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

(u) Payables to Other Financial Institutions

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

They are subsequently recognised at amortised cost. Interest and yield related fees are recognised using the effective interest method.

(v) Liabilities at Fair Value Through Income Statement

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

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

(w) 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 other comprehensive income, in which case it is recognised in other comprehensive income.

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

Note 1 Accounting Policies (continued)

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

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

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

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

The 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 deferred tax assets and liabilities has been performed in accordance with the principles in AASB 112 'Income Taxes', and on a modified stand alone basis under UIG 1052 'Tax Consolidation Accounting'.

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

(x) Employee Benefits

Annual Leave

The provision for annual leave represents the current outstanding liability to employees at Balance 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 employees. The share based remuneration may be cash settled or equity settled. The fair value of equity settled remuneration is calculated at grant date and amortised to the Income Statement over the vesting period, with a corresponding increase in the Employee Compensation Reserve. For these awards, market vesting conditions, such as share price performance conditions, are taken into account when estimating the fair value. Non–market vesting conditions, such as service conditions, are taken into account by adjusting the number of the equity instruments included in the measurement of the expense.

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

Defined Benefit Superannuation Plans

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

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

Actuarial gains and losses related to defined benefit superannuation plans are directly recorded in Retained Profits through other comprehensive income.

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.

(y) 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.

Note 1 Accounting Policies (continued)

(z) Debt Issues

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

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

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

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

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

Hedging

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

(aa) Loan Capital

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

(bb) Shareholders' Equity

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

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

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

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

(cc) Derivative Financial Instruments

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

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

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

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

Swaps

Interest rate swap receipts and payments are recognised within net interest income using the effective interest method as interest of the designated hedged item or class of items being hedged over the term for which the swap is effective as a hedge, 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 derivatives to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions.

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

Fair Value Hedges

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

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

Cash Flow Hedges

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

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

Notes to the Financial Statements

Note 1 Accounting Policies (continued)

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 in equity. Ineffective portions are recognised immediately in the Income Statement. Gains and losses accumulated in equity are included in the Income Statement when the overseas subsidiary or branch is disposed of.

Embedded Derivatives

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

(dd) 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.

(ee) Life and General Insurance Business

Life Insurance Business

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

Disclosure

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

Investment Assets

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

Restriction on Assets

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

Policy Liabilities

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

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

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

Initial entry fee income on investment contracts issued by life insurance entities is recognised upfront where the Group provides financial advice. Other entry fees are deferred and recognised over the life of the underlying investment contract.

Participating benefits vested in relation to the financial year, other than transfers from unvested policyholder benefits liabilities, are recognised as expenses.

Reinsurance contracts entered into are recognised on a gross basis.

Premiums and Claims

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

(i) Life insurance contracts

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

Note 1 Accounting Policies (continued)

(ii) Life investment contracts

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

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

Life Insurance Liabilities and Profit

Life insurance contract policy liabilities are calculated in a way that allows for the systematic release of planned profit margins as services are provided to 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.

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 Funds Units on Issue – Held by Non-Controlling 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 Group 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 non-controlling unit holders is disclosed separately on the Balance Sheet.

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

General Insurance Business

Premium Revenue

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

Unearned Premium Liability

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

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

Reinsurance

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

Claims Expense

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

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

Note 1 Accounting Policies (continued)

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.

(ff) 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) Principles of Consolidation.

(gg) Fiduciary Activities

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

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

(hh) Earnings Per Share

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

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

(ii) Critical Accounting Policies and Estimates

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

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

Provisions for impairment of financial assets

Provisions for impairment of financial assets are raised where there is objective evidence of impairment and at an amount adequate to cover assessed credit related losses. In addition, provisions are raised where 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, i.e. where the Group does not expect to receive all of the cash flows contractually due.

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

Collective provision

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

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

The evaluation process is subject to a series of estimates and judgements.

In the risk rated segment, the risk rating system, including the frequency of default and loss given default rates, loss history, and the size, structure and diversity of individual credits are considered. Current developments in portfolios (industry, geographic and term) are reviewed.

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

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

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

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

Life Insurance Policyholder Liabilities

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

Note 1 Accounting Policies (continued)

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 (ee) Life and General Insurance Business.

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 predominantly required in the context of the Group's securitisation program and structured transactions.

Financial Instruments at Fair Value

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

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

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

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

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

Goodwill

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

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

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

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

Provisions (Other than Loan Impairment)

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

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

Taxation

Provisions for taxation held in respect of uncertain tax positions represents the unrecovered tax benefits associated with specific transactions.

Superannuation Obligations

The Group operates a number of defined benefit plans as described in Note 42. For each of these plans, actuarial valuations of the plan's obligations and the fair value measurements of the plan's assets are performed at least annually in accordance with the requirements of AASB 119 'Employee benefits'.

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

Additional information is included in Note 42 Retirement Benefit Obligations.

Notes to the Financial Statements

Note 2 Profit

Profit before income tax has been determined as follows:

	Group			Bank	
	2010	2009	2008	2010	2009
	$M	$M	$M	$M	$M
Interest Income					
Loans and bills discounted	**29,849**	28,438	25,598	**22,382**	22,136
Other financial institutions	**141**	434	474	**115**	391
Cash and liquid assets	**192**	510	473	**150**	397
Assets at fair value through Income Statement	**793**	1,236	1,933	**616**	1,024
Available-for-sale investments	**1,240**	901	756	**3,102**	2,835
Controlled entities	**-**	-	-	**1,389**	1,208
Total interest income	**32,215**	31,519	29,234	**27,754**	27,991
Interest Expense					
Deposits	**13,970**	14,216	12,393	**13,329**	14,199
Other financial institutions	**164**	509	989	**145**	403
Liabilities at fair value through Income Statement	**624**	1,021	1,129	**130**	163
Debt issues	**4,920**	4,767	6,024	**4,002**	3,565
Controlled entities	**-**	-	-	**360**	898
Loan capital	**615**	705	792	**637**	728
Total interest expense	**20,293**	21,218	21,327	**18,603**	19,956
Net interest income	**11,922**	10,301	7,907	**9,151**	8,035
Other Operating Income					
Loan service fees:					
From financial assets	**1,387**	1,351	933	**1,210**	1,085
Other	**48**	45	43	**40**	40
Commission and other fees:					
From financial liabilities	**568**	531	507	**445**	429
Other	**1,438**	1,496	1,320	**968**	1,115
Trading income	**597**	741	546	**588**	592
Net gain/(loss) on disposal of available-for-sale investments	**27**	(12)	309	**14**	24
Net (loss)/gain on other non-fair valued financial instruments	**(52)**	(9)	(1)	**(15)**	(111)
Net hedging ineffectiveness	**(62)**	(18)	(58)	**(60)**	(28)
Net (loss)/gain on other fair valued financial instruments:					
Fair value through Income Statement (1)	**8**	(66)	(9)	**(13)**	1
Reclassification of net interest on swaps	**(259)**	(275)	(265)	**(148)**	(92)
Non-trading derivatives	**217**	(187)	37	**147**	(21)
Dividends - Controlled entities	**-**	-	-	**1,641**	820
Dividends - Other	**5**	14	39	**7**	43
Net loss on sale of property, plant and equipment	**(4)**	(11)	(15)	**(4)**	(9)
Funds management and investment contract income:					
Fees receivable on trust and other fiduciary activities	**1,493**	1,291	1,835	**-**	-
Other	**435**	199	528	**-**	-
Insurance contracts income	**1,230**	769	740	**-**	-
Other (2)	**290**	314	173	**440**	263
Total other operating income	**7,366**	6,173	6,662	**5,260**	4,151
Total net operating income	**19,288**	16,474	14,569	**14,411**	12,186
Gain on acquisition of controlled entities (Note 46)	**-**	983	-	**-**	-
Impairment expense					
Loan impairment expense	**2,379**	2,683	930	**1,193**	2,338
Available-for-sale debt securities impairment expense	**-**	365	-	**-**	365
Total impairment expense (Note 14)	**2,379**	3,048	930	**1,193**	2,703

(1) The net gain on financial assets and liabilities designated at fair value was $140 million (2009: $150 million loss) for the Group and $31 million (2009: $78 million loss) for the Bank.

(2) The Group result in 2010 includes $30 million loss on disposal of controlled entities, refer to note 46 for further details.

Note 2 Profit (continued)

	Group			Bank	
	2010	2009	2008	2010	2009
	$M	$M	$M	$M	$M
Staff Expenses					
Salaries and wages	**3,845**	3,405	3,097	**2,536**	2,281
Share-based compensation	**130**	125	106	**82**	89
Superannuation contributions	**48**	44	14	**(27)**	(28)
Defined benefit superannuation plan expense/(benefit)	**103**	14	(14)	**103**	14
Provisions for employee entitlements	**58**	88	90	**39**	68
Payroll tax	**202**	188	162	**140**	137
Fringe benefits tax	**40**	36	32	**31**	30
Other staff expenses	**157**	94	160	**106**	69
Total staff expenses	**4,583**	3,994	3,647	**3,010**	2,660
Occupancy and Equipment Expenses					
Operating lease rentals	**527**	488	403	**392**	394
Depreciation:					
Buildings	**30**	29	27	**26**	26
Leasehold improvements	**98**	85	63	**75**	68
Equipment	**90**	89	84	**57**	55
Operating lease assets	**45**	37	20	**24**	18
Repairs and maintenance	**84**	80	81	**67**	65
Other	**103**	102	89	**63**	61
Total occupancy and equipment expenses	**977**	910	767	**704**	687
Information Technology Services					
Application, maintenance and development	**209**	167	224	**135**	136
Data processing	**227**	202	195	**225**	197
Desktop	**141**	141	114	**131**	137
Communications	**199**	179	174	**160**	142
Amortisation of software assets	**178**	122	88	**134**	88
IT equipment depreciation	**75**	62	31	**57**	51
Total information technology services	**1,029**	873	826	**842**	751
Other Expenses					
Postage	**115**	121	119	**88**	98
Stationery	**97**	100	98	**74**	71
Fees and commissions:					
Fees payable on trust and other fiduciary activities	**497**	453	538	**-**	-
Other	**367**	359	280	**584**	622
Advertising, marketing and loyalty	**398**	475	348	**285**	375
Amortisation of intangible assets (excluding software and merger related amortisation) (2)	**27**	17	15	**-**	-
Non-lending losses	**103**	86	78	**78**	79
Other	**408**	391	291	**237**	143
Total other expenses	**2,012**	2,002	1,767	**1,346**	1,388
Total expenses	**8,601**	7,779	7,007	**5,902**	5,486
Investment and restructuring					
Integration expenses (1)	**40**	112	-	**15**	35
Merger related amortisation (2)	**75**	37	-	**-**	-
One-off expenses	**-**	32	-	**-**	32
Investment and restructuring	**-**	-	377	**-**	-
Total investment and restructuring	**115**	181	377	**15**	67
Total operating expenses	**8,716**	7,960	7,384	**5,917**	5,553
Profit before income tax	**8,193**	6,449	6,255	**7,301**	3,930
Net hedging ineffectiveness comprises:					
Gain/(Loss) on fair value hedges:					
Hedging instruments	**771**	543	921	**738**	480
Hedged items	**(838)**	(569)	(970)	**(810)**	(510)
Cash flow hedge ineffectiveness	**5**	8	(9)	**12**	2
Net hedging ineffectiveness	**(62)**	(18)	(58)	**(60)**	(28)

(1) Includes software impairment of $nil in 2010 (2009: $30 million)(refer to Note 16).

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

Notes to the Financial Statements

Note 3 Income from Ordinary Activities

	Group			Bank	
	2010	2009	2008	2010	2009
	$M	$M	$M	$M	$M
Banking					
Interest income	**32,215**	31,519	29,234	**27,754**	27,991
Fees and commissions	**3,441**	3,423	2,803	**2,663**	2,669
Trading income	**597**	741	546	**588**	592
Net gain/(loss) on disposal of available-for-sale investments recognised in Income Statement	**27**	(12)	309	**14**	24
Net (loss)/gain on other non-fair valued financial instruments	**(52)**	(9)	(1)	**(15)**	(111)
Net hedging ineffectiveness	**(62)**	(18)	(58)	**(60)**	(28)
Net (loss)/ gain on other fair valued financial instruments:					
Fair value through Income Statement	**8**	(66)	(9)	**(13)**	1
Reclassification of net interest on swaps	**(259)**	(275)	(265)	**(148)**	(92)
Non-trading derivatives	**217**	(187)	37	**147**	(21)
Dividends	**5**	14	39	**1,648**	863
Net loss on sale of property, plant and equipment	**(4)**	(11)	(15)	**(4)**	(9)
Other	**290**	314	173	**440**	263
	36,423	35,433	32,793	**33,014**	32,142
Funds Management, Investment contract and Insurance contract revenue					
Funds management and investment contract income including premiums	**1,906**	1,618	2,369	**-**	-
Insurance contract premiums and related income	**1,794**	1,651	1,373	**-**	-
Funds management claims and policyholder liability revenue	**-**	731	519	**-**	-
Investment income	**1,662**	-	-	**-**	-
	5,362	4,000	4,261	**-**	-
Total income	**41,785**	39,433	37,054	**33,014**	32,142

Note 4 Average Balances and Related Interest

The following tables list the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate. Averages used were predominantly daily averages. Interest is accounted for based on product yield. Trading gains and losses are disclosed as Trading income within Other operating income.

Interest income and expense disclosed are on a "cash basis" and therefore exclude the amortisation of acquisition related fair value adjustments.

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

The overseas component comprises overseas branches of the Bank and overseas domiciled controlled entities.

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

The official cash rate in Australia increased by 150 basis points during the year while rates in New Zealand increased by 25 basis points.

									Group
			2010			2009			2008
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest earning assets	$M	$M	%	$M	$M	%	$M	$M	%
Cash and liquid assets									
Australia	**3,674**	**146**	**4. 0**	8,353	324	3. 9	3,930	238	6. 1
Overseas	**7,644**	**46**	**0. 6**	6,683	186	2. 8	4,101	235	5. 7
Receivables due from other financial institutions									
Australia	**7,253**	**63**	**0. 9**	9,205	227	2. 5	5,403	242	4. 5
Overseas	**6,645**	**78**	**1. 2**	7,238	207	2. 9	3,700	232	6. 3
Assets at fair value through Income Statement - Trading									
Australia	**15,587**	**585**	**3. 8**	17,614	922	5. 2	20,127	1,388	6. 9
Overseas	**5,944**	**175**	**2. 9**	4,378	231	5. 3	3,186	245	7. 7
Assets at fair value through Income Statement - Other									
Australia	**117**	**12**	**10. 3**	799	3	0. 4	383	27	7. 0
Overseas	**1,157**	**21**	**1. 8**	2,507	80	3. 2	4,813	273	5. 7
Available-for-sale investments									
Australia	**23,360**	**1,166**	**5. 0**	10,553	628	6. 0	6,017	402	6. 7
Overseas	**5,485**	**74**	**1. 3**	7,831	273	3. 5	6,182	354	5. 7
Loans, bills discounted and other receivables									
Australia (1)	**419,667**	**25,826**	**6. 2**	344,534	23,098	6. 7	273,124	20,047	7. 3
Overseas	**57,202**	**3,516**	**6. 1**	61,553	4,584	7. 4	54,701	4,463	8. 2
Intragroup assets									
Australia	**-**	**-**	**-**	-	-	-	-	-	-
Overseas	**12,343**	**20**	**0. 2**	12,023	158	1. 3	8,144	295	3. 6
Total interest earning assets and interest income including intragroup	**566,078**	**31,728**	**5. 6**	493,271	30,921	6. 3	393,811	28,441	7. 2
Intragroup eliminations	**(12,343)**	**(20)**	**0. 2**	(12,023)	(158)	1. 3	(8,144)	(295)	3. 6
Total interest earning assets and interest income(2)	**553,735**	**31,708**	**5. 7**	481,248	30,763	6. 4	385,667	28,146	7. 3
Securitisation home loan assets	**10,967**	**534**	**4. 9**	12,279	742	6. 0	13,427	1,088	8. 1

(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)

Non-interest earning assets	2010 Average Balance $M	2009 Average Balance $M	Group 2008 Average Balance $M
Bank acceptances			
Australia	**12,559**	16,983	19,735
Overseas	**-**	-	-
Assets at fair value through Income Statement - Insurance			
Australia	**15,512**	17,370	17,896
Overseas	**2,166**	2,316	2,634
Property, plant and equipment			
Australia	**1,933**	1,744	1,242
Overseas	**191**	199	192
Other assets			
Australia	**42,444**	48,487	28,182
Overseas	**6,152**	9,393	8,093
Provisions for impairment			
Australia	**(4,904)**	(2,492)	(1,219)
Overseas	**(338)**	(299)	(111)
Total non-interest earning assets	**75,715**	93,701	76,644
Total assets	**640,417**	587,228	475,738
Percentage of total assets applicable to overseas operations (%)	**14.4**	17.3	18.4

Note 4 Average Balances and Related Interest (continued)

	2010			2009			Group 2008		
Interest bearing liabilities	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %
Time deposits									
Australia (1)	168,846	8,643	5. 1	135,010	8,468	6. 3	92,297	5,985	6. 5
Overseas	32,469	1,425	4. 4	30,249	1,625	5. 4	21,364	1,353	6. 3
Savings deposits									
Australia (1)	72,608	1,834	2. 5	68,640	1,539	2. 2	46,472	1,468	3. 2
Overseas	5,885	162	2. 8	6,132	289	4. 7	4,759	324	6. 8
Other demand deposits									
Australia (1)	82,641	1,916	2. 3	74,640	2,221	3. 0	71,525	2,947	4. 1
Overseas	4,115	129	3. 1	4,347	213	4. 9	4,501	316	7. 0
Payables due to other financial institutions									
Australia	5,296	110	2. 1	4,974	160	3. 2	5,748	290	5. 0
Overseas	9,448	54	0. 6	13,871	349	2. 5	13,658	699	5. 1
Liabilities at fair value through Income Statement									
Australia	3,580	136	3. 8	3,831	159	4. 2	3,124	197	6. 3
Overseas	12,494	488	3. 9	13,595	862	6. 3	11,893	932	7. 8
Debt issues									
Australia (2)	91,223	4,291	4. 7	65,109	3,624	5. 6	58,240	4,234	7. 3
Overseas	18,678	105	0. 6	20,763	417	2. 0	16,929	822	4. 9
Loan capital									
Australia (2)	9,370	367	3. 9	9,455	507	5. 4	8,781	566	6. 4
Overseas	4,685	255	5. 4	3,642	202	5. 5	3,758	226	6. 0
Intragroup borrowings									
Australia	12,343	20	0. 2	12,023	158	1. 3	8,144	295	3. 6
Overseas	-	-	-	-	-	-	-	-	-
Interest bearing liabilities and interest expense including intragroup	533,681	19,935	3. 7	466,281	20,793	4. 5	371,193	20,654	5. 6
Intragroup eliminations	(12,343)	(20)	0. 2	(12,023)	(158)	1. 3	(8,144)	(295)	3. 6
Total interest bearing liabilities and interest expense	521,338	19,915	3. 8	454,258	20,635	4. 6	363,049	20,359	5. 6
Securitisation debt issues	9,927	459	4. 6	12,042	684	5. 7	13,205	968	7. 3

(1) Excludes amortisation of acquisition related fair value adjustments made to fixed interest financial instruments.
(2) Certain comparative information has been restated to conform to presentation in the current period

	2010	2009	Group 2008
Non-interest bearing liabilities	Average Balance $M	Average Balance $M	Average Balance $M
Deposits not bearing interest			
Australia	6,638	5,940	6,132
Overseas	1,458	1,438	1,545
Liabilities on Bank acceptances			
Australia	12,559	16,983	19,735
Overseas	-	-	-
Insurance policy liabilities			
Australia	14,432	16,510	19,185
Overseas	1,548	1,766	2,296
Other liabilities			
Australia	32,914	42,939	18,538
Overseas	6,069	6,163	6,647
Total non-interest bearing liabilities	75,618	91,739	74,078
Total liabilities	606,883	558,039	450,332
Shareholders' equity	33,534	29,189	25,406
Total liabilities and Shareholders' equity	640,417	587,228	475,738
Total liabilities applicable to overseas operations (%)	16.0	18.3	19.4

Notes to the Financial Statements

Note 4 Average Balances and Related Interest (continued)

Net interest margin	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
						Group
			2010			2009
	$M	$M	%	$M	$M	%
Total interest earning assets excluding securitisation	553,735	31,708	5. 73	481,248	30,763	6. 39
Total interest bearing liabilities excluding securitisation	521,338	19,915	3. 82	454,258	20,635	4. 55
Net interest income and interest spread (excluding securitisation)		11,793	1. 91		10,128	1. 84
Benefit of free funds			0. 22			0. 26
Net interest margin			2. 13			2. 10

Geographical analysis of key categories

	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
						Group
			2010			2009
	$M	$M	%	$M	$M	%
Loans, bills discounted and other receivables						
Australia	419,667	25,826	6. 15	344,534	23,098	6. 70
Overseas	57,202	3,516	6. 15	61,553	4,584	7. 45
Total	476,869	29,342	6. 15	406,087	27,682	6. 82
Other interest earning assets						
Australia	49,991	1,972	3. 94	46,524	2,104	4. 52
Overseas	26,875	394	1. 47	28,637	977	3. 41
Total	76,866	2,366	3. 08	75,161	3,081	4. 10
Total interest bearing deposits						
Australia	324,095	12,393	3. 82	278,290	12,228	4. 39
Overseas	42,469	1,716	4. 04	40,728	2,127	5. 22
Total	366,564	14,109	3. 85	319,018	14,355	4. 50
Other interest bearing liabilities						
Australia	109,469	4,904	4. 48	83,369	4,450	5. 34
Overseas	45,305	902	1. 99	51,871	1,830	3. 53
Total	154,774	5,806	3. 75	135,240	6,280	4. 64

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	2010 vs 2009	2009 vs 2008
		Group
		Year Ended
	Increase	Increase
	$M	$M
Due to changes in average volume of interest earning assets	1,535	1,971
Due to changes in interest margin	130	370
Change in net interest income	1,665	2,341

Note 4 Average Balances and Related Interest (continued)

Changes in net interest income: Volume and rate analysis	June 2010 vs June 2009 Volume $M	Rate $M	Total $M	June 2009 vs June 2008 Volume $M	Rate $M	Total $M
Interest Earning Assets						
Cash and liquid assets						
Australia	**(183)**	**5**	**(178)**	220	(134)	86
Overseas	**16**	**(156)**	**(140)**	110	(159)	(49)
Receivables due from other financial institutions						
Australia	**(33)**	**(131)**	**(164)**	132	(147)	(15)
Overseas	**(12)**	**(117)**	**(129)**	162	(187)	(25)
Assets at fair value through Income Statement - Trading						
Australia	**(92)**	**(245)**	**(337)**	(152)	(314)	(466)
Overseas	**64**	**(120)**	**(56)**	77	(91)	(14)
Assets at fair value through Income Statement - Other						
Australia	**(37)**	**46**	**9**	15	(39)	(24)
Overseas	**(34)**	**(25)**	**(59)**	(102)	(91)	(193)
Available-for-sale investments						
Australia	**701**	**(163)**	**538**	286	(60)	226
Overseas	**(57)**	**(142)**	**(199)**	76	(157)	(81)
Loans, bills discounted and other receivables						
Australia	**4,830**	**(2,102)**	**2,728**	5,014	(1,963)	3,051
Overseas	**(296)**	**(772)**	**(1,068)**	535	(414)	121
Intragroup loans						
Australia	**-**	**-**	**-**	-	-	-
Overseas	**3**	**(141)**	**(138)**	96	(233)	(137)
Changes in interest income including intragroup	**4,323**	**(3,516)**	**807**	6,709	(4,229)	2,480
Intragroup eliminations	**(3)**	**141**	**138**	(96)	233	137
Changes in interest income	**4,392**	**(3,447)**	**945**	6,543	(3,926)	2,617
Securitisation home loan assets	**(72)**	**(136)**	**(208)**	(81)	(265)	(346)
Interest Bearing Liabilities and Loan Capital						
Time deposits						
Australia	**1,927**	**(1,752)**	**175**	2,724	(241)	2,483
Overseas	**108**	**(308)**	**(200)**	520	(248)	272
Savings deposits						
Australia	**95**	**200**	**295**	599	(528)	71
Overseas	**(9)**	**(118)**	**(127)**	79	(114)	(35)
Other demand deposits						
Australia	**211**	**(516)**	**(305)**	111	(837)	(726)
Overseas	**(9)**	**(75)**	**(84)**	(9)	(94)	(103)
Payables due to other financial institutions						
Australia	**8**	**(58)**	**(50)**	(32)	(98)	(130)
Overseas	**(68)**	**(227)**	**(295)**	8	(358)	(350)
Liabilities at fair value through Income Statement						
Australia	**(10)**	**(13)**	**(23)**	37	(75)	(38)
Overseas	**(57)**	**(317)**	**(374)**	121	(191)	(70)
Debt issues						
Australia	**1,341**	**(674)**	**667**	441	(1,051)	(610)
Overseas	**(27)**	**(285)**	**(312)**	132	(537)	(405)
Loan capital						
Australia	**(4)**	**(136)**	**(140)**	40	(99)	(59)
Overseas	**57**	**(4)**	**53**	(7)	(17)	(24)
Intragroup borrowings						
Australia	**3**	**(141)**	**(138)**	96	(233)	(137)
Overseas	**-**	**-**	**-**	-	-	-
Changes in interest expense including intragroup	**2,762**	**(3,620)**	**(858)**	4,766	(4,627)	139
Intragroup eliminations	**(3)**	**141**	**138**	(96)	233	137
Changes in interest expense	**2,804**	**(3,524)**	**(720)**	4,629	(4,353)	276
Changes in net interest income	**1,535**	**130**	**1,665**	1,971	370	2,341
Securitisation debt issues	**(109)**	**(116)**	**(225)**	(76)	(208)	(284)

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
	2010	2009	2008
Geographical analysis of key categories	%	%	%
Australia			
Interest spread (1)	**2. 04**	1. 93	1. 79
Benefit of interest-free liabilities, provisions and equity (2)	**0. 19**	0. 21	0. 27
Net interest margin (3)	**2. 23**	2. 14	2. 06
Overseas			
Interest spread (1)	**1. 09**	1. 32	1. 11
Benefit of interest-free liabilities, provisions and equity (2)	**0. 27**	0. 40	0. 57
Net interest margin (3)	**1. 36**	1. 72	1. 68
Group			
Interest spread (1)	**1. 91**	1. 84	1. 68
Benefit of interest-free liabilities, provisions and equity (2)	**0. 22**	0. 26	0. 34
Net interest margin (3)	**2. 13**	2. 10	2. 02

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

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

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

Note 5 Income Tax

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

			Group		Bank
	2010	2009	2008	2010	2009
	$M	$M	$M	$M	$M
Profit before Income Tax	**8,193**	6,449	6,255	**7,301**	3,930
Prima facie income tax at 30%	**2,458**	1,935	1,877	**2,190**	1,179
Effect of amounts which are non-deductible/(assessable) in calculating taxable income:					
Taxation offsets and other dividend adjustments	**(18)**	(59)	(65)	**(493)**	(249)
Tax adjustment on policyholder income	**91**	(115)	(81)	**-**	-
Bankwest - Gain on acquisition	**-**	76	-	**-**	-
Tax losses not previously brought to account	**(4)**	-	(89)	**-**	-
Tax losses assumed by the Bank under UIG 1052	**-**	-	-	**(31)**	(14)
Offshore tax rate differential	**(66)**	(55)	(35)	**(11)**	(19)
Offshore banking unit	**(32)**	(56)	(16)	**(32)**	(56)
Investment allowance	**(57)**	(28)	-	**(31)**	(14)
Effect of changes in tax rates (1)	**(12)**	-	-	**-**	-
Income tax under/(over) provided in previous years (2)	**164**	5	(122)	**(22)**	(27)
Other	**(11)**	(7)	(36)	**116**	44
Total income tax expense	**2,513**	1,696	1,433	**1,686**	844
Corporate tax expense	**2,383**	1,860	1,548	**1,686**	844
Policyholder tax expense/(benefit)	**130**	(164)	(115)	**-**	-
Total income tax expense	**2,513**	1,696	1,433	**1,686**	844

			Group		Bank
	2010	2009	2008	2010	2009
	$M	$M	$M	$M	$M
Income tax expense attributable to profit from ordinary activities comprised:					
Australia					
Current tax expense	**1,903**	2,265	1,522	**1,363**	1,628
Deferred tax expense/(benefit)	**150**	(886)	(326)	**275**	(900)
Total Australia	**2,053**	1,379	1,196	**1,638**	728
Overseas					
Current tax expense	**435**	201	127	**34**	121
Deferred tax expense/(benefit)	**25**	116	110	**14**	(5)
Total Overseas	**460**	317	237	**48**	116
Total income tax expense	**2,513**	1,696	1,433	**1,686**	844

			Group		Bank
	2010	2009	2008	2010	2009
	%	%	%	%	%
Effective Tax Rate					
Total – corporate (3)	**29. 6**	28. 1	24. 3	**23. 1**	21. 5
Retail Banking Services – corporate	**30. 1**	29. 7	30. 0	**n/a**	n/a
Business and Private Banking – corporate	**28. 9**	28. 1	28. 7	**n/a**	n/a
Institutional Banking and Markets – corporate	**22. 5**	large	14. 1	**n/a**	n/a
Wealth Management – corporate	**28. 0**	30. 1	28. 5	**n/a**	n/a
New Zealand – corporate (3)	**56. 9**	23. 8	22. 2	**n/a**	n/a
Bankwest – corporate (4)	**18. 0**	35. 4	-	**n/a**	n/a

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

(2) The 2010 prior period tax adjustment relates to tax on NZ structured finance transactions. The 2008 year prior period tax benefit arose from the resolution of long outstanding tax issues with the tax authorities.

(3) The effective tax rate for the year ended 30 June 2010 includes tax on New Zealand structured finance transactions of $171 million.

(4) The effective tax rate for the year ended 30 June 2010 has been impacted by the unwind of fair value adjustments on Bankwest issued RMBS that does not have an associated impact on tax expense.

Notes to the Financial Statements

Note 5 Income Tax (continued)

	Group			Bank	
	2010	2009	2008	2010	2009
	$M	$M	$M	$M	$M
Deferred tax asset balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement:					
Provision for employee benefits	**364**	338	294	**313**	295
Provisions for impairment on loans, bills discounted and other receivables	**1,476**	1,336	523	**813**	889
Other provisions not tax deductible until expense incurred	**193**	243	192	**109**	139
Recognised value of tax losses carried forward	**3**	6	6	**3**	5
Financial instruments	**259**	424	85	**202**	242
Other	**291**	422	158	**195**	192
	2,586	2,769	1,258	**1,635**	1,762
Amounts recognised directly in equity:					
Foreign currency translation reserve	**3**	3	3	**-**	-
Cash flow hedge reserve	**212**	255	26	**186**	240
Employee compensation reserve	**12**	3	-	**12**	3
Avaliable-for-sale investments reserve	**3**	9	61	**29**	6
	230	270	90	**227**	249
Total deferred tax assets (before set off)	**2,816**	3,039	1,348	**1,862**	2,011
Set off of tax (1)	**(1,546)**	(1,386)	(1,272)	**(620)**	(383)
Net deferred tax assets	**1,270**	1,653	76	**1,242**	1,628
Deferred tax liability balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement:					
Lease financing	**347**	299	287	**144**	112
Defined benefit superannuation plan surplus	**(51)**	(33)	(20)	**(51)**	(33)
Intangible assets	**145**	176	24	**-**	-
Financial instruments	**639**	567	261	**238**	88
Other	**371**	273	270	**50**	40
	1,451	1,282	822	**381**	207
Amounts recognised directly in equity:					
Revaluation of properties	**73**	63	59	**57**	51
Cash flow hedge reserve	**55**	36	177	**7**	(5)
Defined benefit superannuation plan surplus	**135**	171	481	**135**	171
Avaliable-for-sale investments reserve	**53**	2	(1)	**40**	(1)
	316	272	716	**239**	216
Total deferred tax liabilities (before set off)	**1,767**	1,554	1,538	**620**	423
Set off of tax (1)	**(1,546)**	(1,386)	(1,272)	**(620)**	(383)
Net deferred tax liabilities (Note 22)	**221**	168	266	**-**	40
Deferred tax assets opening balance:	**1,653**	76	254	**1,628**	54
Movement in temporary differences during the year:					
Provisions for employee benefits	**26**	44	6	**18**	27
Provisions for impairment on loans, bills discounted and other receivables	**140**	813	152	**(76)**	413
Other provisions not tax deductible until expense incurred	**(50)**	51	56	**(30)**	(36)
Recognised value of tax losses carried forward	**(3)**	-	(2)	**(2)**	(1)
Financial instruments	**(214)**	529	(8)	**(71)**	375
Other	**(122)**	254	(145)	**12**	141
Set off of tax (1)	**(160)**	(114)	(237)	**(237)**	655
Deferred tax assets closing balance	**1,270**	1,653	76	**1,242**	1,628
Deferred tax liabilities opening balance:	**168**	266	908	**40**	19
Movement in temporary differences during the year:					
Property asset revaluations	**10**	4	4	**6**	(8)
Lease financing	**48**	12	(43)	**32**	7
Defined benefit superannuation plan surplus	**(54)**	(323)	(83)	**(54)**	(323)
Intangible assets	**(31)**	152	14	**-**	-
Financial instruments	**142**	168	(45)	**203**	(296)
Other	**98**	3	(252)	**10**	(14)
Set off of tax (1)	**(160)**	(114)	(237)	**(237)**	655
Deferred tax liabilities closing balance (Note 22)	**221**	168	266	**-**	40

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

Note 5 Income Tax (continued)

Unrecognised deferred tax assets

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

	Group			Bank	
	2010	2009	2008	2010	2009
Deferred tax assets not taken to account	$M	$M	$M	$M	$M
Tax losses and other temporary differences on revenue account	110	100	35	99	100
Tax losses on capital account	14	-	-	-	-
Total	124	100	35	99	100

	Group			Bank	
	2010	2009	2008	2010	2009
Expiration of deferred tax assets not taken to account	$M	$M	$M	$M	$M
At Balance Sheet date carry-forward losses expired as follows:					
From one to two years	-	-	2	-	-
From two to four years	2	1	4	2	1
After four years	108	99	22	97	99
Losses that do not expire under current tax legislation	14	-	7	-	-
Total	124	100	35	99	100

Potential deferred tax assets of the Group arose from:

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

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

These potential tax benefits will only be obtained if:

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

Tax Consolidation

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

The Bank has recognised a tax consolidation contribution to the wholly-owned tax consolidated entity of $84 million (2009: $61 million).

The Bank is the head entity of the tax consolidated group and has entered into tax funding and tax sharing agreements with its eligible Australian resident subsidiaries. The terms and conditions of these agreements are set out in note 1(w). As at 30 June 2010, the amount receivable by the Bank under the tax funding agreement was $439 million (2009: $100 million receivable). This balance is included in ‘Other assets’ in the Bank’s separate Balance Sheet.

Taxation of Financial Arrangements “TOFA”

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

Notes to the Financial Statements

Note 6 Dividends

	Group			Bank	
	2010 $M	2009 $M	2008 $M	2010 $M	2009 $M
Ordinary Shares					
Interim ordinary dividend (fully franked) (2010: 120 cents; 2009: 113 cents, 2008: 113 cents)					
Interim ordinary dividend paid - cash component only	**1,067**	1,257	1,087	**1,067**	1,257
Interim ordinary dividend paid - dividend reinvestment plan	**774**	405	400	**774**	405
Total dividend paid	**1,841**	1,662	1,487	**1,841**	1,662
Other Equity Instruments					
Dividends paid	**47**	57	48	**-**	-
Total dividends provided for, reserved or paid	**1,888**	1,719	1,535	**1,841**	1,662
Other provision carried	**29**	18	5	**29**	18
Dividends proposed and not recognised as a liability (fully franked) (2010: 170 cents, 2009: 115 cents, 2008: 153 cents) (1)	**2,633**	1,747	2,029	**2,633**	1,747
Provision for dividends					
Opening balance	**18**	5	6	**18**	5
Provision made during year	**3,588**	3,691	3,425	**3,588**	3,691
Provision used during year	**(3,577)**	(3,678)	(3,426)	**(3,577)**	(3,678)
Closing balance (Note 23)	**29**	18	5	**29**	18

(1) The 2010 final dividend will be satisfied by cash disbursements and a full or partial on-market purchase and transfer of shares to satisfy the Dividend Reinvestment Plan ("DRP"). The 2009 final dividend was satisfied by cash disbursements of $1,058 million and the issue of $685 million of ordinary shares through the DRP. 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.

Dividend Franking Account

After fully franking the final dividend to be paid for the year, the amount of credits available, at the 30% tax rate as at 30 June 2010 to frank dividends for subsequent financial years, is $446 million (2009: $758 million). This figure is based on the franking accounts of the Bank at 30 June 2010, adjusted for franking credits that will arise from the payment of income tax payable on profits for the year, franking debits that will arise from the payment of dividends proposed and franking credits that the Bank may be prevented from distributing in subsequent financial periods.

The Bank expects that future tax payments will generate sufficient franking credits for the Bank to be able to continue to fully frank future dividend payments. These calculations have been based on the taxation law as at 30 June 2010.

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 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	115	01/10/2009	82. 4	73.1	44.48	39.4
31 December 2009	120	01/04/2010	63. 7	-	53.56	42.0
30 June 2010 (3)	170	-	96. 6	79.7	-	-

(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 2010.

Note 7 Earnings Per Share

			Group
	2010	2009	2008
	Cents per share		
Earnings per ordinary share			
Basic	**367. 9**	328. 5	363. 0
Fully diluted	**354. 2**	313. 4	348. 7

			Group
	2010	2009	2008
	$M	$M	$M
Reconciliation of earnings used in calculation of earnings per share			
Profit after income tax	**5,680**	4,753	4,822
Less: Other equity instrument dividends	**(47)**	(57)	(48)
Less: Non-controlling interests	**(16)**	(30)	(31)
Earnings used in calculation of basic earnings per share	**5,617**	4,666	4,743
Add: Profit impact of assumed conversions			
Loan capital	**190**	187	222
Earnings used in calculation of fully diluted earnings per share	**5,807**	4,853	4,965

			Number of Shares
	2010	2009	2008
	M	M	M
Weighted average number of ordinary shares (net of treasury shares) used in the calculation of basic earnings per share	**1,527**	1,420	1,307
Effect of dilutive securities - executive share plans and convertible loan capital instruments	**113**	128	118
Weighted average number of ordinary shares (net of treasury shares) used in the calculation of fully diluted earnings per share	**1,640**	1,548	1,425

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

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

Note 8 Cash and Liquid Assets

		Group		Bank
	2010	2009	2010	2009
	$M	$M	$M	$M
Australia				
Notes, coins and cash at banks	**3,090**	1,997	**2,737**	1,690
Money at short call	**1**	1	**-**	-
Securities purchased under agreements to resell	**3,141**	3,426	**3,175**	3,426
Bills received and remittances in transit	**111**	85	**74**	122
Total Australia	**6,343**	5,509	**5,986**	5,238
Overseas				
Notes, coins and cash at banks	**2,195**	1,758	**1,290**	508
Money at short call	**1,019**	3,014	**905**	2,909
Securities purchased under agreements to resell	**540**	1,031	**530**	1,029
Bills received and remittances in transit	**22**	28	**-**	-
Total Overseas	**3,776**	5,831	**2,725**	4,446
Total cash and liquid assets	**10,119**	11,340	**8,711**	9,684

Notes to the Financial Statements

Note 9 Receivables Due from Other Financial Institutions

	Group 2010 $M	Group 2009 $M	Bank 2010 $M	Bank 2009 $M
Australia				
Placements with and loans to other financial institutions	**5,355**	8,590	**5,337**	8,482
Total Australia	**5,355**	8,590	**5,337**	8,482
Overseas				
Deposits with regulatory authorities (1)	**44**	44	**3**	5
Other placements with and loans to other financial institutions	**4,673**	5,787	**4,426**	5,499
Total Overseas	**4,717**	5,831	**4,429**	5,504
Total receivables from other financial institutions	**10,072**	14,421	**9,766**	13,986

(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 2010 $M	Group 2009 $M	Bank 2010 $M	Bank 2009 $M
Trading	**22,851**	25,401	**18,775**	20,988
Insurance	**15,940**	17,260	**-**	-
Other	**654**	1,677	**-**	60
Total assets at fair value through Income Statement	**39,445**	44,338	**18,775**	21,048

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

Trading	Group 2010 $M	Group 2009 $M	Bank 2010 $M	Bank 2009 $M
Australia				
Market Quoted:				
Australian Public Securities				
Commonwealth and States	**6,078**	1,515	**6,078**	1,515
Local and semi-government	**2,990**	2,238	**2,990**	2,238
Bills of exchange	**579**	747	**579**	747
Certificates of deposit	**4,352**	13,691	**4,352**	13,691
Medium term notes	**1,273**	780	**1,273**	780
Equity investments and other securities	**422**	80	**418**	75
Non-Market Quoted:				
Commercial paper	**321**	451	**321**	451
Other securities	**45**	700	**44**	700
Total Australia	**16,060**	20,202	**16,055**	20,197
Overseas				
Market Quoted:				
Government securities	**3,354**	2,407	**1,792**	528
Eurobonds	**247**	45	**247**	45
Certificates of deposit	**1,473**	1,543	**-**	-
Floating rate notes	**339**	210	**339**	210
Commercial paper	**335**	-	**335**	-
Other securities	**4**	6	**-**	-
Non-Market Quoted:				
Government securities	**66**	70	**-**	-
Medium term notes	**910**	853	**-**	-
Floating rate notes	**43**	35	**-**	-
Commercial paper	**12**	-	**-**	-
Other securities	**8**	30	**7**	8
Total Overseas	**6,791**	5,199	**2,720**	791
Total trading assets	**22,851**	25,401	**18,775**	20,988

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 2010 $M	Investments Backing Life Investment Contracts 2010 $M	Total 2010 $M	Investments Backing Life Risk Contracts 2009 $M	Investments Backing Life Investment Contracts 2009 $M	Total 2009 $M
Equity Security Investments:						
Direct	315	660	975	219	110	329
Indirect	618	3,508	4,126	551	4,700	5,251
Total equity security investments	933	4,168	5,101	770	4,810	5,580
Debt Security Investments:						
Direct	824	571	1,395	922	263	1,185
Indirect	1,979	5,100	7,079	2,741	5,325	8,066
Total debt security investments	2,803	5,671	8,474	3,663	5,588	9,251
Property Investments:						
Direct	15	60	75	64	15	79
Indirect	366	868	1,234	345	863	1,208
Total property investments	381	928	1,309	409	878	1,287
Other Assets	175	881	1,056	153	989	1,142
Total life insurance investment assets	4,292	11,648	15,940	4,995	12,265	17,260

Of the above amounts $2,102 million is expected to be recovered within twelve months of the Balance Sheet date (2009: $2,670 million).

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

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

Other (1)	Group 2010 $M	Group 2009 $M	Bank 2010 $M	Bank 2009 $M
Fair value structured transactions	100	552	-	-
Receivables due from financial institutions	447	909	-	-
Term loans	107	156	-	-
Other lending	-	60	-	60
Total other assets at fair value through Income Statement	654	1,677	-	60

(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 $654 million is expected to be recovered within twelve months of the Balance Sheet date by the Group (2009: $1,416 million) and all of the above amounts were expected to be recovered within twelve months of the Balance Sheet date by the Bank as at 30 June 2009.

The change in fair value of loans and receivables designated at Fair Value through Income Statement due to changes in credit risk for the Group resulted in a gain of $4 million for the year (2009: $18 million loss), and was insignificant for the Bank for the year ending 30 June 2009. The cumulative net loss attributable to changes in credit risk for loans and receivables designated at fair value since initial recognition for the Group is $1 million (2009: $18 million loss), and was insignificant for the Bank for the year ending 30 June 2009. These values have been calculated by determining the changes in credit spread implicit in the fair value of the instrument.

Note 11 Derivative Financial Instruments

Derivative Contracts

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

Derivatives Transacted for Hedging Purposes

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

Fair Value Hedges

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

All gains and losses associated with the ineffective portion of fair value hedge relationships are recognised immediately as 'Other operating income' in the Income Statement.

Ineffectiveness recognised in the Income Statement in the current year amounted to a $67 million net loss for the Group (2009: $26 million net loss) and $72 million net loss for the Bank (2009: $30 million net loss).

Cash Flow Hedges

Cash flow hedges are used by the Group to manage exposure to volatility in future cash flows which may result from fluctuations in interest or exchange rates on financial assets, liabilities or highly probable forecast transactions.

The Group principally uses interest rate and cross currency swaps to protect against such fluctuations.

Ineffectiveness recognised in the Income Statement in the current year amounted to a $5 million gain for the Group (2009: $8 million gain) and $12 million gain for the Bank (2009: $2 million gain).

Net Investment Hedges

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

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

Note 11 Derivative Financial Instruments (continued)

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

						Group
			2010			2009
	Face Value	Fair Value Asset	Fair Value Liability	Face Value	Fair Value Asset	Fair Value Liability
	$M	$M	$M	$M	$M	$M
Derivative Assets and Liabilities						
Held for trading	2,319,176	23,091	(20,695)	1,357,733	22,599	(27,297)
Held for hedging	294,529	4,260	(3,865)	182,170	3,296	(3,877)
Other derivatives	29,997	338	(324)	33,830	463	(960)
Total derivative assets/(liabilities)	2,643,702	27,689	(24,884)	1,573,733	26,358	(32,134)
Derivatives held for trading						
Exchange rate related contracts:						
Forward contracts	1,076,395	5,611	(4,471)	340,353	4,680	(6,905)
Swaps	377,637	6,882	(6,344)	316,280	8,531	(11,755)
Futures	1,282	1	-	94	3	-
Options purchased and sold	4,215	509	(513)	25,068	466	(466)
Total exchange rate related contracts	1,459,529	13,003	(11,328)	681,795	13,680	(19,126)
Interest rate related contracts:						
Forward contracts	60,710	7	(8)	38,043	7	(16)
Swaps	709,749	9,377	(8,823)	492,533	7,809	(7,438)
Futures	51,394	1	(2)	80,461	4	-
Options purchased and sold	24,302	416	(284)	49,620	593	(402)
Total interest rate related contracts	846,155	9,801	(9,117)	660,657	8,413	(7,856)
Credit related contracts:						
Swaps	10,317	110	(99)	8,035	295	(130)
Total credit related contracts	10,317	110	(99)	8,035	295	(130)
Equity related contracts:						
Swaps	83	-	-	521	5	(1)
Options purchased and sold	244	7	(49)	2,279	12	(84)
Total equity related contracts	327	7	(49)	2,800	17	(85)
Commodity related contracts:						
Swaps	1,649	167	(99)	2,305	189	(91)
Futures	-	-	-	24	-	-
Options purchased and sold	1,199	3	(3)	2,117	5	(9)
Total commodity related contracts	2,848	170	(102)	4,446	194	(100)
Total derivative assets/(liabilities) held for trading	2,319,176	23,091	(20,695)	1,357,733	22,599	(27,297)

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.

Following a change in the organisational structure and product systems of ASB the interest rate trading book and the Balance Sheet hedging activities have been split. Group comparatives have been aligned with current period reporting resulting in the reclassification from Other to Held for trading of $1,100 million and $1,308 million of derivative assets and liabilities fair values respectively.

Notes to the Financial Statements

Note 11 Derivative Financial Instruments (continued)

						Group
			2010			2009
	Face Value $M	Fair Value Asset $M	Fair Value Liability $M	Face Value $M	Fair Value Asset $M	Fair Value Liability $M
Fair value hedges						
Exchange rate related contracts:						
Forward contracts	19	-	(1)	153	1	(2)
Swaps	30,493	2,013	(1,605)	18,278	1,385	(846)
Total exchange rate related contracts	30,512	2,013	(1,606)	18,431	1,386	(848)
Interest rate related contracts:						
Swaps	33,933	1,041	(456)	22,205	606	(379)
Futures	2,600	-	(21)	5,281	4	-
Total interest rate related contracts	36,533	1,041	(477)	27,486	610	(379)
Equity related contracts:						
Swaps	635	32	(32)	644	7	(56)
Total equity related contracts	635	32	(32)	644	7	(56)
Commodity related contracts:						
Swaps	-	-	-	3	-	-
Total commodity related contracts	-	-	-	3	-	-
Total fair value hedges	67,680	3,086	(2,115)	46,564	2,003	(1,283)
Cash flow hedges						
Exchange rate related contracts:						
Swaps	19,267	70	(180)	12,375	41	(77)
Total exchange rate related contracts	19,267	70	(180)	12,375	41	(77)
Interest rate related contracts:						
Swaps	207,553	1,104	(1,567)	123,202	1,252	(2,514)
Total interest rate related contracts	207,553	1,104	(1,567)	123,202	1,252	(2,514)
Total cash flow hedges	226,820	1,174	(1,747)	135,577	1,293	(2,591)
Net investment hedges						
Exchange rate related contracts:						
Forward contracts	29	-	(3)	29	-	(3)
Total exchange rate related contracts	29	-	(3)	29	-	(3)
Total net investment hedges	29	-	(3)	29	-	(3)
Total derivative assets/(liabilities) held for hedging	294,529	4,260	(3,865)	182,170	3,296	(3,877)

Note 11 Derivative Financial Instruments (continued)

						Group
			2010			2009
	Face Value	Fair Value Asset	Fair Value Liability	Face Value	Fair Value Asset	Fair Value Liability
	$M	$M	$M	$M	$M	$M
Other derivatives [1]						
Exchange rate related contracts:						
Forward contracts	**5,707**	**84**	**(63)**	6,419	42	(468)
Swaps	**3,337**	**130**	**(74)**	4,050	61	(182)
Total exchange rate related contracts	**9,044**	**214**	**(137)**	10,469	103	(650)
Interest rate related contracts:						
Forward contracts	**4,222**	**-**	**-**	1,808	-	-
Swaps	**15,195**	**108**	**(159)**	17,779	227	(175)
Futures	**1,108**	**-**	**(3)**	2,969	-	(2)
Options purchased and sold	**6**	**1**	**(5)**	-	-	-
Total interest rate related contracts	**20,531**	**109**	**(167)**	22,556	227	(177)
Credit related contracts:						
Swaps	**-**	**-**	**-**	803	133	(133)
Total credit related contracts	**-**	**-**	**-**	803	133	(133)
Commodity related contracts:						
Forward contracts	**-**	**-**	**-**	2	-	-
Total commodity related contracts	**-**	**-**	**-**	2	-	-
Identified embedded derivatives	**422**	**15**	**(20)**	-	-	-
Total other derivatives	**29,997**	**338**	**(324)**	33,830	463	(960)
Total recognised derivative assets/(liabilities)	**2,643,702**	**27,689**	**(24,884)**	1,573,733	26,358	(32,134)

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

Notes to the Financial Statements

Note 11 Derivative Financial Instruments (continued)

						Bank
			2010			2009
	Face Value	Fair Value Asset	Fair Value Liability	Face Value	Fair Value Asset	Fair Value Liability
	$M	$M	$M	$M	$M	$M
Derivative Assets and Liabilities						
Held for trading	2,499,704	23,300	(20,195)	1,412,095	22,494	(26,321)
Held for hedging	278,367	4,054	(3,456)	158,908	3,042	(3,116)
Other derivatives	493	9	(38)	41	-	(5)
Total derivative assets/(liabilities)	2,778,564	27,363	(23,689)	1,571,044	25,536	(29,442)
Derivatives held for trading						
Exchange rate related contracts:						
Forward contracts	1,073,995	5,596	(4,448)	339,222	4,651	(6,888)
Swaps	375,656	6,836	(6,178)	312,335	8,457	(11,498)
Futures	1,282	1	-	94	3	-
Options purchased and sold	4,184	508	(512)	25,037	466	(465)
Derivatives held with controlled entities	169,602	895	(389)	92,511	890	(371)
Total exchange rate related contracts	1,624,719	13,836	(11,527)	769,199	14,467	(19,222)
Interest rate related contracts:						
Forward contracts	60,345	7	(8)	35,343	5	(16)
Swaps	664,946	8,472	(7,826)	449,710	6,692	(6,081)
Futures	46,932	-	-	71,923	3	-
Options purchased and sold	24,084	414	(283)	48,965	588	(401)
Derivatives held with controlled entities	65,030	284	(301)	21,770	233	(288)
Total interest rate related contracts	861,337	9,177	(8,418)	627,711	7,521	(6,786)
Credit related contracts:						
Swaps	10,317	110	(99)	7,931	295	(128)
Total credit related contracts	10,317	110	(99)	7,931	295	(128)
Equity related contracts:						
Swaps	83	-	-	521	5	(1)
Options purchased and sold	244	7	(49)	2,279	12	(84)
Total equity related contracts	327	7	(49)	2,800	17	(85)
Commodity related contracts:						
Swaps	1,649	167	(99)	2,305	189	(91)
Futures	-	-	-	24	-	-
Options purchased and sold	1,189	3	(3)	2,117	5	(9)
Derivatives held with controlled entities	166	-	-	8	-	-
Total commodity related contracts	3,004	170	(102)	4,454	194	(100)
Total derivative assets/(liabilities) held for trading	2,499,704	23,300	(20,195)	1,412,095	22,494	(26,321)

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 Financial Instruments (continued)

						Bank
			2010			2009
	Face Value	Fair Value Asset	Fair Value Liability	Face Value	Fair Value Asset	Fair Value Liability
	$M	$M	$M	$M	$M	$M
Fair value hedges						
Exchange rate related contracts:						
Forward contracts	**19**	**-**	**(1)**	19	-	(2)
Swaps	**30,493**	**2,013**	**(1,605)**	18,278	1,385	(846)
Total exchange rate related contracts	**30,512**	**2,013**	**(1,606)**	18,297	1,385	(848)
Interest rate related contracts:						
Swaps	**30,061**	**828**	**(405)**	18,919	435	(320)
Futures	**2,600**	**-**	**(21)**	5,281	4	-
Derivatives held with controlled entities	**667**	**93**	**-**	711	66	-
Total interest rate related contracts	**33,328**	**921**	**(426)**	24,911	505	(320)
Equity related contracts:						
Swaps	**635**	**32**	**(32)**	644	7	(56)
Total equity related contracts	**635**	**32**	**(32)**	644	7	(56)
Commodity related contracts:						
Swaps	**-**	**-**	**-**	3	-	-
Total commodity related contracts	**-**	**-**	**-**	3	-	-
Total fair value hedges	**64,475**	**2,966**	**(2,064)**	43,855	1,897	(1,224)
Cash flow hedges						
Exchange rate related contracts:						
Swaps	**18,835**	**70**	**(160)**	11,462	41	(37)
Derivatives held with controlled entities	**2,638**	**22**	**(7)**	679	-	(6)
Total exchange rate related contracts	**21,473**	**92**	**(167)**	12,141	41	(43)
Interest rate related contracts:						
Swaps	**190,558**	**979**	**(1,224)**	102,912	1,104	(1,849)
Derivatives held with controlled entities	**1,861**	**17**	**(1)**	-	-	-
Total interest rate related contracts	**192,419**	**996**	**(1,225)**	102,912	1,104	(1,849)
Total cash flow hedges	**213,892**	**1,088**	**(1,392)**	115,053	1,145	(1,892)
Total derivative assets/(liabilities) held for hedging	**278,367**	**4,054**	**(3,456)**	158,908	3,042	(3,116)

Other derivatives						
Interest rate related contracts:						
Swaps	**72**	**-**	**(11)**	38	-	(5)
Options purchased and sold	**6**	**1**	**(5)**	-	-	-
Derivatives held with controlled entities	**6**	**4**	**(2)**	-	-	-
Total interest rate related contracts	**84**	**5**	**(18)**	38	-	(5)
Credit related contracts:						
Swaps	**-**	**-**	**-**	3	-	-
Total credit related contracts	**-**	**-**	**-**	3	-	-
Identified embedded derivatives	**409**	**4**	**(20)**	-	-	-
Total other derivatives	**493**	**9**	**(38)**	41	-	(5)
Total recognised derivative assets/(liabilities)	**2,778,564**	**27,363**	**(23,689)**	1,571,044	25,536	(29,442)

Notes to the Financial Statements

Note 11 Derivative Financial Instruments (continued)

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

Cash Flow Hedges - Deferred (Losses)/Gains

	Exchange Rate Related Contracts		Interest Rate Related Contracts		Group Total	
	2010	2009	2010	2009	2010	2009
	$M	$M	$M	$M	$M	$M
6 months	**(43)**	56	**(85)**	(125)	**(128)**	(69)
6 months - 1 year	**-**	7	**(65)**	(132)	**(65)**	(125)
1 - 2 years	**-**	-	**(198)**	(472)	**(198)**	(472)
2 - 5 years	**9**	-	**(158)**	(703)	**(149)**	(703)
After 5 years	**8**	(2)	**(44)**	204	**(36)**	202
Net deferred (losses)/gains	**(26)**	61	**(550)**	(1,228)	**(576)**	(1,167)

	Exchange Rate Related Contracts		Interest Rate Related Contracts		Bank Total	
	2010	2009	2010	2009	2010	2009
	$M	$M	$M	$M	$M	$M
6 months	**-**	27	**(105)**	(57)	**(105)**	(30)
6 months - 1 year	**-**	7	**(19)**	(26)	**(19)**	(19)
1 - 2 years	**-**	-	**(85)**	(217)	**(85)**	(217)
2 - 5 years	**9**	-	**(163)**	(563)	**(154)**	(563)
After 5 years	**(1)**	(2)	**(87)**	169	**(88)**	167
Net deferred (losses)/gains	**8**	32	**(459)**	(694)	**(451)**	(662)

Note 12 Available-for-Sale Investments

	Group		Bank	
	2010	2009	2010	2009
	$M	$M	$M	$M
Australia				
Market Quoted:				
Australian Public Securities:				
Local and semi-government	**12,503**	7,152	**12,153**	7,152
Shares and equity investments	**283**	241	**222**	180
Certificates of deposit	**2,595**	-	**-**	-
Eurobonds	**1,843**	-	**-**	-
Medium term notes	**8,228**	6,575	**8,228**	6,575
Floating rate notes	**1,235**	327	**-**	327
Other securities	**205**	-	**4**	-
Non-Market Quoted:				
Australian Public Securities:				
Local and semi-government	**84**	85	**-**	-
Medium term notes	**54**	56	**872**	917
Shares and equity investments	**166**	18	**156**	7
Mortgage backed securities (1)	**1,066**	1,384	**39,973**	40,379
Other securities	**2**	64	**-**	-
Total Australia	**28,264**	15,902	**61,608**	55,537
Overseas				
Market Quoted:				
Government securities	**1,259**	660	**863**	314
Shares and equity investments	**26**	26	**-**	-
Certificates of deposit	**879**	1,681	**875**	1,677
Eurobonds	**2,368**	2,771	**2,369**	2,771
Medium term notes	**-**	113	**-**	113
Floating rate notes	**85**	220	**64**	220
Other securities	**34**	94	**-**	26
Non-Market Quoted:				
Government securities	**-**	22	**-**	-
Certificates of deposit	**-**	14	**-**	-
Floating rate notes	**-**	1	**-**	1
Total Overseas	**4,651**	5,602	**4,171**	5,122
Total available-for-sale investments	**32,915**	21,504	**65,779**	60,659

(1) Included within Mortgage backed securities of the Bank are $37,105 million (2009: $37,105 million) of residential mortgage backed securities held within securitisation vehicles for potential repurchase by the Reserve Bank of Australia.

Of the amounts above, the following amounts are expected to be recovered within twelve months of the Balance Sheet date; Group: $10,317 million (2009: $6,128 million), Bank $5,408 million (2009: $5,826 million).

Revaluation of Available-for-sale investments resulted in a gain of $327 million (2009: $10 million gain) for the Group and a gain of $160 million (2009: $52 million gain) for the Bank recognised directly in equity. As a result of sale, derecognition or impairment during the year of Available-for-sale investments the following amounts were removed from equity and reported in Income Statement for the year; Group: $22 million net gain (2009: $13 million loss), Bank $16 million net gain (2009: $24 million gain).

Proceeds received from settlement at or close to maturity of Available-for-sale investments for the Group were $44,201 million (2009: $22,189 million) and for the Bank were $26,635 million (2009: $22,049 million).

Proceeds from sale of Available-for-sale investments for the Group were $4,107 million (2009: $4,996 million) and for the Bank were $4,095 million (2009: $4,996 million).

Note 12 Available-for-Sale Investments (continued)

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

Maturity Distribution and Weighted Average Yield

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

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 investments	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

Note 13 Loans, Bills Discounted and Other Receivables

	Group		Bank	
	2010	2009	2010	2009
	$M	$M	$M	$M
Australia				
Overdrafts	**19,924**	17,829	**18,767**	16,630
Home loans (1)	**292,140**	261,504	**249,134**	224,811
Credit card outstandings	**10,200**	9,055	**8,881**	7,960
Lease financing	**4,657**	4,572	**2,194**	1,902
Bills discounted (2)	**14,379**	10,936	**14,379**	10,936
Term loans	**101,794**	107,337	**77,105**	81,139
Other lending	**1,288**	1,616	**748**	879
Other securities	**564**	524	**562**	524
Total Australia	**444,946**	413,373	**371,770**	344,781
Overseas				
Overdrafts	**652**	744	**-**	-
Home loans	**31,433**	30,702	**392**	328
Credit card outstandings	**589**	573	**-**	-
Lease financing	**570**	541	**68**	93
Term loans	**23,052**	27,079	**9,383**	12,570
Redeemable preference share financing	**-**	744	**-**	-
Other lending	**27**	16	**25**	-
Total Overseas	**56,323**	60,399	**9,868**	12,991
Gross loans, bills discounted and other receivables	**501,269**	473,772	**381,638**	357,772
Less				
Provisions for Loan Impairment (Note 14):				
Collective provision	**(3,436)**	(3,195)	**(1,964)**	(2,060)
Individually assessed provisions	**(1,992)**	(1,729)	**(978)**	(1,020)
Unearned income:				
Term loans	**(1,213)**	(1,134)	**(1,106)**	(885)
Lease financing	**(1,169)**	(1,083)	**(395)**	(399)
	(7,810)	(7,141)	**(4,443)**	(4,364)
Net loans, bills discounted and other receivables	**493,459**	466,631	**377,195**	353,408

(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 $9,696 million (2009: $12,568 million) and for the Bank were $5,963 million (2009: $7,623 million). The carrying value of liabilities associated with non-derecognised assets for the Group were $8,772 million (2009: $11,951 million) and for the Bank were $6,117 million (2009: $8,111 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 - $125,897 million (2009: $121,714 million), Bank - $105,879 million (2009: $97,803 million).

	Group		Bank	
	2010	2009	2010	2009
	$M	$M	$M	$M
Finance Leases				
Minimum lease payments receivable:				
Not later than one year	**1,360**	1,479	**637**	531
Later than one year but not later than five years	**2,803**	2,554	**1,357**	1,132
Later than five years	**1,064**	1,080	**268**	332
Lease financing	**5,227**	5,113	**2,262**	1,995

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

Finance Lease Receivables

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

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

						Group
			2010			2009
	Gross investment in finance lease receivable $M	Unearned income $M	Present value of minimum lease payment receivable $M	Gross investment in finance lease receivable $M	Unearned income $M	Present value of minimum lease payment receivable $M
Not later than one year	**1,360**	**(298)**	**1,062**	1,479	(263)	1,216
One year to five years	**2,803**	**(688)**	**2,115**	2,554	(563)	1,991
Over five years	**1,064**	**(183)**	**881**	1,080	(257)	823
	5,227	**(1,169)**	**4,058**	5,113	(1,083)	4,030

						Bank
			2010			2009
	Gross investment in finance lease receivable $M	Unearned income $M	Present value of minimum lease payment receivable $M	Gross investment in finance lease receivable $M	Unearned income $M	Present value of minimum lease payment receivable $M
Not later than one year	**637**	**(104)**	**533**	531	(92)	439
One year to five years	**1,357**	**(247)**	**1,110**	1,132	(202)	930
Over five years	**268**	**(44)**	**224**	332	(105)	227
	2,262	**(395)**	**1,867**	1,995	(399)	1,596

Notes to the Financial Statements

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

The following tables show the maturity of all loans by type of customer as at 30 June.

	Group			
	Maturity Period at 30 June 2010			
	Maturing 1 Year or Less $M	Maturing Between 1 & 5 Years $M	Maturing After 5 Years $M	Total $M
Australia				
Sovereign	96	557	918	1,571
Agriculture	2,564	1,225	1,369	5,158
Bank and other financial	6,796	1,635	790	9,221
Home loans	33,271	18,291	240,578	292,140
Construction	1,591	1,204	643	3,438
Personal	3,750	10,161	2,068	15,979
Asset financing	3,057	5,315	249	8,621
Other commercial and industrial	58,699	35,493	14,626	108,818
Total Australia	109,824	73,881	261,241	444,946
Overseas				
Sovereign	822	240	151	1,213
Agriculture	2,194	1,444	1,812	5,450
Bank and other financial	1,997	2,027	2,320	6,344
Home loans	6,621	4,695	20,117	31,433
Construction	226	121	125	472
Personal	688	127	7	822
Asset financing	205	384	179	768
Other commercial and industrial	3,320	5,049	1,452	9,821
Total Overseas	16,073	14,087	26,163	56,323
Gross loans, bills discounted and other receivables	125,897	87,968	287,404	501,269

Interest Rate Sensitivity of Lending

Australia	94,699	49,268	218,738	362,705
Overseas	9,121	9,051	10,831	29,003
Total variable interest rates	103,820	58,319	229,569	391,708
Australia	15,125	24,613	42,503	82,241
Overseas	6,952	5,036	15,332	27,320
Total fixed interest rates	22,077	29,649	57,835	109,561
Gross loans, bills discounted and other receivables	125,897	87,968	287,404	501,269

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

	Group Maturity Period at 30 June 2009			
	Maturing 1 Year or Less $M	Maturing Between 1 & 5 Years $M	Maturing After 5 Years $M	Total $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
Home loans	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
Home loans	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 14 Provisions for Impairment

	Group 2010	Group 2009	Group 2008	Bank 2010	Bank 2009
	$M	$M	$M	$M	$M
Provisions for impairment losses					
Collective provision					
Balance as at the beginning of the year	**3,225**	1,466	1,156	**2,090**	1,360
Acquisitions	**-**	250	-	**-**	-
Net collective provision funding	**901**	1,176	627	**460**	1,083
Impairment losses written off	**(734)**	(472)	(381)	**(617)**	(423)
Impairment losses recovered	**77**	73	77	**58**	65
Fair value and other (1)	**(8)**	732	(13)	**(2)**	5
Balance as at the end of the year	**3,461**	3,225	1,466	**1,989**	2,090
Individually assessed provisions					
Balance as at the beginning of the year	**1,729**	279	100	**1,020**	238
Acquisitions	**-**	380	-	**-**	-
Net new and increased individual provisioning	**1,862**	1,686	336	**1,003**	1,388
Write-back of provisions no longer required	**(384)**	(179)	(33)	**(270)**	(133)
Discount unwind to interest income	**(169)**	(45)	(9)	**(86)**	(29)
Fair value and other (2)	**293**	279	7	**161**	79
Impairment losses written off	**(1,339)**	(671)	(122)	**(850)**	(523)
Balance as at the end of the year	**1,992**	1,729	279	**978**	1,020
Total provisions for impairment losses	**5,453**	4,954	1,745	**2,967**	3,110
Less: Off balance sheet provisions	**(25)**	(30)	(32)	**(25)**	(30)
Total provisions for loan impairment	**5,428**	4,924	1,713	**2,942**	3,080

(1) The Group movement in 2009 includes fair value adjustments related to the Bankwest acquisition of $723 million of which $286 million remained at 30 June 2009 and $132 million remains as at 30 June 2010.

(2) The Group movement in 2009 includes fair value adjustments related to the Bankwest acquisition of $180 million, of which nil remains at 30 June 2009 and 30 June 2010.

	Group 2010	Group 2009	Group 2008	Bank 2010	Bank 2009
	%	%	%	%	%
Provision Ratios					
Collective provision as a % of gross loans and acceptances	**0. 67**	0. 66	0. 38	**0. 51**	0. 56
Collective provision as a % of risk weighted assets - Basel II	**1. 19**	1. 12	0. 71	**n/a (1)**	n/a (1)
Individually assessed provisions for impairment as a % of gross impaired assets	**38.2**	41.1	40.8	**36.0**	40.8
Total provisions for impairment losses as a % of gross loans and acceptances	**1.06**	1.01	0.46	**0.75**	0.83

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

Note 14 Provisions for Impairment (continued)

Impairment Expense	Group 2010 $M	Group 2009 $M	Group 2008 $M	Bank 2010 $M	Bank 2009 $M
Loan Impairment Expense					
Net collective provision funding	**901**	1,176	627	**460**	1,083
Net new and increased individual provisioning	**1,862**	1,686	336	**1,003**	1,388
Write-back of individually assessed provisions	**(384)**	(179)	(33)	**(270)**	(133)
Total loan impairment expense	**2,379**	2,683	930	**1,193**	2,338
Available-for-sale debt securities impairment expense	**-**	365	-	**-**	365
Total impairment expense	**2,379**	3,048	930	**1,193**	2,703

Individually Assessed Provisions by Industry Classification(1)

	Group 2010 $M	Group 2009 $M	Group 2008 $M	Group 2007 $M	Group 2006 $M
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**75**	77	4	3	4
Bank and other financial	**254**	483	27	2	1
Home loans	**150**	82	34	23	17
Construction	**132**	104	1	1	2
Personal	**21**	23	9	5	5
Asset financing	**15**	31	12	13	11
Other commercial and industrial	**1,268**	760	161	39	35
Total Australia	**1,915**	1,560	248	86	75
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**15**	9	-	-	-
Bank and other financial	**1**	68	4	1	1
Home loans	**12**	10	7	4	2
Construction	**-**	-	8	-	-
Personal	**-**	-	2	1	2
Asset financing	**-**	-	2	1	-
Other commercial and industrial	**49**	82	8	7	-
Total Overseas	**77**	169	31	14	5
Total individually assessed provisions	**1,992**	1,729	279	100	80

(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)

Loans Written Off by Industry Classification

					Group
	2010	2009	2008	2007	2006
	$M	$M	$M	$M	$M
Loans Written Off					
Australia					
Sovereign	-	-	-	-	-
Agriculture	10	2	3	1	8
Bank and other financial	383	110	5	-	1
Home loans	95	36	23	20	8
Construction	72	4	1	1	3
Personal	651	496	364	408	388
Asset financing	72	58	49	49	42
Other commercial and industrial	604	255	34	30	36
Total Australia	1,887	961	479	509	486
Overseas					
Sovereign	-	-	-	-	-
Agriculture	7	-	-	-	-
Bank and other financial	50	86	4	-	-
Home loans	25	18	1	-	-
Construction	-	4	1	-	-
Personal	18	14	13	7	7
Asset financing	-	-	-	-	-
Other commercial and industrial	86	60	5	3	4
Total Overseas	186	182	24	10	11
Gross loans written off	2,073	1,143	503	519	497
Recovery of amounts previously written off					
Australia	70	70	73	99	122
Overseas	7	3	4	4	5
Total amounts recovered	77	73	77	103	127
Net loans written off	1,996	1,070	426	416	370

Note 14 Provisions for Impairment (continued)

Loans Recovered by Industry Classification

	Group				
	2010	2009	2008	2007	2006
	$M	$M	$M	$M	$M
Loans Recovered					
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**-**	1	-	1	1
Bank and other financial	**-**	1	-	1	-
Home loans	**3**	1	1	1	1
Construction	**-**	-	1	1	-
Personal	**59**	52	61	77	99
Asset financing	**3**	5	5	10	5
Other commercial and industrial	**5**	10	5	8	16
Total Australia	**70**	70	73	99	122
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**-**	-	-	-	-
Bank and other financial	**-**	-	-	-	-
Home loans	**-**	-	-	-	-
Construction	**-**	-	-	-	-
Personal	**6**	3	3	4	5
Asset financing	**-**	-	-	-	-
Other commercial and industrial	**1**	-	1	-	-
Total Overseas	**7**	3	4	4	5
Total loans recovered	**77**	73	77	103	127

Notes to the Financial Statements

Note 15 Property, Plant and Equipment

	Group		Bank	
	2010	2009	2010	2009
	$M	$M	$M	$M
Land and Buildings				
Land				
At 30 June 2010 valuation	**275**	-	**193**	-
At 30 June 2009 valuation	**-**	277	**-**	198
Closing balance	**275**	277	**193**	198
Buildings				
At 30 June 2010 valuation	**429**	-	**336**	-
At 30 June 2009 valuation	**-**	395	**-**	318
Closing balance	**429**	395	**336**	318
Total land and buildings	**704**	672	**529**	516
Leasehold Improvements				
At cost	**1,167**	1,147	**948**	934
Provision for depreciation	**(600)**	(551)	**(483)**	(449)
Closing balance	**567**	596	**465**	485
Equipment				
At cost	**1,380**	1,305	**839**	750
Provision for depreciation	**(990)**	(878)	**(574)**	(479)
Closing balance	**390**	427	**265**	271
Assets Under Lease				
At cost	**817**	866	**297**	331
Provision for depreciation	**(127)**	(89)	**(50)**	(31)
Closing balance	**690**	777	**247**	300
Total property, plant and equipment	**2,351**	2,472	**1,506**	1,572

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

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

Land and buildings are carried at fair value based on independent valuations performed during the year, refer Note 1(r). Under the cost model these assets would have been carried at the following value:

	Group		Bank	
	2010	2009	2010	2009
	$M	$M	$M	$M
Carrying Amount of Land and Buildings under the Cost Model:				
Land	**134**	136	**69**	74
Buildings	**332**	298	**253**	235
Total land and buildings	**466**	434	**322**	309

Note 15 Property, Plant and Equipment (continued)

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

	Group		Bank	
	2010	2009	2010	2009
Reconciliation	$M	$M	$M	$M
Land				
Carrying amount at the beginning of the year	**277**	258	**198**	232
Acquisitions attributed to business combinations	**-**	47	**-**	-
Transfers to assets held for sale	**(8)**	(8)	**(8)**	(8)
Disposals	**(4)**	(1)	**(1)**	(1)
Net revaluations	**9**	(20)	**4**	(24)
Foreign currency translation adjustment	**1**	1	**-**	(1)
Carrying amount at the end of the year	**275**	277	**193**	198
Buildings				
Carrying amount at the beginning of the year	**395**	341	**318**	312
Acquisitions	**45**	35	**34**	30
Acquisitions attributed to business combinations	**-**	55	**-**	-
Transfers to assets held for sale	**(24)**	(1)	**(24)**	(2)
Disposals	**(5)**	(1)	**(3)**	(1)
Net revaluations	**47**	(6)	**37**	3
Depreciation	**(30)**	(29)	**(26)**	(26)
Foreign currency translation adjustment	**1**	1	**-**	2
Carrying amount at the end of the year	**429**	395	**336**	318
Leasehold Improvements				
Carrying amount at the beginning of the year	**596**	448	**485**	377
Acquisitions	**78**	193	**57**	179
Acquisitions attributed to business combinations	**-**	47	**-**	-
Disposals	**(8)**	(6)	**(2)**	(4)
Net revaluations	**(2)**	(2)	**-**	-
Depreciation	**(98)**	(85)	**(75)**	(68)
Foreign currency translation adjustment	**1**	1	**-**	1
Carrying amount at the end of the year	**567**	596	**465**	485
Equipment				
Carrying amount at the beginning of the year	**427**	358	**271**	282
Acquisitions	**147**	148	**115**	101
Acquisitions attributed to business combinations	**-**	76	**-**	-
Disposals/transfers	**(19)**	(5)	**(7)**	(5)
Depreciation	**(165)**	(151)	**(114)**	(106)
Foreign currency translation adjustment	**-**	1	**-**	(1)
Carrying amount at the end of the year	**390**	427	**265**	271
Assets Under Lease				
Carrying amount at the beginning of the year	**777**	235	**300**	133
Acquisitions	**22**	611	**22**	189
Disposals/transfers	**(51)**	(4)	**(51)**	(4)
Net revaluations	**-**	(2)	**-**	-
Depreciation	**(45)**	(37)	**(24)**	(18)
Foreign currency translation adjustment	**(13)**	(26)	**-**	-
Carrying amount at the end of the year	**690**	777	**247**	300

Notes to the Financial Statements

Note 16 Intangible Assets

	Group		Bank	
	2010	2009	2010	2009
	$M	$M	$M	$M
Intangible Assets				
Goodwill	**7,473**	7,473	**2,522**	2,522
Computer software costs	**950**	673	**860**	579
Core deposits (1)	**388**	460	**-**	-
Management fee rights (2)	**311**	311	**-**	-
Brand name (3)	**186**	186	**-**	-
Other (4)	**112**	142	**-**	-
Total intangible assets	**9,420**	9,245	**3,382**	3,101
Goodwill				
Purchased goodwill	**7,473**	7,484	**2,522**	2,522
Accumulated impairment	**-**	(11)	**-**	-
Total goodwill	**7,473**	7,473	**2,522**	2,522
Computer Software Costs				
Cost	**1,551**	1,085	**1,241**	823
Accumulated amortisation	**(562)**	(373)	**(342)**	(205)
Accumulated impairment	**(39)**	(39)	**(39)**	(39)
Total computer software costs	**950**	673	**860**	579
Core Deposits (1)				
Cost	**495**	495	**-**	-
Accumulated amortisation	**(107)**	(35)	**-**	-
Total core deposits	**388**	460	**-**	-
Management Fee Rights (2)				
Cost	**311**	311	**-**	-
Total management fee rights	**311**	311	**-**	-
Brand Name (3)				
Cost	**186**	186	**-**	-
Total brand name	**186**	186	**-**	-
Other (4)				
Cost	**203**	210	**-**	-
Accumulated amortisation	**(91)**	(68)	**-**	-
Total other	**112**	142	**-**	-
Goodwill				
Opening balance	**7,473**	7,484	**2,522**	2,522
Impairment	**-**	(11)	**-**	-
Total goodwill	**7,473**	7,473	**2,522**	2,522
Computer Software Costs				
Opening balance	**673**	353	**579**	304
Additions:				
From acquisitions	**28**	120	**3**	44
From internal development (5)	**427**	352	**412**	319
Amortisation	**(178)**	(122)	**(134)**	(88)
Impairment	**-**	(30)	**-**	-
Total computer software costs	**950**	673	**860**	579

(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 represent the value of royalty costs foregone by the Group through acquiring the Bankwest brand name. The royalty costs that would have been incurred by an entity using the Bankwest brand name are based on an annual percentage of income generated by Bankwest. This asset has an indefinite useful life, as there is no foreseeable limit to the period over which the brand name is expected to generate cash flows. The asset is not subject to amortisation, but is subjected to annual impairment testing. No impairment was required as a result of this test.

(4) In the 2009 year, 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.

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

Note 16 Intangible Assets (continued)

	Group		Bank	
	2010	2009	2010	2009
	$M	$M	$M	$M
Core Deposits				
Opening balance	**460**	-	**-**	-
Additions:				
From acquisitions	**-**	495	**-**	-
Amortisation	**(72)**	(35)	**-**	-
Total core deposits	**388**	460	**-**	-
Management Fee Rights				
Opening balance	**311**	311	**-**	-
Total management fee rights	**311**	311	**-**	-
Brand Name				
Opening balance	**186**	-	**-**	-
Additions:				
From acquisitions	**-**	186	**-**	-
Total brand name	**186**	186	**-**	-
Other				
Opening balance	**142**	110	**-**	-
Additions:				
From acquisitions	**-**	51	**-**	-
Amortisation	**(30)**	(19)	**-**	-
Total other	**112**	142	**-**	-

Goodwill allocation to the following cash generating units ('CGU'):

	Group	
	2010	2009
	$M	$M
Retail Banking Services (1)	**4,149**	4,149
Business and Private Banking	**297**	297
Wealth Management (2)	**2,358**	2,358
New Zealand	**669**	669
Total	**7,473**	7,473

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

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

Impairment Tests for Goodwill and Intangible Assets with Indefinite Lives

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

Key Assumptions Used in Fair Value Less Cost to Sell Calculations

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

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

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

Notes to the Financial Statements

Note 17 Other Assets

		Group			Bank
		2010	2009	2010	2009
	Note	$M	$M	$M	$M
Accrued interest receivable		2,130	1,579	2,109	1,550
Defined benefit superannuation plan surplus	42	316	495	316	495
Accrued fees/reimbursements receivable		899	943	287	214
Securities sold not delivered		1,682	1,277	863	628
Intragroup current tax receivable		-	-	439	100
Current tax assets		64	77	-	-
Other		1,391	1,699	692	879
Total other assets		6,482	6,070	4,706	3,866

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

Note 18 Assets Held for Sale

	Group			Bank
	2010	2009	2010	2009
	$M	$M	$M	$M
Available-for-sale investments (1)	40	373	40	228
Loans, bills discounted and other receivables (1)	-	180	-	130
Land and Buildings	9	12	9	12
Total assets held for sale (2)	49	565	49	370

(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 all of its 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 all of its ENW related Eurobonds and preference shares.

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

The remaining balance relates to FS Media Works Fund I, LP which the Group intends to sell down within 12 months.

(2) Impairments were recognised on Assets held for sale of $11 million during the year ended 30 June 2010 (30 June 2009: $75 million). These impairments are included in Funds management and investment contract income - other for the Group and net gain/(loss) on other non-fair valued financial instruments for the Bank.

Note 19 Deposits and Other Public Borrowings

	Group			Bank
	2010	2009	2010	2009
	$M	$M	$M	$M
Australia				
Certificates of deposit	40,891	56,735	41,695	57,266
Term deposits (1)	122,712	99,177	97,750	78,205
On demand and short term deposits (1) (2)	158,874	153,382	143,402	136,501
Deposits not bearing interest (2)	7,236	7,135	6,848	6,732
Securities sold under agreements to repurchase (2)	5,440	8,413	5,528	8,413
Total Australia	335,153	324,842	295,223	287,117
Overseas				
Certificates of deposit	7,849	9,960	7,442	9,468
Term deposits	20,119	22,517	4,299	8,377
On demand and short term deposits (2)	9,664	9,760	640	203
Deposits not bearing interest (2)	1,558	1,481	5	5
Securities sold under agreements to repurchase (2)	320	161	235	-
Total Overseas	39,510	43,879	12,621	18,053
Total deposits and other public borrowings	374,663	368,721	307,844	305,170

(1) Comparative liability balances have been restated following alignment of Bankwest product classifications with the Group.

(2) The majority of the amounts are contractually payable within twelve months of the Balance Sheet date.

Note 19 Deposits and Other Public Borrowings (continued)

Maturity Distribution of Certificates of Deposit and Time Deposits

					Group At 30 June 2010
	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)	29,209	2,707	768	8,207	40,891
Time deposits	71,815	17,844	25,846	7,207	122,712
Total Australia	101,024	20,551	26,614	15,414	163,603
Overseas					
Certificates of deposit (1)	5,469	2,051	287	42	7,849
Time deposits	12,067	3,084	4,078	890	20,119
Total Overseas	17,536	5,135	4,365	932	27,968
Total certificates of deposits and time deposits	118,560	25,686	30,979	16,346	191,571

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

Note 20 Payables due to Other Financial Institutions

	Group		Bank	
	2010 $M	2009 $M	2010 $M	2009 $M
Australia	**4,285**	5,981	**4,265**	5,954
Overseas	**8,323**	9,128	**8,157**	8,988
Total payables due to other financial institutions	**12,608**	15,109	**12,422**	14,942

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

Note 21 Liabilities at Fair Value through Income Statement

	Group		Bank	
	2010 $M	2009 $M	2010 $M	2009 $M
Deposits and other borrowings (1)	**3,551**	4,816	**-**	-
Debt instruments (1)	**7,838**	9,202	**660**	907
Trading liabilities	**3,953**	2,578	**3,953**	2,578
Total liabilities at fair value through Income Statement	**15,342**	16,596	**4,613**	3,485

(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 $27 million gain (2009: $4 million loss) and for the Bank is a $29 million gain (2009: $3 million gain), which has been calculated by determining the changes in credit spreads implicit in the fair value of the instruments issued. The cumulative change in fair value due to changes in credit risk for the Group is an $18 million gain (2009: $18 million gain) and for the Bank is a $15 million gain (2009: $18 million gain).

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 $15,293 million (2009: $16,550 million) and for the Bank is $4,595 million (2009: $3,464 million).

Notes to the Financial Statements

Note 22 Income Tax Liability

	Group		Bank	
	2010	2009	2010	2009
	$M	$M	$M	$M
Australia				
Current tax liability	**1,004**	767	**1,000**	770
Deferred tax liability (Note 5)	**-**	-	**-**	-
Total Australia	**1,004**	767	**1,000**	770
Overseas				
Current tax liability	**52**	116	**16**	65
Deferred tax liability (Note 5)	**221**	168	**-**	40
Total Overseas	**273**	284	**16**	105
Total income tax liability	**1,277**	1,051	**1,016**	875

Note 23 Other Provisions

		Group		Bank	
		2010	2009	2010	2009
	Note	$M	$M	$M	$M
Provision for:					
Long service leave		**355**	346	**318**	317
Annual leave		**241**	239	**200**	196
Other employee entitlements		**68**	68	**67**	68
Restructuring costs		**96**	182	**73**	148
General insurance claims		**191**	185	**-**	-
Self insurance/non-lending losses		**57**	56	**53**	54
Dividends	6	**29**	18	**29**	18
Other		**160**	149	**194**	112
Total other provisions		**1,197**	1,243	**934**	913

Provisions expected to be recovered or settled within no more than 12 months after 30 June 2010 for the Group were $908 million (2009: $666 million) and for the Bank were $660 million (2009: $404 million).

	Group		Bank	
	2010	2009	2010	2009
Reconciliation	$M	$M	$M	$M
Restructuring costs:				
Opening balance	**182**	284	**148**	284
Additional provisions	**10**	87	**1**	40
Amounts utilised during the year	**(94)**	(184)	**(75)**	(171)
Transfer/(release) of provision	**(2)**	(5)	**(1)**	(5)
Closing balance	**96**	182	**73**	148
General insurance claims:				
Opening balance	**185**	117	**-**	-
Additional provisions	**114**	157	**-**	-
Amounts utilised during the year	**(109)**	(88)	**-**	-
Transfer/(release) of provision	**1**	(1)	**-**	-
Closing balance	**191**	185	**-**	-
Self insurance/non-lending losses:				
Opening balance	**56**	64	**54**	64
Additional provisions	**11**	6	**9**	5
Acquisitions	**-**	1	**-**	-
Amounts utilised during the year	**(5)**	(9)	**(5)**	(9)
Transfer/(release) of provision	**(5)**	(6)	**(5)**	(6)
Closing balance	**57**	56	**53**	54
Other:				
Opening balance	**149**	131	**112**	87
Additional provisions	**176**	388	**145**	311
Acquisitions	**1**	16	**1**	-
Amounts utilised during the year	**(116)**	(365)	**(16)**	(272)
Transfer/(release) of provision	**(50)**	(21)	**(48)**	(14)
Closing balance	**160**	149	**194**	112

Note 23 Other Provisions (continued)

Provision Commentary

Restructuring costs

Provisions are recognised for restructuring activities when a detailed plan has been developed and a valid expectation that the plan will be carried out is held by those affected by it. The majority of the provision is expected to be used within 12 months of 30 June 2010.

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 24 Debt Issues

	Group		Bank	
	2010 $M	2009 $M	2010 $M	2009 $M
Short term debt issues	**49,757**	39,586	**39,644**	15,852
Long term debt issues	**80,453**	62,233	**67,395**	47,042
Total debt issues	**130,210**	101,819	**107,039**	62,894
Short Term Debt Issues				
AUD Commercial Paper	**494**	258	**312**	94
USD Commercial Paper	**20,423**	20,419	**19,839**	1,367
EUR Commercial Paper	**1,981**	566	**36**	262
GBP Commercial Paper	**4,980**	609	**139**	95
Other Currency Commercial Paper	**88**	-	**23**	-
Long Term Debt Issues with less than one year to maturity	**21,791**	17,734	**19,295**	14,034
Total short term debt issues	**49,757**	39,586	**39,644**	15,852
Long Term Debt Issues				
USD Medium Term Notes	**41,074**	23,221	**38,577**	19,329
AUD Medium Term Notes	**9,796**	12,273	**2,820**	5,023
NZD Medium Term Notes	**1,112**	1,163	**320**	268
JPY Medium Term Notes	**8,808**	9,489	**8,550**	9,489
GBP Medium Term Notes	**1,558**	2,116	**1,152**	2,021
EUR Medium Term Notes	**11,044**	8,971	**9,077**	6,026
Other Currencies Medium Term Notes	**6,971**	4,851	**6,809**	4,738
Offshore Loans (all JPY)	**90**	149	**90**	148
Total long term debt issues	**80,453**	62,233	**67,395**	47,042
Maturity Distribution of Debt Issues (1)				
Less than three months	**27,939**	23,883	**19,840**	5,065
Between three and twelve months	**21,818**	15,703	**19,804**	10,787
Between one and five years	**61,741**	52,899	**49,831**	38,603
Greater than five years	**18,712**	9,334	**17,564**	8,439
Total debt issues	**130,210**	101,819	**107,039**	62,894

(1) Represents the contractual maturity of the underlying instrument.

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 30 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.

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.

Notes to the Financial Statements

Note 24 Debt Issues (continued)

Short Term Borrowings

The following table analyses the Group's short term borrowings for the year ended 30 June.

			Group
	2010	2009	2008
	(AUD millions, except where indicated)		
USD Commercial Paper			
Outstanding at period end (1)	**20,423**	20,419	14,116
Maximum amount outstanding at any month end (2)	**23,319**	23,428	14,693
Approximate average amount outstanding (2)	**20,707**	15,995	11,000
Approximate weighted average interest rate on:			
Average amount outstanding	**0.3%**	1.6%	4.2%
Outstanding at period end	**0.5%**	0.4%	2.6%
EUR Commercial Paper			
Outstanding at period end (1)	**1,981**	566	622
Maximum amount outstanding at any month end (2)	**2,930**	692	1,589
Approximate average amount outstanding (2)	**1,751**	536	885
Approximate weighted average interest rate on:			
Average amount outstanding	**0.5%**	0.7%	4.4%
Outstanding at period end	**0.4%**	0.6%	4.3%
AUD Commercial Paper			
Outstanding at period end (1)	**494**	258	1,024
Maximum amount outstanding at any month end (2)	**658**	1,059	2,588
Approximate average amount outstanding (2)	**446**	395	1,430
Approximate weighted average interest rate on:			
Average amount outstanding	**4.0%**	6.7%	7.0%
Outstanding at period end	**4.7%**	3.2%	7.9%
GBP Commercial Paper			
Outstanding at period end (1)	**4,980**	609	33
Maximum amount outstanding at any month end (2)	**5,208**	1,257	868
Approximate average amount outstanding (2)	**3,110**	907	358
Approximate weighted average interest rate on:			
Average amount outstanding	**0.6%**	0.8%	5.1%
Outstanding at period end	**0.7%**	0.7%	5.5%
Other Currency Commercial Paper			
Outstanding at period end (1)	**88**	-	383
Maximum amount outstanding at any month end (2)	**253**	-	657
Approximate average amount outstanding (2)	**136**	-	469
Approximate weighted average interest rate on:			
Average amount outstanding	**0.6%**	-	4.2%
Outstanding at period end	**1.3%**	-	7.3%

(1) The amount outstanding at period end is measured at amortised cost.

(2) The maximum and average amounts over the period are reported on a face value basis because the carrying values of these amounts are not available. Any differences between face value and carrying value would not be material given the short term nature of the borrowings.

Exchange Rates Utilised (End of day, Sydney time)	Currency	As At 30 June 2010	As At 30 June 2009
AUD 1.00 =	USD	**0.85594**	0.81287
	EUR	**0.69962**	0.57551
	GBP	**0.56860**	0.48616
	JPY	**75.90671**	77.64500
	NZD	**1.23176**	1.24300
	HKD	**6.66309**	6.29993
	CAD	**0.89868**	0.93665
	CHF	**0.92711**	0.87773
	ILS	**3.31421**	3.18646
	SGD	**1.19684**	1.17621

Note 24 Debt Issues (continued)

Guarantee Arrangements

Commonwealth Bank of Australia

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

The Bank issued debt under its programs which has the benefit of a guarantee by the Australian Government announced on 12 October 2008 and formally commenced on 28 November 2008. On 7 February 2010 it was announced that the Guarantee Scheme would close to new liabilities from 31 March 2010.

The arrangements were provided in a Deed of Guarantee dated 20 November 2008, Scheme Rules and in additional documentation for offers to residents of the United States of America and other jurisdictions.

The text of the Guarantee Scheme documents can be found at the Australian Government Guarantee website at www.guaranteescheme.gov.au.

Fees are payable in relation to the Guarantee Scheme, calculated by reference to the term and amount of the liabilities guaranteed and the Bank's credit rating.

Existing guaranteed debt issued by the Bank remains guaranteed until maturity.

Separate arrangements continue to apply for deposit balances totalling up to and including $1 million under the Financial Claim Scheme. Such deposits are guaranteed without charge.

Guarantee under the Commonwealth Bank Sale Act

Historically, the due payment of all monies payable by the Bank was guaranteed by the Commonwealth of Australia under section 117 of the 'Commonwealth Banks Act 1959' (as amended) at 30 June 1996. With the sale of the Commonwealth's shareholding in the Bank this guarantee has been progressively phased out under transitional arrangements found in the 'Commonwealth Bank Sale Act 1995'.

Demand deposits are no longer guaranteed by the Commonwealth under this guarantee. However, term deposits outstanding at 19 July 1999 and debt issues payable by the Bank under a contract entered into prior to 19 July 1996 and outstanding at 19 July 1999 remain guaranteed until maturity.

State Bank of NSW (also known as Colonial State Bank)

New South Wales legislation provides, in general terms, for a guarantee by the NSW Government of all funding liabilities and off-balance sheet products (other than demand deposits) incurred or issued prior to 31 December 1997 by the State Bank of New South Wales (SBNSW) until maturity and a guarantee for demand deposits accepted by SBNSW up to 31 December 1997. Other obligations incurred before 31 December 1994 are also guaranteed to their maturity. On 4 June 2001 the Commonwealth Bank of Australia became the successor in law to SBNSW pursuant to the Financial Sector 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.

Notes to the Financial Statements

Note 25 Bills Payable and Other Liabilities

		Group		Bank	
		2010	2009	2010	2009
	Note	$M	$M	$M	$M
Bills payable		**805**	975	**691**	786
Accrued interest payable		**3,233**	2,344	**2,452**	1,574
Accrued fees and other items payable		**1,906**	1,604	**1,301**	1,014
Defined benefit superannuation plan deficit	42	**82**	86	**82**	86
Securities purchased not delivered		**1,754**	1,124	**918**	574
Other		**2,245**	2,387	**5,289**	3,935
Total bills payable and other liabilities		**10,025**	8,520	**10,733**	7,969

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

Note 26 Loan Capital

		Currency		Group		Bank	
				2010	2009	2010	2009
		Amount (M)	Footnotes	$M	$M	$M	$M
Tier One Loan Capital							
Exchangeable	FRN	USD 38	(1)	**44**	46	**44**	46
Exchangeable	FRN	USD 64	(2)	**75**	79	**75**	79
Undated	FRN	USD 100	(3)	**117**	123	**117**	123
Undated	TPS	USD 550	(4)	**642**	676	**642**	679
Undated	PERLS III	AUD 1,166	(5)	**1,154**	1,152	**1,154**	1,152
Undated	PERLS IV	AUD 1,465	(6)	**1,456**	1,451	**1,456**	1,451
Undated	PERLS V	AUD 2,000	(7)	**1,963**	-	**1,953**	-
Undated	TPS	USD 700	(8)	**-**	-	**813**	857
Total Tier One loan capital				**5,451**	3,527	**6,254**	4,387
Tier Two Loan Capital							
AUD demoninated			(9)	**1,799**	2,098	**1,799**	2,098
USD demoninated			(10)	**1,819**	2,898	**1,819**	2,898
JPY denominated			(11)	**1,103**	1,115	**985**	966
GBP denominated			(12)	**262**	306	**262**	306
NZD denominated			(13)	**747**	738	**284**	279
EUR denominated			(13)	**1,422**	521	**1,422**	521
CAD denominated			(13)	**666**	639	**666**	639
Total Tier Two loan capital				**7,818**	8,315	**7,237**	7,707
Fair value hedge adjustments				**244**	197	**84**	80
Total loan capital				**13,513**	12,039	**13,575**	12,174

Note 26 Loan Capital (continued)

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

Outstanding notes at 30 June 2010 were:

- Undated: USD 38 million.

(2) USD 400 million undated FRNs issued 22 February 1989 exchangeable into dated FRNs.

Outstanding notes at 30 June 2010 were:

- Due February 2011: USD 64 million.

(3) 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.

(4) 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 the Bank. The Board of Directors is not permitted, unless approved by APRA, to declare interest.

If interest is not paid on the convertible notes on an interest payment date, holders will not receive a distribution on the trust preferred securities and, unless at the time of the non-payment the Bank is prevented by applicable law from issuing the CBA preference shares, convertible notes will automatically convert into CBA preference shares, which will result in mandatory redemption of trust preferred securities for American Depository Shares (“ADS”).

No later than 35 business days prior period to 30 June, 2015, holders may deliver a notice to the Bank requiring it to exchange each trust preferred security for ordinary shares. The Bank may satisfy the obligation to deliver ordinary shares 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 30 June, 2015 if, prior to that date, a takeover bid or scheme of arrangement in relation to a takeover has occurred.

If CBA Capital Trust is liquidated, dissolved or wound up and its assets are distributed, for each trust preferred security owned, the holder is entitled to receive the stated liquidation amount of U.S. $1,000, plus the accrued but unpaid distribution for the then current distribution period. Holders may not receive the full amount payable on liquidation if CBA Capital Trust does not have enough funds.

The trustees of CBA Capital Trust can elect to dissolve CBA Capital Trust and distribute the funding preferred securities if at any time certain changes in tax law or other tax-related events or the specified changes in U.S. Investment Company law occur.

Neither the trust preferred securities nor the funding preferred securities can be redeemed at the option of their holders. Other than in connection with an acceleration of the principal of the convertible notes upon the occurrence of an event of default, neither the trust preferred securities nor the funding preferred securities are repayable in cash unless the Bank’s New Zealand branch, at its sole option, redeems the convertible notes.

Notes to the Financial Statements

Note 26 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.

The Bank guarantees:

- Semi-annual distributions on the funding preferred securities by CBA Funding Trust to CBA Capital Trust to the extent CBA Funding Trust has funds available for distribution;
- Semi-annual distributions on the trust preferred securities by CBA Capital Trust to the extent CBA Capital Trust has funds available for distribution;
- The redemption amount due to CBA Capital Trust if CBA Funding Trust is obligated to redeem the funding preferred securities for cash and to the extent CBA Funding Trust has funds available for payment;
- The redemption amount due if CBA Capital Trust is obligated to redeem the trust preferred securities for cash and to the extent CBA Capital Trust has funds available for payment;
- The delivery of 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 Bank's guarantee does not cover the non-payment of distributions on the funding preferred securities to the extent that CBA Funding Trust does not have sufficient funds available to pay distributions on the funding preferred securities.

Trust preferred securities have limited voting rights.

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

- The Bank's New Zealand branch does not pay interest or the redemption price of the convertible notes to CBA Funding Trust in accordance with their terms;
- The Bank's New Zealand branch does not deliver ADSs representing preference shares to CBA Funding Trust in accordance with the terms of the convertible notes;
- The Bank does not perform its obligations under its guarantees with respect to the trust preferred securities and the funding preferred securities; or
- The Bank does not deliver cash or ordinary shares on 30 June 2015.

(5) PERLS III

On 6 April 2006 a wholly owned entity of the Bank (Preferred Capital Limited "PCL") issued $1,166 million of Perpetual Exchangeable Repurchaseable Listed Shares (PERLS III). PERLS III are preference shares in a special purpose Company, (the ordinary shares of which are held by the Bank), perpetual in nature, offering a non-cumulative floating rate distribution payable quarterly. 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 26 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.

(6) PERLS IV

On 12 July 2007 the Bank issued $1,465 million of Perpetual Exchangeable Resalable Listed Securities (PERLS IV). PERLS IV are stapled securities comprising an unsecured subordinated note issued by the Bank's New York branch and a convertible preference share issued by the Bank. These securities are perpetual in nature, offer a non-cumulative floating distribution rate payable quarterly, 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.

(7) PERLS V

On 14 October 2009 the Bank issued $2,000 million of Perpetual Exchangeable Resalable Listed Securities (PERLS V). PERLS V are stapled securities comprising an unsecured subordinated note issued by the Bank's New Zealand branch and a convertible preference share issued by the Bank. These securities are perpetual in nature, offer a non-cumulative floating distribution rate payable quarterly, 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 V are not guaranteed and are subject to a number of conditions including the availability of profits and the ability of the Board to stop payments.

The distribution rate is a floating rate calculated for each distribution period as the sum of the Bank Bill Swap Rate plus 3.40% per annum, multiplied by (1 – Tax Rate).

Distributions paid to holders will be interest on notes until an Assignment Event, and dividends on preference shares after the Assignment Event. Upon an Assignment Event, the notes are de-stapled from the preference shares and are assigned to the Bank and investors continue to hold preference shares.

Note 26 Loan Capital (continued)

If distributions on PERLS V are not paid in full within 20 business days of the payment date, an Assignment Event will occur and the Bank is prevented from paying any interest, dividends or distributions in relation to any securities of the Bank that rank equally with or junior to the preference shares. This "dividend stopper" applies until:

- A Special Resolution of Holders authorising the payment, capital return, buy-back, redemption or repurchase is approved, and APRA does not otherwise object;
- An Optional Dividend of an amount in aggregate equal to the unpaid amount for the preceding four consecutive Distribution Periods has been paid to Holders;
- Four consecutive Dividends scheduled to be payable on PERLS V thereafter have been paid in full; or
- All PERLS V have been exchanged.

PERLS V are expected to be exchanged for cash or converted into ordinary shares of the Bank on 31 October 2014. However, exchange may not occur if certain conditions are not met. On 31 October 2014;

- The Bank may arrange a resale by requiring all Holders to sell their PERLS V to a third party for $200 (the face value);
- If the Bank does not arrange a resale, an Assignment Event will occur and PERLS V will convert into a variable number of ordinary shares of the Bank subject to some conditions relating to the ordinary share price at the time;
- In certain circumstances, where the conversion conditions are not satisfied, the Bank may (subject to APRA's prior approval) elect to repurchase all PERLS V for $200 each; or
- If PERLS V are not exchanged on this date, the same possible outcomes will apply to each subsequent distribution payment date until exchange occurs.

The Bank may, subject to APRA's prior approval, elect to exchange all PERLS V for cash and/or ordinary shares if any of the following occurs:

- Tax Event;
- Regulatory Event; and
- Non-Operating Holding Company (NOHC) Event.

The Bank's ability to convert PERLS V on the occurrence of any of these events is subject to the same conversion conditions as mentioned above.

If an Acquisition event occurs, Holders will receive cash or ordinary shares for all of their PERLS V (subject to APRA's approval).

Holders are not entitled to request exchange or redemption of PERLS V.

Holders of PERLS V have no right to vote at any meeting of the Bank except in the following specific circumstances:

- during a period during which a Dividend (or part of a Dividend) in respect of the Preference Shares is in arrears;
- on a proposal to reduce the Bank's share capital;
- on a proposal that affects rights attached to Preference Shares;
- on a resolution to approve the terms of a buy-back agreement;
- on a proposal to wind up the Bank;
- on a proposal for the disposal of the whole of the Bank's property, business and undertaking; and
- during the winding-up of the Bank.

(8) TPS 2006

On 15 March 2006 a wholly owned entity of the Bank 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 the Bank. 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 New Zealand subsidiary of the Bank, the subordinated notes guarantee and the Bank's 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 NZ Subsidiary pays on the subordinated notes, payments in respect of interest on the subordinated notes by the Bank's NZ Branch as guarantor under the subordinated notes guarantee and, after 15 March 2016, the dividends the Bank pays on the Bank preference shares. Payments in respect of cash distributions will be guaranteed on a subordinated basis by the Bank, as guarantor, but only to extent CBA Capital Trust II has funds sufficient for the payment.

There are restrictions on the Bank's New Zealand Subsidiary's ability to make payments on the subordinated notes, CBA NZ Branch's ability to make payments on the CBA NZ Branch notes and the subordinated notes guarantee and the Bank's ability to make payments on the Bank preference shares. Distributions on the trust preferred securities are not cumulative.

Failure to pay in full a distribution within 21 business days will result in the distribution to holders of one Bank preference share for each trust preferred security held in redemption of the trust preferred securities.

If CBA Capital Trust II is liquidated, dissolved or wound up and its assets are distributed, for each trust preferred security, holders are entitled to receive the stated liquidation amount of USD 1,000, plus the accrued but unpaid distribution for the then current distribution payment period, after it has paid liabilities it owes to its creditors.

The trust preferred securities are subject to redemption for cash, qualifying Tier One securities or Bank preference shares if the Bank redeems or varies the terms of the Bank preference shares. The trust preferred securities are also subject to redemption if any other Assignment Event occurs.

If the Bank preference shares are redeemed for qualifying Tier One securities or the terms thereof are varied, holders will receive one Bank preference share or USD 1,000 liquidation amount or similar amount of qualifying Tier One securities for each trust preferred security held.

Holders of trust preferred securities generally will not have any voting rights except in limited circumstances.

Note 26 Loan Capital (continued)

The holders of a majority in liquidation amount of the trust preferred securities, acting together as a single class, however, have the right to direct the time, method and place of conducting any proceeding for any remedy available to the property trustee of CBA Capital Trust II or direct the exercise of any trust or power conferred upon the property trustee of CBA Capital Trust II, as holder of the subordinated notes and the Bank preference shares.

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

- The Bank's New Zealand subsidiary if the Bank's New Zealand subsidiary does not pay when due, interest on the subordinated notes or certain other amounts payable under the subordinated notes to CBA Capital Trust II in accordance with their terms;
- The Bank if it does not perform its obligations under the trust guarantee; and
- The Bank's NZ Branch or the Bank if the Bank's NZ Branch does not perform its obligations under the subordinated notes guarantee or under the Bank's 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 Bank preference shares or qualifying Tier One securities to holders of trust preferred securities if CBA Capital Trust II is obligated to redeem the trust preferred securities for Bank preference shares or qualifying Tier One securities, to the extent CBA Capital Trust II has or is entitled to receive such securities available for distribution; and
- The payment of the liquidation amount of the trust preferred securities if CBA Capital Trust II is liquidated, to the extent that CBA Capital Trust II has funds available for distribution.

The trust guarantee does not cover the failure to pay distributions or make other payments or distributions on the trust preferred securities to the extent that CBA Capital Trust II does not have sufficient funds available to pay distributions or make other payments or deliveries on the trust preferred securities.

Upon the occurrence of an Assignment Event, with respect to the subordinated notes comprising a part of the units CBA Capital Trust II holds to which such Assignment Event applies:

- The subordinated notes will detach from the Bank's preference shares that are part of those units and automatically be transferred to CBA;
- If the Assignment Event is the cash redemption of the Bank preference shares, upon receipt, CBA Capital Trust II will pay to the holders of the trust preferred securities called for redemption the cash redemption price for those Bank preference shares and the accrued and unpaid interest on the subordinated notes that were part of the units with those Bank preference shares; and
- If the Assignment Event is not the cash redemption of Bank preference shares, CBA Capital Trust II will deliver to all holders of trust preferred securities in redemption thereof one Bank preference share for each USD 1,000 liquidation preference of trust preferred securities to be redeemed or, if qualifying Tier One securities are delivered, USD 1,000 liquidation amount or similar amount of qualifying Tier One securities for each USD 1,000 liquidation amount of trust preferred securities to be redeemed, and the Bank preference shares or qualifying Tier One securities will accrue non-cumulative dividends or similar amounts at the rate of 6.024% per annum to but excluding March 15, 2016 and at the rate of LIBOR plus 1.740% per annum thereafter.

If the Bank is liquidated, holders of Bank preference shares will be entitled to receive an amount equal to a liquidation preference out of surplus assets of USD 1,000 per Bank preference share plus accrued and unpaid dividends for the then current dividend payment period plus any other dividends or other amounts to which the holder is entitled under the Constitution.

Subject to APRA's prior approval, prior to the occurrence of an Assignment Event that applies to all of the subordinated notes, the Bank may pay an optional dividend on the Bank preference shares if a New Zealand Subsidiary of the Bank or The Bank's 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 Bank preference shares on any interest payment date and/or dividend payment date.

On or after 15 March 2016, the Bank may redeem the Bank preference shares for cash, in whole or in part, on any date selected by the Bank at a redemption price equal to USD 1,000 per share plus any accrued and unpaid dividends for the then current dividend payment period, if any.

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

- If the Bank preference shares are held by CBA Capital Trust II, upon the occurrence of a trust preferred securities tax event, an adverse tax event, an investment Company event or a regulatory event; or
- If the Bank preference shares are not held by CBA Capital Trust II, upon the occurrence of a preference share withholding tax event, an adverse tax event or a regulatory event.

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

- During a period in which a dividend (or part of a dividend) in respect of the Bank preference shares is in arrears;
- On a proposal to reduce share capital;
- On a proposal that affects rights attached to the Bank preference shares;
- On a resolution to approve the terms of a Buy-back agreement;
- On a proposal for the disposal of the whole of the Group's property, business and undertaking; and
- On a proposal to wind up and during the winding up of the Group.

Note 26 Loan Capital (continued)

The rights attached to the Bank preference shares may not be changed except with any required regulatory approvals and with the consent in writing of the holders of at least 75% of the Bank preference shares.

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

If distributions, interest or dividends are not paid in full on a payment date; the redemption price is not paid or securities are not delivered in full on a redemption date for the trust preferred securities or the Bank preference shares, then the Bank may not pay any interest; declare or pay any dividends or distributions from the income or capital of the Bank, or return any capital or undertake any buy-backs, redemptions or repurchases of existing capital securities or any securities, or instruments of the Bank that by their terms rank or are expressed to rank equally with or junior to the Bank's NZ Branch notes or the Bank preference shares for payment of interest, dividends or similar amounts unless and until:

- In the case of any non-payment of distributions on the trust preferred securities on any distribution payment date, on or within 21 business days after any distribution payment date, CBA Capital Trust II or the Bank, as guarantor, has paid in full to the holders of the trust preferred securities any distributions owing in respect of that distribution payment date through the date of actual payment in full;
- In the case of any non-payment of a dividend on the Bank preference shares on any dividend payment date, the Bank has paid (A) that dividend in full on or within 21 business days after that dividend payment date, (B) an optional dividend equal to the unpaid amount of scheduled dividends for the 12 consecutive calendar months prior to the payment of such dividend or (C) dividends on the Bank preference shares in full on each dividend payment date during a 12 consecutive month period;
- In the case of any non-payment of interest on the subordinated notes on any interest payment date, (A) on or within 21 business days after any interest payment date, (i) the Bank's NZ Subsidiary or the Bank's 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, the Bank has paid in full to holders of the subordinated notes an assignment prevention optional dividend in an amount equal to such interest and any other amounts, or (B) the Bank has paid dividends on the Bank preference shares in full on each dividend payment date during a 12 consecutive month period; and
- In the case of any non-payment of the redemption price or non-delivery of the securities payable or deliverable with respect to Bank preference shares or the trust preferred securities, such redemption price or securities have been paid or delivered in full, as applicable;

then there are restrictions on the Bank paying any interest on equal ranking or junior securities.

(9) 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.

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

- AUD 25 million subordinated FRN, issued April 1999, due April 2029;
- 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.

(10) USD denominated Tier Two Loan Capital issuances

- USD 350 million subordinated fixed rate note, issued June 2003, due June 2018;
- 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 2006, due December 2016.

(11) JPY denominated Tier Two Loan Capital issuances

- JPY 20 billion perpetual subordinated EMTN, issued February 1999;
- JPY 30 billion subordinated EMTN, issued October 1995 due October 2015;
- JPY 10 billion subordinated EMTN, issued May 2004, due May 2034;
- JPY 10 billion subordinated notes, issued November 2005, due November 2015;
- JPY 10 billion subordinated notes, issued November 2005, due November 2035;

Note 26 Loan Capital (continued)

- JPY 5 billion subordinated loan, issued March 2006, due March 2018; and
- JPY 9 billion perpetual subordinated notes, issued May 1996.

(12) GBP denominated Tier Two Loan Capital issuances

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

(13) Other currencies Tier Two Loan Capital issuances

- EUR 1,000 million subordinated notes, issued August 2009, due August 2019;
- CAD 300 million subordinated notes, issued 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.

Notes to the Financial Statements

Note 27 Shareholders' Equity

	Group 2010 $M	Group 2009 $M	Bank 2010 $M	Bank 2009 $M
Equity Reconciliations				
Ordinary Share Capital [1]				
Opening balance	**21,642**	15,727	**21,825**	15,927
Issue of shares (net of issue costs)	**-**	4,829	**-**	4,829
Dividend reinvestment plan (net of issue costs)	**1,457**	1,099	**1,457**	1,099
Exercise of executive options under employee share ownership schemes	**2**	1	**2**	1
(Purchase)/sale and vesting of treasury shares[2]	**(20)**	(14)	**95**	(31)
Closing balance	**23,081**	21,642	**23,379**	21,825
Other Equity Instruments [1]				
Opening balance	**939**	939	**1,895**	1,895
Closing balance	**939**	939	**1,895**	1,895
Retained Profits				
Opening balance	**7,825**	7,747	**6,009**	7,353
Actuarial losses from defined benefit superannuation plans	**(64)**	(739)	**(64)**	(739)
Realised gains and dividend income on treasury shares [1]	**30**	18	**-**	-
Operating profit attributable to Equity holders of the Bank	**5,664**	4,723	**5,615**	3,086
Total available for appropriation	**13,455**	11,749	**11,560**	9,700
Transfers from/(to) general reserve	**197**	(193)	**-**	-
Transfers from employee compensation reserve [3]	**(93)**	-	**(93)**	-
Interim dividend - cash component	**(1,067)**	(1,257)	**(1,067)**	(1,257)
Interim dividend - dividend reinvestment plan [4]	**(774)**	(405)	**(774)**	(405)
Final dividend - cash component	**(1,058)**	(1,335)	**(1,058)**	(1,335)
Final dividend - dividend reinvestment plan [4]	**(688)**	(694)	**(688)**	(694)
Other dividends	**(34)**	(40)	**-**	-
Closing balance	**9,938**	7,825	**7,880**	6,009

(1) Refer Note 28 Share Capital.

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

(3) Relates to $93 million (2009: $nil) transferred from employee compensation reserve in respect of extinguished schemes.

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

Note 27 Shareholders' Equity (continued)

	Group 2010 $M	Group 2009 $M	Bank 2010 $M	Bank 2009 $M
Reserves				
General Reserve				
Opening balance	1,445	1,252	570	570
Appropriation (to)/from retained profits	(197)	193	-	-
Closing balance	1,248	1,445	570	570
Capital Reserve				
Opening balance	299	293	1,550	1,544
Revaluation surplus on sale of property	20	6	17	6
Closing balance	319	299	1,567	1,550
Asset Revaluation Reserve				
Opening balance	173	195	148	166
Revaluation of properties	50	(25)	39	(20)
Transfers on sale of properties	(20)	(6)	(17)	(6)
Tax on revaluation of properties	(9)	9	(7)	8
Closing balance	194	173	163	148
Foreign Currency Translation Reserve				
Opening balance	(533)	(795)	(70)	(228)
Currency translation adjustments of foreign operations	(41)	514	(63)	158
Currency translation on net investment hedge	(4)	(346)	(4)	-
Transfer to Income Statement on disposal of foreign operations	26	-	-	-
Tax on translation adjustments	(2)	(2)	-	-
Tax on net investment hedge movement	1	96	1	-
Closing balance	(553)	(533)	(136)	(70)
Cash Flow Hedge Reserve				
Opening balance	(813)	341	(460)	292
Gains and losses on cash flow hedging instruments:				
Recognised in equity	(239)	(1,630)	11	(872)
Transferred to Income Statement				
Interest income	(864)	(611)	(683)	(578)
Interest expense	1,692	590	891	379
Tax on cash flow hedging instruments	(193)	497	(71)	319
Closing balance	(417)	(813)	(312)	(460)
Employee Compensation Reserve				
Opening balance	-	(39)	-	(39)
Current period movement (1)	125	39	125	39
Closing balance	125	-	125	-
Available-for-Sale Investments Reserve				
Opening balance	(55)	(41)	(41)	(52)
Net gains and losses on revaluation of available-for-sale investments	327	10	160	52
Net gains and losses on available-for-sale investments transferred to Income Statement on disposal	(24)	(24)	(16)	(24)
Net gains and losses on available-for-sale investments transferred to Income Statement for impairment	2	37	-	-
Tax on available-for-sale investments	(77)	(37)	(33)	(17)
Closing balance	173	(55)	70	(41)
Total reserves	1,089	516	2,047	1,697
Shareholders' equity attributable to Equity holders of the Bank	35,047	30,922	35,201	31,426
Shareholders' equity attributable to non-controlling interests	523	520	-	-
Total Shareholders' equity	35,570	31,442	35,201	31,426

(1) Includes $93 million (2009: $nil) transferred to retained earnings in respect of extinguished schemes.

Notes to the Financial Statements

Note 28 Share Capital

Issued and Paid Up Ordinary Capital	Group 2010 $M	Group 2009 $M	Bank 2010 $M	Bank 2009 $M
Ordinary Share Capital				
Opening balance (excluding Treasury Shares deduction)	**21,920**	15,991	**21,920**	15,991
Dividend reinvestment plan: Final dividend prior year	**685**	694	**685**	694
Dividend reinvestment plan: Interim dividend	**772**	405	**772**	405
Share Issue including issue costs	**-**	4,829	**-**	4,829
Exercise of executive options under employee share ownership schemes	**2**	1	**2**	1
Closing balance (excluding Treasury Shares deduction)	**23,379**	21,920	**23,379**	21,920
Less: Treasury Shares (1)	**(298)**	(278)	**-**	(95)
Closing balance	**23,081**	21,642	**23,379**	21,825

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

	Shares	Shares	Shares	Shares
Number of Shares on Issue				
Opening balance (excluding Treasury Shares deduction)	**1,518,801,069**	1,326,130,877	**1,518,801,069**	1,326,130,877
Dividend reinvestment plan issues:				
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
2008/2009 Final dividend fully paid ordinary shares $44.48	**15,412,513**	-	**15,412,513**	-
2009/2010 Interim dividend fully paid ordinary shares $53.56	**14,421,452**	-	**14,421,452**	-
Issue of shares	**-**	161,983,643	**-**	161,983,643
Exercise of executive options under employee share ownership schemes	**102,340**	30,000	**102,340**	30,000
Closing balance (excluding Treasury Shares deduction)	**1,548,737,374**	1,518,801,069	**1,548,737,374**	1,518,801,069
Less: Treasury Shares	**(6,647,087)**	(7,192,560)	**-**	(2,121,299)
Closing balance	**1,542,090,287**	1,511,608,509	**1,548,737,374**	1,516,679,770

Ordinary Share Capital

Ordinary shares have no par value and the company does not have a limited amount of share capital.

Ordinary shares entitle holders to receive dividends payable to ordinary shareholders and to participate in the proceeds available to ordinary shareholders on winding up of the Company in proportion to the number of fully paid ordinary shares held.

On a show of hands every holder of fully paid ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll one vote for each share held.

Other Equity Instruments	Group 2010 $M	Group 2009 $M	Bank 2010 $M	Bank 2009 $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 28 Share Capital (continued)

Dividends

The Directors have declared a fully franked final dividend of 170 cents per share amounting to $2,633 million. The dividend will be payable on 1 October 2010 to shareholders on the register at 5:00 pm on 20 August 2010.

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 2009 Profit Announcement, a fully franked interim dividend of 120 cents per share amounting to $1,841 million was paid on 1 April 2010. The payment comprised cash disbursements of $1,067 million with $774 million being reinvested by participants through the Dividend Reinvestment Plan.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan for the final dividend for the 2010 financial year is assumed to be satisfied through the purchase of shares on market.

Record date

The register closed for determination of dividend entitlement and for participation in the dividend reinvestment plan at 5pm on 20 August 2010 at Link Market Services Limited, Locked Bag A14, Sydney South, 1235.

Ex-dividend Date

The ex-dividend date is 16 August 2010.

Note 29 Share Based Payments

The Group operates a number of cash and equity settled share plans as detailed below.

During the year three new plans were introduced, the Group-Wide Retention Plan ("GWRP"), the Group Employee Rights Plan ("GERP") and the Group Leadership Reward Plan ("GLRP").

The GWRP was introduced to assist with employee retention across the Group. The plan is governed by the rules of the Equity Participation Plan ("EPP") detailed below.

The GERP was introduced to facilitate the mandatory deferral of short term incentive ("STI") payments for executives of selected subsidiary companies.

The GLRP was introduced as the Group's long-term incentive plan for the CEO and Group Executives replacing the Group Leadership Share Plan.

Employee Share Acquisition Plan

Under the Employee Share Acquisition Plan (ESAP), eligible employees have the opportunity to receive up to $1,000 worth of free shares each year if the Group meets required performance hurdles.

The performance hurdle 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 a grant will be made. Notwithstanding the existence of this performance hurdle, the Board has the authority to apply discretion under the Plan Rules for a grant to be made.

The Issue Price for the offer is equal to the volume weighted average of the prices CBA shares were traded on the Australian Securities Exchange (ASX) during the five trading day period up to and including the grant date. Shares granted are restricted for sale for three years or until such time as the employee ceases employment with the Group. Shares receive full dividend entitlements and voting rights.

While the Group did not achieve the performance target for the 2009 financial year, the Board exercised its discretion and approved a partial grant of approximately $600 worth of shares to each eligible employee recognising the performance of employees in contributing to the Group's results in a difficult economic environment.

The grant was allocated to eligible employees that achieved a minimum performance rating of "Meets Expectations" during the 2009 financial year and had not been on extended leave (excluding parental leave) for more than 12 months at grant date.

On 11 September 2009, 319,267 shares were granted to 24,559 eligible employees. The issue price was $46.79.

It is estimated that approximately $25.0 million of ordinary shares will be purchased on-market at the prevailing market price for the 2010 grant.

Equity Participation Plan

The Equity Participation Plan ("EPP") comprises a voluntary and a mandatory component.

The voluntary component allows 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. Shares are purchased on-market at the current market price and are restricted for sale for two years or until such time as the employee ceases employment with the Group. Shares receive full dividend entitlements and voting rights.

The mandatory component comprises the sacrifice of one third of STI payments for executives under the Leadership Incentive Share Plan ("LISP"), together with sign-on and retention allocations under the Sign-on Incentive Plan ("SOI"), Enterprise Services Retention Plan ("ESRP") and the Group-Wide Retention Plan ("GWRP").

Under the mandatory component, shares only vest to employees if they remain in employment of the Group until the vesting date. The Group purchases fully paid ordinary shares and holds these in trust until such time as the vesting conditions are met. Shares receive full dividend and voting rights. Participants may direct the Trustee on how the voting rights are to be exercised during the vesting period. Dividends accrue in the trust and are paid to participants upon vesting of the shares. Where a participant does not satisfy the vesting conditions, shares and dividend rights are forfeited.

During the year, 863,264 shares and rights were granted under the plan with issue prices in the range of $46.59 to $55.00 (2009: 1,118,604 shares, $29.41 to $44.60). The weighted average fair value at grant date was $52.81 (2009: $40.97).

A total of $35.7 million has been expensed during the year (2009: $31.4 million) in respect of this plan.

For a limited number of executives cash-based versions of LISP and GWRP operate, the Leadership Incentive (Performance Unit) Plan ("LIPUP") and the Group-Wide Retention Performance Unit Plan ("GWRPUP"). Under these plans, grants of Performance Units, a monetary unit with a value linked to the share price of Commonwealth Bank shares, are made. These are subject to the same vesting conditions as LISP and GWRP.

On meeting the vesting conditions, 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 $1.5 million (2009: $1.0 million) has been expensed during the year and as at 30 June 2010 $3.3 million (2009: $1.6 million) was accrued within other liabilities in respect of the LIPUP and GWRPUP plans.

Group Leadership Reward Plan

Effective July 2009, the Group Leadership Reward Plan ("GLRP") replaced the Group Leadership Share Plan ("GLSP") as the Group's long-term incentive plan for the CEO and Group Executives.

Under the GLRP, participants are awarded a maximum number of Reward Shares that may vest at the end of the four year performance period subject to the satisfaction of performance hurdles. Each vested Reward Share entitles the participant to receive one ordinary CBA share.

Vesting is subject to the satisfaction of certain performance hurdles as noted below:

- 50% of the award assessed against Customer Satisfaction compared to the peer group; and
- 50% of the award assessed against Total Shareholder Return (TSR) compared to the peer group.

The Customer Satisfaction performance hurdle peer group consists of the ANZ, NAB, St George and Westpac. Customer satisfaction 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.

The TSR performance hurdle peer group consists of the 20 largest companies listed on the ASX (by market capitalisation) at the beginning of the performance period, after excluding resources companies and the CBA. TSR is measured independently. A sliding scale operates to determine the level of vesting. Where performance is below the 50th percentile nothing vests. If the Group ranks at the 50th percentile half will vest. Full vesting is achieved if the Group reaches or exceeds the 75th percentile. Between the 50th percentile and the 75th percentile a sliding vesting scale applies.

The total number of Reward Shares that vest will be the aggregate of the Reward Shares that vest against the Customer Satisfaction hurdle and the TSR hurdle after testing against the relevant performance hurdles.

As part of the introduction of the GLRP a transitional award was granted with a three year performance period. This transitional award reflects the move from the Group's previous long term incentives arrangements that measured performance over a three year period. The transition award is subject to the same performance hurdles as the four year award.

As the GLRP commenced on 1 July 2009, no reward shares have yet been delivered.

A total of $8.0 million has been expensed in the current year (2009: nil) for GLRP.

Group Leadership Share Plan

The Group Leadership Share Plan ("GLSP") was part of the Group's previous long term incentive arrangements and has been replaced by the GLRP. Under the plan, participants share a pool that vests at the end of a three year performance period subject to satisfaction of performance conditions. No awards were made under this plan in the 2010 financial year.

Two awards have been made under the GLSP:

- Financial year 2008 participants share in a pool with a value of 2.2% of the growth in the Group's Profit after Capital Charge (PACC), capped at a maximum pool of $34 million; and
- Financial year 2009 participants share in a pool with a 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.

Both awards are subject to the following performance hurdles:

- The Group's NPAT growth over the three year vesting 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 2008 financial year award is measured from 1 July 2007 and may vest depending on performance to 1 July 2010. The 2009 financial year award is measured from 1 July 2008 and may vest depending on performance to 1 July 2011.

Independent external surveys are used to determine the Group's level of achievement against the customer satisfaction performance hurdle. A ranking is determined and a vesting scale applied. If the Group's NPAT growth is below the average of the peer group, then nothing will vest regardless of the Group's customer satisfaction ranking.

Shares are provided to participants if and when awards vest. The number of shares is determined by the value of the pool that vests at the end of the performance period and the share price at the end of the relevant performance period.

As the GLSP commenced on 1 July 2007, no reward shares have yet been delivered. The CBA three year measurement period for the 2008 financial year award concluded on 1 July 2010. The vesting level of the 2008 financial year award is undetermined at this stage whilst calculation components are finalised.

A total of $13.2 million has been expensed in the current year (2009: $8.4 million) for GLSP.

Note 29 Share Based Payments (continued)

Equity Reward Plan

The Equity Reward Plan ("ERP") was a former long term incentive arrangement offered by the Group to executives. ERP was last awarded in July 2006 with no further grants being made.

Grants under the ERP were in two parts:

- share options, where recipients pay a set exercise price to convert each option to one CBA share upon vesting; and
- reward shares, where no exercise price is payable for participants to receive CBA shares upon vesting.

Since 2002, no options have been issued under the ERP. The last allocation of reward shares under the ERP made in July 2006 was tested for vesting in July 2009. The measurement reached the 86th percentile resulting in a 100% vesting.

The exercise of options and the vesting of shares was conditional on performance hurdles based on the Group's Total Shareholder Return ("TSR") measured against a comparator group of companies.

For Reward Shares granted in 2006 a straight line vesting scale was applied, with 50% vesting at the 51st percentile, through to 100% vesting at the 75th percentile. The minimum vesting period for these grants was three years.

Where, at the first measurement date, the Group's percentile ranking was lower than the 51st percentile, there was one retest 12 months later at which time 50% of shares would vest if the Group's percentile reaches the 51st percentile.

Unvested shares in the plan at the end of the vesting period were forfeited. Participants who exited the Group before vesting forfeited their allocation.

Shares were purchased on market at current market prices and held in Trust until vesting. These shares received full dividend and voting rights. Dividends accrued in the trust and were paid to participants upon vesting of the shares. Participants could direct the Trustee on how the voting rights were to be exercised during the vesting period.

The fair value of shares allocated under the ERP is expensed over three to five years, reflecting the expected vesting period. In the current year, $6.8 million (2009: $12.1 million) has been expensed.

Details of movements in ERP options are as follows:

	July 2009 - June 2010		July 2008 - June 2009	
Year of Grant	**2000** (1)	**2001** (2)	**2000** (1)	**2001** (2)
Exercise price ($)	26.97	30.12	26.97	30.12
Held by participants at the start of the year (no.)	85,000	296,600	97,500	314,100
Granted during the year (no.)	-	-	-	-
Exercised during the year (no.)	(20,000)	(72,500)	(12,500)	(17,500)
Lapsed during the year (no.)	-	-	-	-
Outstanding at the end of year (no.)	65,000	224,100	85,000	296,600
Weighted Average remaining contractual life (days)	74	429	439	794
Weighted Average share price at date of exercise ($)	56.56	54.58	41.10	41.10

(1) Options have vested and may be exercised up to 13 September 2010.
(2) Options have vested and may be exercised up to 3 September 2011.

For a limited number of executives a cash-based version of ERP was operated, the Equity Reward (Performance Unit) Plan ("ERPUP"). Under the plan, grants of Performance Units, a monetary unit with a value linked to the share price of Commonwealth Bank shares, were made. These were subject to the same vesting conditions as ERP. The last allocation under ERPUP vested in July 2009.

On meeting the vesting conditions, a cash payment was made to executives, the value of which was determined based on the Group's share price upon vesting plus an accrued dividend value. Options lapse if not exercised prior to the end of their term.

In the current year, $0.1 million (2009: $5.1 million) has been expensed in respect of the ERPUP plan.

Non-Executive Directors Share Plan

The Non-Executive Directors Share Plan ("NEDSP") is a mandatory plan under which Non-Executive Directors sacrifice 20% of their annual fees. As a result of changes to Federal taxation legislation, shares purchased from 1 July 2009 have been on an after tax basis.

Shares purchased are restricted for sale for ten years or until such time as the Director leaves the Board, whichever is earlier. In addition, Non-Executive Directors can voluntarily elect to sacrifice up to a further $5,000 per annum of their fees for the acquisition of shares.

Shares are purchased on-market at the current market price and a total of 97,954 shares have been purchased under the NEDSP since the plan commenced in 2001. Shares acquired under the plan receive full dividend entitlements and voting rights and there are no forfeiture or vesting conditions.

For the current year, $0.3 million (2009: $0.7 million) was expensed reflecting shares purchased and allocated under the NEDSP.

Note 29 Share Based Payments (continued)

NEDSP Grants

Period	Total Fees Applied (1) $	Participants	Shares Purchased	Average Purchase Price $
2010	290,326	10	5,982	48.53
2009	735,257	10	21,213	34.66

(1) From the 2010 financial year, all Directors' mandatory fee sacrifices are applied on an after tax basis to the purchase of shares.

Executive Option Plan

This plan was discontinued in 2001 with the last grant being made in September 2000.

Under the Executive Option Plan (EOP), the Bank granted options to purchase fully paid ordinary shares to key executives. The options granted were a right to acquire a share in the future provided all conditions are met, with an exercise price based on the weighted average share price during a one week period prior to grant date.

Options vested only if the performance hurdles were met. The performance hurdles for the September 2000 grant were met in 2004.

Upon exercising vested options, an executive has the right to take up the entitlement in whole or in part as fully paid up ordinary shares. The exercise price is payable at the time. Options lapse if not exercised prior to the end of their term.

Details of movements in EOP options during the period were as follows:

	July 2009 - June 2010	July 2008 - June 2009
Year of Grant	**2000 (2)**	**2000 (2)**
Exercise price $ (1)	26.97	26.97
Held by participants at the start of the year (no.)	24,400	24,400
Granted during the year (no.)	-	-
Exercised during the year (no.)	(10,200)	-
Lapsed during the year (no.)	-	-
Outstanding at the end of year (no.)	14,200	24,400
Weighted Average remaining contractual life (days)	74	439
Weighted Average share price at date of exercise	$51.47	n/a

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

Note 30 Non-Controlling Interests

	Group 2010 $M	Group 2009 $M
Controlled entities:		
Share capital (1)	523	520
Total Non-controlling interests	523	520

(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 31 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 2009 and 2010 financial years were in compliance with both APRA minimum capital adequacy requirements and the Board Approved Target Ranges.

The Group's Tier One Board approved minimum is 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

Economic Capital provides an estimate of capital required to cover the financial impact of unlikely events. The methodology used to calculate Economic Capital is consistent across all material risk types and businesses within the Group and involves:

- Measurement of potential financial impacts over a time period reflecting elimination of the risk under assumed adverse conditions;
- Use of a confidence level aligned with the Group's target debt rating and risk appetite; and
- Aggregation of Economic Capital by individual risk type allowing for diversification benefits.

Economic Capital provides a tool for evaluating which of the Group's products and businesses provide the best return relative to the credit, market, operational, strategic business, insurance and other risks taken in achieving that return.

The Group uses Economic Capital to drive delivery of "shareholder-value-added" ("SVA") results. SVA is maximised through the use of two measures of risk-adjusted performance – known as Profit After Capital Charge (PACC) and Return on Target Equity (ROTE) – which are used internally to measure business performance. These measures of profit and return reflect the amount of Economic Capital used in achieving outcomes, and facilitate:

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

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

Note 32 Financial Reporting by Segments

The principal activities of the Group are carried out in the below business segments. These segments are based on the types of products and services provided to customers.

The primary sources of revenue are interest and fee income (Retail Banking Services, Institutional Banking and Markets, Business and Private Banking, Bankwest, New Zealand and Other Divisions) and insurance premium and funds management income (Wealth Management, New Zealand and Asia).

Revenues and expenses occurring between segments are subject to transfer pricing arrangements. All intra-group profits are eliminated on consolidation.

Business segments are managed on the basis of net profit after income tax ("cash basis") which is defined by Management. Management use "cash basis" to assess performance and it provides the basis for the determination of the Bank's dividends.

During the year, the Group restructured the former International Financial Services segment which incorporated the results of ASB Bank, Sovereign, Fiji and Asian businesses. This led to the formation of:

- New Zealand incorporating ASB Bank and Sovereign; and
- Asia incorporating the retail banking operations in Indonesia, Vietnam and Japan, investments in Chinese retail banks, investments in Sino-foreign joint venture life insurance business, the life insurance operations in Indonesia and the representative office in India. It does not include Business and Private Banking, Institutional Banking and Markets and Colonial First State Global Asset Management business in Asia.

On the grounds of materiality, disclosures with respect to Asia have been merged with the "Other" segment. Comparatives have been restated accordingly.

(i) Retail Banking Services

Retail Banking Services includes both the origination of home loan, consumer finance and retail deposit products and the sales and servicing of all Retail bank customers. In addition commission is received for the distribution of business and wealth management products through the retail distribution network.

(ii) Business and Private Banking

Business and Private Banking provides specialised banking services to relationship managed business and Agribusiness customers, private banking to high net worth individuals and margin lending and trading through CommSec. In addition commission is received for the distribution of retail banking products through the Business and Private Banking network.

(iii) Institutional Banking and Markets

Institutional Banking and Markets services the Group's major corporate, institutional and government clients, creating customised solutions based on specific needs, industry trends and market conditions. The Total Capital Solutions offering includes debt and equity capital raising, financial and commodities risk management and transactional banking capabilities. This segment also has wholesale banking operations in London, Malta, New York, New Zealand, Singapore, Hong Kong, Japan and have recently received regulatory approval for a banking licence in Shanghai.

(iv) Wealth Management

Wealth Management includes the Global Asset Management (including operations in Asia), Platform Administration and Life and General Insurance businesses of the Australian operations.

(v) New Zealand

New Zealand includes the Banking, Funds Management and Insurance businesses operating in New Zealand, (excluding the international business of Institutional Banking and Markets).

(vi) Bankwest

Bankwest is a full service bank active in all domestic market segments, with lending diversified between the business, rural, housing and personal markets, including a full range of deposit products. Bankwest also provides specialist services in international banking and project finance.

(vii) Other

Asia incorporates the retail banking operations in Indonesia, Vietnam and Japan, investments in Chinese retail banks, investments in Sino-foreign joint venture life insurance business, the life insurance operations in Indonesia and the representative office in India. It does not include Business and Private Banking, Institutional Banking and Markets and Colonial First State Global Asset Management businesses in Asia.

Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Secretariat and Treasury. Eliminations/Unallocated includes intra-group elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.

Note 32 Financial Reporting by Segments (continued)

Business Segment Information	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Management	New Zealand	Bankwest	Other	Total
								Group Year Ended 30 June 2010
Income Statement	$M	$M	$M	$M	$M	$M	$M	$M
Interest income	15,797	2,969	3,303	-	3,171	4,299	2,676	32,215
Insurance premium and related revenue	-	-	-	1,358	324	-	112	1,794
Other income	1,222	1,445	1,106	3,308	432	239	24	7,776
Total revenue	17,019	4,414	4,409	4,666	3,927	4,538	2,812	41,785
Equity accounted earnings	12	12	17	-	-	-	93	134
Revenue from external customers	17,142	3,794	4,795	4,666	3,926	4,485	2,843	41,651
Revenue from other operating segments	(135)	608	(403)	-	1	53	(124)	-
Interest expense	(4,928)	(2,337)	(513)	-	(2,332)	(2,757)	(7,426)	(20,293)
Segment result before income tax	3,522	1,256	1,526	1,015	510	(255)	619	8,193
Income tax expense	(1,061)	(363)	(344)	(341)	(312)	46	(138)	(2,513)
Segment result after income tax	2,461	893	1,182	674	198	(209)	481	5,680
Non-controlling interests	-	-	-	-	-	-	(16)	(16)
Segment result after income tax and non-controlling interests	2,461	893	1,182	674	198	(209)	465	5,664
Non-Cash items	-	-	-	44	190	269	(66)	437
Net profit after tax ("cash basis") (1)	2,461	893	1,182	718	388	60	399	6,101
Additional Information								
Intangible asset amortisation	(25)	(71)	(10)	(5)	(27)	(91)	(51)	(280)
Impairment expense	(736)	(326)	(249)	-	(100)	(1,058)	90	(2,379)
Depreciation	(10)	(24)	(46)	(4)	(29)	(34)	(191)	(338)
Defined benefit superannuation plan expense	-	-	-	-	-	-	(103)	(103)
Bankwest integration	-	-	-	-	-	(24)	(16)	(40)
Other	(12)	(4)	(2)	(5)	(3)	(6)	(26)	(58)
Balance Sheet								
Total assets	263,639	78,801	94,495	21,689	53,433	74,684	59,589	646,330
Acquisition of property, plant and equipment, intangibles and other non–current assets	16	14	39	4	22	43	182	320
Investment in associates	76	26	2	783	-	-	603	1,490
Total liabilities	155,334	103,298	58,898	19,349	49,591	69,868	154,422	610,760

(1) Business segments are measured on a net profit after income tax ("cash basis") which is defined by management as net profit after tax and non-controlling interests before Bankwest significant items, the tax on New Zealand structured finance transactions, the gain/loss on disposal of controlled entities/investments, treasury shares valuation adjustment, unrealised gains and losses related to hedging and AIFRS volatility and other one-off non-cash expenses. Management use "cash basis" to assess performance and it provides the basis for the determination of the Bank's dividends.

Note 32 Financial Reporting by Segments (continued)

Business Segment Information / Income Statement	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	Other $M	Group Year Ended 30 June 2009 Total $M
Interest income	14,859	3,144	4,713	-	3,872	2,053	2,878	31,519
Insurance premium and related revenue	-	-	-	1,259	356	-	36	1,651
Other income	1,551	752	1,278	2,236	404	192	(150)	6,263
Total revenue	16,410	3,896	5,991	3,495	4,632	2,245	2,764	39,433
Equity accounted earnings	6	3	-	41	-	-	91	141
Revenue from external customers	16,290	4,283	5,537	3,515	4,567	2,124	2,976	39,292
Revenue from other operating segments	114	(390)	454	(61)	65	121	(303)	-
Interest expense	(5,769)	(2,616)	(1,835)	-	(3,029)	(1,347)	(6,622)	(21,218)
Segment result before income tax	2,996	1,024	(17)	170	565	189	1,522	6,449
Income tax expense	(889)	(288)	160	88	(161)	(67)	(539)	(1,696)
Segment result after income tax	2,107	736	143	258	404	122	983	4,753
Non-controlling interests	-	-	-	-	-	-	(30)	(30)
Segment result after income tax and non-controlling interests	2,107	736	143	258	404	122	953	4,723
Non-Cash items	-	-	23	28	34	(9)	(384)	(308)
Net profit after tax ("cash basis") (1)	2,107	736	166	286	438	113	569	4,415
Additional Information								
Intangible asset amortisation	(8)	(44)	(7)	(1)	(22)	(49)	(45)	(176)
Impairment expense	(699)	(309)	(1,708)	-	(194)	(113)	(25)	(3,048)
Depreciation	(11)	(24)	(38)	(5)	(31)	(19)	(174)	(302)
Defined benefit superannuation plan expense	-	-	-	-	-	-	(14)	(14)
Gain on acquisition of controlled entities	-	-	-	-	-	-	983	983
Bankwest integration	-	-	-	-	-	(76)	(36)	(112)
Other	(23)	(9)	(36)	(9)	(2)	(1)	(55)	(135)
Balance Sheet								
Total assets	237,862	74,815	113,200	22,706	54,874	68,327	48,588	620,372
Acquisition of property, plant and equipment, intangibles and other non–current assets	5	1	615	21	53	36	1,333	2,064
Investment in associates	71	15	3	640	-	-	318	1,047
Total liabilities	141,324	94,799	73,878	19,714	47,228	64,388	147,599	588,930

(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 non-controlling interests, before Bankwest significant items, 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.

Note 32 Financial Reporting by Segments (continued)

Geographical Information	Group Year Ended 30 June					
	2010		2009		2008	
Financial Performance & Position	**$M**	**%**	**$M**	**%**	**$M**	**%**
Revenue						
Australia	**35,906**	**85. 9**	32,498	82. 4	29,131	78. 6
New Zealand	**4,208**	**10. 1**	4,904	12. 4	4,922	13. 3
Other locations (1)	**1,671**	**4. 0**	2,031	5. 2	3,001	8. 1
	41,785	**100. 0**	39,433	100. 0	37,054	100. 0
Non-Current Assets						
Australia	**12,654**	**90. 5**	11,909	89. 8	9,929	87. 7
New Zealand	**1,009**	**7. 2**	1,005	7. 6	1,129	10. 0
Other locations (1)	**315**	**2. 3**	343	2. 6	265	2. 3
	13,978	**100. 0**	13,257	100. 0	11,323	100. 0

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

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

Note 33 Life Insurance Business

The following information is provided to disclose the statutory life insurance business transactions contained in the Group Financial Statements and the underlying methods and assumptions used in their calculations.

All financial assets within the life statutory funds have been determined to support either life insurance or life investment contracts. Also refer to Note 1 (ee). The insurance segment result is prepared on a business segment basis.

	Life Insurance Contracts		Life Investment Contracts		Group	
	2010	2009	2010	2009	2010	2009
Summarised Income Statement	$M	$M	$M	$M	$M	$M
Premium income and related revenue	1,622	1,629	313	248	1,935	1,877
Outward reinsurance premiums expense	(256)	(271)	(3)	-	(259)	(271)
Claims expense	(1,118)	(992)	(214)	(21)	(1,332)	(1,013)
Reinsurance recoveries	243	207	-	-	243	207
Investment revenue (excluding investments in subsidiaries):						
Equity securities	118	(257)	594	(984)	712	(1,241)
Debt securities	233	177	530	474	763	651
Property	46	(150)	106	(197)	152	(347)
Other	101	(27)	30	(96)	131	(123)
(Increase)/decrease in contract liabilities	54	410	(939)	686	(885)	1,096
Operating income	1,043	726	417	110	1,460	836
Acquisition expenses	(215)	(254)	(9)	(11)	(224)	(265)
Maintenance expenses	(269)	(247)	(88)	(97)	(357)	(344)
Management expenses	(9)	(21)	(22)	(21)	(31)	(42)
Other expense	(28)	(1)	(32)	-	(60)	(1)
Net profit before income tax	522	203	266	(19)	788	184
Income tax (expense)/benefit attributable to operating profit	(151)	(29)	(118)	139	(269)	110
Net profit after income tax	371	174	148	120	519	294

Note 33 Life Insurance Business (continued)

	Life Insurance Contracts		Life Investment Contracts		Group	
	2010 $M	2009 $M	2010 $M	2009 $M	2010 $M	2009 $M
Sources of Life Insurance Net Profit						
The net profit after income tax is represented by:						
Emergence of planned profit margins	209	169	84	97	293	266
Difference between actual and planned experience	26	(47)	60	(11)	86	(58)
Effects of changes to underlying assumptions	13	7	-	-	13	7
Reversal of previously recognised losses or loss recognition on groups of related products	(3)	11	-	-	(3)	11
Investment earnings on assets in excess of policyholder liabilities	103	25	5	9	108	34
Other movements	23	9	(1)	25	22	34
Net profit after income tax	371	174	148	120	519	294
Life insurance premiums received and receivable	1,624	1,738	961	954	2,585	2,692
Life insurance claims paid and payable	1,197	1,085	2,950	2,269	4,147	3,354

The disclosure of the components of Net profit after income tax are required to be separated between policyholders' and shareholders' interests. As policyholder profits are an expense of the Group and not attributable to shareholders, no such disclosure is required.

Reconciliation of Movements in Policy Liabilities	Life Insurance Contracts		Life Investment Contracts		Group	
	2010 $M	2009 $M	2010 $M	2009 $M	2010 $M	2009 $M
Contract policy liabilities						
Gross policy liabilities opening balance	3,728	4,122	12,328	14,373	16,056	18,495
Acquisition of controlled entities	-	39	-	164	-	203
Movement in policy liabilities reflected in the Income Statement	(86)	(338)	939	(686)	853	(1,024)
Contract contributions recognised in policy liabilities	2	16	656	706	658	722
Contract withdrawals recognised in policy liabilities	(281)	(91)	(2,536)	(2,248)	(2,817)	(2,339)
Non-cash movements	(181)	(27)	(1)	-	(182)	(27)
FX translation adjustment	(1)	7	25	19	24	26
Gross policy liabilities closing balance	3,181	3,728	11,411	12,328	14,592	16,056
Liabilities ceded under reinsurance						
Opening balance	(219)	(145)	-	-	(219)	(145)
Acquisition of controlled entities	-	(2)	-	-	-	(2)
Increase/(decrease) in reinsurance assets	30	(72)	-	-	30	(72)
Closing balance	(189)	(219)	-	-	(189)	(219)
Net policy liabilities at 30 June						
Expected to be realised within 12 months	408	535	1,696	2,031	2,104	2,566
Expected to be realised in more than 12 months	2,584	2,974	9,715	10,297	12,299	13,271
Total net insurance policy liabilities	2,992	3,509	11,411	12,328	14,403	15,837

Notes to the Financial Statements

Note 34 Remuneration of Auditors

During the financial year, the auditor of the Group and the Bank, PricewaterhouseCoopers (PwC), and its related practices earned the following remuneration excluding goods and service tax:

	Group		Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
a) Audit services				
PricewaterhouseCoopers Australian firm	**13,807**	12,459	**8,160**	7,861
Related practices of PricewaterhouseCoopers Australian firm	**3,847**	4,470	**605**	711
Total remuneration for audit services	**17,654**	16,929	**8,765**	8,572
b) Non-audit services				
Audit related services				
PricewaterhouseCoopers Australian firm	**4,019**	3,742	**3,439**	2,878
Related practices of PricewaterhouseCoopers Australian firm	**248**	428	**59**	235
Total remuneration for audit related services	**4,267**	4,170	**3,498**	3,113
Taxation services				
PricewaterhouseCoopers Australian firm	**1,535**	1,375	**1,520**	1,375
Related practices of PricewaterhouseCoopers Australian firm	**807**	1,346	**276**	318
Total remuneration for tax related services	**2,342**	2,721	**1,796**	1,693
Other Services				
PricewaterhouseCoopers Australian firm	**1,645**	80	**1,524**	80
Related practices of PricewaterhouseCoopers Australian firm	**21**	166	**7**	88
Total remuneration for other services	**1,666**	246	**1,531**	168
Total remuneration for non-audit services	**8,275**	7,137	**6,825**	4,974
Total remuneration for audit and non-audit services (1)	**25,929**	24,066	**15,590**	13,546

(1) An additional amount of $7,867,223 was paid to PricewaterhouseCoopers (2009: $7,132,535) by way of fees for entities not consolidated into the Financial Statements. Of this amount $6,794,440 (2009: $6,065,331) 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 services principally includes assurance and attestation reviews of the Group's foreign disclosures for overseas investors, services in relation to regulatory requirements, acquisition accounting advice as well as reviews of internal control systems and financial or regulatory information.

Taxation services included assistance and training in relation to tax legislation and developments and other services primarily consisted of project assistance and risk compliance support.

Note 35 Lease Commitments

	Group		Bank	
	2010	2009	2010	2009
	$M	$M	$M	$M
Lease Commitments - Property, Plant and Equipment (1)				
Due within one year	**478**	448	**359**	341
Due after one year but not later than five years	**1,295**	1,257	**924**	868
Due after five years	**1,003**	1,066	**494**	347
Total lease commitments - property, plant and equipment	**2,776**	2,771	**1,777**	1,556

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

Lease Arrangements

Operating leases are entered into to meet the business needs of entities in the Group. Leases are primarily over commercial and retail premises and plant and equipment.

Lease rentals are determined in accordance with market conditions when leases are entered into or on rental review dates.

Note 36 Contingent Liabilities, Contingent Assets and Commitments

Details of contingent liabilities and off-balance sheet business are given below. The face (contract) value represents the maximum potential amount that could be lost if the counterparty fails to meet its financial obligations.

				Group
	Face Value		Credit Equivalent	
	2010	2009	2010	2009
	$M	$M	$M	$M
Credit risk related instruments				
Guarantees (1)	**3,658**	3,642	**3,364**	3,641
Standby letters of credit (2)	**817**	206	**809**	206
Bill endorsements (3)	**57**	537	**57**	538
Documentary letters of credit (4)	**71**	43	**70**	43
Performance related contingents (5)	**1,240**	1,994	**1,208**	1,951
Commitments to provide credit (6)	**109,420**	117,887	**89,019**	100,798
Other commitments (7)	**478**	400	**1,167**	265
Total credit risk related instruments	**115,741**	124,709	**95,694**	107,442

				Bank
	Face Value		Credit Equivalent	
	2010	2009	2010	2009
	$M	$M	$M	$M
Credit risk related instruments				
Guarantees (1)	**2,874**	2,811	**2,581**	2,571
Standby letters of credit (2)	**637**	19	**630**	19
Bill endorsements (3)	**57**	538	**57**	538
Documentary letters of credit (4)	**46**	17	**46**	17
Performance related contingents (5)	**1,233**	1,978	**1,204**	1,939
Commitments to provide credit (6)	**93,881**	102,056	**83,272**	90,458
Other commitments (7)	**39**	94	**39**	95
Total credit risk related instruments	**98,767**	107,513	**87,829**	95,637

(1) Guarantees are unconditional undertakings given to support the obligations of a customer to third parties.

(2) Standby letters of credit are undertakings to pay, against presentation of documents, an obligation in the event of a default by a customer.

(3) Bills of exchange endorsed by the Group and Bank which represent liabilities in the event of default by the acceptor and the drawer of the bill.

(4) Documentary letters of credit are undertakings by the Group and Bank to pay or accept drafts drawn by an overseas supplier of goods against presentation of documents in the event of payment default by a customer.

(5) Performance related contingents are undertakings that oblige the Group and Bank to pay third parties should a customer fail to fulfil a contractual non-monetary obligation.

(6) Commitments to provide credit include all obligations on the part of the Group and Bank to provide credit facilities. As facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

(7) Other commitments include underwriting facilities and commitments with certain drawdowns.

Contingent Credit Liabilities

The Group is party to a range of financial instruments that give rise to contingent and/or future liabilities. These transactions are a consequence of the Group's normal course of business to meet the financing needs of its customers and in managing its own risk. These financial instruments include guarantees, letters of credit, bill endorsements and other commitments to provide credit. The face (contract) value represents the maximum potential amount that could be lost if the counterparty fails to meet its financial obligations.

As the Group and Bank will only be required to meet these obligations in the event of default, the cash requirements of these instruments are expected to be considerably less than their face values.

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

Commitments to provide credit include both fixed and variable facilities. Fixed rate or fixed spread commitments extended to customers that allow net settlement of the change in the value of the commitment are written options and are recorded at fair value. Other commitments include the Group's obligations under sale and repurchase agreements, outright forward purchases, forward deposits and underwriting facilities. Other commitments also include obligations not otherwise disclosed above to extend credit, which are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense. In addition, commitments to purchase or sell loans are included in other commitments.

These transactions are categorised and credit equivalents calculated under APRA guidelines for the risk-based measurement of capital adequacy. The credit equivalent amounts are a measure of potential loss to the Group in the event of non-performance by the counterparty.

Note 36 Contingent Liabilities, Contingent Assets and Commitments (continued)

Under the Basel II advanced internal ratings based approach for credit risk, the credit equivalent amount is the face value of the transaction, on the basis that at default the exposure is the amount fully advanced. Only when approved by APRA may an exposure less that fully-advanced amount be used as the credit equivalent exposure amount.

As the potential loss depends on counterparty performance, the Group utilises the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The Group takes collateral where it is considered necessary to support off-balance sheet financial instruments with credit risk. If an event has occurred that gives rise to a present obligation and it is probable a loss will eventuate, then provisions are raised.

Contingent Assets

The credit commitments shown in the above table also constitute contingent assets. These commitments would be classified as loans and other assets in the balance sheet on the occurrence of the contingent event.

Litigation

The Group is not engaged in any litigation or claim which is likely to have a materially adverse effect on the business, financial condition or operating results of the Group. Where some loss is probable and can be reliably estimated an appropriate provision has been made. Among other things, ASIC is currently in the course of investigating the Bank's conduct in relation to Storm Financial, a Queensland-based financial planning firm that collapsed and went into receivership in March 2009. The Group has established a resolution scheme for clients of Storm Financial who borrowed money from the Group. The resolution scheme is in the process of considering individual claims on a case by case basis and the Group believes that appropriate provisions are held to cover the outcomes and costs of the scheme. Discussion on potential litigation is included in Note 50 – Subsequent Events.

Long Term Contracts

On 26 September 1997, the Bank entered the Information Technology and Telecommunications Services Agreement with EDS (Australia) Pty Ltd now HP Enterprise Services Australia Pty Ltd. This agreement continues until 30 June 2012 and covers the provision of enterprise processing services, end user computing services and cards services.

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. The current supplier, Gen-I Australia Pty Limited, is progressively transitioning most services to Telstra. The transition program is scheduled to complete in 2011.

In 2009 the Bank entered into an Agreement for Lease with Lend Lease Development and Australian Prime Property Fund for Commonwealth Bank Place, a new building in the Sydney CBD comprising over 50,000m^2 of commercial accommodation located above a retail podium. It is currently under construction and will accommodate around 5,500 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 three levels of retail space. Once complete it will accommodate over 3,500 of the Group's Perth based employees. Bankwest has also exercised an extension option on existing premises from November 2009.

In April 2008, the Bank signed agreements with SAP Australia Pty Limited and Accenture Australia Limited for its Core Banking Modernisation 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.

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.

Failure to Settle Risk

The Group is subject to a credit risk exposure in the event that another financial institution fails to settle for its payments clearing activities, in accordance with the regulations and procedures of the following clearing systems of the Australian Payments Clearing Association Limited: The Australian Paper Clearing System, The Bulk Electronic Clearing System, The Consumer Electronic Clearing System and the High Value Clearing System (only if operating in "fallback mode"). This credit risk exposure is unquantifiable in advance, but is well understood, and is extinguished upon settlement at 9am each business day.

Capital Commitments

As at 30 June 2010, the Group is committed for capital expenditure, under contract of $19 million (2009: $18 million). The Bank is committed for $17 million (2009: $16 million). These commitments are expected to be extinguished within 12 months.

Services Agreements

The maximum contingent liability for termination benefits in respect of service agreements with the Chief Executive Officer and other Group Key Management Personnel at 30 June 2010 was $6.5 million (2009: $12.2 million).

Note 36 Contingent Liabilities, Contingent Assets and Commitments (continued)

Collateral held as security for assets

The Group takes collateral where it is considered necessary to support both on and off-balance sheet financial instruments. The Group evaluates each customer's credit-worthiness on a case-by-case basis. The amount of collateral taken, if deemed necessary, is based on management's credit evaluation of the counterparty.

The Group has the right to sell, repledge, or otherwise use collateral received. No collateral has been repledged or sold.

At balance date, the fair value of collateral accepted is as follows:

	Group		Bank	
	2010	2009	2010	2009
	$M	$M	$M	$M
Cash	2,411	1,497	2,388	1,463
Assets at fair value through Income Statement	2,913	1,852	2,913	1,852
Available-for-sale investments	540	2,260	530	2,258
Collateral held (1)	5,864	5,609	5,831	5,573

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

Assets pledged

As part of standard terms of transactions with other banks, the Group has provided collateral to secure liabilities. At balance date, the fair value of assets pledged as collateral to secure liabilities is as follows:

	Group		Bank	
	2010	2009	2010	2009
	$M	$M	$M	$M
Cash	2,433	7,175	2,085	6,248
Assets at fair value through Income Statement (1)	7,891	6,433	5,117	2,274
Available-for-sale investments (1) (2)	235	6,015	235	6,015
Assets pledged (3)	10,559	19,623	7,437	14,537
Of which can be repledged or resold by counterparty (3)	5,182	8,205	5,100	8,205

(1) These balances include assets sold under repurchase agreements. The liabilities related to these repurchase agreements are disclosed in Note 19 Deposits and Other Public Borrowings.

(2) This line includes retail mortgage backed securities issued by consolidated special purpose entities and purchased by the Bank for repurchase with the RBA. Further details are included in Note 12.

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

Assets Sold Under Repurchase Agreement

Securities sold under agreement to repurchase are retained on the balance sheet when substantially all the risks and rewards of ownership remain with the Group, and the counterparty liability is included separately on the balance sheet when cash consideration is received.

At balance date, the carrying amounts of such securities and their related liabilities are as follows:

	Group				Bank			
	Carrying Amount		Related Liability		Carrying Amount		Related Liability	
	2010	2009	2010	2009	2010	2009	2010	2009
	$M	$M	$M	$M	$M	$M	$M	$M
Assets sold under repurchase agreement (1)								
Assets at fair value through Income Statement	4,947	2,190	4,899	2,190	4,865	2,190	4,815	2,190
Available-for-sale investments	235	6,015	235	6,015	235	6,015	235	6,015
Total	5,182	8,205	5,134	8,205	5,100	8,205	5,050	8,205

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

Note 37 Fiduciary Activities

Certain controlled entities within the Group conduct investment management and other fiduciary activities as responsible entity, trustee, custodian or manager for investment funds and trusts, including superannuation and approved deposit funds, wholesale and retail trusts.

Where the Group incurs liabilities in respect of these activities, a right of indemnity exists against the assets of the applicable fund or trust. As these assets are sufficient to cover the liabilities and it is therefore not probable that the Group will be required to settle the liabilities, the liabilities are not included in the financial statements.

The aggregate value of funds as at 30 June, managed for each fiduciary activity but not reported in the Group's Balance Sheet are as follows:

	Group	
	2010	2009
	$M	$M
Funds under administration	**172,784**	159,927
Funds under management	**144,298**	138,204

Note 38 Financial Risk Management

Risk Management

The Group is a major financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. Financial instruments are fundamental to the Group's business and managing financial risks, especially credit risk, is a fundamental part of its business activity.

Governance

Risk governance originates at Board level, and cascades through to the CEO and businesses via Group policies, delegated authorities and regular reviews of outcomes. This ensures Board level oversight and is based on a clear segregation of duties between those who originate and those who approve risk exposures. Independent review of the risk management framework is carried out by Group Audit.

The Risk Committee of the Board oversees credit, market (including traded, interest rate risk in the banking book ("IRRBB"), lease residual values, non-traded equity and structural foreign exchange risks), liquidity and funding, operational, regulatory and compliance, insurance and reputational risks assumed by the Group in the course of carrying on its business. Strategic risks are governed by the full Board with input from the various Board sub-committees. Tax and accounting risks are governed by the Audit Committee.

The main financial risks affecting the Group are discussed in Notes 39 (Credit Risk), 40 (Market Risk), and 41 (Liquidity and Funding Risk).

Risk Management Framework

The Group has in place an integrated risk management framework to identify, assess, manage and report risks and risk-adjusted returns on a consistent and reliable basis.

Accountability for risk management is structured by a "Three Lines of Defence" model as follows:

- Line 1 – Business Management

  Business managers are responsible for managing operational risk for their business and the processes they own. This includes understanding and articulating their risk profile, testing and monitoring key controls, and escalating, reporting and rectifying incidents and control weaknesses;
- Line 2 – Risk Management & Compliance

  Group, Business Unit and Divisional Risk Management and Compliance units support the risk strategy and philosophy, support business decisions within the Group's risk appetite and facilitate the embedding of the Group's operational risk framework and culture within the Group's businesses; and
- Line 3 – Internal and External Audit

  Group Audit is responsible for reviewing risk management frameworks and Business Unit practices for risk management and internal controls.

  External Audit is responsible for providing an independent opinion on the financial statements and control environments of the Group and Bank.

This framework requires each business to manage the outcome of its risk-taking activities and benefit from the resulting risk adjusted returns.

Note 39 Credit Risk

Credit risk is the potential for loss arising from failure of a debtor or counterparty to meet their contractual obligations. It arises primarily from lending activities, the provision of guarantees including letters of credit and commitments to lend, investments in bonds and notes, financial markets transactions, securitisations and other associated activities. In the insurance business, credit risk arises from investment in bonds and notes, loans, and from reliance on reinsurance.

Credit Risk Management Principles and Portfolio Standards

The Risk Committee of the Board operates under a Charter by which it oversees the Group's credit risk management policies and portfolio standards. These are designed to achieve portfolio outcomes that are consistent with the Group's risk/return expectations. The Committee meets at least quarterly, and more often if required.

The Group has clearly defined credit policies for the approval and management of credit risk. Formal credit standards apply to all credit risks, with specific portfolio standards applying to all major lending areas. These incorporate income/repayment capacity, acceptable terms and security and loan documentation tests.

The Group uses a Risk Committee approved diversified portfolio approach for the management of credit risk concentrations comprised of the following:

- A large credit exposures policy, which sets limits for aggregate exposures to individual, commercial and industrial client groups;
- An industry concentrations policy that defines a system of limits for exposures by industry; and
- A system of country limits for managing geographic exposures.

The Group assesses the integrity and ability of debtors or counterparties to meet their contracted financial obligations for repayment. Collateral security, in the form of real estate or a floating charge over assets, is generally taken for business credit except for major government, bank and corporate counterparties that are externally risk-rated and of strong financial standing. Longer term consumer finance (e.g. housing loans) is generally secured against real estate while short term revolving consumer credit is generally not secured by formal collateral.

While the Group applies policies, standards and procedures in governing the credit process, the management of credit risk also relies on the application of judgement and the exercise of good faith and due care of relevant 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 Managed

This segment has sub-segments covering housing loan, credit card, personal loan facilities, some leasing products and most secured commercial lending up to $1 million.

Auto-decisioning for the approval of credit risk exposures is used for eligible business and consumer applications. Auto-decisioning uses a scorecard approach whereby the performance of historical applications is supplemented by information from a credit reference bureau and/or from the Group's existing knowledge of a customer's behaviour.

Note 39 Credit Risk (continued)

Where the loan application does not meet scorecard Auto-decisioning requirements then these may be referred to manual decisioning.

After loan origination, these portfolios are managed using behavioural scoring systems and on a delinquency band approach (e.g. actions taken when loan payments are greater than 30 days past due differ from actions when payments are greater than 60 days past due) and are reviewed by the relevant business credit support unit. Commercial lending up to $1 million is reviewed as part of the Group's quality assurance process and overview is provided by the independent 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 probability of default ("PD") and the amount of loss given default ("LGD") combine to determine a CRR grade commensurate with expected loss ("EL").

For credit risk exposures greater than $2 million or decisioned outside of the scorecard approach, either a PD calculator or expert judgement is used.

Expert judgement is used where the complexity of the transaction and/or the debtor is such that it is inappropriate to rely completely on a statistical model. Ratings by Moody's or Standard and Poor's may be used as inputs into the expert judgement assessment.

The CRR is designed to:

- Aid in assessing changes to the client quality of the Group's credit portfolio;
- Influence decisions on approval, management and pricing of individual credit facilities; and
- Provide the basis for reporting details of the Group's credit portfolio to the Australian Prudential Regulatory Authority.

Credit risk-rated exposures are generally reviewed on an individual basis, at least annually, although small transactions may be managed on a behavioural basis after their initial rating at origination.

Credit risk-rated exposures fall within the following categories:

- "Pass" – Internal CRR of 1-6, or if not individually credit risk-rated, less than 30 days past due. These credit facilities qualify for approval of new or increased exposure on normal commercial terms; and
- "Troublesome or Impaired Assets ("TIAs")" - Internal CRR of 7-9 or, if not individually credit risk-rated, 30 days or more past due. These credit facilities are not eligible for new or increased exposure unless it will protect or improve the Group's position by maximising recovery prospects or to facilitate rehabilitation. Where a client is in default but the facility is well secured then the facility may be classed as troublesome but not impaired. Where a client's facility is not well secured and a loss is expected, then a facility is impaired. Facilities that have been restructured are also classified as a sub-set of impaired.

Default is usually consistent with one or more of the following:

- 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 is the product of:

- Probability of default ("PD");
- Exposure at default ("EAD"); and
- Loss given default ("LGD").

For credit risk-rated facilities, EL is allocated within CRR bands. All ratings are reviewed at least annually or as specified by the Group Chief Risk Officer.

The PD, expressed as a percentage, is the estimate of the probability that a client will default within the next twelve months. It reflects a client's ability to generate sufficient cash flows into the future to meet the terms of all its credit obligations with the Group. When assessing a client's PD, all relevant and material information is considered. The same PD is applied to all credit facilities provided to a client.

EAD, expressed as a percentage of the facility limit, is the proportion of a facility that may be outstanding in the event of default. For committed facilities such as fully drawn loans and advances this will generally be the higher of the limit or outstanding balance. For uncommitted facilities this will generally be the outstanding balance only.

LGD, expressed as a percentage, is the estimated proportion of a facility likely to be lost in the event of default. LGD is impacted by:

- Type and level of any collateral held;
- Liquidity and volatility of collateral;
- Carrying costs (effectively the costs of providing a facility that is not generating an interest return); and
- Realisation costs (costs of internal workout specialists).

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.

Note 39 Credit Risk (continued)

(ii) Unexpected Loss

In addition to expected loss, a more stressed loss amount is calculated. This unexpected loss estimate directly affects the calculation of regulatory and internal economic capital requirements (refer to section Capital Management and Note 31, Capital Adequacy for information relating to regulatory and economic capital).

In addition to the credit risk management processes used to manage exposures to credit risk in the credit portfolio, the internal ratings process also assists management in assessing impairment and provisioning of financial assets (refer Note 14, Provisions for Impairment).

Credit Risk Mitigation, Collateral and Other Credit Enhancements

Where it is considered appropriate, the Group has policies and procedures in place setting out the circumstances where acceptable and appropriate collateral is to be taken to mitigate credit risk, including valuation parameters, review frequency and independence of valuation.

The general nature of collateral that may be taken by financial asset classes are summarised below.

Cash and Liquid Assets

With the exception of securities purchased under agreements to resell which are approximately 100% collateralised by highly liquid debt securities, collateral is usually not sought on these balances as exposures are generally considered low risk.

Due from other financial institutions

Collateral is usually not sought on these balances as exposures are generally considered to be of low risk.

Derivative financial assets

Collateralisation arrangements for derivative financial instruments are governed by the International Swaps & Derivatives Association ("ISDA") Master Agreement and Credit Support Annex and the Global Master Repurchase Agreement. The ISDA Master Agreement is a close out netting agreement. Other collateral may be sought where prudent, depending on transaction characteristics and credit-worthiness of the counterparty.

Trading assets

These assets are carried at fair value which accounts for the credit risk. Collateral is not generally sought from the issuer or counterparty.

Other financial assets designated at fair value

These assets are carried at fair value which accounts for the credit risk. Credit derivatives have not been used to mitigate the exposure to credit risk. Collateral may be taken on loans and advances and debt securities may include collateralisation terms.

Available for sale securities

Collateral is not generally sought on these securities. However, collateralisation may be implicit in the asset structure.

Loans for consumer purposes

The Group's main collateral types may include: residential mortgages, mortgages over other properties (including commercial and broad acre), or cash (usually in the form of a charge over a deposit). In some instances (for example, credit cards), a client's facilities may not be secured by formal collateral.

Loans for business purposes

The Group's main collateral types may include: residential mortgages, mortgages over other properties (including commercial and broad acre), cash (usually in the form of a charge over a deposit), guarantees by company directors supporting commercial lending; a floating charge over a company's assets (including debtors, stock and work in progress); or a charge over stock or scrip. In some instances a client's facilities may not be secured by formal collateral.

Life insurance assets

These assets are carried at fair value which accounts for the credit risk. Collateral is not generally sought or provided on these types of assets other than a fixed charge over properties backing Australian mortgage investments.

Due from subsidiaries

Collateral is not generally taken on these balances.

Notes to the Financial Statements

Note 39 Credit Risk (continued)

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

The below tables detail the concentration of credit exposure assets by significant geographical locations and counterparty types. Disclosures do not take into account collateral held and other credit enhancements.

										Group At 30 June 2010
	Sovereign	Agri-culture	Bank & Other Financial	Home Loans	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	-	-	6,343	-	-	-	-	-	-	6,343
Receivables due from other financial institutions	-	-	5,355	-	-	-	-	-	-	5,355
Assets at fair value through Income Statement:										
Trading	8,618	-	4,931	-	-	-	-	2,511	-	16,060
Insurance (1)	1,478	-	9,148	1,393	101	-	-	2,157	-	14,277
Other	-	-	-	-	-	-	-	-	-	-
Derivative assets	163	35	19,269	-	24	-	-	3,188	-	22,679
Available-for-sale investments	12,588	-	3,661	-	-	-	-	12,015	-	28,264
Loans, bills discounted and other receivables (2)	1,571	5,158	9,221	292,140	3,438	15,979	8,621	108,818	-	444,946
Bank acceptances	5	3,090	263	-	529	-	-	7,682	-	11,569
Other assets (3)	5	39	5,442	4	40	14	13	378	13,630	19,565
Total on balance sheet Australia	24,428	8,322	63,633	293,537	4,132	15,993	8,634	136,749	13,630	569,058
Credit risk exposures relating to off balance sheet assets:										
Guarantees	73	16	236	24	370	-	-	2,791	-	3,510
Loan commitments	1,187	992	3,575	51,995	1,441	17,206	-	22,008	-	98,404
Other commitments	25	26	168	11	357	-	-	1,713	-	2,300
Total Australia	25,713	9,356	67,612	345,567	6,300	33,199	8,634	163,261	13,630	673,272
Overseas Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	3,776	-	-	-	-	-	-	3,776
Receivables due from other financial institutions	-	-	4,717	-	-	-	-	-	-	4,717
Assets at fair value through Income Statement:										
Trading	2,900	-	1,473	-	-	-	-	2,418	-	6,791
Insurance (1)	-	-	1,663	-	-	-	-	-	-	1,663
Other	-	6	584	-	-	3	-	61	-	654
Derivative assets	388	-	3,814	-	-	-	-	808	-	5,010
Available-for-sale investments	674	-	879	-	-	-	-	3,098	-	4,651
Loans, bills discounted and other receivables (2)	1,213	5,450	6,344	31,433	472	822	768	9,821	-	56,323
Bank acceptances	-	-	-	-	-	-	-	-	-	-
Other assets (3)	12	-	95	1	-	-	-	67	1,322	1,497
Total on balance sheet Overseas	5,187	5,456	23,345	31,434	472	825	768	16,273	1,322	85,082
Credit risk exposures relating to off balance sheet assets:										
Guarantees	15	-	2	-	38	-	-	93	-	148
Loan commitments	247	469	233	3,366	116	1,109	-	5,476	-	11,016
Other commitments	45	-	-	164	1	-	-	153	-	363
Total Overseas	5,494	5,925	23,580	34,964	627	1,934	768	21,995	1,322	96,609
Total gross credit risk	31,207	15,281	91,192	380,531	6,927	35,133	9,402	185,256	14,952	769,881

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

(2) Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income on lease receivables in line with Note 13 Loans, bills discounted and other receivables.

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

Note 39 Credit Risk (continued)

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements [1]

Group
At 30 June 2009

	Sovereign $M	Agri-culture $M	Bank & Other Financial $M	Home Loans $M	Constr-uction $M	Personal $M	Asset Financing $M	Other Comm & Indust. $M	Other $M	Total $M
Australia Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	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 [2]	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 [3]	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 [4]	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	-	31,208	718	106,541
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	180,656	12,118	647,989
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 [2]	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 [3]	1,466	5,483	7,619	30,702	635	743	717	13,034	-	60,399
Bank acceptances	-	-	-	-	-	-	-	1	-	1
Other assets [4]	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	205,675	13,792	752,222

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

(2) 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.

(3) Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income on lease receivables in line with Note 13 Loans, bills discounted and other receivables.

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

Notes to the Financial Statements

Note 39 Credit Risk (continued)

Large Exposures

Concentrations of exposure to any debtor or counterparty group are controlled by a large credit exposure policy, which defines a graduated limit framework that restricts credit limits based on the internally assessed risk of the client. All exposures outside the policy require approval by the Executive Risk Committee and reporting to the Board Risk Committee.

The following table shows the aggregated number of the Group's Corporate and Industrial counterparty exposures (including direct and contingent exposures) which individually were greater than 5% of the Group's capital resources (Tier One and Tier Two capital):

	Group	
	2010	2009
	Number	Number
5% to less than 10% of the Group's capital resources	-	1
10% to less than 15% of the Group's capital resources	-	-

The Group has a good quality and well diversified credit portfolio, with 58% of the gross loans and other receivables in domestic mortgage loans and a further 6% in overseas mortgage loans primarily in New Zealand. Overseas loans account for 11% of loans and advances at $56.3 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 are primarily used to manage the risk of derivative transactions and off-balance sheet exposures. Balance Sheet assets and liabilities are usually settled on a gross basis.

The credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. As at 30 June 2010, the offsets obtained by applying master netting arrangements reduced the credit risk of the Group by approximately $9.9 billion (2009: $10.7 billion).

Derivative financial instruments expose the Group to credit risk where there is a positive current fair value. In the case of credit derivatives, the Group is also exposed to or protected from the risk of default of the underlying entity referenced by the derivative. For further information regarding derivatives see Note 11.

The Group also nets its credit exposure through the operation of certain consumer and corporate facilities that allow on balance sheet netting for credit management purposes. As at 30 June 2010, on balance sheet netting reduced the credit risk of the Group by approximately $16 billion (2009: $14 billion).

Note 39 Credit Risk (continued)

Distribution of Financial Assets by Credit Classification

When doubt arises as to the collectability of a credit facility, the financial instrument is classified and reported as individually impaired. Provisions for impairment are raised where there is objective evidence of impairment and for an amount adequate to cover assessed credit related losses. The Group regularly reviews its financial assets and monitors adherence to contractual terms. Credit risk-rated portfolios are assessed, at least at each Balance Sheet date, to determine whether the financial asset or portfolio of assets is impaired.

The distribution of performing assets, past due assets, impaired assets and individually assessed provisions for impairment by type of financial instrument at 30 June was:

Distribution of Financial Instruments by Credit Quality

							Group 2010
	Neither past due nor impaired $M	Past due but not impaired $M	Impaired Non-performing $M	Restructured $M	Gross $M	Individually assessed provisions $M	Net $M
Cash and liquid assets	10,119	-	-	-	10,119	-	10,119
Receivables due from other financial institutions	10,072	-	-	-	10,072	-	10,072
Assets at fair value through Income Statement:							
Trading	22,851	-	-	-	22,851	-	22,851
Insurance	15,940	-	-	-	15,940	-	15,940
Other	654	-	-	-	654	-	654
Derivative assets	27,603	-	86	-	27,689	-	27,689
Available-for-sale investments	32,914	-	1	-	32,915	-	32,915
Loans, bills discounted and other receivables:							
Australia	428,464	11,861	4,543	78	444,946	(1,915)	443,031
Overseas	53,320	2,513	321	169	56,323	(77)	56,246
Bank acceptances	11,569	-	-	-	11,569	-	11,569
Credit related commitments	115,723	-	18	-	115,741	-	115,741
	729,229	14,374	4,969	247	748,819	(1,992)	746,827

							Bank 2010
	Neither past due nor impaired $M	Past due but not impaired $M	Impaired Non-performing $M	Restructured $M	Gross $M	Individually assessed provisions $M	Net $M
Cash and liquid assets	8,711	-	-	-	8,711	-	8,711
Receivables due from other financial institutions	9,766	-	-	-	9,766	-	9,766
Assets at fair value through Income Statement:							
Trading	18,775	-	-	-	18,775	-	18,775
Insurance	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Derivative assets	27,278	-	85	-	27,363	-	27,363
Available-for-sale investments	65,778	-	1	-	65,779	-	65,779
Loans, bills discounted and other receivables:							
Australia	359,891	9,346	2,455	78	371,770	(950)	370,820
Overseas	9,786	5	39	38	9,868	(28)	9,840
Bank acceptances	11,569	-	-	-	11,569	-	11,569
Shares in and loans to controlled entities	49,809	-	-	-	49,809	-	49,809
Credit related commitments	98,749	-	18	-	98,767	-	98,767
	660,112	9,351	2,598	116	672,177	(978)	671,199

Notes to the Financial Statements

Note 39 Credit Risk (continued)

Distribution of Financial Instruments by Credit Quality [1]

	Neither past due nor impaired $M	Past due but not impaired $M	Impaired Non-performing $M	Restructured $M	Gross $M	Individually assessed provisions $M	Net $M
							Group 2009
Cash and liquid assets	11,340	-	-	-	11,340	-	11,340
Receivables due from other financial institutions	14,421	-	-	-	14,421	-	14,421
Assets at fair value through Income Statement:							
Trading	25,401	-	-	-	25,401	-	25,401
Insurance	17,260	-	-	-	17,260	-	17,260
Other	1,677	-	-	-	1,677	-	1,677
Derivative assets	26,349	-	9	-	26,358	-	26,358
Available-for-sale investments	21,503	-	1	-	21,504	-	21,504
Loans, bills discounted and other receivables:							
Australia	399,075	10,686	3,493	119	413,373	(1,560)	411,813
Overseas	56,918	2,904	407	170	60,399	(169)	60,230
Bank acceptances	14,728	-	-	-	14,728	-	14,728
Credit related commitments	124,698	-	11	-	124,709	-	124,709
	713,370	13,590	3,921	289	731,170	(1,729)	729,441

	Neither past due nor impaired $M	Past due but not impaired $M	Impaired Non-performing $M	Restructured $M	Gross $M	Individually assessed provisions $M	Net $M
							Bank 2009
Cash and liquid assets	9,684	-	-	-	9,684	-	9,684
Receivables due from other financial institutions	13,986	-	-	-	13,986	-	13,986
Assets at fair value through Income Statement:							
Trading	20,988	-	-	-	20,988	-	20,988
Insurance	-	-	-	-	-	-	-
Other	60	-	-	-	60	-	60
Derivative assets	25,535	-	1	-	25,536	-	25,536
Available-for-sale investments	60,658	-	1	-	60,659	-	60,659
Loans, bills discounted and other receivables:							
Australia	334,812	7,757	2,093	119	344,781	(933)	343,848
Overseas	12,708	8	159	116	12,991	(87)	12,904
Bank acceptances	14,726	-	-	-	14,726	-	14,726
Shares in and loans to controlled entities	54,671	-	-	-	54,671	-	54,671
Credit related commitments	107,503	-	10	-	107,513	-	107,513
	655,331	7,765	2,264	235	665,595	(1,020)	664,575

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

Note 39 Credit Risk (continued)

Financial Assets Individually Assessed as Impaired [1]

	2010 Gross Impaired Assets $M	2010 Individually Assessed Provisions $M	2010 Net Impaired Assets $M	2009 Gross Impaired Assets $M	2009 Individually Assessed Provisions $M	2009 Net Impaired Assets $M
						Group
Australia						
Home loans	**670**	**(150)**	**520**	274	(82)	192
Other personal	**15**	**(22)**	**(7)**	27	(23)	4
Asset financing	**81**	**(15)**	**66**	72	(31)	41
Other commercial and industrial	**3,960**	**(1,728)**	**2,232**	3,260	(1,424)	1,836
Financial assets individually assessed as impaired - Australia	**4,726**	**(1,915)**	**2,811**	3,633	(1,560)	2,073
Overseas						
Home loans	**164**	**(12)**	**152**	203	(10)	193
Personal	**4**	**-**	**4**	1	-	1
Asset financing	**-**	**-**	**-**	-	-	-
Other commercial and industrial	**322**	**(65)**	**257**	373	(159)	214
Financial assets individually assessed as impaired - Overseas	**490**	**(77)**	**413**	577	(169)	408
Total financial assets individually assessed as impaired	**5,216**	**(1,992)**	**3,224**	4,210	(1,729)	2,481

	2010 Gross Impaired Assets $M	2010 Individually Assessed Provisions $M	2010 Net Impaired Assets $M	2009 Gross Impaired Assets $M	2009 Individually Assessed Provisions $M	2009 Net Impaired Assets $M
						Bank
Australia						
Home loans	**559**	**(107)**	**452**	186	(46)	140
Other personal	**11**	**(18)**	**(7)**	7	(2)	5
Asset financing	**47**	**(6)**	**41**	38	(23)	15
Other commercial and industrial	**2,020**	**(819)**	**1,201**	1,993	(862)	1,131
Financial assets individually assessed as impaired - Australia	**2,637**	**(950)**	**1,687**	2,224	(933)	1,291
Overseas						
Home loans	**14**	**-**	**14**	116	-	116
Personal	**-**	**-**	**-**	-	-	-
Asset financing	**-**	**-**	**-**	-	-	-
Other commercial and industrial	**63**	**(28)**	**35**	159	(87)	72
Financial assets individually assessed as impaired - Overseas	**77**	**(28)**	**49**	275	(87)	188
Total financial assets individually assessed as impaired	**2,714**	**(978)**	**1,736**	2,499	(1,020)	1,479

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

Note 39 Credit Risk (continued)

Distribution of Loans, Bills Discounted and Other Receivables by Impairment Status

The tables below segregate the loans, bills discounted and other receivables into neither past due nor impaired, past due but not impaired and impaired. An asset is considered to be past due when any payment under the contractual terms has been missed. The amount included as past due is the entire contractual balance, rather than the overdue portion.

The split in the tables below does not reflect the basis by which the Group manages credit risk.

The distribution of performing assets, past due assets and impaired assets at 30 June was:

	Group		Bank	
	2010	2009	2010	2009
Distribution of loans by credit quality	$M	$M	$M	$M
Gross loans				
Australia				
Neither past due nor impaired	**428,464**	399,075	**359,891**	334,812
Past due but not impaired	**11,861**	10,686	**9,346**	7,757
Impaired	**4,621**	3,612	**2,533**	2,212
Total Australia	**444,946**	413,373	**371,770**	344,781
Overseas				
Neither past due nor impaired	**53,320**	56,918	**9,786**	12,708
Past due but not impaired	**2,513**	2,904	**5**	8
Impaired	**490**	577	**77**	275
Total Overseas	**56,323**	60,399	**9,868**	12,991
Total gross loans	**501,269**	473,772	**381,638**	357,772

Note 39 Credit Risk (continued)

Credit Quality of Loans, Bills Discounted and Other Receivables Neither Past Due nor Impaired

For the analysis below, financial assets that are neither past due nor impaired have been segmented into investment, pass and weak classifications. This segmentation of loans in retail and risk-rated portfolios is based on the mapping of a customer's internally assessed PD to Standard and Poor's ratings, reflecting a client's ability to meet their credit obligations. In particular, retail PD pools have been aligned to the Group's PD grades which are consistent with rating agency views of credit quality segmentation.

Investment grade is representative of lower assessed default probabilities with other classifications reflecting progressively higher default risk. No consideration is given to LGD, the impact of any recoveries or the potential benefit of mortgage insurance.

Loans which were neither past due nor impaired (1)

					Group 2010
	Home Loans $M	Personal $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
Credit Grading					
Australia					
Investment	**179,505**	**2,211**	**592**	**63,390**	**245,698**
Pass	**96,543**	**10,081**	**7,541**	**51,279**	**165,444**
Weak	**7,312**	**2,440**	**241**	**7,329**	**17,322**
Total Australia	**283,360**	**14,732**	**8,374**	**121,998**	**428,464**
Overseas (2)					
Investment	**23,194**	**86**	**386**	**12,692**	**36,358**
Pass	**4,821**	**488**	**345**	**8,847**	**14,501**
Weak	**1,272**	**-**	**-**	**1,189**	**2,461**
Total Overseas	**29,287**	**574**	**731**	**22,728**	**53,320**
Total loans which were neither past due nor impaired	**312,647**	**15,306**	**9,105**	**144,726**	**481,784**

					Group 2009
	Home Loans $M	Personal $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
Credit Grading					
Australia					
Investment	146,166	2,128	596	60,471	209,361
Pass	101,657	9,589	6,756	56,205	174,207
Weak	6,690	2,271	78	6,468	15,507
Total Australia	254,513	13,988	7,430	123,144	399,075
Overseas (2)					
Investment	20,509	62	378	16,858	37,807
Pass	6,326	380	301	9,537	16,544
Weak	1,410	-	-	1,157	2,567
Total Overseas	28,245	442	679	27,552	56,918
Total loans which were neither past due nor impaired	**282,758**	**14,430**	**8,109**	**150,696**	**455,993**

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

(2) For New Zealand Housing Loans, PDs reflect Reserve Bank of New Zealand requirements resulting in higher PDs on average and lower grading.

Note 39 Credit Risk (continued)

Loans which were neither past due nor impaired [1]

	Home Loans $M	Personal $M	Asset Financing $M	Other Commercial and Industrial $M	Bank 2010 Total $M
Credit Grading					
Australia					
Investment	151,753	1,967	407	60,975	215,102
Pass	83,687	9,098	6,377	35,162	134,324
Weak	5,994	2,092	201	2,178	10,465
Total Australia	241,434	13,157	6,985	98,315	359,891
Overseas					
Investment	-	-	372	7,280	7,652
Pass	348	141	34	1,514	2,037
Weak	25	-	-	72	97
Total Overseas	373	141	406	8,866	9,786
Total loans which were neither past due nor impaired	241,807	13,298	7,391	107,181	369,677

	Home Loans $M	Personal $M	Asset Financing $M	Other Commercial and Industrial $M	Bank 2009 Total $M
Credit Grading					
Australia					
Investment	124,839	1,869	393	58,627	185,728
Pass	89,427	8,672	4,676	37,112	139,887
Weak	4,693	1,850	175	2,479	9,197
Total Australia	218,959	12,391	5,244	98,218	334,812
Overseas					
Investment	-	-	1	10,078	10,079
Pass	150	43	6	2,117	2,316
Weak	54	-	-	259	313
Total Overseas	204	43	7	12,454	12,708
Total loans which were neither past due nor impaired	219,163	12,434	5,251	110,672	347,520

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

Note 39 Credit Risk (continued)

Age Analysis of Loans, Bills Discounted and Other Receivables That Are Past Due But Not Impaired

For the purposes of this analysis an asset is considered to be past due when any payment under the contractual terms has been missed.

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

It has not been practicable to determine the fair value of collateral held against these assets.

					Group 2010
Loans which were past due but not impaired [1]	Home Loans $M	Personal [2] $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
Australia					
Past due 1 - 29 days	**3,454**	**708**	**94**	**1,404**	**5,660**
Past due 30 - 59 days	**1,634**	**188**	**36**	**232**	**2,090**
Past due 60 - 89 days	**772**	**111**	**18**	**172**	**1,073**
Past due 90 - 179 days	**1,152**	**189**	**12**	**206**	**1,559**
Past due 180 days or more	**1,265**	**33**	**12**	**169**	**1,479**
Total Australia	**8,277**	**1,229**	**172**	**2,183**	**11,861**
Overseas					
Past due 1 - 29 days	**1,360**	**187**	**24**	**169**	**1,740**
Past due 30 - 59 days	**247**	**26**	**7**	**17**	**297**
Past due 60 - 89 days	**123**	**10**	**2**	**29**	**164**
Past due 90 - 179 days	**132**	**13**	**3**	**20**	**168**
Past due 180 days or more	**118**	**10**	**1**	**15**	**144**
Total Overseas	**1,980**	**246**	**37**	**250**	**2,513**
Total loans which were past due but not impaired	**10,257**	**1,475**	**209**	**2,433**	**14,374**

					Group 2009
Loans which were past due but not impaired [1]	Home Loans $M	Personal [2] $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
Australia					
Past due 1 - 29 days	3,071	683	256	1,625	5,635
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	2,409	10,686
Overseas					
Past due 1 - 29 days	1,586	215	25	235	2,061
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	313	2,905
Total loans which were past due but not impaired	8,950	1,469	450	2,722	13,591

(1) Collateral held against past due Home Loans receivables comprises residential and other real estate with an estimated fair value of at least the amounts shown. Personal receivables are generally unsecured. It has not been practicable to determine the fair value of collateral held against past due Asset Financing and Other Commercial and Industrial receivables.

(2) Personal loans, credit cards and other personal financing balances are generally unsecured and written off at 180 days past due unless agreements have been made with the debtor.

Notes to the Financial Statements

Note 39 Credit Risk (continued)

Loans which were past due but not impaired [1] [2]	Home Loans $M	Personal [3] $M	Asset Financing $M	Other Commercial and Industrial $M	Bank 2010 Total $M
Australia					
Past due 1 - 29 days	**2,945**	**623**	**51**	**597**	**4,216**
Past due 30 - 59 days	**1,433**	**166**	**20**	**154**	**1,773**
Past due 60 - 89 days	**648**	**99**	**12**	**70**	**829**
Past due 90 - 179 days	**978**	**172**	**3**	**118**	**1,271**
Past due 180 days or more	**1,141**	**33**	**10**	**73**	**1,257**
Total Australia	**7,145**	**1,093**	**96**	**1,012**	**9,346**
Overseas					
Past due 1 - 29 days	**4**	**-**	**-**	**-**	**4**
Past due 30 - 59 days	**1**	**-**	**-**	**-**	**1**
Past due 60 - 89 days	**-**	**-**	**-**	**-**	**-**
Past due 90 - 179 days	**-**	**-**	**-**	**-**	**-**
Past due 180 days or more	**-**	**-**	**-**	**-**	**-**
Total Overseas	**5**	**-**	**-**	**-**	**5**
Total loans which were past due but not impaired	**7,150**	**1,093**	**96**	**1,012**	**9,351**

Loans which were past due but not impaired [1] [2]	Home Loans $M	Personal [3] $M	Asset Financing $M	Other Commercial and Industrial $M	Bank 2009 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 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) Certain comparative information has been restated to conform to presentation in the current period.

(3) Personal loans, credit cards and other personal financing balances are generally unsecured and written off at 180 days past due unless agreements have been made with the debtor.

Note 39 Credit Risk (continued)

Impaired Assets by Classification

Assets in credit risk-rated portfolios are assessed for objective evidence that the financial asset or portfolio of assets is impaired. Impaired assets in the retail segment are those facilities that are not well secured and are past due 180 days or more.

Impaired assets are split into the following categories according to APRA's prudential standards:

- Non-Performing Facilities;
- Restructured Facilities; and
- Assets Acquired Through Security Enforcement.

Non-performing facilities are facilities against which an individually assessed provision for impairment has been raised and facilities where loss of principal or interest is anticipated.

Restructured facilities are facilities where the original contractual terms have been modified due to financial difficulties of the borrower. Interest on these facilities is taken to the Income Statement. Failure to comply fully with the modified terms will result in immediate reclassification to non-performing.

Assets acquired through security enforcement include:

- Other Real Estate Owned, comprising real estate where the Group assumed ownership or foreclosed in settlement of a debt; and
- Other Assets Acquired Through Securities Enforcement, comprising assets other than real estate where the Group assumed ownership or foreclosed in settlement of a debt.

Assets acquired through security enforcement are sold through the Group's existing disposal processes. These are generally expected to take no longer than six months.

The Group does not manage credit risk based solely on arrears categorisation, but also uses credit risk rating principles as described earlier in this note.

					Group
	2010	2009	2008	2007	2006
	$M	$M	$M	$M	$M
Australia (1)					
Non-Performing assets:					
Gross balances	**4,648**	3,514	620	398	312
Less provisions for impairment	**(1,915)**	(1,560)	(248)	(86)	(75)
Net non-performing assets	**2,733**	1,954	372	312	237
Restructured assets:					
Gross balances	**78**	119	-	-	-
Less provisions for impairment	**-**	-	-	-	-
Net restructured assets	**78**	119	-	-	-
Assets Acquired Through Security Enforcement:					
Gross balances	**-**	-	-	-	-
Less provisions for impairment	**-**	-	-	-	-
Net assets acquired through security enforcement	**-**	-	-	-	-
Net Australia impaired assets	**2,811**	2,073	372	312	237
Overseas (1)					
Non-Performing assets:					
Gross balances	**321**	407	63	23	14
Less provisions for impairment	**(77)**	(169)	(31)	(14)	(5)
Net non-performing assets	**244**	238	32	9	9
Restructured assets:					
Gross balances	**169**	170	-	-	-
Less provisions for impairment	**-**	-	-	-	-
Net restructured assets	**169**	170	-	-	-
Assets Acquired Through Security Enforcement:					
Gross balances	**-**	-	-	-	-
Less provisions for impairment	**-**	-	-	-	-
Net assets acquired through security enforcement	**-**	-	-	-	-
Net Overseas impaired assets	**413**	408	32	9	9
Total net impaired assets	**3,224**	2,481	404	321	246

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

Note 39 Credit Risk (continued)

Impaired Assets by Size (1)	Australia 2010 $M	Overseas 2010 $M	Total 2010 $M	Australia 2009 $M	Overseas 2009 $M	Group Total 2009 $M
Non-Performing Assets by Size						
Less than $1 million	**692**	**40**	**732**	493	172	665
$1 million to $10 million	**1,425**	**148**	**1,573**	843	171	1,014
Greater than $10 million	**2,609**	**302**	**2,911**	2,297	234	2,531
Total	**4,726**	**490**	**5,216**	3,633	577	4,210

Movement in Gross Impaired Assets	2010 $M	2009 $M	2008 $M	2007 $M	Group 2006 $M
Gross impaired assets - opening balance	**4,210**	683	421	326	395
Acquisitions	**-**	770	-	-	-
New and increased	**5,455**	4,374	1,104	928	745
Balances written off	**(1,904)**	(1,056)	(470)	(482)	(450)
Returned to performing or repaid	**(2,545)**	(561)	(372)	(351)	(364)
Gross impaired assets - closing balance	**5,216**	4,210	683	421	326

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

Note 39 Credit Risk (continued)

Impaired Loans by Industry and Status (1)

							Group 2010
Industry	Loans $M	Gross Impaired Loans $M	Individually Assessed Provisions $M	Net Impaired Loans $M	Write-offs $M	Recoveries $M	Net Write-offs $M
Australia							
Sovereign	1,571	-	-	-	-	-	-
Agriculture	5,158	222	(75)	147	10	-	10
Bank and other financial	9,221	414	(254)	160	383	-	383
Home loans	292,140	671	(150)	521	95	(3)	92
Construction	3,438	271	(132)	139	72	-	72
Personal	15,979	15	(21)	(6)	651	(59)	592
Asset Financing	8,621	81	(15)	66	72	(3)	69
Other commercial and industrial	108,818	2,947	(1,268)	1,679	604	(5)	599
Total Australia	444,946	4,621	(1,915)	2,706	1,887	(70)	1,817
Overseas							
Sovereign	1,213	-	-	-	-	-	-
Agriculture	5,450	193	(15)	178	7	-	7
Bank and other financial	6,344	24	(1)	23	50	-	50
Home loans	31,433	145	(12)	133	25	-	25
Construction	472	-	-	-	-	-	-
Personal	822	4	-	4	18	(6)	12
Asset Financing	768	-	-	-	-	-	-
Other commercial and industrial	9,821	124	(49)	75	86	(1)	85
Total Overseas	56,323	490	(77)	413	186	(7)	179
Gross balances	501,269	5,111	(1,992)	3,119	2,073	(77)	1,996

							Group 2009
Industry	Loans $M	Gross Impaired Loans $M	Individually Assessed Provisions $M	Net Impaired Loans $M	Write-offs $M	Recoveries $M	Net Write-offs $M
Australia							
Sovereign	1,539	-	-	-	-	-	-
Agriculture	4,717	257	(77)	180	2	(1)	1
Bank and other financial	9,900	878	(483)	395	110	(1)	109
Home Loans	261,504	246	(82)	164	36	(1)	35
Construction	4,072	242	(104)	138	4	-	4
Personal	15,148	42	(23)	19	496	(52)	444
Asset Financing	7,923	46	(31)	15	58	(5)	53
Other commercial and industrial	108,570	1,901	(760)	1,141	255	(10)	245
Total Australia	413,373	3,612	(1,560)	2,052	961	(70)	891
Overseas							
Sovereign	1,466	-	-	-	-	-	-
Agriculture	5,483	60	(9)	51	-	-	-
Bank and other financial	7,619	109	(68)	41	86	-	86
Home Loans	30,702	196	(10)	186	18	-	18
Construction	635	-	-	-	4	-	4
Personal	743	1	-	1	14	(3)	11
Asset Financing	717	-	-	-	-	-	-
Other commercial and industrial	13,034	211	(82)	129	60	-	60
Total Overseas	60,399	577	(169)	408	182	(3)	179
Gross balances	473,772	4,189	(1,729)	2,460	1,143	(73)	1,070

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

Note 40 Market Risk

Market Risk

Market risk is the potential of loss arising from adverse changes in interest rates, foreign exchange rates, commodity and equity prices, credit spreads, lease residual values, and implied volatility levels. Market risk also includes risks associated with funding and liquidity management.

For the purposes of market risk management, the Group makes a distinction between Traded and Non-Traded Market Risks. Traded Market Risks arise from the Group's trading book activities within the Institutional Banking and Markets business, ASB Bank Limited ("ASB") and the Bank of Western Australia Ltd ("Bankwest").

Key Non-Traded Market Risks include Interest Rate Risk in the Banking Book ("IRRBB") and Non-Traded Equity Risk on the Group's Balance Sheet. Other Non-Traded Market Risks are liquidity risk, funding risk, market risk arising from the insurance business, transactional and structural foreign exchange risk arising from capital investments in offshore operations and lease residual value risk.

The Group's assessment of regulatory capital required under the new Basel II framework is discussed in Note 31 Capital Adequacy. Liquidity and funding risks are discussed in Note 41.

Market Risk Measurement

The Group uses Value-at-Risk ("VaR") as one of the measures of Traded and Non-Traded Market Risk. VaR measures potential loss using historically observed market volatility and correlation between different markets. The VaR measured for Traded Market Risk uses two years of daily market movements. The VaR measure for Non-Traded Banking Book market risk is based on six years of daily market movement history.

VaR is modelled at a 97.5% confidence level over a 1 day holding period for trading book positions and over a 20 day holding period for IRRBB, insurance business market risk and Non-Traded Equity Risk.

The stress events considered for Traded Market Risk are extreme but plausible market movements, and have been back-tested against moves seen during 2008 and 2009 at the height of the Global Financial Crisis. The results are reported to the Risk Committee and the Group ALCO on a regular basis. Stress tests also include a range of forward looking macro scenario stresses.

The following table provides a summary of VaR, across the Group, for those market risk types where it is appropriate to use this measure.

Total Market Risk VaR (1 day 97.5% confidence)	Average [(2)] June 2010 $M	As at June 2010 $M	Average [(2)] June 2009 $M	As at June 2009 $M
Traded Market Risk	**12.2**	**13.7**	10.3	8.4
Non-Traded Interest Rate Risk [(1)]	**22.0**	**40.8**	23.2	15.7
Non-Traded Equity Risk [(1)]	**34.8**	**31.5**	32.9	38.0
Non-Traded Insurance Market Risk [(1)]	**7.1**	**8.5**	7.2	5.0

(1) The risk on these exposures has been represented in this table using a 1 day holding period. In practice however, these 'non-traded' exposures are managed to a longer expected holding period.

(2) Average VaR calculated for each twelve month period.

Traded Market Risk

The Group trades and distributes financial markets products and provides risk management services to 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 all major markets across foreign exchange and interest rate products, debt, equity and commodities products as required to provide treasury, capital markets and risk management services to institutional, corporate, middle market and retail customers.

Income is earned from spreads achieved through market making and from taking market risk. Trading positions are valued at fair value and taken to profit and loss on a mark-to-market basis. Market liquidity risk is controlled by concentrating trading activity in highly liquid markets.

Trading assets at fair value through the Income Statement are in Note 10. Trading liabilities at fair value through the Income Statement are in Note 21. Note 2 details the income contribution of trading activities to the income of the Group.

Traded Market Risk is managed under a clearly defined risk appetite within the market risk policy and limit structure approved by the Risk Committee of the Board. Risk is monitored by an independent Market Risk Management function.

Note 40 Market Risk (continued)

The following table provides a summary of VaR for the trading book of the Group. The VaR for ASB and Bankwest is shown separately; all other data relates to the Group and is split by risk type.

Traded Market Risk VaR (1 day 97.5% confidence)	Average [(1)] June 2010 $M	As at June 2010 $M	Average [(1)] June 2009 $M	As at June 2009 $M
Interest rate risk	4.3	5.6	4.4	4.9
Exchange rate risk	1.6	3.1	2.6	1.0
Implied volatility risk	1.5	1.9	1.8	1.7
Equities risk	1.6	1.5	1.0	0.7
Commodities risk	0.8	0.7	0.9	0.8
Credit spread risk	4.3	3.6	2.8	3.1
Diversification benefit	(7.3)	(8.3)	(6.3)	(6.3)
Total general market risk	6.8	8.1	7.2	5.9
Undiversified risk	3.6	3.6	1.7	1.0
ASB Bank	1.6	1.9	1.2	1.4
Bankwest	0.2	0.1	0.2	0.1
Total	12.2	13.7	10.3	8.4

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

Non-Traded Market Risk

Non-Traded Market Risk activities are governed by the Group market risk framework approved by the Risk Committee 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 the price of assets and liabilities held for purposes other than trading.

Net Interest Earnings at Risk		June 2010 $M	June 2009 $M
Average monthly exposure	AUD	186.6	116.8
	NZD	5.6	14.5
High monthly exposure	AUD	299.9	174.3
	NZD	12.6	29.0
Low monthly exposure	AUD	72.1	63.5
	NZD	1.5	4.8
As at balance date	AUD	162.9	169.0
	NZD	12.6	8.0

(b) Economic Value

Measuring the change in the economic value of equity is an assessment of the long term impact to the earnings potential of the Group present valued to the current date. The Group assesses the potential change in its economic value of equity through the application of the Value-at-Risk methodology. A 20 day 97.5% VaR measure is used to capture the net economic value impact over the long term or total life of all balance sheet assets and liabilities to adverse changes in interest rates. The impact of customer prepayments on the contractual cash flows for fixed rate products is included in the calculation. Cash flows for discretionary priced products are behaviourally adjusted and repriced at the resultant profile.

The figures in the following table represent the net present value of the expected change in the Group's future earnings in all future periods for the remaining term of all existing assets and liabilities.

Non-Traded Interest Rate VaR (20 day 97.5% confidence) [(2)]	Average [(1)] June 2010 $M	Average [(1)] June 2009 $M
AUD Interest rate risk	74.4	77.0
NZD Interest rate risk [(3)]	2.5	0.9

(1) Average VaR calculated for each twelve month period.
(2) VaR is only for entities that have material risk exposure.
(3) ASB data (expressed in NZD) is for the month-end date.

Non-Traded Equity Risk

The Group retains Non-Traded Equity Risk through strategic investments and business development activities in divisions including Institutional Banking & Markets, New Zealand, Asia 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. An indicative VaR measure is as follows:

Non-Traded Equity VaR (20 day 97.5% confidence)	As at June 2010 $M	As at June 2009 $M
VaR	140.0	171.0

Note 40 Market Risk (continued)

Market Risk in Insurance Businesses

Modest in the broader Group context, a significant component of Non-Traded Market Risk activities result from the holding of assets related to the Life Insurance Businesses. There are two main sources of market risk in these businesses; 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 requirements or the lack of investments that substantially align cash flows with the cash payments to be made to policyholders.

Shareholders' Capital

A portion of financial assets held within the Insurance Business, both within the Statutory Funds and in the Shareholder Funds of the Life Insurance company represents shareholder (Group) capital. Market risk also arises for the Group on the investment of this capital. As at 30 June 2010, Shareholders' funds in the Australian Life Insurance Businesses are invested 85% in income assets (cash and fixed interest) and 15% in growth assets (shares and property).

A 20 day 97.5% VaR measure is used to capture the Non-Traded Market Risk exposures.

Non-Traded VaR in Australian Life Insurance Business (20 day 97.5% confidence)	**Average (1) June 2010 $M**	**Average (1) June 2009 $M**
Shareholder funds (2)	**25.3**	25.8
Guarantees (to Policyholders) (3)	**23.6**	44.4

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

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

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

Further information on the Life Insurance Business can be found in Note 33 Life Insurance Business.

Transactional Foreign Currency Exposure

Transactional foreign exchange exposure results from exposure to banking assets and liabilities, denominated in currencies other than the functional currency of the transacting entity.

The Group's risk management policies prevent the holding of significant open positions in foreign currencies outside the trading portfolio. There were no material net transactional foreign currency exposures outside the trading portfolio at 30 June 2010.

Due to the low level of non-trading exposures no feasible change in foreign exchange rates would have a material effect on either the Group's profit or movements in equity for the year ended 30 June 2010.

Structural Foreign Exchange Risk

As just noted, the Group principally hedges Balance Sheet foreign exchange risks. However, long term capital investments in offshore branches and subsidiaries give rise to long-dated foreign exchange risk via potential future repatriation of capital investments. The Group's only significant structural foreign exchange exposure occurs due to the Group's capitalisation of ASB.

For quantification of the effect of structural foreign exchange exposure to the Group during the year refer to movements in the Foreign Currency Translation Reserve in Note 27, Shareholders' Equity.

Lease Residual Value Risk

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

Note 41 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; has sufficient quality assets to borrow against on a secured basis; 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 during the global financial crisis.

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 funding and customer deposit activities. The Group's customer deposit funding base formed approximately 58% of its total funding requirements as at 30 June 2010.

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

The Group's key liquidity tools include:

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

Note 41 Liquidity and Funding Risk (continued)

The Group's key funding tools include:

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

The chart below illustrates the maturity profile of the Group's total outstanding long term wholesale debt at 30 June 2010, broken down by type of debt instrument. Total outstanding long term wholesale debt includes securities with a maturity or first call date equal to or greater than 12 months at the time of issue.

Recent Market Environment

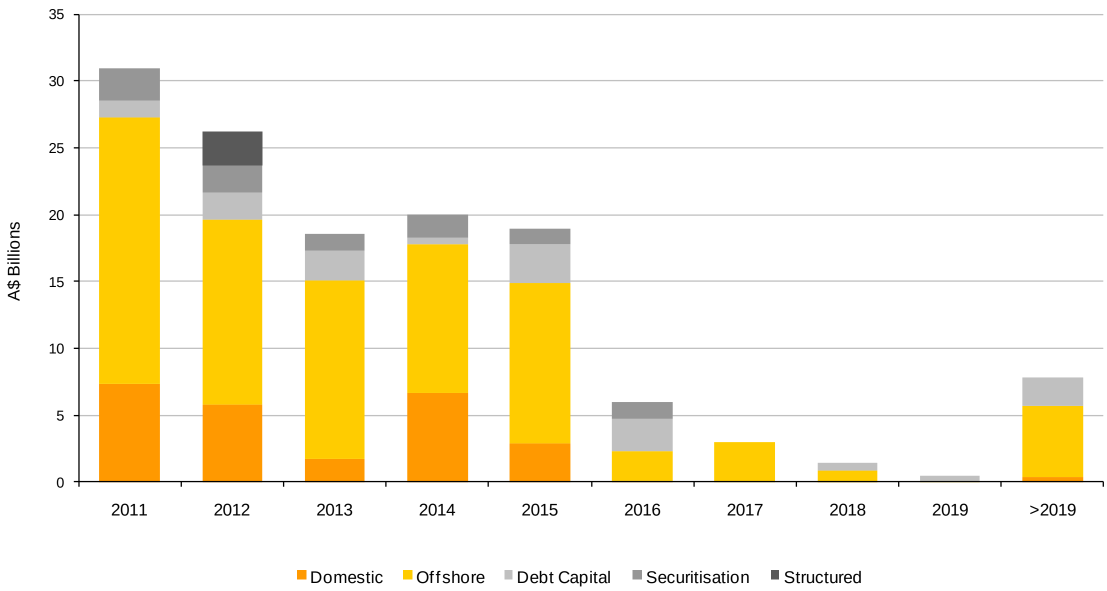
The incremental cost of liquidity and funding has moderated from last year's peak but remains high. The Group has managed its liquidity to avoid concentrations such as dependence on single sources of funding and has taken advantage of its diversified funding base and significant funding capacity in the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

During the year several regulatory bodies have released consultative documents. The Australian Prudential Regulation Authority "APRA" and the Basel Committee on Banking Supervision review of liquidity standards have yet to be finalised while the UK's Financial Services Authority "FSA" and Reserve Bank of New Zealand "RBNZ" have released new standards.

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

Details of the Group's regulatory capital position and capital management activities are disclosed in Note 31 Capital Adequacy.

Group Long Term Wholesale Liabilities Maturity Profile



Note 41 Liquidity and Funding Risk (continued)

Maturity Analysis of Monetary Liabilities

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

							Group
	Maturity Period as at 30 June 2010						
	At Call	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Not Specified	Total
	$M	$M	$M	$M	$M	$M	$M
Liabilities							
Deposits and other public borrowings (1)	180,302	123,073	58,414	17,420	384	-	379,593
Payables due to other financial institutions	3,618	7,571	1,376	68	-	-	12,633
Liabilities at fair value through Income Statement	-	6,528	4,671	3,212	1,644	-	16,055
Derivative liabilities (2) (3)	-	25,906	536	2,426	3,733	-	32,601
Bank acceptances	-	11,360	209	-	-	-	11,569
Insurance policy liabilities	-	-	-	-	-	14,592	14,592
Debt issues and loan capital	-	29,071	25,561	75,895	36,089	-	166,616
Managed funds units on issue	-	-	-	-	-	880	880
Other monetary liabilities	157	3,938	2,229	345	-	405	7,074
Total monetary liabilities	184,077	207,447	92,996	99,366	41,850	15,877	641,613
Guarantees (4)	-	3,659	-	-	-	-	3,659
Loan commitments (4)	-	109,420	-	-	-	-	109,420
Other commitments (4)	-	2,662	-	-	-	-	2,662
Total off balance sheet items	-	115,741	-	-	-	-	115,741
Total monetary liabilities and off balance sheet items	184,077	323,188	92,996	99,366	41,850	15,877	757,354

(1) Includes 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 Group.

(2) Gross payable amounts on cross currency swaps have been reported in derivative liabilities. The Group has corresponding receivables on these cross currency swaps that have not been reported, in accordance with the requirements of AASB 7 'Financial Instruments: Disclosures'. The terms of the cross currency swap agreements entered into by the Group allow for net settlement in the event of certain specific circumstances including default of the counterparties.

(3) All trading derivatives are included in the 0 to 3 months maturity band.

(4) All off balance sheet items are included in the 0 to 3 month maturity band to reflect their earliest possible maturity.

							Group
	Maturity Period as at 30 June 2009						
	At Call	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Not Specified	Total
	$M	$M	$M	$M	$M	$M	$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 (4)	-	3,641	-	-	-	-	3,641
Loan commitments (4)	-	117,887	-	-	-	-	117,887
Other commitments (4)	-	3,181	-	-	-	-	3,181
Total off balance sheet items	-	124,709	-	-	-	-	124,709
Total monetary liabilities and off balance sheet items	186,554	339,490	77,586	89,848	31,985	17,414	742,877

(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 Group.

(2) Gross payable amounts on cross currency swaps have been reported in derivative liabilities. The Group has corresponding receivables on these cross currency swaps that have not been reported, in accordance with the requirements of AASB 7 Financial Instruments Disclosures. The terms of the cross currency swap agreements entered into by the Group allow for net settlement in the event of certain specific circumstances including default of the counterparties.

(3) All trading derivatives are included in the 0 to 3 months maturity band.

(4) All off balance sheet items are included in the 0 to 3 month maturity band to reflect their earliest possible maturity.

Notes to the Financial Statements

Note 41 Liquidity and Funding Risk (continued)

Maturity Analysis of Monetary Liabilities (continued)

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

	Bank						
	Maturity Period as at 30 June 2010						
	At Call $M	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Specified $M	Total $M
Liabilities							
Deposits and other public borrowings (1)	153,635	96,454	45,622	16,074	376	-	312,161
Payables due to other financial institutions	3,448	7,555	1,376	68	-	-	12,447
Liabilities at fair value through Income Statement	-	163	732	2,808	1,797	-	5,500
Derivative liabilities (2) (3)	-	23,689	297	544	3,733	-	28,263
Bank acceptances	-	11,360	209	-	-	-	11,569
Debt issues and loan capital	-	20,655	22,736	61,535	34,947	-	139,873
Due to controlled entities	3,558	4,979	1,624	5,205	37,045	-	52,411
Other monetary liabilities	-	2,497	3,923	2,180	-	227	8,827
Total monetary liabilities	160,641	167,352	76,519	88,414	77,898	227	571,051
Guarantees (4)	-	2,874	-	-	-	-	2,874
Loan commitments (4)	-	93,881	-	-	-	-	93,881
Other commitments (4)	-	2,012	-	-	-	-	2,012
Total off balance sheet items	-	98,767	-	-	-	-	98,767
Total monetary liabilities and off balance sheet items	160,641	266,119	76,519	88,414	77,898	227	669,818

(1) Includes 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 Group.

(2) Gross payable amounts on cross currency swaps have been reported in derivative liabilities. The Group has corresponding receivables on these cross currency swaps that have not been reported, in accordance with the requirements of AASB 7 Financial Instruments Disclosures. The terms of the cross currency swap agreements entered into by the Group allow for net settlement in the event of certain specific circumstances including default of the counterparties.

(3) All trading derivatives are included in the 0 to 3 months maturity band.

(4) All off balance sheet items are included in the 0 to 3 month maturity band to reflect their earliest possible maturity.

	Bank						
	Maturity Period as 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 (4)	-	2,811	-	-	-	-	2,811
Loan commitments (4)	-	102,053	-	-	-	-	102,053
Other commitments (4)	-	2,646	-	-	-	-	2,646
Total off balance sheet items	-	107,510	-	-	-	-	107,510
Total monetary liabilities and off balance sheet items	148,797	325,861	75,853	79,436	30,261	210	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 Group.

(2) Gross payable amounts on cross currency swaps have been reported in derivative liabilities. The Group has corresponding receivables on these cross currency swaps that have not been reported, in accordance with the requirements of AASB 7 Financial Instruments Disclosures. The terms of the cross currency swap agreements entered into by the Group allow for net settlement in the event of certain specific circumstances including default of the counterparties.

(3) All trading derivatives are included in the 0 to 3 months maturity band.

(4) All off balance sheet items are included in the 0 to 3 month maturity band to reflect their earliest possible maturity.

Note 42 Retirement Benefit Obligations

Name of Plan	Type	Form of Benefit	Date of Last Actuarial Assessment of the Fund
Officers' Superannuation Fund ("OSF")	Defined Benefits (1) and Accumulation	Indexed pension and lump sum	30 June 2009
Commonwealth Bank of Australia (UK) Staff Benefits Scheme ("CBA(UK)SBS")	Defined Benefits (1) and Accumulation	Indexed pension and lump sum	30 June 2007 (2)

(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 CBA(UK)SBS at 30 June 2010 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 2009, was completed during the year ended 30 June 2010. In line with the actuarial advice contained in the assessment, the Bank does not need to make contributions to the OSF until further consideration of the next actuarial assessment of the OSF as at 30 June 2012.

An actuarial assessment of the CBA(UK)SBS, as at 30 June 2007 confirmed a deficit of GBP 25 million (AUD 44 million at the 30 June 2010 exchange rate). Following 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 million per annum at the 30 June 2010 exchange rate) and additional contributions of GBP 3 million per annum (AUD 5.7 million per annum at the 30 June 2010 exchange rate) payable over 10 years to finance the fund deficit.

An actuarial assessment of the CBA(UK)SBS at 30 June 2010 is currently in progress.

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	
	2010	2009	2010	2009	2010	2009
	$M	$M	$M	$M	$M	$M
Present value of funded obligations	(3,332)	(3,118)	(377)	(394)	(3,709)	(3,512)
Fair value of plan assets	3,648	3,613	295	308	3,943	3,921
Total pension assets as at 30 June	316	495	(82)	(86)	234	409
Asset/(liability) in Balance Sheet as at 30 June	316	495	(82)	(86)	234	409
Amounts in the Balance Sheet:						
Liabilities (Note 25)	-	-	(82)	(86)	(82)	(86)
Assets (Note 17)	316	495	-	-	316	495
Net asset	316	495	(82)	(86)	234	409
The amounts recognised in the Income Statement are as follows:						
Current service cost	(43)	(24)	(3)	(3)	(46)	(27)
Interest cost	(160)	(184)	(20)	(24)	(180)	(208)
Expected return on plan assets	276	372	15	21	291	393
Employer financed benefits within Accumulation Division	(168)	(172)	-	-	(168)	(172)
Total included in defined benefit superannuation plan expense	(95)	(8)	(8)	(6)	(103)	(14)
Actuarial return on plan assets	391	(457)	33	(5)	424	(462)
Changes in the present value of the defined benefit obligation are as follows:						
Opening defined benefit obligation	(3,118)	(2,892)	(394)	(386)	(3,512)	(3,278)
Current service cost	(36)	(20)	(3)	(3)	(39)	(23)
Interest cost	(160)	(184)	(20)	(24)	(180)	(208)
Member contributions	(10)	(13)	-	-	(10)	(13)
Actuarial (losses)/gains	(199)	(204)	(25)	2	(224)	(202)
Benefits paid	191	195	13	15	204	210
Exchange differences on foreign plans	-	-	52	2	52	2
Closing defined benefit obligation	(3,332)	(3,118)	(377)	(394)	(3,709)	(3,512)
Changes in the fair value of plan assets are as follows:						
Opening fair value of plan assets	3,613	4,428	308	321	3,921	4,749
Expected return	276	372	15	21	291	393
Experience gains/(losses)	115	(829)	18	(26)	133	(855)
Total contributions	10	13	9	10	19	23
Exchange differences on foreign plans	-	-	(42)	(3)	(42)	(3)
Benefits and expenses paid	(198)	(199)	(13)	(15)	(211)	(214)
Employer financed benefits within Accumulation Division	(168)	(172)	-	-	(168)	(172)
Closing fair value of plan assets	3,648	3,613	295	308	3,943	3,921

Note 42 Retirement Benefit Obligations (continued)

	OSF				
	2010	2009	2008	2007	2006
	$M	$M	$M	$M	$M
Present value of funded obligations	(3,332)	(3,118)	(2,892)	(3,094)	(3,388)
Fair value of plan assets	3,648	3,613	4,428	4,907	4,616
Total assets/liability in the Balance Sheet	316	495	1,536	1,813	1,228
Experience adjustments on plan liabilities	77	(120)	134	31	(55)
Experience adjustments on plan assets	115	(829)	(520)	282	356
Gains/(losses) from changes in actuarial assumptions	(276)	(84)	92	259	239
Total net actuarial (losses)/gains	(84)	(1,033)	(294)	572	540

	CBA(UK)SBS				
	2010	2009	2008	2007	2006
	$M	$M	$M	$M	$M
Present value of funded obligations	(377)	(394)	(386)	(401)	(430)
Fair value of plan assets	295	308	321	372	365
Total assets/liability in the Balance Sheet	(82)	(86)	(65)	(29)	(65)
Experience adjustments on plan liabilities	19	2	6	(3)	15
Experience adjustments on plan assets	18	(26)	(21)	(2)	2
Gains/(losses) from changes in actuarial assumptions	(44)	-	(32)	25	(3)
Total net actuarial (losses)/gains	(7)	(24)	(47)	20	14

	Total				
	2010	2009	2008	2007	2006
	$M	$M	$M	$M	$M
Present value of funded obligations	(3,709)	(3,512)	(3,278)	(3,495)	(3,818)
Fair value of plan assets	3,943	3,921	4,749	5,279	4,981
Total assets/liability in the Balance Sheet	234	409	1,471	1,784	1,163
Experience adjustments on plan liabilities	96	(118)	140	28	(40)
Experience adjustments on plan assets	133	(855)	(541)	280	358
Gains/(losses) from changes in actuarial assumptions	(320)	(84)	60	284	236
Total net actuarial (losses)/gains	(91)	(1,057)	(341)	592	554

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 2010 were $198 million.

	OSF		CBA(UK)SBS	
	2010	2009	2010	2009
Economic Assumptions	%	%	%	%
The above calculations were based on the following assumptions:				
Discount rate at 30 June (gross of tax)	5.10	5.50	5.30	6.10
Expected return on plan assets at 30 June	7.60	8.00	5.70	6.60
Expected rate salary increases at 30 June (per annum)	4.10	3.90	4.40	4.70

(1) For the OSF, additional age related allowances were made for the expected salary increases from future promotions. At 30 June 2010 and 30 June 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	
	2010	2009	2010	2009
Expected Life Expectancies for Pensioners	Years	Years	Years	Years
Male pensioners currently aged 60	28.9	28.8	27.9	26.8
Male pensioners currently aged 65	24.1	23.9	23.1	22.0
Female pensioners currently aged 60	34.0	33.9	30.6	29.7
Female pensioners currently aged 65	28.9	28.8	25.6	24.9

Note 42 Retirement Benefit Obligations (continued)

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 Group'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 2010, the actual asset allocations for the assets backing the defined benefit portion of the OSF are as follows:

Asset Allocations	Actual Allocation %
Australian Equities	23.3
Overseas Equities	13.8
Real Estate	14.3
Fixed Interest Securities	31.0
Cash	7.0
Other [1]	10.6

(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 Bank as at 30 June 2010 was $96 million (2009: $72 million). Amounts on deposit with the Group at 30 June 2010 totalled $23 million (2008: $22 million). Other financial instruments with the Group at 30 June 2010 totalled $73 million (2009: $13 million).

Note 43 Investments in Associated Entities and Joint Ventures

	2010 $M	2009 $M	2010 Ownership Interest %	2009 Ownership Interest %	Principal Activities	Country of Incorporation	Balance Date
							Group
Acadian Asset Management (Australia) Limited	**2**	2	**50**	50	Investment Management	Australia	30-Jun
AMTD Group Company Limited	**1**	1	**30**	30	Financial Services	Virgin Islands	31-Dec
Aspire Schools (Qld) Holdings Limited	**2**	-	**50**	50	Investment Vechicle	Australia	30-Jun
Aussie Home Loans Pty Limited	**76**	71	**33**	33	Mortgage Broking	Australia	30-Jun
Bank of Hangzhou Co. Ltd.	**398**	205	**20**	20	Commercial Banking	China	31-Dec
Cardlink Services Limited [4]	**11**	-	**44**	44	Transaction services	Australia	30-Jun
CFS Retail Property Trust [1] [3]	**439**	438	**9**	9	Funds Management	Australia	30-Jun
BoCommLife Insurance Company Limited [5]	**28**	11	**38**	49	Life Insurance	China	31-Dec
CMG CH China Funds Management Limited	**-**	1	**-**	50	Investment Management	Australia	31-Mar
Commonwealth Property Office Fund [2] [3]	**139**	118	**7**	7	Funds Management	Australia	30-Jun
Equigroup Pty Limited	**16**	15	**50**	50	Leasing	Australia	30-Jun
First State Cinda Fund Management Co. Ltd	**15**	14	**46**	46	Funds Management	China	31-Dec
First State European Diversified Investment Fund	**145**	-	**39**	-	Funds Management	United Kingdom	30-Jun
Healthcare Support (Newcastle) Limited	**-**	2	**-**	40	Financial Services	United Kingdom	31-Dec
FS Media Works Fund 1, LP [3]	**-**	22	**-**	11	Investment Fund	United Kingdom	31-Dec
International Private Equity Real Estate Fund	**3**	5	**33**	33	Funds Management	Australia	30-Jun
Qilu Bank Co. Ltd.	**204**	112	**20**	20	Commercial Banking	China	31-Dec
452 Capital Pty Limited	**11**	30	**30**	30	Investment Management	Australia	30-Jun
Total	**1,490**	1,047					

(1) The value for CFS Retail Property Trust based on published quoted prices as at 30 June 2010 is $416 million (2009: $363 million).
(2) The value for Commonwealth Property Office Fund based on published quoted prices as at 30 June 2010 is $132 million (2009: $104 million).
(3) The consolidated entity has significant influence due to its relationship as Responsible Entity.
(4) Voting rights are 25%.
(5) Formerly known as China Life CMG Life Assurance Company Limited.

	Group 2010 $M	Group 2009 $M
Share of Associates' profits/(losses)		
Operating profits/(losses) before income tax	**141**	144
Income tax expense	**(7)**	(3)
Operating profits/(losses) after income tax	**134**	141
Carrying amount of investments in associated entities	**1,490**	1,047

Total lease commitments - property, plant and equipment	Group 2010 $M	Group 2009 $M
Group's share of lease commitments of associated entities due:		
Not later than one year	**5**	3
Later than one year but not later than five years	**11**	6
Later than five years	**7**	9
Total lease commitments - property, plant and equipment	**23**	18

Notes to the Financial Statements

Note 43 Investments in Associated Entities and Joint Ventures (continued)

	Group	
	2010	2009
	$M	$M
Financial Information of Associates		
Assets - current	**23,424**	24,914
Assets - non-current	**35,293**	23,058
Liabilities - current	**38,738**	32,399
Liabilities - non-current	**4,832**	6,184
Revenues	**1,923**	2,454
Expenses	**905**	1,708

	Group	
	2010	2009
	$M	$M
Financial Information of Joint Ventures		
Assets - current	**157**	145
Assets - non-current	**451**	209
Liabilities - current	**58**	104
Liabilities - non-current	**397**	194
Revenues	**305**	157
Expenses	**294**	159

Note 44 Key Management Personnel

The Company has applied the exemption under AASB 124 'Related Party Disclosures' which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their Annual Financial Reports. These remuneration disclosures are provided in the Remuneration Report of the Directors' Report on pages 70 to 88 and have been audited.

	Group		Bank	
	2010	2009	2010	2009
Key Management Personnel Compensation (1)	$'000	$'000	$'000	$'000
Short term benefits	**33,189**	29,427	**33,189**	29,427
Post-employment benefits	**1,584**	1,275	**1,584**	1,275
Share-based payments	**26,787**	8,872	**26,787**	8,872
Long term benefits	**1,020**	1,712	**1,020**	1,712
	62,580	41,286	**62,580**	41,286

(1) Further details of Key Management Personnel compensation as well as compensation to other disclosed individuals who are not Key Management Personnel is included in the Remuneration report.

Equity Holdings of Key Management Personnel

Shareholdings

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 set out below. For details of Director and Executive equity plans refer to Note 29 Share Based Payments.

Shares held by Directors

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

Name	Class	Balance 1 July 2009	Shares Acquired (1)	Net Change Other (2)	Balance 30 June 2010
Directors					
David Turner (3)	Ordinary	8,932	668	-	**9,600**
John Schubert (4)	Ordinary	32,783	854	-	**33,637**
John Anderson	Ordinary	14,150	502	-	**14,652**
Reg Clairs (5)	Ordinary	20,353	571	-	**20,924**
Colin Galbraith	Ordinary	15,334	561	-	**15,895**
Jane Hemstritch	Ordinary	21,358	530	-	**21,888**
Carolyn Kay	Ordinary	10,519	582	400	**11,501**
Andrew Mohl	Ordinary	9,288	530	-	**9,818**
Fergus Ryan	Ordinary	17,384	592	-	**17,976**
Harrison Young	Ordinary	25,284	592	-	**25,876**

(1) Non-Executive Directors receive 1/5 of their total annual fees as Commonwealth Bank shares. These shares are subject to a ten year trading restriction (the shares will be released earlier if the Director leaves the Board).

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

(3) David Turner was appointed as Chairman on 10 February 2010.

(4) John Schubert retired from the Board on 10 February 2010.

(5) Reg Clairs retired from the Board on 13 April 2010.

Notes to the Financial Statements

Note 44 Key Management Personnel (continued)

Shares held by the CEO and Group Executives

Name	Class (1)	Balance 30 June 2009	Acquired/ Granted as Remuneration	On Exercise of Options	Reward/ Deferred Shares Vested (2)	Net Change other (3)	Balance 30 June 2010
Managing Director and CEO							
Ralph Norris	Ordinary	110,713	-	-	-	90,910	**201,623**
	Reward Shares	90,910	204,626	-	(90,910)	-	**204,626**
	Deferred Shares	22,707	16,460	-	-	-	**39,167**
Group Executives							
Simon Blair (4)	Ordinary	-	-	-	-	-	**-**
	Reward Shares	-	30,190	-	-	-	**30,190**
	Deferred Shares	-	-	-	-	-	**-**
Barbara Chapman	Ordinary	1,571	-	-	-	(1,571)	**-**
	Reward Shares	17,045	58,844	-	(17,045)	-	**58,844**
	Deferred Shares	7,968	5,698	-	-	-	**13,666**
David Cohen	Ordinary	13,781	-	-	-	-	**13,781**
	Reward Shares	-	57,113	-	-	-	**57,113**
	Deferred Shares	-	7,597	-	-	-	**7,597**
David Craig	Ordinary	12,385	-	-	-	22,728	**35,113**
	Reward Shares	22,728	72,690	-	(22,728)	-	**72,690**
	Deferred Shares	11,951	7,597	-	-	-	**19,548**
Michael Harte	Ordinary	-	-	-	-	14,318	**14,318**
	Reward Shares	14,318	65,767	-	(14,318)	-	**65,767**
	Deferred Shares	10,358	7,597	-	-	-	**17,955**
Ross McEwan	Ordinary	-	-	-	-	-	**-**
	Reward Shares	-	83,074	-	-	-	**83,074**
	Deferred Shares	11,951	8,863	-	-	-	**20,814**
Ian Narev	Ordinary	-	-	-	-	1,137	**1,137**
	Reward Shares	1,137	58,844	-	(1,137)	-	**58,844**
	Deferred Shares	12,586	5,698	-	-	-	**18,284**
Grahame Petersen	Ordinary	36,244	-	-	-	12,027	**48,271**
	Reward Shares	25,000	76,151	-	(25,000)	-	**76,151**
	Deferred Shares	8,765	6,331	-	-	-	**15,096**
Ian Saines	Ordinary	9,224	-	-	-	5,695	**14,919**
	Reward Shares	5,000	89,997	-	(5,000)	-	**89,997**
	Deferred Shares	26,596	7,597	-	-	-	**34,193**
Alden Toevs	Ordinary	9,000	-	-	-	-	**9,000**
	Reward Shares	-	96,920	-	-	-	**96,920**
	Deferred Shares	37,784	10,130	-	-	-	**47,914**

(1) Reward Shares represent shares granted under the Equity Reward Plan (ERP) and Group Leadership Reward Plan (GLRP) which are subject to performance hurdles. Deferred Shares represent the deferred portion of STI received as shares restricted for three years.

(2) Reward shares 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 Blair was appointed to a Key Management Personnel role on 1 July 2009.

Note 44 Key Management Personnel (continued)

Loans to Key Management Personnel

All loans to Key Management Personnel (or close family members or entities controlled, jointly controlled or significantly influenced by them or any entity over which any of the aforementioned 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

		Opening Balance $000s	Interest Charged $000s	Closing Balance $000s	Number in Group
Directors	**2010**	**-**	**-**	**-**	**-**
	2009	2,840	211	1,991	1
CEO & Group Executives	**2010**	**9,999**	**579**	**9,324**	**11**
	2009	14,199	878	10,453	11
Total	**2010**	**9,999**	**579**	**9,324**	**11**
	2009	14,199	878	10,453	11

Loans to Key Management Personnel Exceeding $100,000 in Aggregate

	Balance 1 July 2009 $000s	Interest Charged $000s	Interest Not Charged $000s	Write-off $000s	Balance 30 June 2010 $000s	Highest Balance in Period $000s (2)
Managing Director & CEO						
Ralph Norris (1)	1,991	113	-	-	1,839	2,191
Group Executives						
Simon Blair (1)	-	43	-	-	1,082	1,097
Barbara Chapman (1)	2,230	114	-	-	1,869	2,433
David Cohen	601	34	-	-	602	611
Michael Harte	3,024	198	-	-	2,989	3,075
Ross McEwan (1)	1,560	28	-	-	220	1,111
Ian Narev	472	25	-	-	381	473
Ian Saines	562	23	-	-	310	562
Total	**10,440**	**578**			**9,292**	**13,178**

(1) Balance declared in NZD for Mr Norris, Mr Blair, Ms Chapman and Mr McEwan. Exchange rates are taken from Forex (an independent exchange rate provider) as at 30 June 2010 for interest charged, 30 June 2010 balances and highest balances in period. The exchange rate as at 30 June 2009 has been used for the 1 July 2009 balances. Highest balance in period can appear lower than the opening balance due to changes in exchange rates.

(2) Represents the highest balance of loans outstanding at any period during the year ended 30 June 2010.

Terms and Conditions of Loans

All loans to Key Management Personnel (or close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of the aforementioned held significant voting power) have been provided on an arm's length commercial basis including the term of the loan, security required and the interest rate (which may be fixed or variable).

Other Transactions of Key Management Personnel

Financial Instrument Transactions

Financial instrument transactions (other than loans and shares disclosed within this report) of Key Management Personnel occur in the ordinary course of business on an arm's length basis.

Disclosure of financial instrument transactions regularly made as part of normal banking operations is limited to disclosure of such transactions with Key Management Personnel and entities controlled or significantly influenced by them.

Financial instrument transactions that have occurred between entities within the Group and their Key Management Personnel are primarily domestic in nature and were in the nature of normal personal banking and deposit transactions.

Transactions other than Financial Instrument Transactions of Banks

All other transactions with Key Management Personnel and their related entities and other related parties are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. These transactions principally involve the provision of financial and investment services by entities not controlled by the Group.

Notes to the Financial Statements

Note 45 Related Party Disclosures

The Group is controlled by the Commonwealth Bank of Australia, the ultimate parent, which is incorporated in Australia.

A number of banking transactions are entered into with related parties in the normal course of business on an arms length basis.

These include loans, deposits and foreign currency transactions, upon which some fees and commissions may be earned. The table below indicates the values of such transactions for the financial year ended 30 June 2010.

			Group
	For the Year Ended and as at 30 June 2010		
	Associates	Joint Ventures	Total
	$000s	$000s	$000s
Interest and dividend income	**58,169**	**1,000**	**59,169**
Interest expense	**333**	**2,037**	**2,370**
Fee and commission income for services provided [1]	**57,121**	**2,884**	**60,005**
Fee and commission expense for services received	**104,508**	**10,118**	**114,626**
Loans, bills discounted and equity contributions	**424,621**	**12,620**	**437,241**
Derivative assets	**12,400**	**6,684**	**19,084**
Other assets	**39,367**	**8,383**	**47,750**
Deposits	**18,709**	**-**	**18,709**
Derivative liabilities	**25,818**	**-**	**25,818**
Other liabilities	**22,698**	**-**	**22,698**

			Group
	For the Year Ended and as at 30 June 2009		
	Associates	Joint Ventures	Total
	$000s	$000s	$000s
Interest and dividend income	68,300	7,000	75,300
Interest expense	2,501	127	2,628
Fee and commission income for services provided [1]	116,500	14,500	131,000
Fee and commission expense for services received	188,932	377	189,309
Loans, bills discounted and equity contributions	373,259	28,000	401,259
Derivative assets	-	-	-
Other assets	91,016	10,000	101,016
Deposits	73,760	-	73,760
Derivative liabilities	3,733	-	3,733
Other liabilities	167	7,000	7,167

(1) Not included above are management services provided for nil consideration to associated Group and Bank companies to the value of $7,520,000 (2009: $7,970,000).

Note 45 Related Party Disclosures (continued)

	Bank			
	For the Year Ended and as at 30 June 2010			
	Subsidiaries	Associates	Joint Ventures	Total
	$000s	$000s	$000s	$000s
Interest and dividend income	**5,165,042**	**55,678**	**-**	**5,220,720**
Interest expense	**2,916,015**	**-**	**-**	**2,916,015**
Fee and commission income for services provided [1]	**599,921**	**2,650**	**119**	**602,690**
Fee and commission expense for services received	**601,000**	**94,230**	**218**	**695,448**
Available-for-sale securities	**39,821,783**	**-**	**-**	**39,821,783**
Loans, bills discounted and equity contributions	**49,901,264**	**412,000**	**-**	**50,313,264**
Derivative assets	**193,959**	**12,400**	**-**	**206,359**
Other assets	**1,075,058**	**-**	**-**	**1,075,058**
Deposits	**53,873,671**	**8,900**	**-**	**53,882,571**
Derivative liabilities	**408,512**	**25,818**	**-**	**434,330**
Debt issues and loan capital	**2,916,825**	**-**	**-**	**2,916,825**
Other liabilities	**3,838,430**	**22,698**	**-**	**3,861,128**

	Bank			
	For the Year Ended and as at 30 June 2009			
	Subsidiaries	Associates	Joint Ventures	Total
	$000s	$000s	$000s	$000s
Interest and dividend income	4,075,000	62,002	6,000	4,143,002
Interest expense	3,627,296	1,811	-	3,629,107
Fee and commission income for services provided [1]	601,123	-	12,000	613,123
Fee and commission expense for services received	358,740	188,078	-	546,818
Available-for-sale securities	39,832,227	-	-	39,832,227
Loans, bills discounted and equity contributions	54,808,000	372,000	-	55,180,000
Derivative assets	188,010	-	-	188,010
Other assets	458,761	24,000	9,000	491,761
Deposits	82,008,000	65,000	-	82,073,000
Derivative liabilities	202,059	4,000	-	206,059
Debt issues and loan capital	3,005,995	-	-	3,005,995
Other liabilities	2,286,688	-	4,000	2,290,688

(1) Not included above are management services provided for nil consideration to associated Group and Bank companies to the value of $7,520,000 (2009: $7,970,000).

Details of controlled entities are disclosed in Note 49.

The Bank's aggregate investments in, and loans to controlled entities are disclosed in Note 49.

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

The Bank is the head entity of the tax consolidated group and has entered into tax funding and tax sharing agreements with its eligible Australian resident subsidiaries. The terms and conditions of these agreements are set out in note 1(w) – Accounting policies. As at 30 June 2010, the amount receivable by the Bank under the tax funding agreement with the tax consolidated entities is $439 million (2009: $100 million receivable). This balance is included in 'Other assets' in the Bank's separate balance sheet.

All transactions between Group entities are eliminated on consolidation.

Notes to the Financial Statements

Note 46 Notes to the Statements of Cash Flows

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

	Group			Bank	
	2010	2009	2008	2010	2009
	$M	$M	$M	$M	$M
Net profit after income tax	**5,680**	4,753	4,822	**5,615**	3,086
Net (increase)/decrease in interest receivable	**(551)**	301	187	**(559)**	516
Increase/(decrease) in interest payable	**889**	(54)	449	**878**	(587)
Net decrease/(increase) in assets at fair value through Income Statement (excluding life insurance)	**3,301**	690	196	**2,383**	568
Net (gain)/loss on sale of investments	**(4)**	(1)	(1)	**(4)**	(1)
Net increase in derivative assets	**(1,331)**	(8,358)	(6,429)	**(1,827)**	(6,789)
Net loss on sale of property, plant and equipment	**4**	11	15	**4**	9
Net (gain) on sale of Visa Initial Public Offering	**-**	-	(127)	**-**	-
Equity accounting profit	**(116)**	(141)	(92)	**-**	-
Gain on acquisition of controlled entities	**-**	(983)	-	**-**	-
Impairment expense	**2,379**	3,048	930	**1,193**	2,703
Investment impairment expense	**-**	-	-	**-**	110
Depreciation and amortisation (including asset write downs)	**618**	519	423	**373**	306
(Decrease)/increase in liabilities at fair value through Income Statement (excluding life insurance)	**(1,254)**	661	(884)	**1,128**	405
(Decrease)/increase in derivative liabilities	**(9,804)**	13,361	4,622	**(6,126)**	10,700
Increase in other provisions	**46**	60	296	**104**	6
(Decrease)/increase in income taxes payable	**(150)**	521	29	**80**	440
Increase/(decrease) in deferred income taxes payable	**53**	(355)	(643)	**7**	21
Decrease/(increase) in deferred tax assets	**383**	(967)	178	**1**	(1,255)
Decrease/(increase) in accrued fees/reimbursements receivable	**44**	41	(153)	**(73)**	173
Increase/(decrease) in accrued fees and other items payable	**302**	178	(575)	**524**	575
Increase/(decrease) in life insurance contract policy liabilities	**853**	(1,025)	184	**-**	-
Increase/(decrease) in cash flow hedge reserve	**589**	(1,651)	(150)	**219**	(1,068)
Increase/(decrease) in fair value on hedged items	**838**	569	970	**810**	510
Dividend received from controlled entities	**-**	-	-	**(1,648)**	(820)
Changes in operating assets and liabilities arising from cash flow movements	**522**	(9,802)	(6,124)	**17,241**	(19,446)
Other	**154**	100	(198)	**353**	33
Net cash provided by/(used in) operating activities	**3,445**	1,476	(2,075)	**20,676**	(9,805)

(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	
	2010	2009	2008	2010	2009
	$M	$M	$M	$M	$M
Notes, coins and cash at banks	**5,285**	3,755	2,476	**4,027**	2,198
Other short term liquid assets	**1,153**	3,128	1,309	**979**	3,031
Receivables due from other financial institutions – at call (1)	**5,012**	1,889	3,357	**4,386**	5,962
Payables due to other financial institutions – at call (1)	**(6,533)**	(6,586)	(4,877)	**(6,346)**	(7,755)
Cash and cash equivalents at end of year	**4,917**	2,186	2,265	**3,046**	3,436

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

(c) Business Disposed

During the current year, the Group disposed of its banking and insurance operations in Fiji.

	Group		
	2010	2009	2008
	$M	$M	$M
Fair value of net tangible assets disposed			
Other assets	**77**	-	1
Profit on sale (excluding realised foreign exchange losses and other related costs) (1)	**1**	-	1
Cash consideration received	**78**	-	2
Less cash and cash equivalents disposed	**(89)**	-	-
Net cash (outflow)/inflow on disposal	**(11)**	-	2

(1) The loss on sale of $30 million is inclusive of realised structural foreign exchange losses.

Note 46 Notes to the Statements of Cash Flows (continued)

(d) Non-cash Financing and Investing Activities

	Group		
	2010	2009	2008
	$M	$M	$M
Shares issued under the Dividend Reinvestment Plan	**1,457**	1,099	1,109

(e) Business Acquired

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

On 19 December 2008, the Group acquired 100% of the share capital of Bank of Western Australia Limited (consisting of retail and business banking), St Andrew's Australia Pty Limited (consisting of insurance and wealth management services businesses) and HBOSA Group (Services) Pty Limited (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.

	As at time of acquisition			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2009	2009	2008	2008
	$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	-	-
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
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
Preference share placement	-	(530)	-	-
Goodwill	-	-	50	316
Gain on acquisition	-	(983)	-	-
Provision for remaining consideration	-	-	-	-
Cash consideration paid (including transaction costs)	-	2,163	-	406
Less: Cash and cash equivalents acquired	-	422	-	24
Net consideration paid	-	1,741	-	382
Less: Non-cash consideration	-	-	-	141
Net cash outflow on acquisition	-	1,741	-	241

Note 46 Notes to the Statements of Cash Flows (continued)

(e) Business Acquired (continued)

	2010	2009	2008
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

(f) Financing Facilities

Standby funding lines are considered immaterial.

Note 47 Disclosures about Fair Values of Financial Instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or amortised cost. AASB7 'Financial Instruments: Disclosures' requires the disclosure of the fair value of those financial instruments not already carried at fair value in the balance sheet.

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

(a) Comparison of Fair Values and Carrying Values

The following tables summarise the carrying and fair values of financial assets and liabilities presented on the Group and the Bank's balance sheets. The disclosure does not cover assets or liabilities that are not considered to be financial instruments from an accounting perspective.

				Group
		2010		2009
	Carrying Value $M	Fair Value $M	Carrying Value $M	Fair Value $M
Assets				
Cash and liquid assets	**10,119**	**10,119**	11,340	11,340
Receivables due from other financial institutions	**10,072**	**10,072**	14,421	14,421
Assets at fair value through Income Statement:				
Trading	**22,851**	**22,851**	25,401	25,401
Insurance	**15,940**	**15,940**	17,260	17,260
Other	**654**	**654**	1,677	1,677
Derivative assets	**27,689**	**27,689**	26,358	26,358
Available-for-sale investments	**32,915**	**32,915**	21,504	21,504
Loans, bills discounted and other receivables	**493,459**	**492,951**	466,631	467,774
Bank acceptances of customers	**11,569**	**11,569**	14,728	14,728
Other assets	**6,556**	**6,556**	5,895	5,895
Liabilities				
Deposits and other public borrowings	**374,663**	**374,508**	368,721	368,668
Payables due to other financial institutions	**12,608**	**12,608**	15,109	15,109
Liabilities at fair value through Income Statement	**15,342**	**15,342**	16,596	16,596
Derivative liabilities	**24,884**	**24,884**	32,134	32,134
Bank acceptances	**11,569**	**11,569**	14,728	14,728
Insurance policy liabilities	**14,592**	**14,592**	16,056	16,056
Debt issues	**130,210**	**127,874**	101,819	102,231
Managed funds units on issue	**880**	**880**	914	914
Bills payable and other liabilities	**7,698**	**7,698**	6,046	6,046
Loan capital	**13,513**	**13,036**	12,039	11,900

Notes to the Financial Statements

Note 47 Disclosures about Fair Values of Financial Instruments (continued)

(a) Comparison of fair values and carrying values (continued)

				Bank
		2010		2009
	Carrying Value $M	Fair Value $M	Carrying Value $M	Fair Value $M
Assets				
Cash and liquid assets	**8,711**	**8,711**	9,684	9,684
Receivables due from other financial institutions	**9,766**	**9,766**	13,986	13,986
Assets at fair value through Income Statement:				
Trading	**18,775**	**18,775**	20,988	20,988
Other	**-**	**-**	60	60
Derivative assets	**27,363**	**27,363**	25,536	25,536
Available-for-sale investments	**65,779**	**65,779**	60,659	60,659
Loans, bills discounted and other receivables	**377,195**	**376,679**	353,408	354,061
Bank acceptances of customers	**11,569**	**11,569**	14,726	14,726
Loans to controlled entities	**31,055**	**30,892**	33,352	33,394
Other assets	**4,808**	**4,808**	4,090	4,090
Liabilities				
Deposits and other public borrowings	**307,844**	**307,511**	305,170	304,886
Payables due to other financial institutions	**12,422**	**12,422**	14,942	14,942
Liabilities at fair value through Income Statement	**4,613**	**4,613**	3,485	3,485
Derivative liabilities	**23,689**	**23,689**	29,442	29,442
Bank acceptances	**11,569**	**11,569**	14,726	14,726
Due to controlled entities	**52,411**	**52,410**	81,084	80,646
Debt issues	**107,039**	**104,352**	62,894	63,675
Bills payable and other liabilities	**5,362**	**5,362**	3,947	3,947
Loan capital	**13,575**	**13,044**	12,174	11,626

The fair values disclosed above represent estimates at which these instruments could be exchanged in a current transaction between willing parties. However, many of the instruments lack an available trading market and it is the intention to hold to maturity. Thus it is possible that realised amounts may differ to amounts disclosed above.

Due to the wide range of valuation techniques and the numerous estimates that must be made, it may be difficult to make a reasonable comparison of the fair value information disclosed here, against that disclosed by other financial institutions.

For financial instruments not carried at fair value, an estimate of fair value has been derived as follows:

Loans, Bills Discounted and Other Receivables

The carrying value of loans, bills discounted and other receivables is net of accumulated collective and individually assessed provisions for impairment. Customer credit worthiness is regularly reviewed in line with the Group's credit policies and where necessary, pricing is adjusted in accordance with individual credit contracts.

For the majority of variable rate loans, excluding impaired loans, the carrying amount is considered a reasonable estimate of fair value. For Institution variable rate loans the fair value is calculated using discount cash flow models with a discount rate reflecting market rates offered on similar loans to customers with similar credit worthiness. The fair value of impaired loans is calculated by discounting estimated future cash flows using the loan's original effective interest rate.

The fair value of fixed rate loans is calculated using discounted cash flow models using a discount rate reflecting market rates offered for loans of similar remaining maturities and credit worthiness of the borrower.

Deposits and Other Public Borrowings

Fair value of non-interest bearing, call and variable rate deposits, and fixed rate deposits repricing within six months, approximate their carrying value as they are short term in nature or payable on demand.

Fair value of term deposits are estimated using discounted cash flows, applying market rates offered for deposits of similar remaining maturities.

Debt Issues and Loan Capital

The fair values are calculated using quoted market prices, where available. Where quoted market prices are not available, discounted cash flow and option pricing models are used. The discount rate applied reflects the terms of the instrument, the timing of the cash flows and is adjusted for any change in the Group's applicable credit rating.

Other Financial Assets and Liabilities

For all other financial assets and liabilities fair value approximates carrying value due to their short term nature, frequent repricing or high credit rating.

Note 47 Disclosures about Fair Values of Financial Instruments (continued)

(b) Valuation Methodology

A significant number of financial instruments are carried on balance sheet at fair value.

The best evidence of fair value is a quoted market price in an active market. Therefore, where possible, fair value is based on quoted market prices. Where no quoted market price for an instrument is available, the fair value is based on present value estimates or other valuation techniques based on current market conditions. These valuation techniques rely on market observable inputs wherever possible, or in a limited number of instances, rely on inputs which are reasonable assumptions based on market conditions.

The tables below categorises financial assets and liabilities that are recognised and measured at fair value, and the valuation methodology according to the following hierarchy.

Valuation Inputs

Quoted Prices in Active Markets – Level 1

Financial instruments, the valuation of which are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation Technique Using Observable Inputs – Level 2

Financial instruments that have been valued using inputs other than quoted prices as described for level 1 but which are observable for the asset or liability, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.

Valuation Technique Using Significant Unobservable Inputs – Level 3

Financial instruments, the valuation of which incorporates a significant input for the asset or liability that is not based on observable market data (unobservable input). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally derived and extrapolated from observable inputs to match the risk profile of the financial instrument, and are calibrated against current market assumptions, historic transactions and economic models, where available. These inputs may include the timing and amount of future cash flows, rates of estimated credit losses, discount rates and volatility.

				Group
	Fair Value as at 30 June 2010			
	Level 1	Level 2	Level 3	Total
	$M	$M	$M	$M
Assets				
Assets at fair value through Income Statement:				
Trading	17,995	4,775	81	**22,851**
Insurance	4,526	11,414	-	**15,940**
Other	-	654	-	**654**
Derivative assets	137	27,538	14	**27,689**
Available-for-sale investments ("AFS") (1)	28,008	4,752	1	**32,761**
Total assets	50,666	49,133	96	**99,895**
Liabilities				
Liabilities at fair value through Income Statement	3,821	11,521	-	**15,342**
Derivative liabilities	69	24,808	7	**24,884**
Life investment contracts	-	11,411	-	**11,411**
Total liabilities	3,890	47,740	7	**51,637**

				Bank
	Fair Value as at 30 June 2010			
	Level 1	Level 2	Level 3	Total
	$M	$M	$M	$M
Assets				
Assets at fair value through Income Statement:				
Trading	16,423	2,344	8	**18,775**
Derivative assets	239	27,123	1	**27,363**
Available-for-sale investments ("AFS") (1)	19,780	45,849	1	**65,630**
Total assets	36,442	75,316	10	**111,768**
Liabilities				
Liabilities at fair value through Income Statement	3,821	792	-	**4,613**
Derivative liabilities	69	23,613	7	**23,689**
Total liabilities	3,890	24,405	7	**28,302**

(1) Investments in unlisted equity instruments with a carrying value of $154 million for the Group were included in AFS investments as at 30 June 2010. An amount of $149 million was included for the Bank. Due to the unlisted nature of the investments, their fair value could not be reliably measured and they are carried at cost. There is no immediate intention to dispose of these investments. They have not been included in the table above.

Notes to the Financial Statements

Note 47 Disclosures about Fair Values of Financial Instruments (continued)

(b) Valuation Methodologies (continued)

Level 3 movement analysis for the year ended 30 June 2010

The following tables summarise the movements in level 3 financial assets and financial liabilities during the year.

	Assets at Fair Value through Income Statement Trading $M	Derivative Assets $M	AFS $M	Derivative Liabilities $M	Group Total $M
As at 1 July 2009	117	2	1	(8)	112
Purchases	-	12	-	(4)	8
Sales	(38)	-	-	2	(36)
Gains/(losses) in the period:					
Recognised in the Income Statement (1)	2	1	(1)	1	3
Transfers in	-	-	1	-	1
Transfers out	-	(1)	-	2	1
As at 30 June 2010	81	14	1	(7)	89
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2010 (1)	3	1	(1)	(2)	1

(1) Recognised in other operating income.

	Assets at Fair Value through Income Statement Trading $M	Derivative Assets $M	AFS $M	Derivative Liabilities $M	Bank Total $M
As at 1 July 2009	8	2	-	(8)	2
Purchases	-	-	-	(4)	(4)
Sales	-	-	-	2	2
Gains/(losses) in the period:					
Recognised in the Income Statement (1)	-	1	-	1	2
Transfers in	-	-	1	-	1
Transfers out	-	(2)	-	2	-
As at 30 June 2010	8	1	1	(7)	3
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2010 (1)	-	2	-	(2)	-

(1) Recognised in other operating income.

There have been transfers between level 1 and level 2 of the hierarchy due to the increased or decreased observability of the valuation inputs used to price the instruments and the liquidity of the market.

Transfers into and out of level 3 were primarily attributable to changes in the observability of the significant valuation inputs.

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.

Note 48 Securitisation

The Group enters into transactions in the normal course of business by which it transfers financial assets directly to third parties or to special purpose entities (SPEs). These transfers may give rise to the full or partial derecognition of those financial assets:

- Full derecognition occurs when the contractual right to receive cash flows from the financial assets is transferred, or the right is retained but an obligation is assumed to pass on the cash flows from the asset, which transfers substantially all the risks and rewards of ownership; and
- Partial derecognition occurs when financial assets are sold or transferred in such a way that some but not substantially all of the risks and rewards of ownership are transferred but control is retained. These financial assets are recognised on the balance sheet to the extent of continuing involvement.

The table below provides break down of the assets held by securitisation vehicles and exposures the bank has to securitisation vehicles that the Group has established.

	Group	
	2010	2009
Assets held within Group SPEs	$M	$M
Residential mortgages - Group originated mortgages backing securities held for potential repurchase with central banks	45,673	46,643
Residential mortgages - Group originated	9,696	12,568
Other	175	231
Total securitisation assets of SPEs	55,544	59,442

	Funded		Unfunded (2)		Group Total	
	30/06/10	30/06/09	30/06/10	30/06/09	30/06/10	30/06/09
Exposure to Securitisation SPEs	$M	$M	$M	$M	$M	$M
Residential mortgage backed securities held for potential repurchase with central banks	45,169	46,550	-	-	45,169	46,550
Other residential mortgage backed securities	3,567	3,595	-	-	3,567	3,595
Other derivatives (1)	1,011	1,434	37	43	1,048	1,477
Liquidity support facilities	916	942	787	798	1,703	1,740
Other facilities	98	90	62	220	160	310
Total	50,761	52,611	886	1,061	51,647	53,672

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

(2) Unfunded amounts apply to financial arrangements the Group holds with securitisation SPE's that the SPE is yet to fully draw down upon.

Note 49 Controlled Entities

(a) Shares in and Loans to controlled entities

	Bank	
	2010	2009
	$M	$M
Shares in controlled entities	**18,754**	21,319
Loans to controlled entities	**31,055**	33,352
Total shares in and loans to controlled entities	**49,809**	54,671

The above amounts are not expected to be recovered within twelve months of the Balance Sheet date.

(b) Principal subsidiaries

The material subsidiaries of the Bank, based on contribution to the consolidated entity's profit, size of investment or nature of activity are:

Entity Name	Extent of Beneficial Interest if not 100%	Incorporated in
Australia		
(a) Banking		
Commonwealth Bank of Australia		Australia
Bank of Western Australia Limited		Australia
BWA Group Services Pty Limited		Australia
Swan Trust Series 2007-1E		Australia
Swan Trust Series 2006-1E		Australia
Swan Trust Series 2008-1D		Australia
Swan Trust Series 2004-1P		Australia
Swan Trust Series 2010 -1P		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
MIS Funding No.1 Pty Limited		Australia
Christmas Break Pty Limited		Australia
CBA USD Investments Partnership		Australia
GT Funding No.6 Ltd Partnership		Australia
PERLS III Trust		Australia
Commonwealth Investments Pty Limited		Australia
Commonwealth Securities Limited		Australia
IWL Limited		Australia
IWL Broking Solutions Limited		Australia
JDV Limited		Australia
Australian Investment Exchange Limited		Australia
CBFC Leasing Pty Limited		Australia
CBFC Limited		Australia
CBCL Australia Limited		Australia
Sparad (No.24) Pty Limited		Australia
Securitisation Advisory Services Pty Limited		Australia
Homepath Pty Limited		Australia
Tankstream Rail (BY-3) Pty Ltd		Australia
Tankstream Rail (BY-4) Pty Ltd		Australia
CBA International Finance Pty Limited		Australia
GT Operating No.2 Pty Limited		Australia
GT Operating No.4 Pty Limited		Australia
Colonial Finance Limited		Australia
VH-VZH Pty Ltd		Australia
VH-VZG Pty Ltd		Australia
VH-VZF Pty Ltd		Australia
SAFE No1 Pty Limited		Australia
CBA AIR Pty Ltd		Australia
Reliance Achiever Partnership		Australia
Tankstream Rail (SW-3) Pty Ltd		Australia
Tankstream Rail (SW-4) Pty Ltd		Australia
Tankstream Rail (BY-2) Pty Ltd		Australia

Note 49 Controlled Entities (continued)

(b) Principal Subsidiaries (continued)

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

Notes to the Financial Statements

Note 49 Controlled Entities (continued)

(b) Principal Subsidiaries (continued)

Entity Name	Extent of Beneficial Interest if not 100%	Incorporated in
New Zealand		
(a) Banking		
ASB Holdings Limited		New Zealand
ASB Bank Limited		New Zealand
ASB Funding Limited		New Zealand
CBA Funding (NZ) Limited		New Zealand
ASB Capital Limited		New Zealand
ASB Capital No.2 Limited		New Zealand
CBA NZ Holding Limited		New Zealand
CBA USD Funding Limited		New Zealand
Medallion NZ Series Trust 2009-1R		New Zealand
CBA Real Estate Funding (NZ) Limited		New Zealand
(b) Insurance and Funds Management		
ASB Group (Life) Limited		New Zealand
Sovereign Group Limited		New Zealand
Sovereign Limited		New Zealand
Colonial First State Investments (NZ) Limited		New Zealand
Kiwi Income Properties Limited		New Zealand
Kiwi Property Management Limited		New Zealand
Other Overseas		
(a) Banking		
CommBank Management Consulting (Asia) Co Limited		Hong Kong
CBA Funding Trust 1		Delaware USA
CBA Capital Trust 1		Delaware USA
CBA Capital Trust II		Delaware USA
PT Bank Commonwealth	97%	Indonesia
CBA (Europe) Finance Limited		United Kingdom
Burdekin Investments Limited		Cayman Islands
CTB Australia Limited		Hong Kong
CBA (Delaware) Finance Incorporated		Delaware USA
CBA Asia Limited		Singapore
Newport Limited		Malta
CommBank Europe Limited		Malta
CommTrading Limited		Malta
CommInternational Limited		Malta
Watermark Limited		Hong Kong
CommCapital S.a.r.l		Luxembourg
(b) Insurance and Funds Management		
First State Investments (Bermuda) Limited		Bermuda
First State (Hong Kong) LLC		United States
First State Investment Holdings (Singapore) Limited		Singapore
First State Investments (UK Holdings) Limited		United Kingdom
PT Commonwealth Life	80%	Indonesia

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

Note 49 Controlled Entities (continued)

(c) Disposal of Controlled Entities

During the year, the Group disposed of its banking and insurance operations in Fiji. For further details refer to Note 46 (c).

(d) Acquisition of Controlled Entities

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

On 19 December 2008, the Group acquired 100% of the share capital of Bank of Western Australia Limited (consisting of retail and business banking), St Andrew's Australia Pty Limited (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 Group.

Refer to Note 46 (e) for further details.

Note 50 Subsequent Events

On 1 July 2010, the Tax consolidated Group began to apply the new tax regime for financial instruments – Taxation of Financial Arrangements 'TOFA'. Further details are set out in Note 5 – Income Tax Expense.

On 2 July 2010, class action proceedings were commenced against the Bank in relation to Storm Financial. At this stage the size of the class action has not been defined and damages sought have not been quantified. The Group is also aware from media reports and other public announcements that class action proceedings may be commenced against it and other Australian banks with respect to exception fees. At this stage such proceedings have not commenced.

The Dividend Reinvestment Plan for the final dividend for the 2010 financial year will be satisfied fully or partially by an on-market purchase and transfer of shares.

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

Directors' Declaration

In accordance with a resolution of the Directors of the Commonwealth Bank of Australia 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;

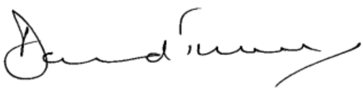
(b) the Financial Statements and notes thereto also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board, as confirmed in Note 1(a);

(c) 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 2010 and of their performance for the year ended on that date;

(d) 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

(e) the Directors have been given the declarations required under Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2010.

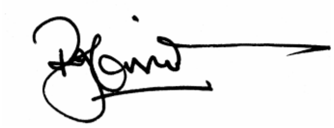
Signed in accordance with a resolution of the Directors.



D J Turner

Chairman

11 August 2010



R J Norris

Managing Director and Chief Executive Officer

11 August 2010

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

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

Report on the financial report

We have audited the accompanying financial report of the Commonwealth Bank of Australia which comprises the balance sheet as at 30 June 2010, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both the Commonwealth Bank of Australia and the Group (the consolidated entity). The consolidated entity comprises the Commonwealth Bank of Australia and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Commonwealth Bank of Australia are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

Corporate Directory

Independent auditor's report to the members of the Commonwealth Bank of Australia (continued)

Auditor's opinion

In our opinion:

(a) the financial report of the Commonwealth Bank of Australia is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Commonwealth Bank of Australia and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the consolidated financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 70 to 88 of the directors' report for the year ended 30 June 2010. The directors of the Commonwealth Bank of Australia are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of the Commonwealth Bank of Australia for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of the Commonwealth Bank of Australia for the year ended 30 June 2010 included on the Commonwealth Bank of Australia web site. The Commonwealth Bank of Australia directors are responsible for the integrity of the Commonwealth Bank of Australia web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

Rahoul Chowdry
Partner

Sydney
11 August 2010