Financial Report (U.S. Version)
Year ended 30 June 2012

Contents

Introduction

The Commonwealth Bank of Australia Financial Report (US Version) - Year Ended 30 June 2012, which contains the financial statements for the year ended 30 June 2010, 2011 and 2012 and as of 30 June 2011 and 2012 (the "2012 Financial Report") should be read in conjunction with:

- The Commonwealth Bank of Australia Financial Report (US version) – Year Ended 30 June 2011, which contains the Financial Statements for the years ended 30 June 2009, 2010 and 2011 and as at 30 June 2010 and 2011 (the "2011 Financial Report"); and
- The Commonwealth Bank of Australia Basel II Pillar 3 Capital Adequacy and Risk Disclosures as at 30 June 2012,

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

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 2012.

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

Mr Turner has extensive experience in finance, international business and governance.

He was Chairman of Cobham plc from May 2008 until May 2010. He has held a number of Directorships including Whitbread plc and the Iron Trades Insurance Group and has been a member of the Quotations Committee of the London Stock Exchange. He is currently a Director of the Great Barrier Reef Foundation and O'Connell Street Associates.

He was CEO of Brambles Limited from October 2003 until his retirement in June 2007, and formerly CFO from 2001 to 2003. He was also Finance Director of GKN plc, Finance Director of Booker plc and spent six years with Mobil Oil.

Other directorships: O'Connell Street Associates.

Other Interests: Great Barrier Reef Foundation (Director).

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

Mr Turner is a resident of New South Wales. Age 67.

Ian M Narev, Managing Director and Chief Executive Officer (Appointed 1 December 2011)

Mr Narev commenced as Managing Director and Chief Executive Officer on 1 December 2011.

Mr Narev joined the Group in May 2007. From then until January 2009, he was Group Head of Strategy, with responsibility for corporate strategy development, mergers and acquisitions and major cross business strategic initiatives.

From January 2009 until September 2011, Mr Narev was Group Executive, Business and Private Banking, one of the Group's six operating divisions.

Prior to joining CBA, Mr Narev was a partner of McKinsey's New York, Sydney and Auckland offices from 1998 to 2007. He became a global partner in 2003, and from 2005 until his departure in 2007 was head of McKinsey's New Zealand office. Prior to joining McKinsey, Mr Narev was a lawyer specialising in mergers and acquisitions.

Other directorships: Commonwealth Bank Foundation (Chairman) and Financial Markets Foundation for Children.

Other Interests: Springboard Trust (Chairman) and Louise Perkins Foundation (Trustee).

Qualifications: BA LLB (Hons) (Auckland); LLM (Cantab); LLM (NYU).

Mr Narev is a resident of New South Wales. Age 45.

Sir John A Anderson, KBE

Sir John has been a member of the Board since 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". In 2012 Sir John was awarded an Honorary Doctorate of Commerce by Victoria University, Wellington.

Other directorships: New Zealand Venture Investment Fund (Chairman), PGG Wrightson Limited (Chairman), National Property Trust Limited (Chairman), Steel & Tube Holdings and Turners and Growers Limited.

Other Interests: Canterbury Business Recovery Trust Fund (Trustee).

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

Sir John is a resident of Wellington, New Zealand. Age 67.

Directors' Report

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.

Mr Galbraith has extensive experience in commercial law, mergers and acquisitions, corporate governance and risk management. He was a senior partner of Allens and its predecessor firms until his retirement in 2006 after 32 years with that firm; during 20 years of which he was also Honorary Secretary to the Council of Legal Education in Victoria. Mr Galbraith is currently a special advisor for Gresham Partners Limited.

Other directorships: BHP Billiton Community Trust (Chairman), BHP Billiton Community Ltd (Chairman), Arrium Limited (previously OneSteel Limited) and Australian Institute of Company Directors.

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

Qualifications: LLB (Hons) LLM (University of Melbourne) Supreme Courts of Victoria, New South Wales, Queensland and Western Australia, Barrister and Solicitor.

Mr Galbraith is a resident of Victoria. Age 64.

Jane S Hemstritch

Ms Hemstritch has been a member of the Board since 9 October 2006, and is the 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, Ms Hemstritch was a member of Accenture's global executive leadership team and oversaw the management of Accenture's business portfolio in Asia Pacific. Ms Hemstritch had a 24 year career with Accenture, preceded by seven years in the accounting profession.

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.

Other directorships: Lend Lease, Santos Ltd, Tabcorp Ltd, Victorian Opera Company Ltd and The Global Foundation.

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

Qualifications: Fellow of the Institute of Chartered Accountants in England and Wales, Fellow of the Institute of Chartered Accountants in Australia, BSc (Hons) London University, Australian Institute of Company Directors (Fellow).

Ms Hemstritch is a resident of Victoria. Age 58.

Launa K Inman

Ms Inman has been a member of the Board since 16 March 2011, and is a member of the Risk Committee.

Ms Inman was appointed Managing Director and Chief Executive Officer of Billabong International Limited, effective 14 May 2012. Prior to this, she was Managing Director of Target Australia Pty Limited from 2005 to November 2011, and Managing Director of Officeworks from 2004 to 2005.

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

Other directorships: Managing Director and CEO of Billabong International Limited.

Other Interests: Chief Executive Women Inc. (Member), Australian Institute of Management (Member) and World Retail Congress Advisory Board (Member), The Alannah and Madeline Foundation Board (not-for-profit) and the L'Oreal Melbourne Fashion Festival Board.

Qualifications: MCom, University of South Africa (UNISA), BCom (Hons) (UNISA), BCom (Economics and Accounting) (UNISA), Australian Institute of Company Directors (Member).

Ms Inman is a resident of Victoria. Age 56.

S Carolyn H Kay

Ms Kay has been a member of the Board since 2003 and is also a member of the Audit Committee, People & Remuneration Committee and Risk Committee. She holds Bachelor Degrees in Law and Arts and a Graduate Diploma in Management.

She has over 25 years of experience in Finance, particularly in International Finance, including working as both a banker and a lawyer at Morgan Stanley, JP Morgan and Linklaters & Paines in London, New York and Australia.

Other directorships: Allens, Brambles Industries Limited, Infrastructure NSW and Sydney Institute.

Other Interests: Chief Executive Women Inc. (Member) and Women Corporate Directors (Member).

Qualifications: BA (Melb), LLB (Melb), GDM (AGSM), Australian Institute of Company Directors (Fellow).

Ms Kay is a resident of New South Wales. Age 51.

Brian J Long

Mr Long has been a member of the Board since 1 September 2010. He is the Chairman of the Audit Committee and a member of the Risk Committee.

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

Other directorships: Cantarella Bros. Pty Ltd and Ten Network Holdings Limited (Deputy Chairman).

Other Interests: Chairman of United Way Australia, Member of Council and Chairman of Audit Committee for each of the National Library of Australia and the University of NSW.

Qualifications: Institute of Chartered Accountants in Australia (Fellow).

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

Andrew M Mohl

Mr Mohl has been a member of the Board since 1 July 2008 and is a member of the Risk Committee and the People & Remuneration Committee. He has over 35 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, Chief Manager, Retail Banking and Managing Director, ANZ Funds Management at ANZ Banking Group. Mr Mohl commenced his career at the Reserve Bank of Australia where his roles included Senior Economist and Deputy Head of Research.

Other directorships: Federal Government Export Finance and Insurance Corporation (Chairman) and AMP Foundation.

Other Interests: Coaching services to Chief Executives, Member of the Board of Governors for the Committee of Economic Development of Australia, and the Corporate Council of the European Australian Business Council.

Qualifications: BEc (Hons), Monash.

Mr Mohl is a resident of New South Wales. Age 56.

Fergus D Ryan, AO

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

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

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

Qualifications: Institute of Chartered Accountants in Australia (Fellow).

Mr Ryan is a resident of Victoria. Age 69.

Harrison H Young

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

From 2003 to 2007, Mr Young was Chairman of Morgan Stanley Australia, and from 1997 to 2003 Vice Chairman of Morgan Stanley Asia.

Prior to that, Mr Young 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.

Other directorships: NBN Co Limited (Chairman), Better Place (Australia) Pty (Chairman), Humanities 21 Inc., Bank of England ceasing 31 May 2012 and Financial Services Volunteer Corps.

Other interests: Wesley College Advisory Committee.

Qualifications: BA, cum laude, Harvard, LLD, honoris causa, Monash.

Mr Young is a resident of Victoria. Age 67.

Directors' Report

Sir Ralph J Norris, KNZM, Managing Director and Chief Executive Officer (Retired 30 November 2011)

Sir Ralph was the Managing Director and Chief Executive Officer from September 2005 to 30 November 2011. From 2002, Sir Ralph 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 was also a member of the Risk Committee.

Sir Ralph 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, Sir Ralph retired from the Board of Fletcher Building Limited where he had been a Director since 2001.

Other directorships: Australian Bankers' Association (Chairman) (retired 23 October 2011), Commonwealth Bank Foundation (Chairman) (retired 30 November 2011), Business Council of Australia (retired 31 October 2011) and Financial Markets Foundation for Children (retired 30 November 2011).

Other Interests: Australian Business and Community Network (Member), Juvenile Diabetes Research Foundation Advisory Council (Co-Chair) and University of NSW AGSM Advisory Council (Member).

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

Sir Ralph is a resident of New South Wales. Age 63.

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)
David Turner	Cobham plc	01/12/2007	06/05/2010
John Anderson	PGG Wrightson Ltd (NZ)	01/04/2010	
	National Property Trust NPT Limited (NZ)	01/04/2011	
	Steel & Tube Holdings Ltd (NZ)	10/11/2011	
	Turners & Growers Ltd (NZ)	03/04/2012	
Colin Galbraith	Arrium Limited	25/10/2000	
Jane Hemstritch	Tabcorp Holdings Limited	13/11/2008	
	Santos Limited	16/02/2010	
	Lend Lease Corporation Limited	01/09/2011	
Launa Inman	Billabong International Limited	14/05/2012	
Carolyn Kay	Brambles Industries Limited	01/06/2006	
Brian Long	Ten Network Holdings Limited	01/07/2010	
Fergus Ryan	Australian Foundation Investments Company Limited	08/08/2001	

Directors' Meetings

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

Director	No. of Meetings Held (1)	No. of Meetings Attended
David Turner	10	10
Ian Narev (2)	5	5
John Anderson	10	9
Colin Galbraith	10	10
Jane Hemstritch	10	10
Launa Inman	10	10
Carolyn Kay	10	10
Brian Long	10	10
Andrew Mohl	10	10
Fergus Ryan	10	10
Harrison Young	10	10
Ralph Norris (3)	5	5

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

(2) Ian Narev commenced as CEO effective 1 December 2011.

(3) Ralph Norris retired effective 30 November 2011.

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
David Turner	6	6	-	-	7	7
Ian Narev (2)	4	4	-	-	-	-
John Anderson	6	6	-	-	-	-
Colin Galbraith	6	6	6	6	-	-
Jane Hemstritch	6	6	-	-	7	7
Launa Inman	6	6	-	-	-	-
Carolyn Kay	6	6	6	6	7	7
Brian Long	6	6	6	6	-	-
Andrew Mohl	6	6	-	-	7	7
Fergus Ryan	6	6	6	6	-	-
Harrison Young	6	6	6	5	-	-
Ralph Norris (3)	2	2	-	-	-	-

Director	Board Performance and Renewal Committee	
	No. of Meetings Held (1)	No. of Meetings Attended
David Turner	6	6
John Anderson	6	6
Colin Galbraith	6	5

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

(2) Ian Narev commenced as CEO effective 1 December 2011.

(3) Ralph Norris retired effective 30 November 2011.

Principal Activities

The principal activities of the Group during the financial year ended 30 June 2012 were the provision of a broad range of banking and financial products and services to retail, small business, corporate and institutional clients.

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

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

Directors' Report

Consolidated Profit

The Group's net profit after income tax and non controlling interests for the year ended 30 June 2012 was $7,090 million (2011: $6,394 million).

The Group has achieved another solid financial result in a challenging environment, characterised by subdued credit growth, fragile business and consumer confidence, elevated funding costs and continuing volatility in global markets.

The Group's focus on building long term competitive advantage, combined with a strong financial platform and diversified business model enabled it to effectively manage these unpredictable economic conditions, maintain momentum and generate sustainable returns.

Operating income growth was impacted by the low credit growth environment, increased funding costs and competitive lending and deposit markets. The Markets and Wealth Management businesses also faced challenging trading conditions.

Operating expense growth has been contained through disciplined cost management, without disrupting investment in the underlying businesses, including the effective execution of the Core Banking Modernisation initiative. The long-term commitment to productivity to improve customers' experience and Group efficiency is a key strategic priority.

Loan impairment expense decreased, mainly reflecting a reduction in single name exposures within Institutional Banking and Markets. Economic overlays were maintained, reflecting the Group's conservative approach to provisioning, as business conditions remain challenging for some of the Group's customers.

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 197 cents per share amounting to $3,137 million. The dividend will be payable on 5 October 2012 to shareholders on the register at 5pm EST on 24 August 2012.

Dividends paid in the year ended 30 June 2012 were as follows:

- In respect of the year to 30 June 2011, a fully franked final dividend of 188 cents per share amounting to $2,930 million was paid on 6 October 2011. The payment comprised direct cash disbursements of $2,099 million with $831 million being reinvested by participants through the DRP; and
- In respect of the year to 30 June 2012, a fully franked interim dividend of 137 cents per share amounting to $2,166 million was paid on 5 April 2012. The payment comprised direct cash disbursements of $1,635 million, with $531 million being reinvested by participants through the DRP.

Changes in State of Affairs

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

Highlights included:

- "Business Bank of the Year" and "Best Online Bank" in the 2012 Money Magazine Awards;
- Continued investment spend, including the Core Banking Modernisation initiative, which achieved some significant milestones, including real-time banking for both retail and small business customers;
- The launch of CommBank Kaching, a revolutionary mobile phone application that offers fast, safe and easy mobile banking;
- Completion of the Group's property strategy to: consolidate the Sydney metropolitan teams across three main precincts; and the world's largest implementation of an Activity Based Working environment, which introduces flexibility to work in different ways; and
- Bankwest was awarded the AFR Smart Investor 2011 "Overall Winner" award.

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

Events Subsequent to Balance Sheet date

The Bank expects to issue approximately $784 million of ordinary shares in respect of the DRP for the final dividend for the year ended 30 June 2012.

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

Business Strategies and Future Developments

Accommodation Strategy

The Group has now completed its property strategy to consolidate its Sydney metropolitan teams across three main precincts: Sydney Central Business District (CBD), Sydney Olympic Park and Parramatta. With the recent move into Commonwealth Bank Place, the Group now houses over 10,000 employees between Darling Park Tower 1 and Commonwealth Bank Place in Sydney's CBD.

Commonwealth Bank Place is the world's largest implementation of Activity Based Working (ABW). ABW is a style of working, which recognises that our people's ability to work effectively requires the flexibility to work in different ways. ABW empowers individuals to choose different types of work settings to suit their work needs at different stages throughout the day, supported by the latest technologies enabling mobility and collaborative working. The success of ABW has seen the Group establish another ABW workplace in its newest commercial development - Bankwest Place, Perth.

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

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.

Environmental Reporting

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

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

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

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

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

Directors' Shareholdings and Options

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

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

Options outstanding

As at the date of this report there are no options outstanding in relation to Commonwealth Bank ordinary shares.

Directors' Interests in Contracts

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

Directors' and Officers' Indemnity

The Directors, as named on pages 3 to 6 of this report, and the Secretaries of the Bank, being J D Hatton and C F Collingwood, are indemnified pursuant to the Constitution of Commonwealth Bank of Australia (the Constitution), as are all senior managers of the Bank.

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

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

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

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

Directors' and Officers' Insurance

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

Rounding and presentation of amounts

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

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

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

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

Directors' Report – Remuneration Report

Message from the People & Remuneration Committee Chairman

Dear Shareholder,

The 2012 financial year has been a challenging one for the Group. The growing uncertainties in global financial markets, particularly with the on-going debt crisis in the European region, continue to create pressures for our businesses. These include restrained credit growth, increased funding costs, weak equity markets and continued regulatory change.

Against this backdrop, the Group has remained competitive in the 2012 financial year. Financial performance, although subdued compared to 2011, was stronger than most of our global peers and performance against non-financial measures has been solid. We have continued to improve our customer satisfaction in all core areas, including Retail Banking, Wealth Management, Institutional Banking and Business Banking. From a technology perspective, we have continued to offer leading edge frontline banking systems and delivery platforms in the Australian market, which help enhance the overall customer experience.

The delivery of this good performance has been the result of the hard work and dedication of our people. Our remuneration frameworks are designed to attract and retain key executive talent, recognise the individual contributions of our people, and motivate them to achieve strong performance aligned to our business strategy.

To clearly align remuneration decisions with the sustainability of our business outcomes, we have decided not to make any fixed remuneration increases for our most senior executives for the 2013 financial year. This includes the CEO and Group Executives who are mentioned in this report, as well as our Executive General Managers and General Managers. Fees paid to Non-Executive Directors will also remain unchanged in the 2013 financial year.

Although we have not made any fixed remuneration increases for our senior executives, we still continue to focus on appropriately recognising the contributions of our high performers to the overall growth of our business.

We have made reasonable incentive awards to our people based on performance against appropriate measures that discourage excess risk-taking. We are confident that we have in place robust measures which achieve a direct alignment between the remuneration interests of our employees and the interests of our shareholders. This year, no changes have been made to our performance measures or remuneration framework.

In the 2012 financial year, we have again reviewed our Remuneration Report and have made some changes to the style and layout, with the aim of better communicating our executive remuneration arrangements in a clear and concise manner, improving the overall readability of the report, with a greater focus on the link between remuneration and performance.

I hope you find the information we have provided in this report useful.

Jane Hemstritch

Committee Chairman

15 August 2012

2012 Remuneration and Performance Highlights

Appointment of new CEO	• Ian Narev, previously Group Executive, Business and Private Banking, was appointed to replace Ralph Norris as CEO of the Group after his retirement on 30 November 2011. • Ian's annual remuneration was set at the time of his appointment at fixed pay of $2.5m, STI target of $2.5m and LTI target of $2.5m.
Senior executive pay freeze	• Senior executives, including the CEO and Group Executives of the Group will not receive any fixed pay, STI target or LTI target increases for the 2013 financial year. • This pay freeze extends to approximately 400 senior executives of the Group.
Non-Executive Director fees increased for the first time in 4 years	• Non-executive director fees have remained at the same level since 2008, apart from a reduction during the worst of the global financial crisis. • These fees were increased by 5% from 1 January 2012.
Short term incentives reflect good 2012 performance	• 2012 financial and non-financial performance was good in a challenging environment. • Against this background, the average short term incentive payment for the CEO and Group Executives was 106% of their short term incentive targets.
Long term incentive performance hurdles met	• The vesting outcome of the long term incentive awarded in 2009 reflected TSR performance over 3 years at the 85th percentile of the peer group, and improvement in customer satisfaction to rank second against peers. • This performance resulted in 87.5% of the award vesting to those executives who participated in the plan.

Directors' Report – Remuneration Report

2012 Remuneration Report

This Remuneration Report details the approach to remuneration frameworks, outcomes and performance, for the Commonwealth Bank of Australia (CBA) and its Key Management Personnel (KMP) for the year ended 30 June 2012.

In the 2012 financial year, KMP included the Non-Executive Directors, CEO and Group Executives listed in the table below. The table also includes people movements during 2012. The key structural changes to the Executive team included:

- Ralph Norris' retirement from the Group at the end of November 2011;
- Ian Narev appointed as Chief Executive Officer effective from 1 December 2011;
- Grahame Petersen appointed to the role of Group Executive, Business and Private Banking from 1 October 2011;
- Annabel Spring, appointed to the role of Group Executive, Wealth Management, effective 1 October 2011; and
- Melanie Laing appointed to the role of Group Executive, Human Resources, effective 15 February 2012.

Name	Position	Term as KMP
Non-Executive Directors		
David Turner	Chairman	Full Year
John Anderson	Director	Full Year
Colin Galbraith	Director	Full Year
Jane Hemstritch	Director	Full Year
Launa Inman	Director	Full Year
Carolyn Kay	Director	Full Year
Brian Long	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 (retired 30 November 2011)	Part Year
Ian Narev	Managing Director and CEO (from 1 December 2011) Group Executive, Business and Private Banking (until 30 November 2011)	Full Year
Group Executives		
Simon Blair	Group Executive, International Financial Services	Full Year
David Cohen	Group General Counsel Acting Group Executive Human Resources (until 14 February 2012) Group Executive Group Corporate Affairs (from 15 February 2012)	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
Melanie Laing	Group Executive, Human Resources (from 15 February 2012)	Part Year
Ross McEwan	Group Executive, Retail Banking Services	Full Year
Grahame Petersen	Group Executive, Wealth Management (until 30 September 2011) Group Executive, Business and Private Banking (from 1 October 2011)	Full Year
Ian Saines	Group Executive, Institutional Banking and Markets	Full Year
Annabel Spring	Group Executive, Wealth Management (from 1 October 2011)	Part Year
Alden Toevs	Group Chief Risk Officer	Full Year

This KMP disclosure is consistent with the current legislation which requires remuneration disclosures only for the KMP of the consolidated entity (prior years' requirements included details for the KMP and the five most highly remunerated officers (if different) in relation to both the parent entity and the consolidated entity).

The report has been prepared and audited against the disclosure requirements of the Corporations Act 2001.

1. Remuneration Governance

1.1 People & Remuneration Committee

The People & Remuneration Committee (the Committee) is the main governing body for setting remuneration policy across the Group. The Committee develops the remuneration philosophy, framework and policies, for Board approval.

The Committee is made up of independent Non-Executive Directors (NEDs) and currently consists of the following members:

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

The responsibilities of the Committee are outlined in their Charter, which is reviewed annually by the Board. The Charter is available on the Group's website at www.commbank.com.au/shareholder.

In summary, the Committee is responsible for recommending to the Board for approval:

- Remuneration for 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 employees;
- 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.

This year, the Committee's key areas of focus consisted of:

- The retirement of Ralph Norris at the end of November, and the appointment of our new CEO Ian Narev;
- Establishing the Risk and Remuneration Review Committee. The purpose of this Committee is to systematically review material risk and compliance issues within the Group, and recommend any consequences for remuneration to the People & Remuneration Committee for approval. During the 2012 financial year, this Committee met five times;
- The annual review of our Group Remuneration Policy in December 2011, and another review in March 2012 to note the policy's application to Bankwest, in anticipation of the transition into a single banking licence with CBA;
- A review of the Committee's independent remuneration consultant and appointment of a new consultant;
- Continued monitoring and responses to regulatory and legislative changes, both locally and offshore; ensuring our policies and practices remain compliant;
- Meeting with the Australian Prudential Regulation Authority (APRA), twice during the year to discuss our Group remuneration framework and its relationship to managing risk; and
- Continued focus on embedding a remuneration framework that is appropriate for our different businesses with transparency in design, strong governance and risk oversight.

Our Independent Remuneration Consultant

The Committee seeks executive remuneration information directly from its external remuneration consultants Aon Hewitt and Ernst & Young (EY), who are independent of management.

Aon Hewitt provided input to the Committee until the end of March 2012. The Committee appointed EY as its independent remuneration consultant from April 2012.

Throughout 2012, the main information received from the Committee's remuneration consultants related to:

- Regulatory reforms;
- Current market practices; and
- Benchmarking to support the annual remuneration review for the CEO and Group Executives.

Aon Hewitt and EY have not made any remuneration decisions or recommendations in the 2012 financial year, but rather have provided input to assist the Committee in making remuneration decisions. The Committee is solely responsible for making decisions within the terms of its Charter.

1.2 Our Remuneration Philosophy

Our remuneration philosophy is the backbone of our remuneration framework, policies and processes. In summary, our remuneration philosophy for our CEO and Group Executives is to:

- Provide target remuneration which is market competitive, without putting upward pressure on the market;
- Align rewards with shareholder interests and our business strategy;
- 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;
- Provide flexibility to meet changing needs and emerging market practice; and
- Provide appropriate benefits on termination that do not deliver any windfall payments not related to performance.

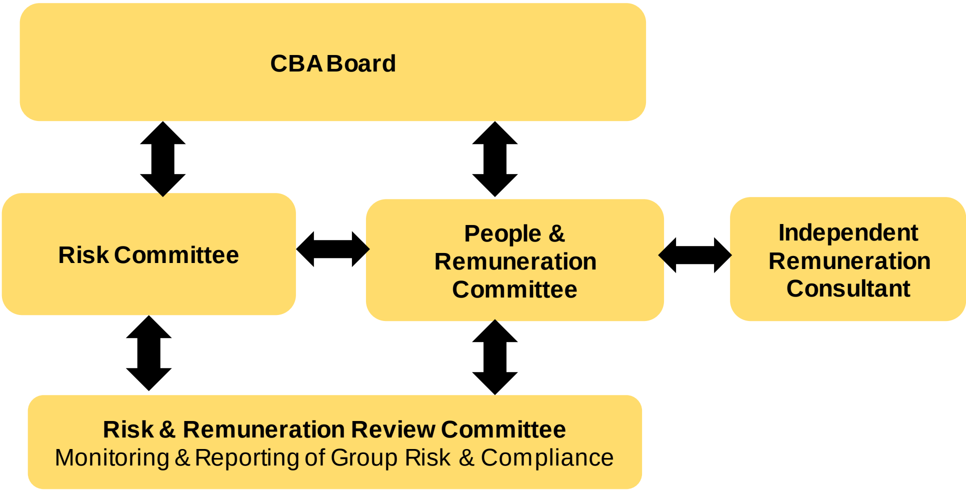
1.3 Remuneration & Risk Management

The Committee has an established framework for the systematic review of risk and compliance issues impacting remuneration. The Committee:

- Takes note of any material risk issues impacting remuneration and any issues raised by the Committee are also provided to the Board's Risk Committee for noting;
- May impose adjustments to remuneration outcomes of Executives before or after the awards are made, subject to Board approval;
- Has free and unfettered access to all risk, legal and financial control personnel as required. This is documented within the Committee Charter; and
- Works closely with the Board's Risk Committee to ensure that any risks associated with remuneration arrangements are managed within the Group's risk management framework.

Directors' Report – Remuneration Report

The following diagram illustrates the Group's remuneration and risk governance framework:



1.4 Non-Executive Directors Remuneration

Non-Executive Directors (NEDs) receive base fees to recognise their contribution to the work of the CBA Board and the associated committees that they serve. NEDs do not receive any performance-related remuneration.

The total amount of NEDs fees is capped by a pool that is approved by shareholders. The current fee pool remains at $4 million, which was approved by shareholders at the Annual General Meeting (AGM) on 13 November 2008.

NEDs also receive statutory superannuation contributions of 9% of their superannuation salary, capped at the relevant superannuation concessional contribution limit. A NEDs superannuation salary is 80% of their total base fees.

Up until 31 December 2011, NEDs received 20% of their after-tax base fees as CBA shares. Effective from 1 January 2012, the compulsory participation in the Non-Executive Director Share Plan ceased for all current NEDs who hold 5,000 or more shares. For those NEDs who have holdings below this threshold, the 20% share purchase will continue to apply until a holding of 5,000 shares has been reached.

The Board Performance and Renewal Committee review the NEDs fee schedule annually and examine fee levels against the market.

Effective from 1 January 2012 the Committee approved a 5% increase to NEDs base fees. This increase assists in keeping NEDs remuneration arrangements market competitive and to retain our highly skilled and talented group of Board NEDs. NEDs have not received an increase to their base fees since 2008.

The following table outlines the NEDs fees for the main Board and the Committees as at 30 June 2012:

	Position	From 1 July 2011 Fees ($)	From 1 January 2012 Fees ($)
Board	Chairman (1)	755,000	792,750
	Non-Executive Director	210,000	220,500
Audit Committee	Chairman	50,000	52,500
	Member	25,000	26,250
Risk Committee	Chairman	50,000	52,500
	Member	25,000	26,250
People & Remuneration	Chairman	50,000	52,500
Committee	Member	25,000	26,250
Board Performance &	Chairman	10,000	10,500
Renewal Committee	Member	10,000	10,500

(1) In previous years the Chairman of the Board received separate fees for Committee work. The Chairman's aggregate fees until 31 December 2011 were $755,000. From 1 January 2012 these arrangements have changed and the Chairman now receives a single fee (which incorporates work performed on Board Committees). This is a common approach in the market and is consistent with our peers.

We have two NEDs who continue to hold legacy retirement entitlements under the Directors' Retirement Allowance Scheme. The scheme was approved by shareholders at the 1997 AGM. The scheme was discontinued in 2002, which froze entitlements for participants at that time and was closed to new participants.

The statutory table on page 23 provides the individual remuneration expense for each NED in relation to the 2012 performance year.

2. Remuneration Framework

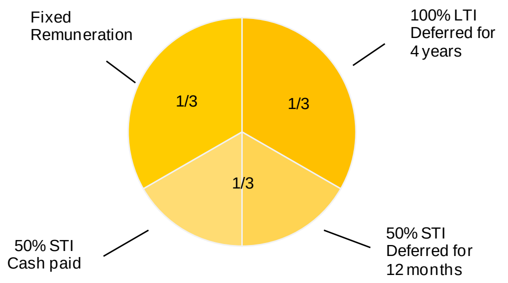
The remuneration arrangements of our CEO and Group Executives are made up of both fixed and at risk remuneration. This is composed of the following three elements:

- Fixed Remuneration;
- Short Term Incentive (STI) at Risk; and
- Long Term Incentive (LTI) at Risk.

The at risk components are based on performance against key financial and non-financial measures. More detail on executive remuneration and the link to performance is included in section 3 of this report.

2.1 Total Target Remuneration

The following diagram illustrates the total target mix of the three remuneration elements:



The three remuneration elements are broken down into equal portions of total target remuneration.

When setting target remuneration levels, our key objective is to remain competitive by attracting and retaining highly talented Executives. We do this by considering the size and responsibilities of each role, using any relevant executive remuneration surveys and disclosed data. Target remuneration is generally set around the market median for similar roles at peer organisations.

Importantly, for our most senior roles, we aim to avoid adding pressure to market remuneration levels.

Each component of remuneration has a direct link to our business strategy as detailed below.

2.2 Fixed Remuneration

- Fixed Remuneration is made up of base remuneration and superannuation. Base remuneration includes cash salary and any salary sacrifice items;
- The Group provides employer superannuation contributions of 9% of each Executive's superannuation salary, capped at the relevant concessional contribution limit;
- The Board determines an appropriate level of fixed remuneration for the CEO and Group Executives, with recommendations from the Committee; and
- Fixed Remuneration is reviewed annually, following the end of the 30 June performance year. For the 2013 financial year there will be no Fixed Remuneration increases for our Executives.

2.3 Short Term Incentive

- The CEO and Group Executives have an STI target that is equal to 100% of their fixed remuneration. Executives will only receive the full amount if they meet all their performance goals;
- The CEO and Group Executives have a maximum STI potential of 150% of their STI target. No STI awards will be made if the relevant performance goals are not met;
- Executives receive 50% of their STI payment as cash following the Group's year-end results. The remaining 50% of the STI payment is deferred for one year and attracts interest at the CBA one year term deposit rate;
- The CEO and Group Executives will forfeit the deferred portion of their STI if they resign or are dismissed from the Group before the end of the deferral period;
- The deferral assists in managing the risk of losing key Executive talent. It also allows the Board to reduce or cancel the deferred component of the STI where business outcomes are materially lower than expected; and
- STI payments are made within a funding cap which is set by the Board. 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.

See section 3.1 for more detail on STI outcomes and the link to performance.

2.4 Long Term Incentive

- The CEO and each Group Executive has an LTI target that is equal to 100% of their fixed remuneration;
- The LTI award has a four year performance period and is measured against relative Total Shareholder Return (TSR) and relative Customer Satisfaction performance hurdles;
- The performance hurdles are aligned to our business strategy of Customer Satisfaction and shareholder interests;
- Executives only receive value if performance hurdles are met at the end of the four years, subject to final Board review; and
- No dividends are paid while LTI awards are unvested.

See section 3.2 for more detail on how the LTI award operates and its direct link to performance outcomes.

Directors' Report – Remuneration Report

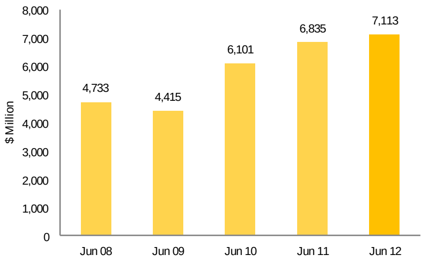
3. Linking Remuneration to Performance

Our remuneration framework is designed to attract and retain high calibre Executives by rewarding them for achieving goals that are aligned to our business strategy. All our incentives are directly linked to both short term and long term performance goals.

3.1 2012 Short Term Performance

The table below provides an overview of our performance for the year ended 30 June 2012 against our key financial and non-financial performance measures. These measures are used to determine the individual STI outcomes of our Executives, and are managed through a balanced scorecard approach. Financial objectives have a substantial weighting, and non-financial objectives vary by role. Executives managing business units typically have a 50% weighting on financial outcomes, while Executives managing support functions have a typical weighting of 30%.

Performance	2012 Key Achievements
Customer Satisfaction & Reputation [1]	***Customer satisfaction is measured across our core areas of Retail Banking, Business Banking, Wealth Management, and Institutional Banking.*** • For Retail Banking, during the 2012 financial year, the Bank attained its highest score in customer satisfaction for customers who use us as their main financial institution since the inception of the survey. At the same time, the Bank achieved its narrowest gap to the leader (among the four major banks). The Bank also improved its ranking during the year and is now second among the four major banks. • In Business Banking, CBA has maintained outright or equal first position in customer satisfaction in both the Micro and Large segments among the four major banks for the entire financial year. CBA is now outright or equal first position in the DBM Business Financial Services Monitor (BFSM, June 2012). • Wealth Management's platforms achieved a combined ranking of second for adviser satisfaction. • In Institutional Banking, we continue to perform strongly. The DBM Business Financial Services Monitor has ranked CBA outright or equal first in Institutional Banking MFI customer satisfaction for 10 of the past 12 months. CBA is now in outright first position in the DBM survey (June 2012).
Profitable Growth	***Profitable growth includes the broadening of our business into growth products and markets, in order to increase the returns to our shareholders.*** • Domestically, the Group focused on managing core businesses to deliver optimal returns and value to shareholders, while meeting the needs of our customers. Average products per customer increased to 2.83, which remains the highest of the peer banks. • Internationally, our Asian growth strategy continued to focus on targeted expansion in key growth regions including Indonesian branches and Chinese County banks.
Cash Net Profit after Tax (NPAT) and Profit after Capital Charge (PACC)	***Solid financial performance against our key profit measures of Cash NPAT and PACC.*** • Cash NPAT of $7,113 million was up 4% on the prior year. • PACC (an internal risk adjusted financial measure) was slightly up on the performance for the prior year. • Over the past 5 years we have delivered growth in our financial performance (see historical Cash NPAT graph below).
Technology & Operational Excellence	***Our technology programmes are designed to improve efficiency levels, and enhance the customer experience through more innovative systems and processes.*** • The Core Banking Modernisation initiative has been a four year programme, which concludes in 2012. Core affords our customers a safer, simpler way of banking, anywhere, anytime and in real-time. It is a source of competitive advantage, enabling our agility and innovation at the edge. • Core and online underpin our brand differentiation and advantage. • Banking is being redefined by devices and technology such as the industry leading "Kaching" app – we aim to enable our customers to bank easily and conveniently.
Trust & Team Spirit	***We focus on the continued engagement of our People to ensure there is direct alignment with our business strategy.*** • We measure engagement through our People & Culture Survey. For 2012, the results from this survey indicated that we have strong levels of people engagement with a culture centred on customer service excellence, collaboration and teamwork.



Trust & Team Spirit (continued)	•	Gender diversity is a key Group objective. In 2009 the Group set a public target to increase the representation of women in leadership roles from 26.6% in December 2009 to 35% by December 2014. In 2012, we have progressed towards this target, with 30.9% of women in executive roles as at 30 June 2012. In January 2012, the Group was recognised for its culture change programme and diversity initiatives through the prestigious Catalyst award. The Group's commitment to diversity was further recognised by the Equal Opportunity for Women in the Workplace Agency with an Employer of Choice for Women citation.

(1) Customer satisfaction is measured by three separate surveys. For the Retail bank, this is measured by Roy Morgan Research. Roy Morgan Research Main Financial Institution (MFI) Retail Customer Satisfaction. Australian population 14+, % "Very Satisfied" or "Fairly Satisfied" with a relationship with that MFI. 6-month rolling average. Note the institution definitions were updated in March 2012. For business banking, this is measured by DBM Business Financial Services Monitor (June 2012), average satisfaction rating of each financial institution's MFI business customers across all Australian businesses, 6 month rolling average. For Wealth Management, customer satisfaction is measured by the Wealth Insights 2012 Service Level Report, Platforms. This survey measures satisfaction with the service of master trusts/wraps in Australia, by financial advisers. It includes Colonial First State's FirstChoice and FirstWrap platforms. For Institutional Banking, customer satisfaction is measured by DBM Business Financial Services Monitor (June 2012) six month rolling average of MFI satisfaction ratings of Australian businesses. Institutional banking includes businesses with turnover of $100 million and above.

Risk is also a key factor in accounting for short term performance. Firstly, we use PACC, a risk-adjusted measure, as one of our primary measures of financial performance. It takes into account not just the profit achieved, but also considers the risk to capital that was taken to achieve it. Secondly, Executives are required to comply with the relevant Group or Business Unit Risk Appetite Statement. STI awards are adjusted downwards where material risk issues occur. Thirdly, risk is also managed through the compulsory 50% deferral of the CEO and Group Executives' STI outcomes for a period of 12 months and delivery of one third of their total target remuneration after a four year period.

In February 2012, the Government announced that it will amend the Corporations Act 2001 to require listed companies to disclose to shareholders their arrangements to claw-back bonuses where material misstatement has occurred in relation to the company's financial statements. Under the Group's Remuneration Policy, the Board already has discretion to make adjustments to deferred remuneration in various circumstances. Adjustments can include partial reductions or complete forfeiture of deferred STI awards. The new requirements will be reviewed to ensure our policies and processes fully comply.

3.2 Long Term Performance

Our remuneration outcomes also focus on driving performance and creating shareholder alignment in the longer term. We do this by providing our Executives with LTI awards in the form of Reward Rights with a four year vesting period. Vesting is subject to performance against Total Shareholder Return (TSR) and Customer Satisfaction hurdles. The table below provides an overview of the CEO and Group Executives' current LTI awards which have not yet vested.

Overview of long term incentive awards outstanding during the 2012 Financial Year

Performance Period Ends	Equity Plan	Performance Hurdles	Progress
30 June 2013	Group Leadership Reward Plan (GLRP)	Each award is split and tested: • 50% TSR relative to peer group • 50% Customer Satisfaction ranking relative to peer group	In progress
30 June 2014	GLRP	Each award is split and tested: • 75% TSR relative to peer group • 25% Customer Satisfaction ranking relative to peer group	In progress
30 June 2015	GLRP	Each award is split and tested: • 75% TSR relative to peer group • 25% Customer Satisfaction ranking relative to peer group	In progress

GLRP Award vested during 2012 Financial Year

The GLRP award granted during the 2010 financial year reached the end of its three year performance period on 30 June 2012. This was a one-off transitional award made during the 2010 financial year, when LTI arrangements moved from a three year to a four year performance period. This transitional grant was made in addition to the normal 2010 GLRP award which has a four year performance period and is due to vest on 30 June 2013.

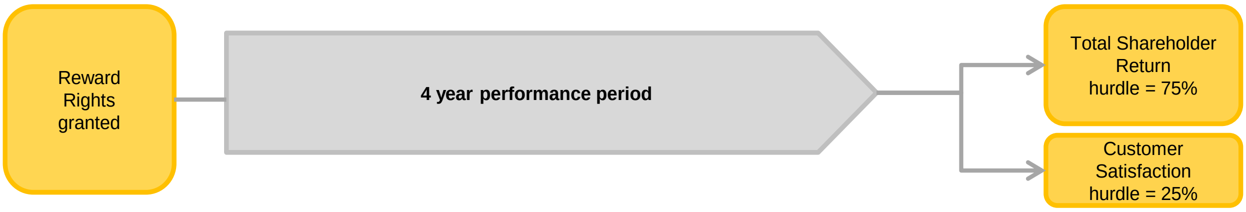
The GLRP 2010 award is weighted against two performance hurdles, Customer Satisfaction (50% of the award) and TSR (50% of the award). At the end of the performance period, the results against these measures were solid and included:

- 100% vesting against the TSR hurdle.
- 75% vesting against the Customer Satisfaction hurdle.
- In line with the plan rules for this award, 87.5% of the total award vested.
- The Board reviewed the measurement outcomes of this award and approved that the above vesting appropriately reflects performance over the three year performance period. No discretion was exercised.

Directors' Report – Remuneration Report

2012 GLRP Award granted in the 2012 Financial Year

The CEO and Group Executives currently receive LTI awards under the GLRP. The awards granted may deliver value to Executives at the end of the four year performance period, subject to meeting performance hurdles as set out in the diagram below:



The following table provides the key features of the 2012 GLRP award:

Feature	Description
Instrument	Reward Rights. Each Reward Right entitles the Executive to receive one CBA share (or its cash equivalent) in the future, subject to meeting the performance hurdles set out below. The number of shares that vest will not be known until the end of the performance period.
Determining the number of Reward Rights	The number of Reward Rights allocated depends on each Executive's LTI Target (see diagram on page 15 for explanation of target remuneration). The number of Reward Rights allocated is calculated taking into account the expected number of shares to vest at the end of the performance period.
Performance Period	The performance period commences at the beginning of the financial year in which the award is granted. For the GLRP award granted in the 2012 financial year, the performance period starts at 1 July 2011 and ends after four years on 30 June 2015. Any vesting will result in participants receiving shares (or their cash equivalent) during the first available trading window following the end of the performance period.
Performance Hurdles	• 75% of each award is subject to a performance hurdle which measures the Group's TSR performance relative to a set peer group(1). This is made up of the 20 largest companies on the Australian Securities Exchange (ASX) by market capitalisation at the beginning of the performance period, excluding resources companies and CBA; and • 25% of each award is subject to a performance hurdle that measures the Group's Customer Satisfaction outcomes relative to a separate peer group(2).
Vesting Framework	*TSR (75% of the award)* • 100% vesting is achieved if the Group's TSR is ranked in the top quarter of the peer group (i.e. 75th percentile or higher); • If the Group is ranked at the median, 50% of the Reward Rights will vest; • Vesting increases on a sliding scale if the Group is ranked between the median and the 75th percentile; and • No Reward Rights in this part of the award will vest if the Group's TSR is ranked below the median of the peer group. *Customer Satisfaction (25% of the award)* • 100% vesting applies if the Group is ranked first relative to our peers in each of the three surveys; • 75% will vest if the Group is ranked first across two of the three surveys; • 50% will vest if the Group is ranked at least second across the three surveys; • The Board will exercise discretion to determine the portion to vest where our ranking has improved, but in a different variation than those described above; and • None of the Reward Rights in this portion of the award will vest where the Board determines that our overall Customer Satisfaction at the end of the performance period is worse than it was at the beginning. The Board always retains the discretion to take into account any unforeseen changes or events and prevent any unintended outcomes.

Calculation of the performance results	• TSR is calculated independently by Standard & Poors; • Customer Satisfaction is measured with reference to the three independent surveys below: - Roy Morgan Research (measuring customer satisfaction across Retail Banking); - DBM, Business Financial Services Monitor (measuring customer satisfaction across Business Banking); and - Wealth Insights 2012 Service Level Report, Platforms (measuring customer satisfaction across Wealth Management).
Board discretion	The Board also retains sole discretion to determine the amount of any award that may vest (if any) to prevent any unintended outcomes, or in the event of a corporate restructuring or event, e.g. a takeover.
Expiry	At the end of the applicable performance period, any Reward Rights that have not vested will expire.

(1) The peer group (at the beginning of the performance period) for the TSR performance hurdle (at the time of grant) comprised Amcor Limited, AMP Limited, Australia and New Zealand Banking Group Limited, Brambles Industries Limited, Coca Cola Amatil Limited, CSL Limited, Foster's Group Limited, Insurance Australia Group Limited, Macquarie Group Limited, National Australia Bank Limited, QBE Insurance Group Limited, Orica Limited, Stockland, Suncorp-Metway Limited, Telstra Corporation Limited, Wesfarmers Limited, Westfield Group Limited, Westfield Retail Trust, Westpac Banking Corporation and Woolworths Limited. During the 2012 financial year, the Board adopted a 'reserve bench' of companies (the next 5 largest companies on the ASX), for each outstanding LTI award, in order to maintain an appropriate peer group with any corporate changes occurring each year that results in a delisting. During 2012, Foster's Group Limited was replaced with Transurban Holdings Limited for the GLRP award granted in the 2012 financial year.

(2) The peer group for the Customer Satisfaction performance hurdle includes Australia & New Zealand Banking Group Limited (ANZ), National Australia Bank Limited (NAB), and Westpac Banking Corporation (WBC) and other key competitors for our Wealth business such as AMP Limited and Macquarie Group Limited.

Hedging of Unvested Equity Awards

Employees are prohibited from hedging in relation to all their unvested CBA equity awards, including shares or rights. This activity includes Executives controlling their exposure to risk in relation to their unvested awards. The CEO's direct reports are also prohibited from using instruments or arrangements for margin borrowing, short selling or stock lending of any Bank securities or the securities of any other member of the Group. All hedging restrictions are included in the Group's Securities Trading Policy.

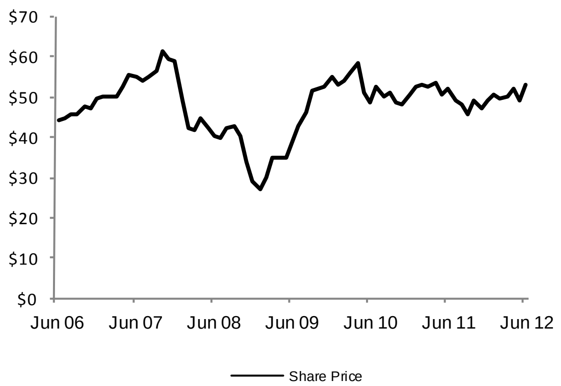
Long Term Performance against key measures

As detailed above, our long term incentive arrangements are designed to align our Executives with our long term strategy and shareholder interests. The remainder of this section illustrates our performance against key related metrics over time.

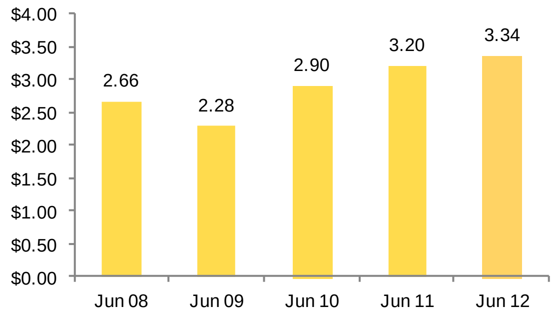
Performance against shareholder return

The following graphs show our share price movement and full-year dividend results over the past five financial years (including 2012). The solid performance shows that we have delivered sound returns to our shareholders.

Share Price

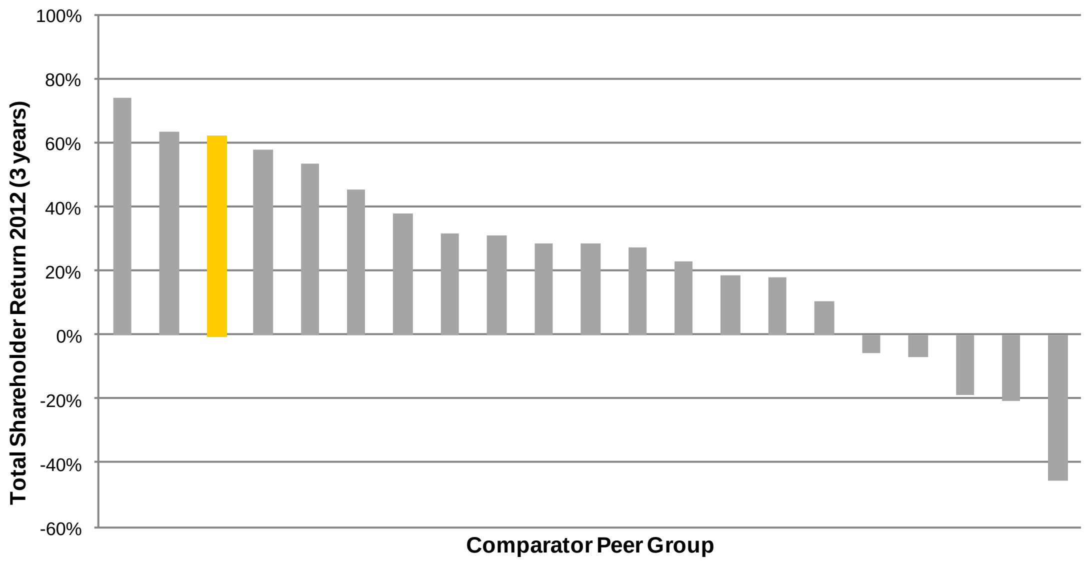


CBA Dividends Per Share



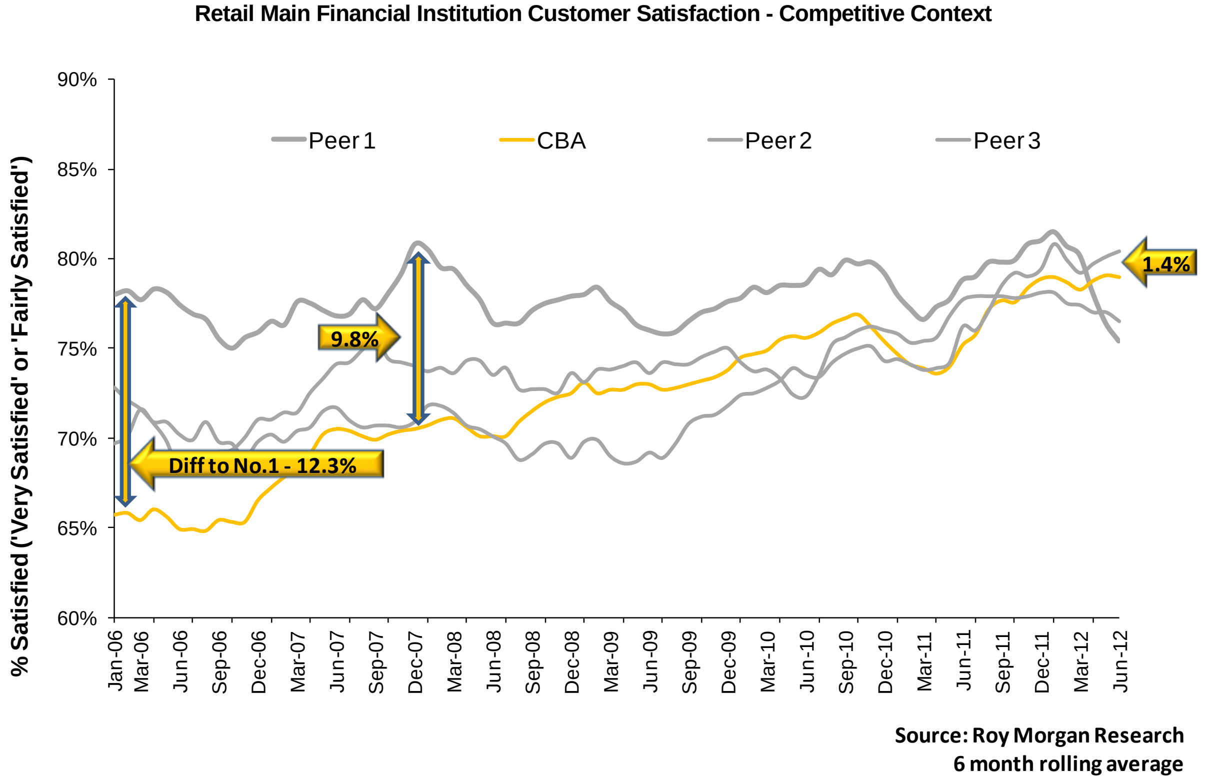
__Relative TSR Performance Against Our Peers__

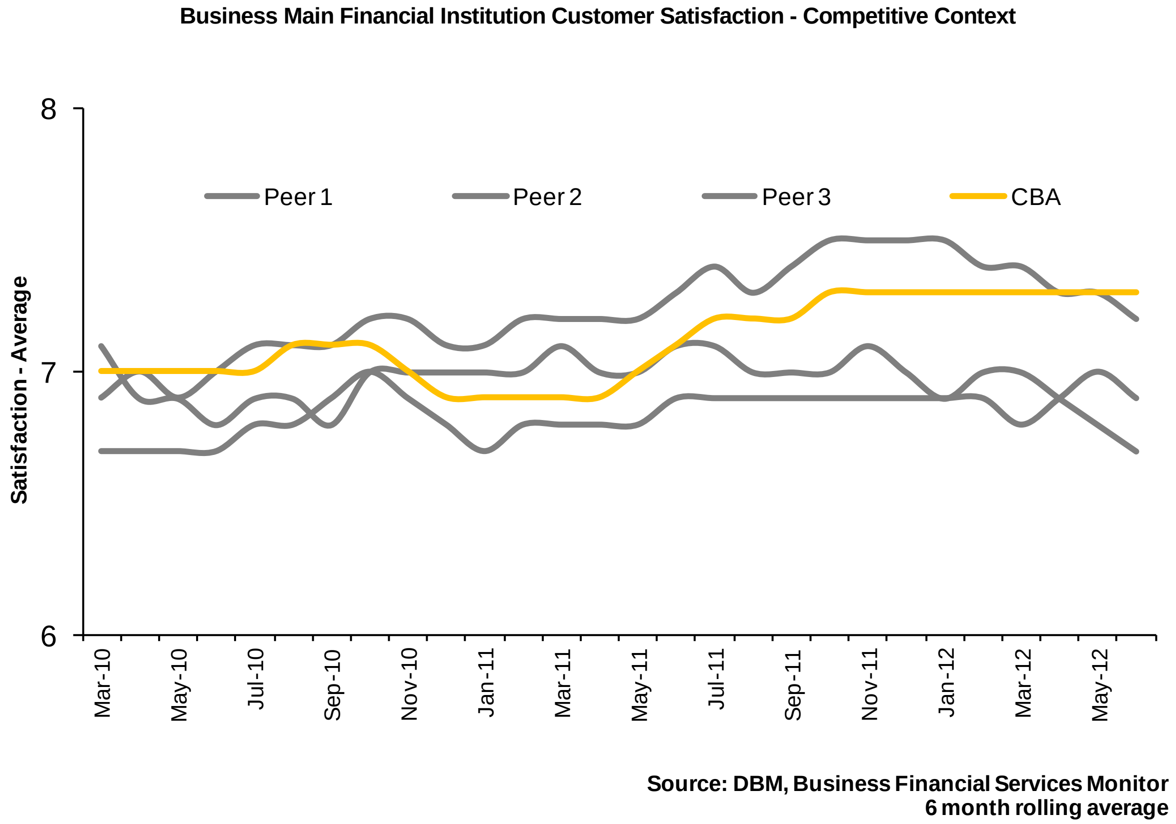
The graph below represents CBA's TSR performance against our comparator peer group for the period 1 July 2009 to 30 June 2012. The Group was ranked in the upper quartile relative to the peer group at the end of the period. TSR is calculated independently by Standard & Poors.



__Performance against Customer Satisfaction__

The following graphs show our customer satisfaction performance across our Retail and Business areas. In our Wealth Management sector we were ranked second for advisor satisfaction, for the year ended 30 June 2012. Overall, we have made positive improvements against this measure, and continue to keep customer satisfaction as the core of our strategy and vision.

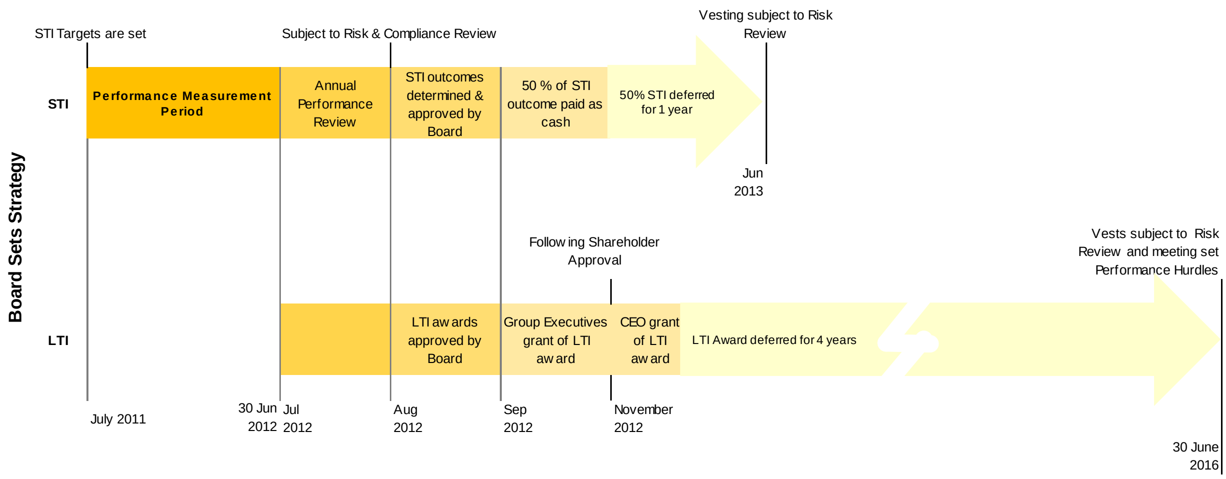




3.3 Performance Timeline of At Risk Remuneration Outcomes

Our Performance Management framework supports decisions in awarding appropriate annual STI outcomes for our Executives. The STI performance objectives are communicated to Executives at the beginning of the performance year. Executives' annual performance evaluations are conducted following the end of the financial year. For 2012, the evaluations were conducted in July 2012.

The following diagram outlines the timing of the STI and LTI awards made to the Executives over the relevant performance periods. All awards are subject to risk and compliance review.



3.4 CEO and Group Executive Remuneration Received in the year ended 30 June 2012

The incentives awarded to our CEO and Group Executives are directly linked to the Group's solid financial performance.

Total statutory remuneration recognised for our CEO and Group Executives for the 2012 performance year was $51.7 million and is the total of the values for each executive shown in the statutory remuneration tables on pages 24 and 25. Statutory remuneration disclosures are prepared in accordance with the Corporations Act and Australian Accounting Standards. Total cash remuneration received by our CEO and Group Executives for the 2012 performance year was $22.0 million. The total cash remuneration received basis is used by management to present a clear view of the Group's remuneration payments made to our CEO and Group Executives during the performance year.

Table (a) below shows cash remuneration received in relation to the 2012 performance year. The total cash payments received are made up of base remuneration and superannuation (fixed remuneration), and the non-deferred portion of the 2012 STI award. This table also includes the value of previous years' deferred awards which vested during 2012.

(a) Cash Remuneration in relation to the 2012 financial year

				Previous years' awards that vested during 2012 (3)		Previous years' awards forfeited/lapsed during 2012 (4)
	Base Remuneration & Superannuation (1)	2012 STI for Performance to 30 June 2012 (2)	Total cash payments in relation to the 2012 year	Deferred Cash Awards	Deferred Equity Awards	LTI Awards
	$	$	$	$	$	$
Managing Director and CEO						
Ian Narev(5)	1,845,779	999,544	2,845,323	512,939	723,973	(1,164,225)
Current Executives						
Simon Blair	830,000	438,863	1,268,863	534,388	-	-
David Cohen	900,000	540,675	1,440,675	550,015	609,188	(1,827,563)
David Craig	1,380,000	777,975	2,157,975	869,042	1,348,615	(2,030,625)
Michael Harte	1,075,000	572,706	1,647,706	576,643	1,191,388	(1,827,563)
Melanie Laing(5)	299,454	159,834	459,288	-	-	-
Ross McEwan	1,300,000	607,750	1,907,750	680,406	1,447,890	(2,328,450)
Grahame Petersen	1,175,000	559,348	1,734,348	434,672	1,268,812	(2,328,450)
Ian Saines	1,330,000	664,169	1,994,169	644,483	1,171,781	(1,164,225)
Annabel Spring(5)	733,661	373,617	1,107,278	-	-	-
Alden Toevs	1,430,000	715,000	2,145,000	838,719	-	(1,575,765)
Former Executive						
Ralph Norris	1,739,950	1,560,000	3,299,950	1,660,825	4,166,117	(8,669,415)

(1) Base Remuneration and Superannuation make up an Executive's Fixed Remuneration. Ralph Norris retired from the Group on 30 November 2011, his fixed remuneration has been prorated to reflect the portion of the year served. This also includes his payment in lieu of notice of $435,687.

(2) This is 50% of the 2012 STI for performance during the 12 months to 30 June 2012 (payable following year-end). The remaining 50% is deferred until 1 July 2013. For Ralph Norris this includes 100% of his prorated STI payment, in recognition of the performance year served up to his retirement date of 30 November 2011.

(3) The value of all deferred cash and/or equity awards that vested during the 2012 financial year. This includes the value of the award that vested, plus any interest and/or dividends accrued during the vesting period.

(4) The value of any deferred cash and/or equity awards that were forfeited/lapsed during the 2012 financial year. This includes the majority portion of the available pool under the Group Leadership Share Plan (GLSP) award which forfeited/lapsed during 2012.

(5) Ian Narev's Fixed Remuneration increased effective his commencement date in the CEO role on 1 December 2011 (to $2.5m Fixed Remuneration on an annualised basis). Melanie Laing joined the Group on 15 February 2012. Annabel Spring commenced in the KMP role effective 1 October 2011. The remuneration for these Executives has been prorated accordingly.

(b) CEO Reconciliation table of cash payments from table (a) and statutory remuneration table on page 24

		2012 $	Financial year award vests
Cash remuneration received in relation to 2012 - refer to table (a) above		2,845,323	n/a
2012 STI deferred for 12 months at risk		999,544	2013
Annual leave and long service leave accruals		276,855	n/a
Other Payments		33,752	n/a
Share based payments: accounting expense for 2012 for LTI awards made over the past 4 years			
2010 GLRP:	Expense for 2 awards that may vest subject to improved customer satisfaction performance	414,568	2013 & 2014
2010 GLRP:	Expense for 2 awards that may vest subject to improved relative TSR performance	333,953	2013 & 2014
2011 GLRP:	Expense for 1 award that may vest subject to improved customer satisfaction performance	107,647	2015
2011 GLRP:	Expense for 1 award that may vest subject to improved relative TSR performance	186,723	2015
2012 GLRP:	Expense for 1 award that may vest subject to improved customer satisfaction performance	143,107	2016
2012 GLRP:	Expense for 1 award that may vest subject to improved relative TSR performance	334,574	2016
Total Statutory Remuneration as per page 24		**5,676,046**	

4. KMP Disclosure Tables

4.1 NED Statutory Remuneration

The statutory table below details individual statutory remuneration for the Non-Executive Directors for the year ended 30 June 2012.

	Short Term Benefits	Post employment Benefits		Share-based payments	
	Cash [1]	Super-annuation [2]	Retiring Allowance Paid	Non-executive Directors' Share Plan [3]	Total Statutory Remuneration
	$	$	$	$	$
Chairman					
David Turner					
2012	**705,498**	**50,000**	**-**	**76,121**	**831,619**
2011	608,360	50,000	-	151,000	809,360
Non-Executive Directors					
John Anderson					
2012	**227,078**	**18,128**	**-**	**24,701**	**269,907**
2011	196,000	17,640	-	49,000	262,640
Colin Galbraith [4]					
2012	**250,249**	**19,978**	**-**	**27,222**	**297,449**
2011	216,000	19,440	-	54,000	289,440
Jane Hemstritch					
2012	**264,152**	**21,088**	**-**	**28,734**	**313,974**
2011	228,000	20,520	-	57,000	305,520
Launa Inman [5]					
2012	**193,202**	**17,388**	**-**	**48,301**	**258,891**
2011	54,071	4,866	-	13,518	72,455
Carolyn Kay					
2012	**264,152**	**21,088**	**-**	**28,734**	**313,974**
2011	228,000	20,520	-	57,000	305,520
Brian Long [5]					
2012	**257,029**	**20,447**	**-**	**26,953**	**304,429**
2011	168,175	15,136	-	42,044	225,355
Andrew Mohl					
2012	**224,981**	**35,238**	**-**	**26,214**	**286,433**
2011	192,000	34,720	-	52,000	278,720
Fergus Ryan [4]					
2012	**218,104**	**46,204**	**-**	**27,995**	**292,303**
2011	228,000	20,520	-	57,000	305,520
Harrison Young					
2012	**264,152**	**21,088**	**-**	**28,734**	**313,974**
2011	228,000	20,520	-	57,000	305,520

(1) Cash includes Board and Committee base fees received as cash. NEDs received a 5% increase in base fees effective 1 January 2012.

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

(3) Effective from 1 January 2012, the compulsory 20% deferral of NED base fees into CBA shares ceased for most NEDs (see page 14 for further details). For 2012, the values under the NED Share plan are significantly lower in comparison to 2011, with a greater portion of base fees received as cash. The values shown in the table are the pre-tax portion of fees received as shares.

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

(5) Brian Long commenced with the Group on 1 September 2010 and Launa Inman commenced on 16 March 2011. Their 2011 fees have been prorated to reflect the time served in 2011.

Directors' Report – Remuneration Report

4.2 Executive Statutory Remuneration

The statutory tables below detail the statutory accounting expense of all remuneration related items for the CEO and all Group Executives. This includes remuneration costs in relation to both the previous and current performance year. The tables are different to the Cash table on page 22, which shows the remuneration received in 2012 rather than the accrual amounts, as outlined in these statutory tables.

The tables have been developed and audited against the relevant accounting standards. See footnotes below each table for more detail of each remuneration component.

(a) Current Executives

	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	Other (6)	LTI Performance Rights At Risk (7)	LTI Reward Shares/Rights At Risk (8)	Total Statutory Remuneration (9)
	$	$	$	$	$	$	$	$	$	$
Managing Director and CEO										
Ian Narev (10)										
2012	**1,964,281**	**5,763**	**999,544**	**999,544**	**27,989**	**25,000**	**133,353**	**-**	**1,520,572**	**5,676,046**
2011	943,236	13,515	488,250	488,250	34,944	25,000	17,179	(129,358)	800,825	2,681,841
Group Executives										
Simon Blair										
2012	**878,450**	**13,787**	**438,863**	**438,863**	**25,721**	**50,000**	**23,081**	**-**	**786,021**	**2,654,786**
2011	807,534	13,398	508,667	508,667	23,057	50,000	21,483	-	437,060	2,369,866
David Cohen										
2012	**909,836**	**13,787**	**540,675**	**540,675**	**26,473**	**50,000**	**27,165**	**-**	**1,210,460**	**3,319,071**
2011	877,521	13,398	523,542	523,542	24,958	50,000	22,152	(203,063)	775,585	2,607,635
David Craig										
2012	**1,433,392**	**13,787**	**777,975**	**777,975**	**41,829**	**50,000**	**38,862**	**-**	**1,670,498**	**4,804,318**
2011	1,411,998	13,398	827,213	827,213	31,764	50,000	65,468	(225,625)	1,035,096	4,036,525
Michael Harte										
2012	**1,130,548**	**14,953**	**572,706**	**572,706**	**43,458**	**25,000**	**60,852**	**-**	**1,420,128**	**3,840,351**
2011	1,103,630	16,835	548,888	548,888	51,653	25,000	28,200	(203,063)	903,749	3,023,780
Melanie Laing (10)										
2012	**284,304**	**1,152**	**159,834**	**159,834**	**380,000**	**37,706**	**274,639**	**-**	**91,267**	**1,388,736**
Ross McEwan										
2012	**1,271,536**	**13,627**	**607,750**	**607,750**	**37,039**	**50,000**	**997,824**	**-**	**1,755,935**	**5,341,461**
2011	1,292,055	13,398	647,657	647,657	45,257	50,000	59,553	(258,717)	1,126,515	3,623,375
Grahame Petersen										
2012	**1,211,815**	**16,558**	**559,348**	**559,348**	**20,922**	**50,000**	**58,822**	**-**	**1,607,250**	**4,084,063**
2011	1,185,050	15,929	488,750	488,750	33,277	50,000	76,738	(258,717)	1,033,458	3,113,235
Ian Saines										
2012	**1,378,192**	**13,787**	**664,169**	**664,169**	**31,020**	**50,000**	**46,728**	**-**	**1,876,862**	**4,724,927**
2011	1,347,899	13,398	613,463	613,463	39,327	87,313	44,610	(129,358)	1,215,626	3,845,741
Annabel Spring (10)										
2012	**800,820**	**10,142**	**373,617**	**373,617**	**-**	**18,716**	**11,463**	**-**	**171,725**	**1,760,100**
Alden Toevs										
2012	**1,487,496**	**13,787**	**715,000**	**715,000**	**79,169**	**50,000**	**38,775**	**-**	**1,399,099**	**4,498,326**
2011	1,445,329	14,047	798,350	798,350	98,862	50,000	36,948	(187,618)	1,302,760	4,357,028

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

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

(3) This includes the 50% portion of the total STI payment in recognition of performance for the year ended 30 June 2012.

(4) STI Deferred includes the compulsory deferral of 50% (2011: 50%) of total STI payments in recognition of performance for the year ended 30 June 2012.

(5) Other Short Term Benefits relate to company funded benefits (including associated fringe benefits tax where applicable). This item also includes interest accrued in relation to the CEO and Group Executives' 2011 STI deferred award which vested on 1 July 2012. For Melanie Laing this includes a cash payment of $380,000 relating to her sign-on arrangements when joining the Group on 15 February 2012.

(6) Includes long service entitlements accrued during the year. For Melanie Laing and Ross McEwan this also includes amounts relating to equity sign-on and other special arrangements. These equity awards are subject to forfeiture if the Executive ceases to be employed by the Group due to his or her resignation in any circumstances.

(7) For the 2011 comparative, this includes the 2011 expense for Performance Rights awarded under the Group Leadership Share Plan during the 2009 financial year.

(8) This includes the 2012 expense for Reward Shares/Rights awarded during the 2010, 2011 and 2012 financial years under the GLRP.

(9) The percentage of 2012 remuneration related to performance was: Ian Narev 62%, Simon Blair 63%, David Cohen 69%, David Craig 67%, Michael Harte 67%, Melanie Laing 30%, Ross McEwan 56%, Grahame Petersen 67%, Ian Saines 68%, Annabel Spring 52% and Alden Toevs 63%.

(10) During 2012, there were some changes in the executive team. Ian Narev was appointed to the CEO role effective 1 December 2011; Melanie Laing commenced with the Group on 15 February 2012; Annabel Spring was appointed to the Group Executive Wealth Management role on 1 October 2011. The remuneration for these executives has been prorated accordingly.

4.2 Executive Statutory Remuneration (continued)

(b) Former Executive

Ralph Norris retired from the Group on 30 November 2011. His remuneration includes cash and STI payments, and LTI accruals, in relation to the period 1 July 2011 to 30 November 2011, when he was included in the KMP disclosures. Unlike other Executives, the table below reflects the disclosable accruals for all previously granted LTI awards that remain unvested following Ralph Norris' retirement, up to the end of each performance period. This means that for Ralph Norris, up to three years of each unvested LTI award has been disclosed in the 2012 financial year, including those amounts which would otherwise have been included in future year disclosures. These LTI awards, which were previously approved by shareholders, may or may not vest, and still remain subject to the relevant performance hurdles. No new LTI grants have been or will be made to Ralph Norris following his retirement from the Group.

		2012	2011 (1)
Former executive - Ralph Norris		**$M**	**$M**
Short term benefits			
	Cash Fixed (2)	1,381,810	3,316,557
	Non Monetary Fixed	-	-
	Cash STI Payment at Risk (3)	1,560,000	1,638,000
	STI Deferred At Risk	-	1,638,000
	Other (4)	458,513	91,965
Post employment			
	Superannuation Fixed	20,902	50,000
Long-term benefits			
	Other (5)	(470,790)	84,022
Share-based payments			
	LTI Performance Rights At Risk(6)	-	(963,268)
	LTI Reward Shares/Rights At Risk(7)	1,276,626	2,782,896
Total Statutory Remuneration to 30 November 2011		**4,227,061**	
Expense for previously granted share-based awards that may vest subject to improved customer satisfaction and relative TSR performance post retirement relating to (8) :			
	1 December 2011 - 30 June 2012 (9)	2,346,765	-
	1 July 2012 - 30 June 2013 (10)	2,112,230	-
	1 July 2013 - 30 June 2014 (11)	927,198	-
Total Statutory Remuneration (12)		**9,613,254**	8,638,172

(1) Previously disclosed in the 2011 financial year.

(2) Cash Fixed remuneration is the total cost of salary, including annual leave accruals and any salary sacrificed benefits. The remuneration has been prorated for the 2012 financial year to reflect the portion of the year served up to Ralph Norris' retirement date.

(3) This includes the total STI payment awarded in recognition of performance for the portion of the 2012 financial year served up to Ralph Norris' retirement date.

(4) For the 2012 financial year this item includes interest accrued in relation to Ralph Norris' 2011 STI deferred award and his payment in lieu of notice, which was part of his contractual arrangements.

(5) Reflects long service entitlements accrued during the year and for the 2012 financial year the reversal of Ralph Norris' accrued long service leave which he forfeited upon his exit from the Group.

(6) For the 2011 comparative, this includes the 2011 expense for Performance Rights awarded under the Group Leadership Share Plan during the 2009 financial year.

(7) For the 2012 financial year this includes the amounts for Reward Shares/Rights awarded during the 2010 and 2011 financial years under the GLRP for the period 1 July 2011 to 30 November 2011. Due to his impending retirement, Ralph Norris did not participate in the LTI award made in the 2012 financial year.

(8) Previously allocated LTI awards remain in place on retirement and may vest in the future if performance conditions are met, which is consistent with the LTI plan rules.

(9) This includes expense for Reward Shares/Rights awarded during the 2010 and 2011 financial years under the GLRP for the period 1 December 2011 to 30 June 2012.

(10) This includes expense for Reward Shares/Rights awarded during the 2010 and 2011 financial years under the GLRP for the period 1 July 2012 to 30 June 2013.

(11) This includes expense for Reward Shares/Rights awarded during the 2011 financial year under the GLRP for the period 1 July 2013 to 30 June 2014.

(12) This does not represent cash remuneration received in the 2012 financial year. For the cash remuneration refer to page 22.

4.3 Executive STI allocations for 2012

	STI Target	Maximum STI Potential [1]	STI Paid [2]		STI Portion Deferred [3]	
	$	%	%	$	%	$
Managing Director and CEO						
Ian Narev [4]	1,845,779	150%	50%	999,544	50%	999,544
Group Executives						
Simon Blair	830,000	150%	50%	438,863	50%	438,863
David Cohen	900,000	150%	50%	540,675	50%	540,675
David Craig	1,380,000	150%	50%	777,975	50%	777,975
Michael Harte	1,075,000	150%	50%	572,706	50%	572,706
Melanie Laing [4]	299,454	150%	50%	159,834	50%	159,834
Ross McEwan	1,300,000	150%	50%	607,750	50%	607,750
Grahame Petersen	1,175,000	150%	50%	559,348	50%	559,348
Ian Saines	1,330,000	150%	50%	664,169	50%	664,169
Annabel Spring [4]	733,661	150%	50%	373,617	50%	373,617
Alden Toevs	1,430,000	150%	50%	715,000	50%	715,000
Former Executive [5]						
Ralph Norris	1,304,262	150%	100%	1,560,000	-	-

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

(2) Includes 50% of the annual STI award payable as cash in recognition of performance for the year ended 30 June 2012.

(3) This represents 50% of the STI award that is deferred until 1 July 2013. The deferred awards are subject to Board review at time of payment.

(4) Ian Narev commenced in the CEO role on 1 December 2011 (with an increase in STI target). Melanie Laing joined the Group on 15 February 2012. Annabel Spring commenced in the KMP role effective 1 October 2011. The STI target for these Executives has been prorated accordingly.

(5) Ralph Norris retired from the Group on 30 November 2011. The STI award is in recognition of the portion of the 2012 performance year served. The Board determined the award in normal time, following year-end and no deferral was applied to the prorated award.

4.4 Equity Awards Received as Remuneration

The table below details the value and number of equity awards that were granted, exercised or forfeited/lapsed during 2012. It also shows the number of previous year's awards that vested during the 2012 performance year. For more information about the total equity holdings of KMP, see Note 43 to the financial statements.

		Granted during 2012 (1)		Previous years' awards vested during 2012 (2)	Forfeited or lapsed during 2012 (3)	
Name	**Class**	**Units**	**$**	**Units**	**Units**	**$**
Managing Director and CEO						
Ian Narev	Reward Shares/Rights	81,620	2,761,791	7,553	(22,657)	(1,164,225)
	Deferred Shares	-	-	5,976	-	-
Group Executives						
Simon Blair	Reward Shares/Rights	24,854	846,637	-	-	-
	Deferred Shares	-	-	-	-	-
David Cohen	Reward Shares/Rights	26,950	918,035	11,856	(35,567)	(1,827,563)
	Deferred Shares	-	-	-	-	-
David Craig	Reward Shares/Rights	41,322	1,407,607	13,173	(39,518)	(2,030,625)
	Deferred Shares	-	-	11,951	-	-
Michael Harte	Reward Shares/Rights	32,190	1,096,532	11,856	(35,567)	(1,827,563)
	Deferred Shares	-	-	10,358	-	-
Melaine Laing	Reward Shares/Rights	23,954	820,727	-	-	-
	Deferred Shares	10,961	550,023	-	-	-
Ross McEwan	Reward Shares/Rights	38,927	1,326,021	15,105	(45,314)	(2,328,450)
	Deferred Shares	50,886	2,500,029	11,951	-	-
Grahame Petersen	Reward Shares/Rights	35,184	1,198,517	15,105	(45,314)	(2,328,450)
	Deferred Shares	-	-	8,765	-	-
Ian Saines	Reward Shares/Rights	39,824	1,356,575	7,553	(22,657)	(1,164,225)
	Deferred Shares	-	-	13,943	-	-
Annabel Spring	Reward Shares/Rights	29,342	992,855	-	-	-
	Deferred Shares	-	-	-	-	-
Alden Toevs	Reward Shares/Rights	42,819	1,458,599	-	(30,666)	(1,575,765)
	Deferred Shares	-	-	-	-	-
Former Executive (4)						
Ralph Norris	Reward Shares/Rights	-	-	56,239	(168,716)	(8,669,415)
	Deferred Shares	-	-	39,167	-	-

(1) This represents the maximum number of reward rights that may vest to each Executive. The value represents the fair value at grant date.

(2) Previous years' awards that vested include LTI and other deferred equity awards. There are no instruments that would require the exercise of a right to receive an ordinary share.

(3) This includes the portion of the available pool under Group Leadership Share Plan (GLSP) award which forfeited/lapsed during 2012. The impact of the forfeited/lapsed portion of the GLSP pool is shown in the table on page 24 under 'LTI Performance Rights At Risk'.

(4) Ralph Norris retired from the Group on 30 November 2011. No new LTI awards were granted to Ralph during the 2012 financial year.

4.5 Fair Value Assumptions for unvested Equity Awards

For the Customer Satisfaction component of all LTI awards, the fair value is the closing market price of a CBA share as at the grant date. For the Total Shareholder Return component of the LTI awards, the fair value has been calculated using a Monte-Carlo simulation method using the following assumptions:

		Assumptions						
Award type	Grant Date	Fair Value ($)	Exercise Price ($)	Performance Period End	Expected Life (years)	Dividend Yield (%)	Expected Volatility (%)	Risk free rate (%)
GLRP - Reward Rights (1)	15/02/2012	50.23	Nil	30/06/2015	n/a	n/a	n/a	n/a
GLRP - Reward Rights (2)	15/02/2012	31.87	Nil	30/06/2015	3.4	Nil	30	4.4
GLRP - Reward Rights (1)	15/11/2011	49.15	Nil	30/06/2015	n/a	n/a	n/a	n/a
GLRP - Reward Rights (2)	15/11/2011	31.60	Nil	30/06/2015	3.6	Nil	30	4.2
GLRP - Reward Rights (1)	29/08/2011	47.96	Nil	30/06/2015	n/a	n/a	n/a	n/a
GLRP - Reward Rights (2)	29/08/2011	32.23	Nil	30/06/2015	3.8	Nil	30	4.7
GLRP - Reward Rights (1)	10/03/2011	51.30	Nil	30/06/2014	n/a	n/a	n/a	n/a
GLRP - Reward Rights (2)	10/03/2011	36.51	Nil	30/06/2014	3.3	Nil	30	5.5
GLRP - Reward Rights (1)	27/09/2010	52.86	Nil	30/06/2014	n/a	n/a	n/a	n/a
GLRP - Reward Rights (2)	27/09/2010	37.62	Nil	30/06/2014	3.8	Nil	30	5.5
GLRP - Reward Shares (1)	25/09/2009	51.30	Nil	30/06/2012	n/a	n/a	n/a	n/a
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	n/a	n/a	n/a	n/a
GLRP - Reward Shares (2)	25/09/2009	37.24	Nil	30/06/2013	3.8	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.

4.6 Termination Arrangements

The table below provides the termination arrangements included in all Executive contracts for our current KMP.

Name	Contract Type (1)	Notice	Severance (2)
Managing Director & CEO			
Ian Narev	Permanent	12 months	n/a
Group Executives			
Simon Blair	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
Melanie Laing	Permanent	6 months	6 months
Ross McEwan	Permanent	6 months	6 months
Grahame Petersen	Permanent	6 months	6 months
Ian Saines	Permanent	6 months	6 months
Annabel Spring	Permanent	6 months	6 months
Alden Toevs	Permanent	6 months	n/a

(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.

The termination entitlements are appropriate and do not deliver windfall payments on termination that are not related to performance. As part of these arrangements, Executives who resign or are dismissed will forfeit all their deferred awards (including cash and equity awards), and will generally not be entitled to a STI payment for that year. Where an Executive's exit is related to retrenchment, retirement or death, the Executive may be entitled to a STI payment. Any outstanding LTI awards continue unchanged and performance is measured at the end of the performance period related to each award. The Board has ultimate discretion over the amount of awards that may vest.

Ralph Norris was the only KMP who left the Group during the 2012 financial year. The payments made to Ralph Norris upon his retirement were in line with the policy as set out above. The Board approved the vesting of the deferred portion of his 2011 STI award after review of performance, risk, compliance and capacity to pay issues. Ralph Norris' outstanding LTI awards remain unchanged, with performance measured at the end of the performance period for each respective award. These outcomes are in line with the associated STI and LTI plan rules.

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.
Executives	The CEO and Group Executives are collectively referenced as 'Executives.'
Fixed Remuneration	Consists of Base Remuneration plus employer contributions to superannuation.
Group	Commonwealth Bank of Australia and its subsidiaries.
Group Executive	Key Management Personnel who are also members of the Group's Executive Committee.
Group Leadership Reward Plan (GLRP)	The Group's long term incentive plan from 1 July 2009 for the CEO and Group Executives.
Key Management Personnel (KMP)	Persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.
Long Term Incentive (LTI)	A remuneration arrangement which grants benefits to participating executives that may vest if, and to the extent that, performance hurdles are met over a period of three or more years. The Group's long term incentive plans include the GLRP, and the closed GLSP.
NPAT	Net profit after tax.
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 Mix	The relative weighting of each component of remuneration (Fixed Remuneration, STI and LTI).
Remuneration Received	Represents all forms of consideration paid by the Group or on behalf of the Group during the current performance year ending 30 June 2012, in exchange for services previously rendered to the Group.
Reward Shares	Shares in CBA granted under the GLRP during the 2010 financial year and subject to performance hurdles.
Reward Rights	Rights to ordinary shares in CBA granted under the GLRP during the 2011 and 2012 financial years 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.
Statutory 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.
Total Shareholder Return (TSR)	TSR measures a company's share price movement, dividend yield and any return of capital over a specific period.

Directors' Report

Company Secretaries

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

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

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

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

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

Non-Audit Services

Amounts paid or payable to PricewaterhouseCoopers (PwC) for audit and non-audit services provided during the year, as set out in Note 33 to the Financial Statements are as follows:

	2012 $'000
Project assurance services	1,688
Taxation services	2,877
Controls review and related work	737
Other	215
Total non-audit services (1)	**5,517**
Total audit and audit related services	**22,854**

(1) An additional amount of $819,648 was paid to PwC for non audit services provided to entities not consolidated into the Financial Statements.

Auditor's Declaration of Independence

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

Auditor Independence

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

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

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

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

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

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

Signed in accordance with a resolution of the Directors.

D J Turner

Chairman

15 August 2012

I M Narev

Managing Director and Chief Executive Officer

15 August 2012

Auditor's Independence Declaration

As lead auditor for the audit of the Commonwealth Bank of Australia for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

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

RChowdry

Rahoul Chowdry
Partner
PricewaterhouseCoopers

Sydney
15 August 2012

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

Financial Statements

Income Statements

For the year ended 30 June 2012

		Group			Bank	
		2012	2011	2010	2012	2011
	Note	$M	$M	$M	$M	$M
Interest income	2	**38,258**	37,477	32,464	**34,761**	33,153
Interest expense	2	**(25,136)**	(24,883)	(20,402)	**(24,510)**	(23,268)
Net interest income		**13,122**	12,594	12,062	**10,251**	9,885
Other banking income		**4,089**	3,643	4,068	**5,466**	5,514
Net banking operating income		**17,211**	16,237	16,130	**15,717**	15,399
Funds management income		**1,959**	1,996	1,906	**-**	-
Investment revenue		**226**	854	975	**-**	-
Claims and policyholder liability expense		**(245)**	(808)	(953)	**-**	-
Net funds management operating income	2	**1,940**	2,042	1,928	**-**	-
Premiums from insurance contracts		**2,114**	1,884	1,794	**-**	-
Investment revenue		**547**	547	687	**-**	-
Claims and policyholder liability expense from insurance contracts		**(1,428)**	(1,313)	(1,251)	**-**	-
Net insurance operating income	2	**1,233**	1,118	1,230	**-**	-
Total net operating income before impairment and operating expenses	2	**20,384**	19,397	19,288	**15,717**	15,399
Impairment expense	2,14	**(1,089)**	(1,280)	(2,379)	**(988)**	(1,080)
Operating expenses	2	**(9,331)**	(9,060)	(8,716)	**(6,338)**	(6,113)
Net profit before income tax	2	**9,964**	9,057	8,193	**8,391**	8,206
Corporate tax expense	5	**(2,736)**	(2,481)	(2,383)	**(1,930)**	(1,726)
Policyholder tax expense	5	**(122)**	(166)	(130)	**-**	-
Net profit after income tax		**7,106**	6,410	5,680	**6,461**	6,480
Non-controlling interests		**(16)**	(16)	(16)	**-**	-
Net profit attributable to Equity holders of the Bank		**7,090**	6,394	5,664	**6,461**	6,480

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

				Group
		2012	2011	2010
	Note	Cents per share		
Earnings per share:				
Basic	7	**448. 9**	411. 2	367. 9
Fully diluted	7	**432. 9**	395. 1	354. 2

Statements of Comprehensive Income

For the year ended 30 June 2012

	Group			Bank	
	2012 $M	2011 $M	2010 $M	2012 $M	2011 $M
Profit from ordinary activities after income tax for the financial year	**7,106**	6,410	5,680	**6,461**	6,480
Other comprehensive income/(expense):					
Actuarial gains and losses from defined benefit superannuation plans net of tax	**(223)**	(89)	(64)	**(223)**	(89)
Gains and losses on cash flow hedging instruments:					
Recognised in equity	**730**	(754)	(239)	**847**	(748)
Transferred to Income Statement	**758**	769	828	**542**	650
Gains and losses on available-for-sale investments:					
Recognised in equity	**(349)**	124	327	**(315)**	264
Transferred to Income Statement on disposal	**(81)**	(24)	(24)	**(86)**	(24)
Transferred to Income Statement on impairment	**-**	-	2	**-**	-
Revaluation of properties	**32**	6	50	**5**	9
Foreign currency translation reserve	**202**	(546)	(19)	**80**	(204)
Income tax on items transferred directly to/from equity:					
Foreign currency translation reserve	**(12)**	16	(1)	**(10)**	10
Available-for-sale investments revaluation reserve	**122**	(28)	(77)	**119**	(73)
Revaluation of properties	**(5)**	-	(9)	**-**	-
Cash flow hedge reserve	**(442)**	-	(193)	**(415)**	23
Other comprehensive income/(expense) net of income tax	**732**	(526)	581	**544**	(182)
Total comprehensive income for the financial year	**7,838**	5,884	6,261	**7,005**	6,298
Total comprehensive income for the financial year is attributable to:					
Equity holders of the Bank	**7,822**	5,868	6,245	**7,005**	6,298
Non-controlling interests	**16**	16	16	**-**	-
Total comprehensive income for the financial year	**7,838**	5,884	6,261	**7,005**	6,298

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

Balance Sheets

As at 30 June 2012

		Group		Bank	
		2012	2011	2012	2011
	Note	$M	$M	$M	$M
Assets					
Cash and liquid assets	8	**19,666**	13,241	**17,952**	10,979
Receivables due from other financial institutions	9	**10,886**	10,393	**10,482**	10,123
Assets at fair value through Income Statement:	10				
Trading		**13,816**	20,469	**12,071**	17,765
Insurance		**14,525**	14,998	**-**	-
Other		**980**	824	**980**	300
Derivative assets	11	**38,937**	30,317	**39,061**	30,731
Available-for-sale investments	12	**60,827**	45,171	**120,047**	75,699
Loans, bills discounted and other receivables	13	**525,682**	500,057	**407,122**	387,888
Bank acceptances of customers		**9,717**	10,734	**9,715**	10,734
Shares in and loans to controlled entities	44	**-**	-	**71,526**	47,357
Property, plant and equipment	15	**2,503**	2,366	**1,376**	1,526
Investment in associates	42	**1,898**	1,712	**1,401**	1,343
Intangible assets	16	**10,281**	9,603	**4,123**	3,726
Deferred tax assets	5	**980**	1,300	**899**	1,112
Other assets	17	**7,517**	6,681	**5,872**	4,917
		718,215	667,866	**702,627**	604,200
Assets held for sale	18	**14**	33	**14**	33
Total assets		**718,229**	667,899	**702,641**	604,233
Liabilities					
Deposits and other public borrowings	19	**437,655**	401,147	**362,813**	332,964
Payables due to other financial institutions		**22,126**	15,899	**21,457**	15,686
Liabilities at fair value through Income Statement	20	**6,555**	10,491	**3,181**	4,700
Derivative liabilities	11	**39,221**	33,976	**39,226**	32,817
Bank acceptances		**9,717**	10,734	**9,715**	10,734
Due to controlled entities		**-**	-	**101,053**	52,353
Current tax liabilities	21	**1,537**	1,222	**1,523**	1,133
Deferred tax liabilities	21	**338**	301	**-**	-
Other provisions	22	**1,224**	1,277	**902**	957
Insurance policy liabilities	32	**12,994**	13,652	**-**	-
Debt issues	23	**124,712**	118,652	**102,312**	94,385
Managed funds units on issue		**995**	1,048	**-**	-
Bills payable and other liabilities	24	**9,561**	10,652	**9,377**	9,348
		666,635	619,051	**651,559**	555,077
Loan capital	25	**10,022**	11,561	**10,223**	11,808
Total liabilities		**676,657**	630,612	**661,782**	566,885
Net assets		**41,572**	37,287	**40,859**	37,348
Shareholders' Equity					
Share capital:					
Ordinary share capital	27	**25,175**	23,602	**25,498**	23,896
Other equity instruments	27	**939**	939	**1,895**	1,895
Reserves	26	**1,571**	392	**2,732**	1,964
Retained profits	26	**13,356**	11,826	**10,734**	9,593
Shareholders' equity attributable to Equity holders of the Bank		**41,041**	36,759	**40,859**	37,348
Non-controlling interests	29	**531**	528	**-**	-
Total Shareholders' equity		**41,572**	37,287	**40,859**	37,348

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

Statements of Changes in Equity

For the year ended 30 June 2012

							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 2010	23,081	939	1,089	9,938	**35,047**	523	**35,570**
Total comprehensive income for the financial year	-	-	(437)	6,305	**5,868**	16	**5,884**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid	-	-	-	(4,707)	**(4,707)**	-	**(4,707)**
Dividend reinvestment plan (net of issue costs)	511	-	-	-	**511**	-	**511**
Other equity movements:							
Share based payments	6	-	10	-	**16**	-	**16**
Purchase of treasury shares	(69)	-	-	-	**(69)**	-	**(69)**
Sale and vesting of treasury shares	73	-	-	-	**73**	-	**73**
Other changes	-	-	(270)	290	**20**	(11)	**9**
As at 30 June 2011	23,602	939	392	11,826	**36,759**	528	**37,287**
Total comprehensive income for the financial year	-	-	955	6,867	**7,822**	16	**7,838**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid	-	-	-	(5,126)	**(5,126)**	-	**(5,126)**
Dividend reinvestment plan (net of issue costs)	1,363	-	-	-	**1,363**	-	**1,363**
Other equity movements:							
Share based payments	2	-	1	-	**3**	-	**3**
Issue of shares (net of issue costs)	237	-	-	-	**237**	-	**237**
Purchase of treasury shares	(96)	-	-	-	**(96)**	-	**(96)**
Sale and vesting of treasury shares	67	-	-	-	**67**	-	**67**
Other changes	-	-	223	(211)	**12**	(13)	**(1)**
As at 30 June 2012	25,175	939	1,571	13,356	**41,041**	531	**41,572**

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

Statements of Changes in Equity (continued)

For the year ended 30 June 2012

	Ordinary share capital $M	Other equity instruments $M	Reserves $M	Retained profits $M	Bank Shareholders' equity attributable to Equity holders of the Bank $M
As at 30 June 2010	23,379	1,895	2,047	7,880	**35,201**
Total comprehensive income for the financial year	-	-	(93)	6,391	**6,298**
Transactions with equity holders in their capacity as equity holders:					
Dividends paid	-	-	-	(4,678)	**(4,678)**
Dividend reinvestment plan (net of issue costs)	511	-	-	-	**511**
Other equity movements:					
Share based payments	6	-	10	-	**16**
Other changes	-	-	-	-	**-**
As at 30 June 2011	23,896	1,895	1,964	9,593	**37,348**
Total comprehensive income for the financial year	-	-	767	6,238	**7,005**
Transactions with equity holders in their capacity as equity holders:					
Dividends paid	-	-	-	(5,096)	**(5,096)**
Dividend reinvestment plan (net of issue costs)	1,363	-	-	-	**1,363**
Other equity movements:					
Share based payments	2	-	1	-	**3**
Issue of shares (net of issue costs)	237	-	-	-	**237**
Other changes	-	-	-	(1)	**(1)**
As at 30 June 2012	25,498	1,895	2,732	10,734	**40,859**

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

	Note	Group 2012	2011	2010
		Cents per share		
Dividends per share attributable to shareholders of the Bank:				
Ordinary shares	6	**334**	320	290
Trust preferred securities		**5,989**	6,020	6,715

Financial Statements

Statements of Cash Flows [1]

For the year ended 30 June 2012

		Group			Bank	
		2012	2011	2010	2012	2011
	Note	$M	$M	$M	$M	$M
Cash flows from operating activities						
Interest received [2]		**38,337**	37,134	31,912	**34,443**	32,750
Interest paid [2]		**(25,456)**	(24,464)	(19,496)	**(24,750)**	(22,919)
Other operating income received [2]		**5,133**	5,240	5,174	**3,232**	3,073
Expenses paid		**(8,537)**	(8,474)	(7,766)	**(5,847)**	(5,837)
Income taxes paid		**(2,372)**	(2,370)	(2,022)	**(1,525)**	(2,087)
Net cash inflows/(outflows) from assets at fair value through Income Statement (excluding life insurance)		**2,328**	4,452	(2,466)	**3,059**	1,531
Net cash inflows/(outflows) from liabilities at fair value through Income Statement:						
Life insurance:						
Investment income		**791**	552	335	**-**	-
Premiums received [3]		**2,138**	2,200	2,094	**-**	-
Policy payments [3]		**(3,032)**	(3,374)	(3,901)	**-**	-
Other liabilities at fair value through Income Statement		**(3,603)**	(4,317)	(1,200)	**(1,424)**	13
Cash flows from operating activities before changes in operating assets and liabilities		**5,727**	6,579	2,664	**7,188**	6,524
Changes in operating assets and liabilities arising from cash flow movements						
Movement in available-for-sale investments:						
Purchases		**(76,408)**	(62,733)	(60,021)	**(101,037)**	(49,182)
Proceeds from sale		**12,375**	4,440	4,107	**12,326**	3,919
Proceeds at or close to maturity		**50,490**	45,417	44,201	**46,417**	34,718
Net change in deposits with regulatory authorities		**(15)**	(72)	-	**1**	(14)
Net increase in loans, bills discounted and other receivables		**(25,754)**	(11,489)	(28,999)	**(19,804)**	(11,842)
Net decrease in receivables due from other financial institutions not at call		**3,385**	1,115	2,725	**3,449**	1,134
Net (increase)/decrease in securities purchased under agreements to resell		**(498)**	(2,834)	776	**(1,060)**	(2,194)
Life insurance business:						
Purchase of insurance assets at fair value through Income Statement		**(2,189)**	(4,101)	(5,660)	**-**	-
Proceeds from sale/maturity of insurance assets at fair value through Income Statement		**3,291**	5,914	8,384	**-**	-
Net (increase)/decrease in other assets		**(61)**	201	254	**(79)**	41
Net increase in deposits and other public borrowings		**35,750**	31,893	8,852	**29,227**	29,066
Net (decrease)/increase in payables due to other financial institutions not at call		**(10,315)**	5,112	(1,157)	**(10,570)**	4,532
Net increase/(decrease) in securities sold under agreements to repurchase		**1,183**	(1,698)	(2,814)	**1,458**	(1,963)
Net increase/(decrease) in other liabilities		**155**	(575)	(240)	**982**	(618)
Changes in operating assets and liabilities arising from cash flow movements		**(8,611)**	10,590	(29,592)	**(38,690)**	7,597
Net cash (used in)/provided by operating activities	45(a)	**(2,884)**	17,169	(26,928)	**(31,502)**	14,121
Cash flows from investing activities						
Payments for acquisition of controlled entities	45(e)	**(125)**	-	-	**-**	-
Net proceeds from disposal of controlled entities	45(c)	**-**	19	(11)	**-**	-
Net proceeds from disposal of entities and businesses (net of cash disposals)		**21**	15	(22)	**-**	-
Dividends received		**52**	26	71	**1,563**	2,210
Net amounts received from controlled entities [4]		**-**	-	-	**24,767**	394
Proceeds from sale of property, plant and equipment		**25**	27	70	**15**	7
Purchases of property, plant and equipment		**(584)**	(443)	(293)	**(218)**	(277)
Payments for acquistions of investments in associates/joint ventures		**(85)**	(164)	(414)	**(53)**	(148)
Purchase of intangible assets		**(585)**	(533)	(454)	**(547)**	(487)
Sale of assets held for sale		**-**	12	542	**5**	12
Net cash (used in)/provided by investing activities		**(1,281)**	(1,041)	(511)	**25,532**	1,711

(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) To reflect market practice, comparatives have been restated for the reclassification of bank bill facility fee income and IFRS reclassification of net swap costs from Other Banking Income into Net interest income.

(3) Represents gross premiums and policy payments before splitting between policyholders and shareholders.

(4) Amounts received from and paid to controlled entities are presented in line with how they are managed and settled.

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

Statements of Cash Flows [1] (continued)

For the year ended 30 June 2012

		Group			Bank	
		2012	2011	2010	2012	2011
	Note	$M	$M	$M	$M	$M
Cash flows from financing activities						
Proceeds from issue of shares (net of issue costs)		**2**	6	2	**2**	5
Dividends paid (excluding Dividend Reinvestment Plan)		**(3,748)**	(4,188)	(2,149)	**(3,718)**	(4,157)
Net proceeds from issuance of debt securities [2]		**3,512**	(8,321)	30,128	**5,535**	(8,092)
Purchase of treasury shares		**(96)**	(69)	(138)	**-**	-
Sale of treasury shares		**19**	73	118	**-**	-
Issue of loan capital		**-**	-	3,707	**-**	-
Redemption of loan capital		**(1,775)**	(1,064)	(1,760)	**(1,771)**	(911)
Other [3]		**267**	(120)	232	**482**	(252)
Net cash (used in)/provided by financing activities		**(1,819)**	(13,683)	30,140	**530**	(13,407)
Net (decrease)/increase in cash and cash equivalents		**(5,984)**	2,445	2,701	**(5,440)**	2,425
Effect of foreign exchange rates on cash and cash equivalents [3]		**131**	566	30	**110**	420
Cash and cash equivalents at beginning of year		**7,928**	4,917	2,186	**5,891**	3,046
Cash and cash equivalents at end of year	45(b)	**2,075**	7,928	4,917	**561**	5,891

(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) Proceeds from debt issues are presented on a net basis, in line with how the Group manages its funding activities.
(3) Comparatives have been restated to conform with presentation in the current period.

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

Notes to the Financial Statements

Note 1 Accounting Policies

The Financial Statements of the Commonwealth Bank of Australia (the Bank) and the Bank and its subsidiaries (the Group) for the year ended 30 June 2012, were approved and authorised for issue by the Board of Directors on 15 August 2012.

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 2012 has been prepared in accordance with Australian Accounting Standards (the standards), which include Australian Interpretations by virtue of AASB 1048 'Interpretation and Application of Standards', and the requirements of the Corporations Act 2001.

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

(b) Basis of Preparation

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

Historical Cost Convention

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

Use of Estimates and Assumptions

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

Comparatives

Where necessary, comparative information has been restated to conform with changes in presentation in the current year. No significant changes have been made and all changes have been footnoted throughout the financial statements.

Rounding of Amounts

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

The Financial Report is presented in Australian dollars.

Segment Reporting

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

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

Changes in Accounting Policies

The Group has continued to apply the accounting policies used for the 2011 Annual Report and has adopted the following amendments to the standards, which are of a technical or clarifying nature and do not have a material impact on the Bank or the Group:

- AASB 124 'Related Party Disclosures' and AASB 2009-12 'Amendments to Australian Accounting Standards';
- AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project';
- AASB 2010-5 'Amendments to Australian Accounting Standards';
- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets; and
- AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'.

Future Accounting Developments

The following amendments to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2012 or later periods, but have not been adopted. They are not expected to result in significant changes to the Group's accounting policies.

- AASB 2010-2 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements';
- AASB 2011-2 'Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements';
- AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements';
- AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards';
- AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13';
- AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)';
- AASB 2011-11 'Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements';
- AASB 2012-1 'Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements';
- AASB 11 'Joint Arrangements'; and
- AASB 13 'Fair Value Measurement'.

Note 1 Accounting Policies (continued)

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

Adoption of the standard is not mandatory until accounting periods beginning on or after 1 January 2015, however early adoption is permitted. The key changes include:

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

By June 2013, it is expected that the IASB will release IFRS 9 'Financial Instruments' that will include new requirements for impairment and hedge accounting. It will introduce significant changes in the way that the Group accounts for financial instruments. The key changes proposed relate to:

- Impairment: both expected losses and incurred losses will be reflected in impairment allowances for loans and advances; and
- Hedge accounting: hedge accounting will be more closely aligned with financial risk management.

AASB 132 'Financial Instruments: Presentation', has been amended to clarify the conditions for offsetting financial assets and liabilities in the Balance Sheet. These amendments (effective from 1 January 2013) will not impact the Group's current accounting practice for offsetting arrangements.

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

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

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

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

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

The key changes include:

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

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

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

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

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

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

The key changes include:

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

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

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

(c) Principles of Consolidation

Subsidiaries

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

Note 1 Accounting Policies (continued)

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

(d) Revenue Recognition

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

Interest Income

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

Fee and Commission Income

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

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

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

Other Income

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

(e) Foreign Currency Translation

Functional and Presentation Currency

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

Foreign Currency Transactions

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

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

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

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

Foreign Operations

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

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

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

(f) Cash and Liquid Assets

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

Note 1 Accounting Policies (continued)

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

(g) Receivables Due from Other Financial Institutions

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

(h) Financial Instruments

Financial Assets

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

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

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

All other financial assets are recognised initially at fair value, as well as directly attributable transaction costs.

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

Financial Liabilities

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

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

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

Offsetting

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

Recognition of Deferred Day One Profit or Loss

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

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

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

Derecognition of Financial Assets

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

(i) Assets at Fair Value Through Income Statement

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

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

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

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

Note 1 Accounting Policies (continued)

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

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

Trading

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

Insurance

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

Other

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

(j) Available-for-Sale Investments

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

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

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

Equity investments classified as available-for-sale, whose fair value cannot be reliably measured, are valued at cost.

Gains and losses arising from changes in fair value are recognised in the available-for-sale investments' reserve within equity, net of applicable income taxes until such investments are sold, collected, otherwise disposed of, or become impaired. Interest, premiums and dividends are recognised in income when earned.

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

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

(k) Repurchase Agreements

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

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

(l) Loans, Bills Discounted and Other Receivables

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

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

Non-Performing Facilities

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

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

Restructured Facilities

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

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

Assets Acquired Through Securities Enforcement (AATSE)

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

Impairment of Loans, Bills Discounted and Other Receivables

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

(m) Leases

When the Group is a lessor, leases are classified as either finance leases or operating leases. Under a finance lease, substantially all the risks and rewards incidental to legal ownership, are transferred to the lessee. An operating lease exists where the substantial risks and rewards of the leased assets remain with the Group.

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

Note 1 Accounting Policies (continued)

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

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

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

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

(n) Provisions for Impairment

Financial Assets

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

Loans, Bills Discounted and Other Receivables

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

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

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

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

Available-for-Sale Investments

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

Goodwill, Intangibles and Other Non-Financial Assets

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

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

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

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

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

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

Off Balance Sheet Items

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

Loan assets under committed lending facilities are not recognised until the facilities are drawn upon. Generally therefore, it will not be appropriate to provide for these assets under an incurred loss model.

Note 1 Accounting Policies (continued)

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

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

(o) Bank Acceptances of Customers

The exposure arising from the acceptance of bills of exchange that are sold into the market is recognised as a liability. An asset of equal value is recognised to reflect the offsetting claim against the drawer of the bill. Bank acceptances generate interest and 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. Loans to controlled entities are subsequently recorded at amortised cost less impairment.

(q) Assets Classified as Held for Sale

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

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

(r) Property, Plant and Equipment

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

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

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

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

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

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

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

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

(s) Business Combinations

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

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

(t) Intangibles

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the consolidated entity's share of the net identifiable assets of the acquired entity at the date of acquisition. The cost of an acquisition is made up of the consideration transferred, the amount of non-controlling interests and the fair value of any previously held equity interest in the acquiree. Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. Goodwill arising from business combinations is included in intangible assets on the Balance Sheet. Goodwill arising from acquisitions of associates is included in the carrying amount of investments in associates.

Computer Software Costs

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

Costs incurred on software maintenance are expensed as incurred.

Core Deposits

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

Note 1 Accounting Policies (continued)

Brand Names

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

Management Fee Rights

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

Other Intangibles

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

(u) Deposits From Customers

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

(v) Payables Due to Other Financial Institutions

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

(w) Liabilities at Fair Value Through Income Statement

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

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

(x) Income Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

(y) Employee Benefits

Annual Leave

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

Long Service Leave

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

Other Employee Benefits

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

Note 1 Accounting Policies (continued)

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

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

Defined Benefit Superannuation Plans

The Group currently sponsors two defined benefit superannuation plans for its employees. The assets and liabilities of these plans are legally held in separate trustee-administered funds. They are calculated separately for each plan, by assessing the fair value of plan assets and deducting the amount of future benefit that employees have earned in return for their service in current and prior periods discounted to present value. The discount rate used where appropriate is the yield on high quality corporate bonds. However as the depth of this market is currently not sufficient, the yield at Balance Sheet date on government securities, which have terms to maturity approximating to the terms of the related liability, has been used.

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.

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

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

Defined Contribution Superannuation Plans

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

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

(z) Provisions

Provision for Dividends

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

Provisions for Restructuring

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

Provision for Self-Insurance

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

(aa) Debt Issues

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

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

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

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

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

Hedging

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

(bb) Loan Capital

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

(cc) Shareholders' Equity

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

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

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

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

(dd) Derivative Financial Instruments

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

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.

Note 1 Accounting Policies (continued)

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 creditworthiness of the counterparty.

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

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. The changes in the fair value of the hedged asset or liability shall be adjusted against their carrying value.

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 through other comprehensive income, 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 reclassified to profit or loss in the period in which the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is recycled immediately to the Income Statement.

Net Investment Hedges

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

Embedded Derivatives

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

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

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

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

Financial guarantee contracts are initially recognised at fair value.

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

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

(ff) Life and General Insurance Business

Life Insurance Business

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

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 in line with note 1(i).

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.

Note 1 Accounting Policies (continued)

Policy Liabilities

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

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

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

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

Reinsurance contracts entered into are recognised on a gross basis.

Premiums and Claims

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

(i) Life insurance contracts

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

(ii) Life investment contracts

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

Fees earned for managing the funds invested are recognised as revenue as the service is provided. Claims under investment contracts represent withdrawals of investment deposits and are recognised as a reduction in investment contract liabilities. The investment contract liability calculated in accordance with AASB 139 is no less than the contract surrender value.

Life Insurance Liabilities and Profit

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

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

Participating Policies

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

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

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

Life Insurance Contract Acquisition Costs

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

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

Life Investment Contract Acquisition Costs

Acquisition costs for investment contracts include the variable costs of acquiring new business. However, the deferral of investment contract acquisition costs is limited by the application of AASB 118 'Revenue' to the extent that only incremental transaction costs (for example commissions and volume bonuses) are deferred.

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

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

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

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

General Insurance Business

Premium Revenue

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

Note 1 Accounting Policies (continued)

Unearned Premium Liability

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

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

Reinsurance

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

Claims Expense

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

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

Acquisition Costs

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

(gg) Asset Securitisation

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

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

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

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

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

(hh) Fiduciary Activities

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

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

(ii) Earnings Per Share

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

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

(jj) Critical Accounting Policies and Estimates

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

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

Provisions for Impairment of Financial Assets

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

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

Individually Assessed Provisions

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

Individually assessed provisions are made against individual risk rated credit facilities where a loss of $20,000 or more is expected. The provisions are established based primarily on estimates of the realisable (fair) value of collateral taken and are

Note 1 Accounting Policies (continued)

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 borrowers are considered. Current developments in portfolios (industry, geographic and term) are reviewed.

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

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

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

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

Life Insurance Policyholder Liabilities

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

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

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

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

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

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

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

Consolidation of Special Purpose Entities

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

Financial Instruments at Fair Value

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

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

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

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

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

Goodwill

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

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

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

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

Provisions (Other than Loan Impairment)

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

Note 1 Accounting Policies (continued)

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

Taxation

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

Superannuation Obligations

The Group currently sponsors two defined benefit plans as described in Note 1(y) and Note 41. For each of these plans, actuarial valuations of the plan's obligations and the fair value measurements of the plan's assets are performed semi-annually in accordance with the requirements of AASB 119 'Employee Benefits'.

The actuarial valuation of plan obligations is dependent upon a series of assumptions, the key ones being price inflation, discount rates, 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.

Change in accounting estimate – Discount Rate

The Group has changed its estimate of the discount rates used to calculate the present value of defined benefit superannuation plans outlined in note 1(y) and long service leave.

AASB 119 'Employee Benefits' requires entities to discount post employment benefit obligations (both funded and unfunded) by reference to market yields at the end of the reporting period on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the end of the reporting period) on government bonds shall be used. The Group concludes there is not currently a deep market in corporate bonds in Australia.

Government is defined within the standards as government, government agencies and similar bodies whether local, national or international. In light of this definition, the Group considers the use of a blended government bond index incorporating both federal (Commonwealth) and state government bond rates, as opposed to purely Commonwealth government bond rates to be a better estimate of the rate.

The change in discount rate reduced the defined benefits obligation of the Group's defined benefit plan by $369 million and the long service leave provision by $38 million. The movement in the long service leave provision was offset by changes in inflation rate assumptions, resulting in an insignificant change to the final provision at 30 June 2012. There are no other material impacts on the Group's provisions under AASB 119 'Employee Benefits'.

The Group will continue to monitor the liquidity of the Australian high quality Corporate Bond market in order that it may be adopted as required when the appropriate depth is reached.

Reclassification – Other Banking Income to Net Interest Income

The Group has reclassified amounts from Other Banking Income to Net Interest Income during the period to more accurately reflect the Group's net interest margin and align with market practice. The specific items reclassified from Other Banking Income to Net Interest Income are bank bill facility fees and net swap accrual costs for economic hedges not in hedge relationships. Comparative information has been reclassified to align with the current period disclosure, resulting in Other Banking Income movements of Group, 2011: increase of $13 million; 2010: decrease of $140 million; Bank, 2011: decrease of $103 million, and Net Interest Income movements of Group, 2011: decrease of $13 million; 2010: increase of $140 million; Bank: 2011: increase of $103 million.

Note 2 Profit

Profit before income tax has been determined as follows:

	Group			Bank	
	2012	2011	2010	2012	2011
	$M	$M	$M	$M	$M
Interest Income					
Loans and bills discounted [1]	**34,709**	34,373	30,112	**26,957**	26,527
Other financial institutions [1]	**102**	113	141	**91**	108
Cash and liquid assets [1]	**330**	270	192	**275**	214
Assets at fair value through Income Statement [1]	**621**	851	785	**557**	749
Available-for-sale investments [1]	**2,496**	1,870	1,234	**5,039**	3,987
Controlled entities	**-**	-	-	**1,842**	1,568
Total interest income [2]	**38,258**	37,477	32,464	**34,761**	33,153
Interest Expense					
Deposits [1]	**17,633**	16,957	13,731	**18,152**	16,551
Other financial institutions	**185**	222	164	**190**	184
Liabilities at fair value through Income Statement [1]	**320**	510	679	**202**	218
Debt issues [1]	**6,492**	6,622	5,288	**5,202**	5,465
Controlled entities	**-**	-	-	**271**	263
Loan capital	**506**	572	540	**493**	587
Total interest expense [3]	**25,136**	24,883	20,402	**24,510**	23,268
Net interest income	**13,122**	12,594	12,062	**10,251**	9,885
Other Operating Income					
Lending fees [1]	**997**	982	1,036	**880**	848
Commissions	**1,997**	1,946	2,006	**1,532**	1,426
Trading income	**522**	717	597	**447**	639
Net gain on disposal of available-for-sale investments	**81**	24	27	**86**	24
Net gain/(loss) on other non-fair valued financial instruments	**2**	(4)	(52)	**(8)**	(11)
Net hedging ineffectiveness	**39**	4	(62)	**33**	14
Net gain/(loss) on sale of property, plant and equipment	**39**	(6)	(4)	**40**	(6)
Net gain/(loss) on other fair valued financial instruments [1]:					
Fair value through Income Statement [4]	**48**	(2)	8	**18**	2
Non-trading derivatives [5]	**85**	(301)	217	**82**	(348)
Dividends - Controlled entities	**-**	-	-	**1,540**	2,155
Dividends - Other	**6**	5	5	**34**	36
Funds management and investment contract income:					
Fees receivable on trust and other fiduciary activities	**1,517**	1,662	1,493	**-**	-
Other	**423**	380	435	**-**	-
Insurance contracts income	**1,233**	1,118	1,230	**-**	-
Other [6]	**273**	278	290	**782**	735
Total other operating income	**7,262**	6,803	7,226	**5,466**	5,514
Total net operating income before impairment and operating expense	**20,384**	19,397	19,288	**15,717**	15,399
Impairment expense					
Loan impairment expense	**1,089**	1,280	2,379	**988**	1,080
Total impairment expense (Note 14)	**1,089**	1,280	2,379	**988**	1,080

(1) To reflect market practice, comparatives have been restated for the reclassification of bank bill facility income and IFRS reclassification of net swap costs from Other banking income (Group, 2011: increase of $13 million; 2010: decrease of $140 million; Bank, 2011: decrease of $103 million) into Net interest income (Group, 2011: decrease of $13 million; 2010: increase of $140 million; Bank, 2011: increase of $103 million).

(2) Total interest income for financial assets that are not at fair value through profit or loss is $37,637 million (2011: $36,626 million, 2010: $31,679 million) for the Group and $34,204 million (2011: $32,404 million) for the Bank.

(3) Total interest expense for financial liabilities that are not at fair value through profit or loss is $24,816 million (2011: $24,373 million, 2010: $19,723 million) for the Group and $24,308 million (2011 $23,050 million) for the Bank.

(4) The net loss on financial assets and liabilities designated at fair value was $4 million for the Group (2011: $102 million gain) and $3 million for the Bank (2011: $77 million gain).

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

(6) The Group result in 2012 had $nil gains or losses on disposal of controlled entities (2011: $10 million loss). Refer to Note 45 for further details.

Note 2 Profit (continued)

	Group			Bank	
	2012	2011	2010	2012	2011
	$M	$M	$M	$M	$M
Staff Expenses					
Salaries and wages (1)	**4,136**	4,015	3,805	**2,769**	2,716
Share-based compensation	**185**	156	130	**103**	96
Superannuation - defined contribution plans	**42**	48	48	**(48)**	(33)
Superannuation - defined benefit plan	**168**	137	103	**168**	137
Provisions for employee entitlements (1)	**101**	120	90	**62**	65
Payroll tax	**213**	213	202	**150**	153
Fringe benefits tax	**35**	38	40	**26**	30
Other staff expenses (1)	**67**	60	118	**39**	27
Total staff expenses	**4,947**	4,787	4,536	**3,269**	3,191
Occupancy and Equipment Expenses					
Operating lease rentals	**585**	532	527	**443**	406
Depreciation:					
Buildings	**37**	35	30	**28**	27
Leasehold improvements	**107**	103	98	**85**	81
Equipment	**76**	82	90	**49**	54
Operating lease assets	**50**	42	45	**16**	19
Repairs and maintenance	**90**	87	84	**63**	65
Other (1)	**111**	112	96	**68**	71
Total occupancy and equipment expenses	**1,056**	993	970	**752**	723
Information Technology Services					
Application, maintenance and development (1)	**322**	324	273	**244**	240
Data processing	**241**	267	227	**238**	266
Desktop	**105**	120	141	**90**	114
Communications	**226**	221	199	**194**	188
Amortisation and impairment of software assets	**183**	183	178	**150**	143
IT equipment depreciation	**82**	78	75	**70**	63
Total information technology services	**1,159**	1,193	1,093	**986**	1,014
Other Expenses					
Postage	**112**	112	115	**89**	89
Stationery	**85**	84	97	**70**	62
Fees and commissions:					
Fees payable on trust and other fiduciary activities	**563**	537	497	**-**	-
Other	**310**	318	367	**497**	490
Advertising, marketing and loyalty	**459**	457	398	**324**	320
Amortisation of intangible assets (excluding software and merger related amortisation)	**18**	16	27	**-**	-
Non-lending losses	**81**	83	103	**64**	65
Other (1)	**406**	311	398	**233**	144
Total other expenses	**2,034**	1,918	2,002	**1,277**	1,170
Total expenses	**9,196**	8,891	8,601	**6,284**	6,098
Investment and restructuring					
Integration expenses (2)	**60**	94	40	**54**	15
Merger related amortisation (3)	**75**	75	75	**-**	-
Total investment and restructuring	**135**	169	115	**54**	15
Total operating expenses	**9,331**	9,060	8,716	**6,338**	6,113
Profit before income tax	**9,964**	9,057	8,193	**8,391**	8,206
Net hedging ineffectiveness comprises:					
Gain/(Loss) on fair value hedges:					
Hedging instruments	**(337)**	(417)	771	**(724)**	(391)
Hedged items	**318**	427	(838)	**702**	410
Cash flow hedge ineffectiveness	**58**	(6)	5	**55**	(5)
Net hedging ineffectiveness	**39**	4	(62)	**33**	14

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

(2) The current year comprises expenses related to the Count Financial Limited acquisition. The prior year comprises expenses related to the Bankwest integration.

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

Note 3 Income from Ordinary Activities

	Group			Bank	
	2012	2011	2010	2012	2011
	$M	$M	$M	$M	$M
Banking					
Interest income [1]	38,258	37,477	32,464	34,761	33,153
Fees and commissions [1]	2,994	2,928	3,042	2,412	2,274
Trading income	522	717	597	447	639
Net gain on disposal of available-for-sale investments recognised in Income Statement	81	24	27	86	24
Net gain/(loss) on other non-fair valued financial instruments	2	(4)	(52)	(8)	(11)
Net hedging ineffectiveness	39	4	(62)	33	14
Net gain/(loss) on sale of property, plant and equipment	39	(6)	(4)	40	(6)
Net gain/(loss) on other fair valued financial instruments [1]:					
Fair value through Income Statement	48	(2)	8	18	2
Non-trading derivatives	85	(301)	217	82	(348)
Dividends	6	5	5	1,574	2,191
Other	273	278	290	782	735
	42,347	41,120	36,532	40,227	38,667
Funds Management, Investment Contract and Insurance Contract Revenue					
Funds management and investment contract income including premiums	1,959	1,996	1,906	-	-
Insurance contract premiums and related income	2,114	1,884	1,794	-	-
Investment income	773	1,401	1,662	-	-
	4,846	5,281	5,362	-	-
Total income	47,193	46,401	41,894	40,227	38,667

(1) To reflect market practice, comparatives have been restated for the reclassification of bank bill facility income and IFRS reclassification of net swap costs from Other banking income (Group, 2011: increase of $13 million; 2010: decrease of $140 million; Bank, 2011: decrease of $103 million) into Net interest income (Group, 2011: decrease of $13 million; 2010: increase of $140 million; Bank, 2011: increase of $103 million).

Note 4 Average Balances and Related Interest

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

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

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

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

The official cash rate in Australia decreased by 125 basis points during the year while rates in New Zealand were unchanged.

									Group
			2012			2011			2010
	Average	Interest	Average	Average	Interest	Average	Average	Interest	Average
Interest earning	Balance		Rate	Balance		Rate	Balance		Rate
assets (1)	$M	$M	%	$M	$M	%	$M	$M	%
Cash and liquid assets									
Australia	**6,581**	**233**	**3.5**	4,583	194	4.2	3,674	146	4.0
Overseas	**12,456**	**97**	**0.8**	7,522	76	1.0	7,644	46	0.6
Receivables due from other financial institutions									
Australia	**3,676**	**69**	**1.9**	6,324	50	0.8	7,253	63	0.9
Overseas	**5,321**	**33**	**0.6**	8,113	63	0.8	6,645	78	1.2
Assets at fair value through Income Statement - Trading & Other									
Australia	**11,366**	**476**	**4.2**	15,028	711	4.7	15,704	597	3.8
Overseas	**6,152**	**145**	**2.4**	6,628	140	2.1	7,101	188	2.6
Available-for-sale investments									
Australia	**48,073**	**2,384**	**5.0**	33,362	1,776	5.3	23,360	1,159	5.0
Overseas	**7,237**	**120**	**1.7**	5,601	94	1.7	5,485	75	1.4
Loans, bills discounted and other receivables (2)									
Australia (3)	**475,066**	**31,720**	**6.7**	458,025	31,295	6.8	443,193	26,780	6.0
Overseas	**53,757**	**3,024**	**5.6**	52,220	3,104	5.9	57,202	3,358	5.9
Intragroup assets									
Australia	**2,138**	**34**	**1.6**	2,506	22	0.9	-	-	-
Overseas	**-**	**-**	**-**	-	-	-	12,343	20	0.2
Total interest earning assets and interest income including intragroup	**631,823**	**38,335**	**6.1**	599,912	37,525	6.3	589,604	32,510	5.5
Intragroup eliminations	**(2,138)**	**(34)**	**1.6**	(2,506)	(22)	0.9	(12,343)	(20)	0.2
Total interest earning assets and interest income (4)	**629,685**	**38,301**	**6.1**	597,406	37,503	6.3	577,261	32,490	5.6

(1) To reflect market practice, comparative information has been restated for the reclassification of bank bill facility fee income and IFRS reclassification of net swap costs from Other banking income into Net interest income; the inclusion of securitisation net interest income; the inclusion of Bank acceptances of customers and Securitised home loans in Interest earning assets; and the inclusion of Securitised debt issues and Bank acceptances in Interest bearing liabilities to conform with presentation in the current period.

(2) Loans, bills discounted and other receivables include bank acceptances.

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

(4) Used for calculating net interest margin.

Note 4 Average Balances and Related Interest (continued)

Non-interest earning assets	2012 Average Balance $M	2011 Average Balance $M	Group 2010 Average Balance $M
Assets at fair value through Income Statement - Insurance			
Australia	**13,220**	13,656	15,512
Overseas	**2,046**	2,069	2,166
Property, plant and equipment			
Australia	**1,967**	1,854	1,933
Overseas	**194**	181	191
Other assets			
Australia	**55,706**	41,661	42,444
Overseas	**8,992**	8,782	6,152
Provisions for impairment			
Australia	**(4,801)**	(5,205)	(4,904)
Overseas	**(263)**	(299)	(338)
Total non-interest earning assets	**77,061**	62,699	63,156
Total assets	**706,746**	660,105	640,417
Percentage of total assets applicable to overseas operations (%)	**13.6**	13.8	14.4

Interest bearing liabilities (1)	2012 Average Balance $M	2012 Interest $M	2012 Average Rate %	2011 Average Balance $M	2011 Interest $M	2011 Average Rate %	Group 2010 Average Balance $M	2010 Interest $M	2010 Average Rate %
Time deposits									
Australia (2)	**200,713**	**11,131**	**5. 5**	185,243	10,587	5. 7	168,832	8,644	5. 1
Overseas	**35,378**	**1,125**	**3. 2**	32,708	1,127	3. 4	32,455	1,185	3. 7
Savings deposits									
Australia (2)	**83,695**	**2,621**	**3. 1**	76,644	2,445	3. 2	72,396	1,797	2. 5
Overseas	**7,445**	**272**	**3. 7**	6,772	242	3. 6	7,215	204	2. 8
Other demand deposits									
Australia (2)	**86,957**	**2,421**	**2. 8**	82,040	2,514	3. 1	82,867	1,953	2. 4
Overseas	**3,534**	**63**	**1. 8**	2,462	42	1. 7	2,799	86	3. 1
Payables due to other financial institutions									
Australia	**4,602**	**98**	**2. 1**	3,912	121	3. 1	5,296	110	2. 1
Overseas	**14,140**	**87**	**0. 6**	10,763	101	0. 9	9,448	54	0. 6
Liabilities at fair value through Income Statement									
Australia	**4,381**	**200**	**4. 6**	4,526	249	5. 5	3,580	150	4. 2
Overseas	**5,123**	**120**	**2. 3**	8,729	261	3. 0	12,494	528	4. 2
Debt issues (3)									
Australia	**126,477**	**6,450**	**5. 1**	127,388	6,570	5. 2	113,709	5,079	4. 5
Overseas	**7,096**	**42**	**0. 6**	5,534	20	0. 4	18,678	145	0. 8
Loan capital									
Australia	**5,784**	**320**	**5. 5**	7,130	395	5. 5	9,370	329	3. 5
Overseas	**5,329**	**194**	**3. 6**	5,244	184	3. 5	4,685	218	4. 7
Intragroup borrowings									
Australia	**-**	**-**	**-**	-	-	-	12,343	20	0. 2
Overseas	**2,138**	**34**	**1. 6**	2,506	22	0. 9	-	-	-
Interest bearing liabilities and interest expense including intragroup	**592,792**	**25,178**	**4. 2**	561,601	24,880	4. 4	556,167	20,502	3. 7
Intragroup eliminations	**(2,138)**	**(34)**	**1. 6**	(2,506)	(22)	0. 9	(12,343)	(20)	0. 2
Total interest bearing liabilities and interest expense	**590,654**	**25,144**	**4. 3**	559,095	24,858	4. 4	543,824	20,482	3. 8

(1) To reflect market practice, comparative information has been restated for the reclassification of bank bill facility fee income and IFRS reclassification of net swap costs from Other banking income into Net interest income; the inclusion of securitisation net interest income; the inclusion of Bank acceptances of customers and Securitised home loans in Interest earning assets; and the inclusion of Securitised debt issues and Bank acceptances in Interest bearing liabilities to conform with presentation in the current period.

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

(3) Debt issues includes bank acceptances.

Note 4 Average Balances and Related Interest (continued)

Non-interest bearing liabilities	2012 Average Balance $M	2011 Average Balance $M	Group 2010 Average Balance $M
Deposits not bearing interest			
Australia	**7,312**	6,989	6,638
Overseas	**1,694**	1,535	1,458
Insurance policy liabilities			
Australia	**12,298**	13,114	14,432
Overseas	**1,268**	1,361	1,548
Other liabilities			
Australia	**45,897**	33,517	32,914
Overseas	**8,374**	8,425	6,069
Total non-interest bearing liabilities	**76,843**	64,941	63,059
Total liabilities	**667,497**	624,036	606,883
Shareholders' equity	**39,249**	36,069	33,534
Total liabilities and Shareholders' equity	**706,746**	660,105	640,417
Total liabilities applicable to overseas operations (%)	**13.4**	13.4	16.0

Net interest margin	2012 Avg Bal $M	2012 Interest $M	2012 Yield %	Group 2011 Avg Bal $M	Group 2011 Interest $M	Group 2011 Yield %
Total interest earning assets [1]	**629,685**	**38,301**	**6. 08**	597,406	37,503	6. 28
Total interest bearing liabilities [1]	**590,654**	**25,144**	**4. 26**	559,095	24,858	4. 45
Net interest income and interest spread		**13,157**	**1. 82**		12,645	1. 83
Benefit of free funds			**0. 27**			0. 29
Net interest margin			**2. 09**			2. 12

Geographical analysis of key categories [1]	2012 Avg Bal $M	2012 Interest $M	2012 Yield %	Group 2011 Avg Bal $M	Group 2011 Interest $M	Group 2011 Yield %
Loans, bills discounted and other receivables						
Australia	**475,066**	**31,720**	**6. 68**	458,025	31,295	6. 83
Overseas	**53,757**	**3,024**	**5. 63**	52,220	3,104	5. 94
Total	**528,823**	**34,744**	**6. 57**	510,245	34,399	6. 74
Other interest earning assets						
Australia	**69,696**	**3,162**	**4. 54**	59,297	2,731	4. 61
Overseas	**31,166**	**395**	**1. 27**	27,864	373	1. 34
Total	**100,862**	**3,557**	**3. 53**	87,161	3,104	3. 56
Total interest bearing deposits						
Australia	**371,365**	**16,173**	**4. 36**	343,927	15,546	4. 52
Overseas	**46,357**	**1,460**	**3. 15**	41,942	1,411	3. 36
Total	**417,722**	**17,633**	**4. 22**	385,869	16,957	4. 39
Other interest bearing liabilities						
Australia	**141,244**	**7,068**	**5. 00**	142,956	7,335	5. 13
Overseas	**31,688**	**443**	**1. 40**	30,270	566	1. 87
Total	**172,932**	**7,511**	**4. 34**	173,226	7,901	4. 56

(1) To reflect market practice, comparative information has been restated for the reclassification of bank bill facility fee income and IFRS reclassification of net swap costs from Other banking income into Net interest income; the inclusion of securitisation net interest income; the inclusion of Bank acceptances of customers and Securitised home loans in Interest earning assets; and the inclusion of Securitised debt issues and Bank acceptances in Interest bearing liabilities to conform with presentation in the current period.

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

Notes to the Financial Statements

Note 4 Average Balances and Related Interest (continued)

Changes in Net Interest Income: Volume and Rate Analysis

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

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

		Group
	June 2012 vs June 2011	June 2011 vs June 2010
Change in net interest income [1]	**$M**	**$M**
Due to changes in average volume of interest earning assets	**679**	422
Due to changes in interest margin	**(167)**	215
Change in net interest income	**512**	637

(1) To reflect market practice, comparative information has been restated for the reclassification of bank bill facility fee income and IFRS reclassification of net swap costs from Other banking income into Net interest income; the inclusion of securitisation net interest income; the inclusion of Bank acceptances of customers and Securitised home loans in Interest earning assets; and the inclusion of Securitised debt issues and Bank acceptances in Interest bearing liabilities to conform with presentation in the current period.

Note 4 Average Balances and Related Interest (continued)

Changes in net interest income: Volume and rate analysis	June 2012 vs June 2011 Volume $M	Rate $M	Total $M	June 2011 vs June 2010 Volume $M	Rate $M	Total $M
Interest Earning Assets (1)						
Cash and liquid assets						
Australia	78	(39)	39	37	11	48
Overseas	44	(23)	21	(1)	31	30
Receivables due from other financial institutions						
Australia	(36)	55	19	(8)	(5)	(13)
Overseas	(19)	(11)	(30)	14	(29)	(15)
Assets at fair value through Income Statement - Trading & Other						
Australia	(163)	(72)	(235)	(29)	143	114
Overseas	(11)	16	5	(11)	(37)	(48)
Available-for-sale investments						
Australia	756	(148)	608	515	102	617
Overseas	29	(3)	26	1	18	19
Loans, bills discounted and other receivables						
Australia	1,151	(726)	425	955	3,560	4,515
Overseas	89	(169)	(80)	(294)	40	(254)
Intragroup loans						
Australia	(4)	16	12	11	11	22
Overseas	-	-	-	(10)	(10)	(20)
Changes in interest income including intragroup	1,968	(1,158)	810	607	4,408	5,015
Intragroup eliminations	4	(16)	(12)	(1)	(1)	(2)
Changes in interest income	1,997	(1,199)	798	1,199	3,814	5,013
Interest Bearing Liabilities and Loan Capital (1)						
Time deposits						
Australia	871	(327)	544	888	1,055	1,943
Overseas	88	(90)	(2)	9	(67)	(58)
Savings deposits						
Australia	222	(46)	176	120	528	648
Overseas	24	6	30	(14)	52	38
Other demand deposits						
Australia	144	(237)	(93)	(22)	583	561
Overseas	19	2	21	(7)	(37)	(44)
Payables due to other financial institutions						
Australia	18	(41)	(23)	(36)	47	11
Overseas	26	(40)	(14)	10	37	47
Liabilities at fair value through Income Statement						
Australia	(7)	(42)	(49)	46	53	99
Overseas	(97)	(44)	(141)	(135)	(132)	(267)
Debt issues						
Australia	(47)	(73)	(120)	658	833	1,491
Overseas	8	14	22	(75)	(50)	(125)
Loan capital						
Australia	(74)	(1)	(75)	(101)	167	66
Overseas	3	7	10	22	(56)	(34)
Intragroup borrowings						
Australia	-	-	-	(10)	(10)	(20)
Overseas	(4)	16	12	11	11	22
Changes in interest expense including intragroup	1,354	(1,056)	298	221	4,157	4,378
Intragroup eliminations	4	(16)	(12)	(1)	(1)	(2)
Changes in interest expense	1,374	(1,088)	286	626	3,750	4,376
Changes in net interest income	679	(167)	512	422	215	637

(1) To reflect market practice, comparative information has been restated for the reclassification of bank bill facility fee income and IFRS reclassification of net swap costs from Other banking income into Net interest income; the inclusion of securitisation net interest income; the inclusion of Bank acceptances of customers and Securitised home loans in Interest earning assets; and the inclusion of Securitised debt issues and Bank acceptances in Interest bearing liabilities to conform with presentation in the current period.

Notes to the Financial Statements

Note 4 Average Balances and Related Interest (continued)

Geographical analysis of key categories [1]	2012 %	2011 %	Group 2010 %
Australia			
Interest spread [2]	**1.85**	1.86	1.97
Benefit of interest-free liabilities, provisions and equity [3]	**0.28**	0.30	0.19
Net interest margin [3]	**2.13**	2.16	2.16
Overseas			
Interest spread [2]	**1.54**	1.52	1.14
Benefit of interest-free liabilities, provisions and equity [3]	**0.25**	0.25	0.25
Net interest margin [3]	**1.79**	1.77	1.39
Group			
Interest spread [2]	**1.82**	1.83	1.86
Benefit of interest-free liabilities, provisions and equity [3]	**0.27**	0.29	0.22
Net interest margin [4]	**2.09**	2.12	2.08

(1) To reflect market practice, comparative information has been restated for the reclassification of bank bill facility fee income and IFRS reclassification of net swap costs from Other banking income into Net interest income; the inclusion of securitisation net interest income; the inclusion of Bank acceptances of customers and Securitised home loans in Interest earning assets; and the inclusion of Securitised debt issues and Bank acceptances in Interest bearing liabilities to conform with presentation in the current period.

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

(3) 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.

(4) 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	
	2012	2011	2010	2012	2011
	$M	$M	$M	$M	$M
Profit before Income Tax	**9,964**	9,057	8,193	**8,391**	8,206
Prima facie income tax at 30%	**2,989**	2,717	2,458	**2,517**	2,462
Effect of amounts which are non-deductible/ (assessable) in calculating taxable income:					
Taxation offsets and other dividend adjustments	**(3)**	(7)	(18)	**(462)**	(646)
Tax adjustment on policyholder income	**86**	116	91	**-**	-
Tax losses not previously brought to account	**(28)**	(6)	(4)	**(23)**	(2)
Tax losses assumed by the Bank under UIG 1052	**-**	-	-	**(12)**	(29)
Offshore tax rate differential	**(83)**	(55)	(66)	**(3)**	(6)
Offshore banking unit	**(36)**	(17)	(32)	**(36)**	(17)
Investment allowance	**-**	(2)	(57)	**-**	-
Effect of changes in tax rates (1)	**-**	3	(12)	**-**	1
Income tax under/(over) provided in previous years (2)	**22**	(71)	164	**12**	(47)
Other	**(89)**	(31)	(11)	**(63)**	10
Total income tax expense	**2,858**	2,647	2,513	**1,930**	1,726
Corporate tax expense	**2,736**	2,481	2,383	**1,930**	1,726
Policyholder tax expense	**122**	166	130	**-**	-
Total income tax expense	**2,858**	2,647	2,513	**1,930**	1,726

Income tax expense attributable to profit from ordinary activities	Group			Bank	
	2012	2011	2010	2012	2011
	$M	$M	$M	$M	$M
Australia					
Current tax expense	**2,487**	2,246	1,903	**1,919**	1,684
Deferred tax expense/(benefit)	**(30)**	59	150	**(36)**	5
Total Australia	**2,457**	2,305	2,053	**1,883**	1,689
Overseas					
Current tax expense	**319**	336	435	**26**	40
Deferred tax expense/(benefit)	**82**	6	25	**21**	(3)
Total overseas	**401**	342	460	**47**	37
Total income tax expense	**2,858**	2,647	2,513	**1,930**	1,726

Effective Tax Rate	Group			Bank	
	2012	2011	2010	2012	2011
	%	%	%	%	%
Total – corporate (2)	**27. 8**	27. 9	29. 6	**23. 0**	21. 0
Retail Banking Services – corporate	**29. 7**	29. 7	30. 1	**n/a**	n/a
Business and Private Banking – corporate	**30. 1**	28. 6	28. 8	**n/a**	n/a
Institutional Banking and Markets – corporate	**21. 0**	23. 7	22. 4	**n/a**	n/a
Wealth Management – corporate	**27. 3**	28. 1	28. 0	**n/a**	n/a
New Zealand – corporate (1) (2)	**25. 4**	24. 0	56. 9	**n/a**	n/a
Bankwest – corporate (3)	**33. 1**	34. 7	22. 5	**n/a**	n/a

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

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

(3) Comparative effective tax rates have been adjusted for the allocation of capital charges from the Corporate Centre to Bankwest for the year ended 30 June 2010.

Notes to the Financial Statements

Note 5 Income Tax (continued)

	Group			Bank	
	2012	2011	2010	2012	2011
	$M	$M	$M	$M	$M
Deferred tax asset balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement:					
Provision for employee benefits	381	375	364	326	322
Provisions for impairment on loans, bills discounted and other receivables	1,264	1,387	1,476	804	823
Other provisions not tax deductible until expense incurred	192	202	193	92	87
Recognised value of tax losses carried forward	1	1	3	-	1
Financial instruments	10	15	259	4	12
Other	212	183	291	139	130
Total amount recognised in the Income Statement	2,060	2,163	2,586	1,365	1,375
Amounts recognised directly in other comprehensive income:					
Asset revaluation reserve	2	-	-	2	-
Foreign currency translation reserve	3	-	3	-	-
Cash flow hedge reserve	72	224	212	25	216
Employee compensation reserve	-	11	12	-	11
Avaliable-for-sale investments reserve	36	4	3	8	2
Total amount recognised directly in other comprehensive income	113	239	230	35	229
Total deferred tax assets (before set off) (1)	2,173	2,402	2,816	1,400	1,604
Set off of tax (2)	(1,193)	(1,102)	(1,546)	(501)	(492)
Net deferred tax assets	980	1,300	1,270	899	1,112
Deferred tax liability balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement:					
Impact of TOFA adoption	9	30	-	9	30
Lease financing	365	370	347	181	167
Defined benefit superannuation plan deficit	(141)	(93)	(51)	(141)	(93)
Intangible assets	127	134	145	-	-
Financial instruments	168	77	639	36	15
Other	564	572	371	71	85
Total amount recognised in the Income Statement	1,092	1,090	1,451	156	204
Amounts recognised directly in other comprehensive income:					
Revaluation of properties	79	70	73	61	55
Foreign currency translation reserve	-	14	-	-	-
Cash flow hedge reserve	302	21	55	245	6
Defined benefit superannuation plan surplus	34	116	135	34	116
Avaliable-for-sale investments reserve	24	92	53	5	111
Total amount recognised directly in other comprehensive income	439	313	316	345	288
Total deferred tax liabilities (before set off) (3)	1,531	1,403	1,767	501	492
Set off of tax (2)	(1,193)	(1,102)	(1,546)	(501)	(492)
Net deferred tax liabilities (Note 21)	338	301	221	-	-
Deferred tax assets opening balance:	1,300	1,270	1,653	1,112	1,242
Movement in temporary differences during the year:					
Provisions for employee benefits	6	11	26	4	9
Provisions for impairment on loans, bills discounted and other receivables	(123)	(89)	140	(19)	10
Other provisions not tax deductible until expense incurred	(10)	9	(50)	5	(22)
Recognised value of tax losses carried forward	-	(2)	(3)	(1)	(2)
Financial instruments	(121)	(234)	(214)	(193)	(187)
Asset revaluation reserve	2	-	-	2	-
Other	17	(109)	(122)	(2)	(66)
Set off of tax (2)	(91)	444	(160)	(9)	128
Deferred tax assets closing balance	980	1,300	1,270	899	1,112

(1) The following amounts are expected to be recovered within twelve months of the Balance Sheet date: for the Group $1,255 million (2011: $1,268 million); for the Bank $843 million (2011: $887 million).

(2) 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.

(3) The following amounts are expected to be recovered within twelve months of the Balance Sheet date: for the Group $427 million (2011: $284 million); for the Bank $260 million (2011: $103 million).

Note 5 Income Tax (continued)

	Group 2012 $M	2011 $M	2010 $M	Bank 2012 $M	2011 $M
Deferred tax liabilities opening balance:	**301**	221	168	**-**	-
Movement in temporary differences during the year:					
Impact of TOFA adoption	**(21)**	30	-	**(21)**	30
Property asset revaluations	**9**	(3)	10	**6**	(2)
Lease financing	**(5)**	23	48	**14**	23
Defined benefit superannuation plan surplus/(deficit)	**(130)**	(61)	(54)	**(130)**	(61)
Intangible assets	**(7)**	(11)	(31)	**-**	-
Financial instruments	**290**	(543)	142	**154**	(153)
Other	**(8)**	201	98	**(14)**	35
Set off of tax (1)	**(91)**	444	(160)	**(9)**	128
Deferred tax liabilities closing balance (Note 21)	**338**	301	221	**-**	-

(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.

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

Deferred tax assets not taken to account	Group 2012 $M	2011 $M	2010 $M	Bank 2012 $M	2011 $M
Tax losses and other temporary differences on revenue account	**71**	101	110	**57**	85
Tax losses on capital account	**-**	40	14	**-**	17
Total	**71**	141	124	**57**	102

Expiration of deferred tax assets not taken to account	Group 2012 $M	2011 $M	2010 $M	Bank 2012 $M	2011 $M
At Balance Sheet date carry-forward losses expired as follows:					
From one to two years	**6**	-	-	**-**	-
From two to four years	**20**	18	2	**12**	2
After four years	**45**	83	108	**45**	83
Losses that do not expire under current tax legislation	**-**	40	14	**-**	17
Total	**71**	141	124	**57**	102

Potential deferred tax assets of the Group arose from:

- 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 $87 million (2011: $84 million).

The Bank is the head entity of the tax consolidated group and has entered into tax funding and tax sharing agreements with its eligible Australian resident subsidiaries. The terms and conditions of these agreements are set out in note 1(x). The amount receivable by the Bank under the tax funding agreement was $261 million as at 30 June 2012 (2011: $281 million receivable). This balance is included in 'Other assets' in the Bank's separate Balance Sheet.

Taxation of Financial Arrangements (TOFA)

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

Note 6 Dividends

	Group 2012 $M	Group 2011 $M	Group 2010 $M	Bank 2012 $M	Bank 2011 $M
Ordinary Shares					
Interim ordinary dividend (fully franked) (2012: 137 cents; 2011: 132 cents, 2010: 120 cents)					
Interim ordinary dividend paid - cash component only	**1,635**	1,532	1,067	**1,635**	1,532
Interim ordinary dividend paid - dividend reinvestment plan	**531**	513	774	**531**	513
Total dividend paid	**2,166**	2,045	1,841	**2,166**	2,045
Other Equity Instruments					
Dividend paid	**42**	42	47	**-**	-
Total dividend provided for, reserved or paid	**2,208**	2,087	1,888	**2,166**	2,045
Other provision carried	**52**	37	29	**52**	37
Dividend proposed and not recognised as a liability (fully franked) (2012: 197 cents, 2011: 188 cents, 2010: 170 cents) (1)	**3,137**	2,930	2,633	**3,137**	2,930
Provision for dividends					
Opening balance	**37**	29	18	**37**	29
Provision made during the year	**5,113**	4,678	3,588	**5,113**	4,678
Provision used during the year	**(5,098)**	(4,670)	(3,577)	**(5,098)**	(4,670)
Closing balance (Note 22)	**52**	37	29	**52**	37

(1) The 2012 final dividend will be satisfied by cash disbursements and the issue of ordinary shares through the Dividend Reinvestment Plan (DRP). The 2011 final dividend was satisfied by cash disbursements of $2,099 million and the issue of $831 million of ordinary shares through the DRP. The 2010 final dividend was satisfied by cash disbursements of $2,633 million including the on market purchase and transfer of $679 million of shares to participating shareholders under the DRP.

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 2012 to frank dividends for subsequent financial years, is $390 million (2011: $510 million). This figure is based on the franking accounts of the Bank at 30 June 2012, 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 2012.

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 2009	120	01/04/2010	63.7	-	53.56	42.0
30 June 2010	170	01/10/2010	96.6	79.7	51.75	25.8
31 December 2010	132	01/04/2011	67.5	-	52.92	25.1
30 June 2011	188	06/10/2011	88.2	78.3	47.48	28.4
31 December 2011	137	05/04/2012	60.1	-	48.81	24.5
30 June 2012 (3)	197	05/10/2012	91.1	75.2	-	-

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

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

(3) Dividend expected to be paid on 5 October 2012.

Note 7 Earnings Per Share

Earnings per ordinary share	2012	2011	Group 2010
	Cents per share		
Basic	**448.9**	411.2	367.9
Fully diluted	**432.9**	395.1	354.2

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

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

Reconciliation of earnings used in calculation of earnings per share	2012 $M	2011 $M	Group 2010 $M
Profit after income tax	**7,106**	6,410	5,680
Less: Other equity instrument dividends	**(42)**	(42)	(47)
Less: Non-controlling interests	**(16)**	(16)	(16)
Earnings used in calculation of basic earnings per share	**7,048**	6,352	5,617
Add: Profit impact of assumed conversions of loan capital	**199**	235	190
Earnings used in calculation of fully diluted earnings per share	**7,247**	6,587	5,807

	Number of Shares 2012 M	2011 M	2010 M
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**1,570**	1,545	1,527
Effect of dilutive securities - executive share plans and convertible loan capital instruments	**104**	123	113
Weighted average number of ordinary shares used in the calculation of fully diluted earnings per share	**1,674**	1,668	1,640

Note 8 Cash and Liquid Assets

	Group 2012 $M	Group 2011 $M	Bank 2012 $M	Bank 2011 $M
Notes, coins and cash at banks	**8,508**	5,424	**7,161**	4,103
Money at short call	**3,696**	1,105	**3,603**	967
Securities purchased under agreements to resell	**7,063**	6,516	**7,006**	5,899
Bills received and remittances in transit	**399**	196	**182**	10
Total cash and liquid assets	**19,666**	13,241	**17,952**	10,979

Note 9 Receivables Due from Other Financial Institutions

	Group 2012 $M	Group 2011 $M	Bank 2012 $M	Bank 2011 $M
Placements with and loans to other financial institutions	**10,755**	10,277	**10,467**	10,107
Deposits with regulatory authorities (1)	**131**	116	**15**	16
Total receivables from other financial institutions	**10,886**	10,393	**10,482**	10,123

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

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

Note 10 Assets at Fair Value through Income Statement

	Group		Bank	
	2012	2011	2012	2011
	$M	$M	$M	$M
Trading	**13,816**	20,469	**12,071**	17,765
Insurance	**14,525**	14,998	**-**	-
Other financial assets designated at fair value	**980**	824	**980**	300
Total assets at fair value through Income Statement (1)	**29,321**	36,291	**13,051**	18,065

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

	Group		Bank	
	2012	2011	2012	2011
Trading	$M	$M	$M	$M
Government bonds, notes and securities	**8,491**	13,921	**8,146**	12,899
Corporate/financial institution bonds, notes and securities	**4,677**	5,596	**3,298**	3,923
Shares and equity investments	**502**	859	**502**	860
Other bonds, notes and securities	**146**	93	**125**	83
Total trading assets	**13,816**	20,469	**12,071**	17,765

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

	Investments Backing Life Risk Contracts	Investments Backing Life Investment Contracts	Total	Investments Backing Life Risk Contracts	Investments Backing Life Investment Contracts	Total
	2012	2012	2012	2011	2011	2011
Insurance	$M	$M	$M	$M	$M	$M
Equity Security Investments:						
Direct	**462**	**720**	**1,182**	387	745	1,132
Indirect	**596**	**2,910**	**3,506**	629	3,403	4,032
Total equity security investments	**1,058**	**3,630**	**4,688**	1,016	4,148	5,164
Debt Security Investments:						
Direct	**753**	**611**	**1,364**	688	630	1,318
Indirect	**2,192**	**4,225**	**6,417**	2,011	4,496	6,507
Total debt security investments	**2,945**	**4,836**	**7,781**	2,699	5,126	7,825
Property Investments:						
Direct	**33**	**195**	**228**	39	129	168
Indirect	**276**	**472**	**748**	288	531	819
Total property investments	**309**	**667**	**976**	327	660	987
Other Assets	**188**	**892**	**1,080**	138	884	1,022
Total life insurance investment assets	**4,500**	**10,025**	**14,525**	4,180	10,818	14,998

Of the above amounts, $1,717 million is expected to be recovered within twelve months of the Balance Sheet date (2011: $1,876 million).

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

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

	Group		Bank	
	2012	2011	2012	2011
Other (1)	$M	$M	$M	$M
Government securities	**980**	300	**980**	300
Receivables due from financial institutions	**-**	465	**-**	-
Term loans	**-**	59	**-**	-
Total other assets at fair value through Income Statement	**980**	824	**980**	300

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

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

Of the amounts in the preceding table, $882 million is expected to be recovered within twelve months of the Balance Sheet date by the Group (2011: $524 million). All amounts are expected to be recovered after twelve months of the Balance Sheet date by the Bank.

The change in fair value of loans and receivables designated at Fair Value through Income Statement due to changes in credit risk resulted in no gain or loss for the Group for the year (2011: $1 million gain). It also resulted in no gain or loss for the Bank (2011: $nil). The cumulative net gain or loss attributable to changes in credit risk for loans and receivables designated at fair value since initial recognition for the Group and the Bank for the year ending 30 June 2012 is $nil (2011: $nil). These values have been calculated by determining the changes in credit spread implicit in the fair value of the instrument.

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

Note 11 Derivative Financial Instruments

Derivative Contracts

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

Derivatives Transacted for Hedging Purposes

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

Fair Value Hedges

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

All gains and losses associated with the ineffective portion of fair value hedge relationships are recognised immediately as ‘Other operating income’ in the Income Statement. Ineffectiveness recognised in the Income Statement in the current year amounted to a $19 million net loss for the Group (2011: $10 million net gain) and $22 million net loss for the Bank (2011: $19 million net gain).

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 $58 million gain for the Group (2011: $6 million loss) and $55 million gain for the Bank (2011: $5 million loss).

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

	Exchange Rate Related Contracts		Interest Rate Related Contracts		Group Total	
	2012	2011	2012	2011	2012	2011
	$M	$M	$M	$M	$M	$M
6 months	**(22)**	(13)	**18**	(13)	**(4)**	(26)
6 months - 1 year	**6**	(6)	**(82)**	(92)	**(76)**	(98)
1 - 2 years	**(13)**	(12)	**(36)**	(189)	**(49)**	(201)
2 - 5 years	**(89)**	(156)	**1,386**	191	**1,297**	35
After 5 years	**(25)**	(229)	**(217)**	(43)	**(242)**	(272)
Net deferred (losses)/gains	**(143)**	(416)	**1,069**	(146)	**926**	(562)

	Exchange Rate Related Contracts		Interest Rate Related Contracts		Bank Total	
	2012	2011	2012	2011	2012	2011
	$M	$M	$M	$M	$M	$M
6 months	**1**	-	**17**	(1)	**18**	(1)
6 months - 1 year	**6**	(6)	**(77)**	(36)	**(71)**	(42)
1 - 2 years	**(3)**	(12)	**(18)**	(139)	**(21)**	(151)
2 - 5 years	**(102)**	(154)	**1,247**	127	**1,145**	(27)
After 5 years	**(54)**	(238)	**(171)**	(84)	**(225)**	(322)
Net deferred (losses)/gains	**(152)**	(410)	**998**	(133)	**846**	(543)

Note 11 Derivative Financial Instruments (continued)

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.

The fair value of derivative financial instruments are set out in the following tables:

				Group
		2012		2011
	Fair Value Asset	Fair Value Liability	Fair Value Asset	Fair Value Liability
Derivative assets and liabilities	$M	$M	$M	$M
Held for trading	**33,029**	**(30,182)**	27,315	(25,337)
Held for hedging	**5,816**	**(8,980)**	2,864	(8,347)
Other derivatives	**92**	**(59)**	138	(292)
Total derivative assets/(liabilities)	**38,937**	**(39,221)**	30,317	(33,976)

				Group
		2012		2011
	Fair Value Asset	Fair Value Liability	Fair Value Asset	Fair Value Liability
Derivatives held for trading	$M	$M	$M	$M
Exchange rate related contracts:				
Forward contracts	**3,692**	**(4,174)**	5,178	(6,423)
Swaps	**10,025**	**(8,479)**	12,818	(10,386)
Futures	**1**	**-**	1	-
Options purchased and sold	**390**	**(453)**	684	(966)
Total exchange rate related contracts	**14,108**	**(13,106)**	18,681	(17,775)
Interest rate related contracts:				
Forward contracts	**11**	**(11)**	7	(6)
Swaps	**17,795**	**(16,250)**	7,985	(7,051)
Futures	**-**	**(1)**	2	(2)
Options purchased and sold	**899**	**(631)**	350	(301)
Total interest rate related contracts	**18,705**	**(16,893)**	8,344	(7,360)
Credit related contracts:				
Swaps	**58**	**(56)**	47	(49)
Total credit related contracts	**58**	**(56)**	47	(49)
Equity related contracts:				
Options purchased and sold	**60**	**(44)**	15	(55)
Total equity related contracts	**60**	**(44)**	15	(55)
Commodity related contracts:				
Swaps	**85**	**(72)**	200	(74)
Futures	**-**	**-**	1	-
Options purchased and sold	**13**	**(11)**	27	(24)
Total commodity related contracts	**98**	**(83)**	228	(98)
Total derivative assets/(liabilities) held for trading	**33,029**	**(30,182)**	27,315	(25,337)

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

Note 11 Derivative Financial Instruments (continued)

Derivatives held for hedging	Group 2012 Fair Value Asset $M	Group 2012 Fair Value Liability $M	Group 2011 Fair Value Asset $M	Group 2011 Fair Value Liability $M
Fair value hedges				
Exchange rate related contracts:				
Forward contracts	2	-	1	-
Swaps (1)	1,518	(2,922)	1,355	(3,874)
Total exchange rate related contracts	1,520	(2,922)	1,356	(3,874)
Interest rate related contracts:				
Swaps	811	(2,351)	458	(552)
Futures	-	-	-	(5)
Options purchased and sold	3	-	-	-
Total interest rate related contracts	814	(2,351)	458	(557)
Equity related contracts:				
Swaps	58	(4)	53	(8)
Total equity related contracts	58	(4)	53	(8)
Total fair value hedges	2,392	(5,277)	1,867	(4,439)
Cash flow hedges				
Exchange rate related contracts:				
Swaps (1)	260	(1,873)	105	(2,844)
Total exchange rate related contracts	260	(1,873)	105	(2,844)
Interest rate related contracts:				
Swaps	3,164	(1,826)	892	(1,060)
Total interest rate related contracts	3,164	(1,826)	892	(1,060)
Total cash flow hedges	3,424	(3,699)	997	(3,904)
Net investment hedges				
Exchange rate related contracts:				
Forward contracts	-	(4)	-	(4)
Total exchange rate related contracts	-	(4)	-	(4)
Total net investment hedges	-	(4)	-	(4)
Total derivative assets/(liabilities) held for hedging	5,816	(8,980)	2,864	(8,347)

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

Other derivatives	Group 2012 Fair Value Asset $M	Group 2012 Fair Value Liability $M	Group 2011 Fair Value Asset $M	Group 2011 Fair Value Liability $M
Exchange rate related contracts:				
Forward contracts	17	(7)	5	(45)
Swaps (1)	26	(7)	57	(164)
Total exchange rate related contracts	43	(14)	62	(209)
Interest rate related contracts:				
Forward contracts	1	-	-	-
Swaps	33	(34)	59	(71)
Options purchased and sold	-	(5)	-	(5)
Total interest rate related contracts	34	(39)	59	(76)
Identified embedded derivatives	15	(6)	17	(7)
Total other derivatives	92	(59)	138	(292)

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

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

Notes to the Financial Statements

Note 11 Derivative Financial Instruments (continued)

Derivative assets and liabilities	2012 Fair Value Asset $M	2012 Fair Value Liability $M	Bank 2011 Fair Value Asset $M	Bank 2011 Fair Value Liability $M
Held for trading	**33,844**	**(30,502)**	28,036	(24,928)
Held for hedging	**5,211**	**(8,712)**	2,687	(7,864)
Other derivatives	**6**	**(12)**	8	(25)
Total derivative assets/(liabilities)	**39,061**	**(39,226)**	30,731	(32,817)

Derivatives held for trading	2012 Fair Value Asset $M	2012 Fair Value Liability $M	Bank 2011 Fair Value Asset $M	Bank 2011 Fair Value Liability $M
Exchange rate related contracts:				
Forward contracts	**3,670**	**(4,153)**	5,154	(6,402)
Swaps	**10,144**	**(8,302)**	12,756	(10,135)
Futures	**1**	**-**	1	-
Options purchased and sold	**389**	**(451)**	684	(966)
Derivatives held with controlled entities	**998**	**(706)**	1,405	(482)
Total exchange rate related contracts	**15,202**	**(13,612)**	20,000	(17,985)
Interest rate related contracts:				
Forward contracts	**10**	**(11)**	6	(6)
Swaps	**17,079**	**(15,338)**	7,181	(6,194)
Futures	**-**	**(1)**	1	-
Options purchased and sold	**898**	**(625)**	349	(298)
Derivatives held with controlled entities	**438**	**(732)**	210	(244)
Total interest rate related contracts	**18,425**	**(16,707)**	7,747	(6,742)
Credit related contracts:				
Swaps	**58**	**(56)**	46	(49)
Total credit related contracts	**58**	**(56)**	46	(49)
Equity related contracts:				
Options purchased and sold	**60**	**(44)**	15	(55)
Total equity related contracts	**60**	**(44)**	15	(55)
Commodity related contracts:				
Swaps	**85**	**(72)**	200	(74)
Futures	**-**	**-**	1	-
Options purchased and sold	**13**	**(11)**	27	(22)
Derivatives held with controlled entities	**1**	**-**	-	(1)
Total commodity related contracts	**99**	**(83)**	228	(97)
Total derivative assets/(liabilities) held for trading	**33,844**	**(30,502)**	28,036	(24,928)

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

Note 11 Derivative Financial Instruments (continued)

Derivatives held for hedging	Bank 2012 Fair Value Asset $M	2012 Fair Value Liability $M	2011 Fair Value Asset $M	2011 Fair Value Liability $M
Fair value hedges				
Exchange rate related contracts:				
Forward contracts	2	-	1	-
Swaps	1,331	(2,916)	1,338	(3,874)
Derivatives held with controlled entities	3	-	-	-
Total exchange rate related contracts	1,336	(2,916)	1,339	(3,874)
Interest rate related contracts:				
Swaps	483	(2,247)	246	(486)
Futures	-	-	-	(5)
Derivatives held with controlled entities	92	(113)	71	-
Total interest rate related contracts	575	(2,360)	317	(491)
Equity related contracts:				
Swaps	58	(4)	53	(8)
Total equity related contracts	58	(4)	53	(8)
Total fair value hedges	1,969	(5,280)	1,709	(4,373)
Cash flow hedges				
Exchange rate related contracts:				
Swaps	253	(1,783)	105	(2,680)
Derivatives held with controlled entities	90	(7)	123	(9)
Total exchange rate related contracts	343	(1,790)	228	(2,689)
Interest rate related contracts:				
Swaps	2,857	(1,642)	739	(802)
Derivatives held with controlled entities	42	-	11	-
Total interest rate related contracts	2,899	(1,642)	750	(802)
Total cash flow hedges	3,242	(3,432)	978	(3,491)
Total derivative assets/(liabilities) held for hedging	5,211	(8,712)	2,687	(7,864)

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

Other derivatives	Bank 2012 Fair Value Asset $M	2012 Fair Value Liability $M	2011 Fair Value Asset $M	2011 Fair Value Liability $M
Interest rate related contracts:				
Swaps	3	(2)	1	(13)
Options purchased and sold	-	(5)	-	(5)
Derivatives held with controlled entities	1	-	2	-
Total interest rate related contracts	4	(7)	3	(18)
Identified embedded derivatives	2	(5)	5	(7)
Total other derivatives	6	(12)	8	(25)

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

Note 12 Available-for-Sale Investments

	Group		Bank	
	2012	2011	2012	2011
	$M	$M	$M	$M
Government bonds, notes and securities	**27,770**	15,944	**23,284**	12,969
Corporate/financial institution bonds, notes and securities	**22,875**	20,495	**17,701**	16,036
Shares and equity investments	**471**	456	**368**	359
Covered bonds, mortgage backed securities & SSA [1]	**9,703**	8,144	**78,687**	46,331
Other securities	**8**	132	**7**	4
Total available-for-sale investments	**60,827**	45,171	**120,047**	75,699

(1) Supranational, Sovereign and Agency Securities (SSA).

The following amounts are expected to be recovered within twelve months of the Balance Sheet date: for Group $19,160 million (2011: $12,499 million); for Bank $12,009 million (2011: $9,132 million).

Revaluation of Available-for-sale investments resulted in a loss of $349 million for the Group (2011: $124 million gain) and a loss of $315 million for the Bank (2011: $264 million gain) recognised directly in other comprehensive income. 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: $81 million net gain (2011: $24 million), Bank: $86 million net gain (2011: $24 million).

Proceeds received from settlement at or close to maturity of Available-for-sale investments for the Group were $50,490 million (2011: $45,417 million) and for the Bank were $46,417 million (2011: $34,718 million).

Proceeds from sale of Available-for-sale investments for the Group were $12,375 million (2011: $4,440 million) and for the Bank were $12,326 million (2011: $3,919 million).

Maturity Distribution and Weighted Average Yield

	Group Maturity Period at 30 June 2012											
	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
Government bonds, notes and securities	**4,573**	**1.55**	**3,124**	**2.86**	**4,606**	**5.19**	**9,833**	**5.38**	**5,634**	**5.29**	**-**	**27,770**
Corporate/financial institution bonds, notes and securities	**6,711**	**3.97**	**4,798**	**4.48**	**11,366**	**4.92**	**-**	**-**	**-**	**-**	**-**	**22,875**
Shares and equity investments	**-**	**-**	**4**	**0.01**	**6**	**0.01**	**-**	**-**	**-**	**-**	**461**	**471**
Covered bonds, mortgage backed securities & SSA	**-**	**-**	**-**	**-**	**4,478**	**4.91**	**1,248**	**4.98**	**3,977**	**5.10**	**-**	**9,703**
Other securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**8**
Total available-for-sale investments	**11,284**	**-**	**7,926**	**-**	**20,456**	**-**	**11,081**	**-**	**9,611**	**-**	**469**	**60,827**

	Group Maturity Period at 30 June 2011											
	0 to 3 months		3 to 12 months		1 to 5 years		5 to 10 years		10 or more years		Non-Maturing	Total
	$M	%	$M	%	$M	%	$M	%	$M	%	$M	$M
Government bonds, notes and securities	2,386	0.94	1,866	1.94	5,568	4.96	4,892	5.79	1,232	6.07	-	15,944
Corporate/financial institution bonds, notes and securities	3,786	4.31	4,230	5.06	12,274	6.16	205	7.47	-	-	-	20,495
Shares and equity investments	-	-	-	-	10	0.01	-	-	-	-	446	456
Covered bonds, mortgage backed securities & SSA	92	6.32	104	6.00	4,091	5.77	1,718	6.34	2,139	5.33	-	8,144
Other securities	12	0.84	25	0.06	86	0.11	-	-	-	-	9	132
Total available-for-sale investments	6,276	-	6,225	-	22,029	-	6,815	-	3,371	-	455	45,171

Note 13 Loans, Bills Discounted and Other Receivables

	Group		Bank	
	2012	2011	2012	2011
	$M	$M	$M	$M
Australia				
Overdrafts	**21,497**	21,930	**20,494**	20,892
Home loans [1]	**320,570**	306,250	**268,910**	259,685
Credit card outstandings	**11,149**	10,798	**9,873**	9,495
Lease financing	**4,250**	4,404	**2,883**	2,633
Bills discounted [2]	**16,777**	14,820	**16,777**	14,820
Term loans	**102,250**	96,097	**81,795**	75,509
Other lending	**625**	1,310	**209**	777
Other securities	**7**	4	**-**	-
Total Australia	**477,125**	455,613	**400,941**	383,811
Overseas				
Overdrafts	**891**	629	**154**	-
Home loans [1]	**30,063**	29,591	**409**	374
Credit card outstandings	**603**	572	**-**	-
Lease financing	**478**	468	**141**	100
Term loans	**23,220**	20,468	**9,885**	8,119
Total overseas	**55,255**	51,728	**10,589**	8,593
Gross loans, bills discounted and other receivables	**532,380**	507,341	**411,530**	392,404
Less				
Provisions for Loan Impairment (Note 14):				
Collective provision	**(2,819)**	(3,022)	**(1,971)**	(1,905)
Individually assessed provisions	**(2,008)**	(2,125)	**(1,011)**	(1,081)
Unearned income:				
Term loans	**(1,032)**	(1,153)	**(1,001)**	(1,088)
Lease financing	**(839)**	(984)	**(425)**	(442)
	(6,698)	(7,284)	**(4,408)**	(4,516)
Net loans, bills discounted and other receivables	**525,682**	500,057	**407,122**	387,888

(1) Home loans balance includes residential mortgages that have been assigned to securitisation vehicles and covered bond trusts. Further detail on these residential mortgages is disclosed in Note 47.

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

The following amounts, based on behavioural terms and current market conditions, are expected to be recovered within twelve months of the Balance Sheet date for Group $181,465 million (2011: $180,038 million) and for Bank $127,327 million (2011: $128,375 million).

Finance Lease Receivables

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

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

	Group		Bank	
	2012	2011	2012	2011
Finance Leases	$M	$M	$M	$M
Minimum lease payments receivable:				
Not later than one year	**1,235**	1,389	**829**	830
Later than one year but not later than five years	**2,592**	2,516	**1,877**	1,574
Later than five years	**901**	967	**318**	329
Total finance leases	**4,728**	4,872	**3,024**	2,733

Notes to the Financial Statements

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

Finance Lease Receivables (continued)

	Group					
	2012			2011		
	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	**1,235**	**(225)**	**1,010**	1,389	(259)	1,130
One year to five years	**2,592**	**(412)**	**2,180**	2,516	(541)	1,975
Over five years	**901**	**(202)**	**699**	967	(184)	783
	4,728	**(839)**	**3,889**	4,872	(984)	3,888

	Bank					
	2012			2011		
	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	**829**	**(119)**	**710**	830	(120)	710
One year to five years	**1,877**	**(173)**	**1,704**	1,574	(244)	1,330
Over five years	**318**	**(133)**	**185**	329	(78)	251
	3,024	**(425)**	**2,599**	2,733	(442)	2,291

	Group Maturity Period at 30 June 2012			
Industry (1)	Maturing 1 Year or Less $M	Maturing Between 1 & 5 Years $M	Maturing After 5 Years $M	Total $M
Australia				
Sovereign	1,474	62	83	1,619
Agriculture	3,057	885	1,308	5,250
Bank and other financial	6,140	3,022	1,063	10,225
Home loans	6,501	20,702	293,367	320,570
Construction	1,844	409	543	2,796
Personal	7,883	11,715	2,174	21,772
Asset financing	2,900	5,163	151	8,214
Other commercial and industrial	57,518	37,407	11,754	106,679
Total Australia	87,317	79,365	310,443	477,125
Overseas				
Sovereign	3,621	4,890	1,724	10,235
Agriculture	1,151	1,718	2,329	5,198
Bank and other financial	970	914	1,272	3,156
Home loans	7,084	3,749	19,230	30,063
Construction	121	127	97	345
Personal	634	13	9	656
Asset financing	111	138	219	468
Other commercial and industrial	1,846	2,126	1,162	5,134
Total overseas	15,538	13,675	26,042	55,255
Gross loans, bills discounted and other receivables	102,855	93,040	336,485	532,380

(1) The industry split above has been prepared on an industry exposure basis.

Interest rate				
Australia	77,279	65,690	275,526	418,495
Overseas	12,048	10,808	18,209	41,065
Total variable interest rates	89,327	76,498	293,735	459,560
Australia	10,038	13,675	34,917	58,630
Overseas	3,490	2,867	7,833	14,190
Total fixed interest rates	13,528	16,542	42,750	72,820
Gross loans, bills discounted and other receivables	102,855	93,040	336,485	532,380

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

Industry [1]	Maturing 1 Year or Less $M	Maturing Between 1 & 5 Years $M	Maturing After 5 Years $M	Total $M
	Group			
	Maturity Period at 30 June 2011			
Australia				
Sovereign	2,015	80	117	2,212
Agriculture	3,009	1,087	1,182	5,278
Bank and other financial	7,870	1,142	974	9,986
Home loans	6,057	17,490	282,703	306,250
Construction	1,547	722	608	2,877
Personal [2]	9,065	10,957	2,122	22,144
Asset financing	3,004	5,134	190	8,328
Other commercial and industrial [2]	58,082	28,690	11,766	98,538
Total Australia	90,649	65,302	299,662	455,613
Overseas				
Sovereign	2,636	1,470	497	4,603
Agriculture	1,944	1,255	1,721	4,920
Bank and other financial	2,619	1,790	2,579	6,988
Home loans	7,630	4,283	17,678	29,591
Construction	166	72	84	322
Personal	540	13	6	559
Asset financing	258	659	339	1,256
Other commercial and industrial	1,261	1,978	250	3,489
Total overseas	17,054	11,520	23,154	51,728
Gross loans, bills discounted and other receivables	107,703	76,822	322,816	507,341

(1) The industry split above has been prepared on an industry exposure basis.
(2) Comparatives have been restated to conform with presentation in the current period.

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

Notes to the Financial Statements

Note 14 Provisions for Impairment

	Group			Bank	
	2012	2011	2010	2012	2011
Provisions for impairment losses	$M	$M	$M	$M	$M
Collective provision					
Opening balance	**3,043**	3,461	3,225	**1,926**	1,989
Net collective provision funding	**312**	45	901	**519**	305
Impairment losses written off	**(740)**	(646)	(734)	**(626)**	(529)
Impairment losses recovered	**228**	206	77	**171**	176
Other	**(6)**	(23)	(8)	**(1)**	(15)
Closing balance	**2,837**	3,043	3,461	**1,989**	1,926
Individually assessed provisions					
Opening balance	**2,125**	1,992	1,729	**1,081**	978
Net new and increased individual provisioning	**1,202**	1,602	1,862	**700**	996
Write-back of provisions no longer required	**(425)**	(367)	(384)	**(231)**	(221)
Discount unwind to interest income	**(122)**	(147)	(169)	**(65)**	(72)
Other	**365**	374	293	**151**	153
Impairment losses written off	**(1,137)**	(1,329)	(1,339)	**(625)**	(753)
Closing balance	**2,008**	2,125	1,992	**1,011**	1,081
Total provisions for impairment losses	**4,845**	5,168	5,453	**3,000**	3,007
Less: Off balance sheet provisions	**(18)**	(21)	(25)	**(18)**	(21)
Total provisions for loan impairment	**4,827**	5,147	5,428	**2,982**	2,986

	Group			Bank	
	2012	2011	2010	2012	2011
Provision ratios	%	%	%	%	%
Collective provision as a % of credit risk weighted assets - Basel II	**1. 09**	1. 23	1. 35	**n/a (1)**	n/a (1)
Total provision as a % of credit risk weighted assets - Basel II	**1. 85**	2. 09	2. 12	**n/a (1)**	n/a (1)
Individually assessed provisions for impairment as a % of gross impaired assets	**44. 63**	40. 12	38. 19	**41. 60**	35. 89
Total provisions for impairment losses as a % of gross loans and acceptances	**0. 89**	1. 00	1. 06	**0. 71**	0. 75

(1) Basel II ratios are not calculated for the Bank legal entity as this is not a regulated structure for capital reporting purposes. For further details refer to Note 30.

	Group			Bank	
	2012	2011	2010	2012	2011
Loan impairment expense	$M	$M	$M	$M	$M
Net collective provision funding	**312**	45	901	**519**	305
Net new and increased individual provisioning	**1,202**	1,602	1,862	**700**	996
Write-back of individually assessed provisions	**(425)**	(367)	(384)	**(231)**	(221)
Total loan impairment expense	**1,089**	1,280	2,379	**988**	1,080

Note 14 Provisions for Impairment (continued)

Individually assessed provisions by industry classification	2012 $M	2011 $M	2010 $M	2009 $M	Group 2008 $M
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**89**	87	75	77	4
Bank and other financial	**235**	254	254	483	27
Home loans	**256**	202	150	82	34
Construction	**152**	133	132	104	1
Personal	**11**	11	21	23	9
Asset financing	**14**	37	15	31	12
Other commercial and industrial	**1,163**	1,307	1,268	760	161
Total Australia	**1,920**	2,031	1,915	1,560	248
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**7**	11	15	9	-
Bank and other financial	**6**	1	1	68	4
Home loans	**28**	25	12	10	7
Construction	**-**	-	-	-	8
Personal	**-**	-	-	-	2
Asset financing	**-**	-	-	-	2
Other commercial and industrial	**47**	57	49	82	8
Total overseas	**88**	94	77	169	31
Total individually assessed provisions	**2,008**	2,125	1,992	1,729	279

Loans written off by industry classification	2012 $M	2011 $M	2010 $M	2009 $M	Group 2008 $M
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**32**	10	10	2	3
Bank and other financial	**51**	107	383	110	5
Home loans	**88**	84	95	36	23
Construction	**45**	89	72	4	1
Personal	**657**	567	651	496	364
Asset financing	**38**	26	72	58	49
Other commercial and industrial	**884**	989	604	255	34
Total Australia	**1,795**	1,872	1,887	961	479
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**5**	17	7	-	-
Bank and other financial	**1**	1	50	86	4
Home loans	**24**	26	25	18	1
Construction	**-**	1	-	4	1
Personal	**19**	22	18	14	13
Asset financing	**-**	-	-	-	-
Other commercial and industrial	**33**	36	86	60	5
Total overseas	**82**	103	186	182	24
Gross loans written off	**1,877**	1,975	2,073	1,143	503
Recovery of amounts previously written off					
Australia	**216**	199	70	70	73
Overseas	**12**	7	7	3	4
Total amounts recovered	**228**	206	77	73	77
Net loans written off	**1,649**	1,769	1,996	1,070	426

Notes to the Financial Statements

Note 14 Provisions for Impairment (continued)

Loans recovered by industry classification	2012 $M	2011 $M	2010 $M	2009 $M	Group 2008 $M
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**-**	-	-	1	-
Bank and other financial	**17**	3	-	1	-
Home loans	**5**	43	3	1	1
Construction	**-**	-	-	-	1
Personal	**147**	134	59	52	61
Asset financing	**17**	2	3	5	5
Other commercial and industrial	**30**	17	5	10	5
Total Australia	**216**	199	70	70	73
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**-**	-	-	-	-
Bank and other financial	**-**	-	-	-	-
Home loans	**-**	-	-	-	-
Construction	**-**	-	-	-	-
Personal	**8**	7	6	3	3
Asset financing	**-**	-	-	-	-
Other commercial and industrial	**4**	-	1	-	1
Total overseas	**12**	7	7	3	4
Total loans recovered	**228**	206	77	73	77

Note 15 Property, Plant and Equipment

	Group 2012 $M	Group 2011 $M	Bank 2012 $M	Bank 2011 $M
Land				
At 30 June valuation	**222**	269	**145**	191
Closing balance	**222**	269	**145**	191
Buildings				
At 30 June valuation	**351**	388	**255**	309
Closing balance	**351**	388	**255**	309
Total land and buildings	**573**	657	**400**	500
Leasehold Improvements				
At cost	**1,350**	1,276	**1,020**	1,019
Provision for depreciation	**(730)**	(662)	**(570)**	(518)
Closing balance	**620**	614	**450**	501
Equipment				
At cost	**1,519**	1,385	**1,018**	911
Provision for depreciation	**(1,164)**	(1,028)	**(787)**	(667)
Closing balance	**355**	357	**231**	244
Assets Under Lease				
At cost	**1,144**	884	**353**	332
Provision for depreciation	**(189)**	(146)	**(58)**	(51)
Closing balance	**955**	738	**295**	281
Total property, plant and equipment	**2,503**	2,366	**1,376**	1,526

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 to Note 1(r).

Note 15 Property, Plant and Equipment (continued)

	Group		Bank	
	2012	2011	2012	2011
Carrying value at cost	$M	$M	$M	$M
Land (1)	**103**	152	**59**	108
Buildings (1)	**164**	216	**123**	174
Total land and buildings at cost	**267**	368	**182**	282

(1) Comparatives have been restated to conform with presentation in the current period.

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

	Group		Bank	
	2012	2011	2012	2011
	$M	$M	$M	$M
Land				
Carrying amount at the beginning of the year	**269**	275	**191**	193
Transfers to assets held for sale	**(1)**	(4)	**(1)**	(4)
Disposals	**(48)**	(3)	**(44)**	(1)
Net revaluations	**2**	3	**(1)**	3
Foreign currency translation adjustment	**-**	(2)	**-**	-
Carrying amount at the end of the year	**222**	269	**145**	191
Buildings				
Carrying amount at the beginning of the year	**388**	429	**309**	336
Additions	**34**	15	**26**	1
Transfers to assets held for sale	**(1)**	(1)	**(1)**	(1)
Disposals	**(58)**	(5)	**(57)**	(4)
Transfers	**-**	(14)	**-**	-
Net revaluations	**25**	2	**6**	4
Depreciation	**(37)**	(35)	**(28)**	(27)
Foreign currency translation adjustment	**-**	(3)	**-**	-
Carrying amount at the end of the year	**351**	388	**255**	309
Leasehold Improvements				
Carrying amount at the beginning of the year	**614**	567	**501**	465
Additions	**124**	138	**42**	125
Disposals	**(10)**	(14)	**(8)**	(7)
Transfers	**-**	35	**-**	-
Net revaluations	**(1)**	(3)	**-**	-
Depreciation	**(107)**	(103)	**(85)**	(81)
Foreign currency translation adjustment	**-**	(6)	**-**	(1)
Carrying amount at the end of the year	**620**	614	**450**	501
Equipment				
Carrying amount at the beginning of the year	**357**	390	**244**	265
Additions	**158**	161	**108**	98
Disposals	**(5)**	(9)	**(2)**	(2)
Transfers	**-**	(21)	**-**	-
Net revaluations	**2**	-	**-**	-
Depreciation	**(158)**	(160)	**(119)**	(117)
Foreign currency translation adjustment	**1**	(4)	**-**	-
Carrying amount at the end of the year	**355**	357	**231**	244
Assets Under Lease				
Carrying amount at the beginning of the year	**738**	690	**281**	247
Additions	**266**	143	**41**	53
Disposals	**(11)**	-	**(11)**	-
Net revaluations	**1**	-	**-**	-
Depreciation	**(50)**	(42)	**(16)**	(19)
Foreign currency translation adjustment	**11**	(53)	**-**	-
Carrying amount at the end of the year	**955**	738	**295**	281

Note 16 Intangible Assets

	Group		Bank	
	2012 $M	2011 $M	2012 $M	2011 $M
Goodwill				
Purchased goodwill	**7,705**	7,399	**2,522**	2,522
Closing balance	**7,705**	7,399	**2,522**	2,522
Computer Software Costs				
Cost	**2,462**	1,895	**2,108**	1,563
Accumulated amortisation	**(758)**	(598)	**(503)**	(359)
Accumulated impairment	**(4)**	-	**(4)**	-
Closing balance	**1,700**	1,297	**1,601**	1,204
Core Deposits (1)				
Cost	**495**	495	**-**	-
Accumulated amortisation	**(248)**	(178)	**-**	-
Closing balance	**247**	317	**-**	-
Management Fee Rights (2)				
Cost	**316**	311	**-**	-
Closing balance	**316**	311	**-**	-
Brand Names (3)				
Cost	**190**	186	**-**	-
Closing balance	**190**	186	**-**	-
Other Intangibles (4)				
Cost	**255**	203	**-**	-
Accumulated amortisation	**(132)**	(110)	**-**	-
Closing balance	**123**	93	**-**	-
Total intangible assets	**10,281**	9,603	**4,123**	3,726

(1) Core deposits represent the value of the Bankwest deposit base compared to the avoided cost of alternative funding sources such as securitisation and wholesale funding. This asset was acquired on 19 December 2008 with a useful life of seven years based on the weighted average attrition rates of the Bankwest deposit portfolio.

(2) Management fee rights 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 predominately 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. The Count Financial Limited brand name ($4 million) is amortised over the estimated useful life of 20 years.

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

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.

Note 16 Intangible Assets (continued)

Reconciliation of the carrying amounts of Intangible Assets is set out below:

	Group		Bank	
	2012	2011	2012	2011
	$M	$M	$M	$M
Goodwill				
Opening balance	**7,399**	7,473	**2,522**	2,522
Additions	**232**	-	**-**	-
Transfers	**(5)**	-	**-**	-
Foreign currency translation adjustments	**79**	(74)	**-**	-
Total goodwill	**7,705**	7,399	**2,522**	2,522
Computer Software Costs				
Opening balance	**1,297**	950	**1,204**	860
Additions:				
From acquisitions	**24**	48	**7**	26
From internal development [1]	**562**	482	**540**	461
Amortisation	**(179)**	(183)	**(146)**	(143)
Impairment	**(4)**	-	**(4)**	-
Total computer software costs	**1,700**	1,297	**1,601**	1,204
Core Deposits				
Opening balance	**317**	388	**-**	-
Amortisation	**(70)**	(71)	**-**	-
Total core deposits	**247**	317	**-**	-
Management Fee Rights				
Opening balance	**311**	311	**-**	-
Transfers	**5**	-	**-**	-
Total management fee rights	**316**	311	**-**	-
Brand Names				
Opening balance	**186**	186	**-**	-
Additions	**4**	-	**-**	-
Total brand names	**190**	186	**-**	-
Other Intangibles				
Opening balance	**93**	112	**-**	-
Additions	**52**	-	**-**	-
Amortisation	**(22)**	(19)	**-**	-
Total other intangibles	**123**	93	**-**	-

(1) Due primarily to the Core Banking Modernisation initiative.

Goodwill allocation to the following cash generating units:

	Group	
	2012	2011
	$M	$M
Retail Banking Services [1]	**4,149**	4,149
Business and Private Banking	**297**	297
Wealth Management [2]	**2,587**	2,287
New Zealand	**672**	666
Total	**7,705**	7,399

(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 and Count Financial Limited.

Impairment Tests for Goodwill and Intangible Assets with Indefinite Lives

To assess whether goodwill or intangible assets are 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.

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	
		2012	2011	2012	2011
	Note	$M	$M	$M	$M
Accrued interest receivable		**2,275**	2,354	**2,713**	2,395
Defined benefit superannuation plan surplus	41	**-**	76	**-**	76
Accrued fees/reimbursements receivable		**883**	900	**212**	250
Securities sold not delivered		**2,892**	2,063	**1,798**	1,266
Intragroup current tax receivable		**-**	-	**261**	281
Current tax assets		**52**	105	**-**	-
Prepayments		**375**	344	**289**	277
Other		**1,040**	839	**599**	372
Total other assets		**7,517**	6,681	**5,872**	4,917

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

Note 18 Assets Held for Sale

	Group		Bank	
	2012	2011	2012	2011
	$M	$M	$M	$M
Available-for-sale investments (1)	**12**	29	**12**	29
Land and Buildings	**2**	4	**2**	4
Total assets held for sale (2)	**14**	33	**14**	33

(1) The balance includes the Group's holding in FS Media Works Fund I, LP.

(2) Impairments were recognised on Assets held for sale of $17 million during the year ended 30 June 2012 (30 June 2011: $10 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	
	2012	2011	2012	2011
	$M	$M	$M	$M
Australia				
Certificates of deposit	**45,839**	45,544	**46,997**	46,522
Term deposits	**152,543**	137,192	**127,640**	113,124
On demand and short term deposits	**176,866**	169,190	**157,328**	151,317
Deposits not bearing interest	**7,530**	7,630	**7,528**	7,628
Securities sold under agreements to repurchase	**5,245**	3,696	**5,258**	3,696
Total Australia	**388,023**	363,252	**344,751**	322,287
Overseas				
Certificates of deposit	**7,256**	4,700	**7,003**	4,345
Term deposits	**28,976**	22,304	**10,853**	6,020
On demand and short term deposits	**11,648**	8,866	**115**	115
Deposits not bearing interest	**1,752**	1,658	**91**	92
Securities sold under agreements to repurchase	**-**	367	**-**	105
Total overseas	**49,632**	37,895	**18,062**	10,677
Total deposits and other public borrowings	**437,655**	401,147	**362,813**	332,964

The majority of the amounts are due to be settled within twelve months of the Balance Sheet date as shown in the maturity analysis table on the next page.

Note 19 Deposits and Other Public Borrowings (continued)

Maturity Distribution of Certificates of Deposit and Term Deposits

	Group At 30 June 2012				
	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]	**31,059**	**5,733**	**760**	**8,287**	**45,839**
Term deposits	**99,026**	**20,045**	**27,915**	**5,557**	**152,543**
Total Australia	**130,085**	**25,778**	**28,675**	**13,844**	**198,382**
Overseas					
Certificates of deposit [1]	**5,453**	**564**	**663**	**576**	**7,256**
Term deposits	**20,118**	**4,893**	**2,536**	**1,429**	**28,976**
Total overseas	**25,571**	**5,457**	**3,199**	**2,005**	**36,232**
Total certificates of deposits and term deposits	**155,656**	**31,235**	**31,874**	**15,849**	**234,614**

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

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

Note 20 Liabilities at Fair Value through Income Statement

	Group		Bank	
	2012 $M	2011 $M	2012 $M	2011 $M
Deposits and other borrowings [1]	**1,298**	3,028	**-**	-
Debt instruments [1]	**2,775**	3,232	**699**	469
Trading liabilities	**2,482**	4,231	**2,482**	4,231
Total liabilities at fair value through Income Statement	**6,555**	10,491	**3,181**	4,700

(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 more than twelve months after 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 $26 million loss (2011: $6 million loss) and for the Bank is a $26 million loss (2011: $5 million loss), which has been calculated by determining the changes in credit spreads implicit in the fair value of the instruments issued. The cumulative change in fair value due to changes in credit risk for the Group is a $20 million gain (2011: $16 million gain) and for the Bank is a $20 million gain (2011: $15 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 $6,505 million (2011: $10,463 million) and for the Bank is $3,141 million (2011: $4,678 million).

Notes to the Financial Statements

Note 21 Tax Liabilities

		Group		Bank	
		2012	2011	2012	2011
	Note	$M	$M	$M	$M
Australia					
Current tax liability		**1,518**	1,108	**1,520**	1,118
Total Australia		**1,518**	1,108	**1,520**	1,118
Overseas					
Current tax liability		**19**	114	**3**	15
Deferred tax liability	5	**338**	301	**-**	-
Total overseas		**357**	415	**3**	15
Total tax liabilities		**1,875**	1,523	**1,523**	1,133

Note 22 Other Provisions

		Group		Bank	
		2012	2011	2012	2011
	Note	$M	$M	$M	$M
Long service leave		**416**	396	**385**	362
Annual leave		**231**	255	**193**	209
Other employee entitlements		**71**	65	**68**	65
Restructuring costs		**74**	121	**38**	56
General insurance claims		**184**	193	**-**	-
Self insurance/non-lending losses		**53**	49	**49**	45
Dividends	6	**52**	37	**52**	37
Other		**143**	161	**117**	183
Total other provisions		**1,224**	1,277	**902**	957

Provisions due to be settled within twelve months of the Balance Sheet date for the Group were $921 million (2011: $989 million) and for the Bank were $666 million (2011: $685 million).

	Group		Bank	
	2012	2011	2012	2011
Reconciliation	$M	$M	$M	$M
Restructuring costs:				
Opening balance	**121**	96	**56**	73
Additional provisions	**2**	61	**2**	6
Amounts utilised during the year	**(49)**	(36)	**(20)**	(23)
Closing balance	**74**	121	**38**	56
General insurance claims:				
Opening balance	**193**	191	**-**	-
Additional provisions	**140**	96	**-**	-
Amounts utilised during the year	**(149)**	(94)	**-**	-
Closing balance	**184**	193	**-**	-
Self insurance/non-lending losses:				
Opening balance	**49**	57	**45**	53
Additional provisions	**12**	11	**11**	11
Amounts utilised during the year	**(1)**	(10)	**-**	(10)
Release of provision	**(7)**	(9)	**(7)**	(9)
Closing balance	**53**	49	**49**	45
Other:				
Opening balance	**161**	160	**183**	194
Additional provisions	**180**	134	**76**	48
Amounts utilised during the year	**(173)**	(120)	**(63)**	(39)
Release of provision	**(25)**	(13)	**(79)**	(20)
Closing balance	**143**	161	**117**	183

Note 22 Other Provisions (continued)

Provision Commentary

Restructuring Costs

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

General Insurance Claims

This provision is to cover future claims on general insurance contracts that have been incurred but not reported.

Self Insurance and Non-Lending Losses

This provision covers certain non-transferred insurance risk and non-lending losses. The self insurance provision is reassessed annually in consultation with actuarial advice.

Note 23 Debt Issues

		Group		Bank	
		2012	2011	2012	2011
	Note	$M	$M	$M	$M
Medium term notes		**69,923**	73,107	**64,574**	66,350
Commercial paper		**34,142**	36,121	**26,315**	28,035
Securitisation notes	47	**7,858**	9,424	**-**	-
Covered bonds	47	**12,789**	-	**11,423**	-
Total debt issues		**124,712**	118,652	**102,312**	94,385
Short Term Debt Issues by currency					
USD		**28,437**	28,937	**26,143**	25,925
EUR		**99**	2,005	**-**	1,077
AUD		**181**	123	**103**	52
GBP		**5,305**	4,913	**30**	882
Other currencies		**120**	143	**39**	99
Long term debt issues with less than one year to maturity		**15,983**	15,342	**13,454**	11,211
Total short term debt issues		**50,125**	51,463	**39,769**	39,246
Long Term Debt Issues by currency					
USD		**31,017**	31,389	**29,814**	29,727
EUR		**12,492**	7,973	**11,280**	7,009
AUD		**13,035**	9,507	**6,464**	2,678
GBP		**2,071**	1,707	**1,729**	1,362
NZD		**2,715**	2,384	**472**	542
JPY		**7,018**	8,265	**6,956**	8,207
Other currencies		**6,195**	5,922	**5,784**	5,572
Offshore loans (all JPY)		**44**	42	**44**	42
Total long term debt issues		**74,587**	67,189	**62,543**	55,139
Maturity Distribution of Debt Issues (1)					
Less than three months		**24,586**	27,721	**17,910**	20,993
Between three and twelve months		**25,539**	23,742	**21,859**	18,253
Between one and five years		**54,863**	48,259	**45,739**	38,991
Greater than five years		**19,724**	18,930	**16,804**	16,148
Total debt issues		**124,712**	118,652	**102,312**	94,385

(1) Represents the contractual maturity of the underlying instrument; other than for RMBS which is based on expected life.

The Bank's long term debt issues includes notes issued under the USD70 billion Euro Medium Term Note Programme, the USD50 billion US Medium Term Note Programme, the USD30 billion Covered Bond Programme, the USD25 billion CBA New York Branch Medium Term Note Programme and other applicable debt documentation. Notes issued under debt programmes are both fixed and variable rate. Interest rate risk associated with the notes is incorporated within the Bank's interest rate risk framework.

Where any debt issue is booked in an offshore branch or subsidiary, the amounts have first been converted into the functional currency of the branch at a branch defined exchange rate, before being converted into the AUD equivalent.

Where proceeds have been employed in currencies other than that of the ultimate repayment liability, swaps or other risk management arrangements have been entered into.

Note 23 Debt Issues (continued)

Short term borrowings by issue currency	2012	2011	2010
		Group	
	$M (except where indicated)		
USD			
Outstanding at period end [1]	**28,437**	28,937	20,423
Maximum amount outstanding at any month end [2] [3]	**33,358**	28,937	21,592
Average amount outstanding [2]	**30,984**	22,362	20,707
Weighted average interest rate on:			
Average amount outstanding	**0.4%**	0.4%	0.3%
Outstanding at period end	**0.3%**	0.3%	0.5%
EUR			
Outstanding at period end [1]	**99**	2,005	1,981
Maximum amount outstanding at any month end [2] [3]	**2,012**	2,005	2,576
Average amount outstanding [2]	**920**	1,498	1,751
Weighted average interest rate on:			
Average amount outstanding	**1.0%**	0.8%	0.5%
Outstanding at period end	**0.2%**	1.2%	0.4%
AUD			
Outstanding at period end [1]	**181**	123	494
Maximum amount outstanding at any month end [2] [3]	**248**	368	648
Average amount outstanding [2]	**188**	178	446
Weighted average interest rate on:			
Average amount outstanding	**4.5%**	4.9%	4.0%
Outstanding at period end [3]	**3.5%**	4.8%	4.7%
GBP			
Outstanding at period end [1]	**5,305**	4,913	4,980
Maximum amount outstanding at any month end [2] [3]	**5,305**	4,913	4,980
Average amount outstanding [2]	**4,877**	3,776	3,110
Weighted average interest rate on:			
Average amount outstanding	**0.8%**	0.8%	0.6%
Outstanding at period end	**0.7%**	0.9%	0.7%
Other Currencies			
Outstanding at period end [1]	**120**	143	88
Maximum amount outstanding at any month end [2] [3]	**187**	143	386
Average amount outstanding [2]	**101**	91	136
Weighted average interest rate on:			
Average amount outstanding	**1.6%**	0.3%	0.6%
Outstanding at period end [3]	**1.5%**	1.3%	1.3%

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

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

(3) Comparatives have been restated to conform with presentation in the current period.

Exchange rates utilised [1]	Currency	As At 30 June 2012	As At 30 June 2011
AUD 1.00 =	USD	**1.0181**	1.0740
	EUR	**0.8079**	0.7410
	GBP	**0.6509**	0.6677
	NZD	**1.2756**	1.2944
	JPY	**80.9160**	86.3984

(1) End of day, Sydney time.

Note 23 Debt Issues (continued)

Guarantee Arrangements

Commonwealth Bank of Australia

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

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

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

The text of the Guarantee Scheme documents can be found at the Australian Government Guarantee website at www.guaranteescheme.gov.au. Fees are payable in relation to the Guarantee Scheme, calculated by reference to the term and amount of the liabilities guaranteed and the Bank's credit rating.

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

Separate arrangements apply under the Australian Government's guarantee on deposits denominated in Australian dollars held in a specified range of deposit accounts with the Bank for balances per depositor totalling up to $250,000 under the Financial Claims Scheme (FCS), which is administered by the Australian Prudential Regulation Authority (APRA). Such deposits are guaranteed without charge. Term deposits which existed on or before 10 September 2011 are covered up to $1 million until 31 December 2012 or until the deposit matures – whichever is sooner. For term deposits opened or rolled over after 10 September 2011, the $250,000 cap applies from 1 February 2012. If a term deposit rolls over, the roll over date is taken to be the maturity date for the purposes of the FCS. Further information on the FCS can be found on the APRA website at: www.apra.gov.au/crossindustry/fcs.

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 remains guaranteed until maturity.

Note 24 Bills Payable and Other Liabilities

		Group		Bank	
		2012	2011	2012	2011
	Note	$M	$M	$M	$M
Bills payable		**773**	867	**696**	733
Accrued interest payable		**3,411**	3,709	**2,677**	2,917
Accrued fees and other items payable		**1,872**	1,807	**1,200**	1,172
Defined benefit superannuation plan deficit	41	**464**	83	**464**	83
Securities purchased not delivered		**1,175**	2,600	**694**	1,813
Other		**1,866**	1,586	**3,646**	2,630
Total bills payable and other liabilities		**9,561**	10,652	**9,377**	9,348

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 25 Loan Capital

		Currency Amount (M)	Footnotes	Group 2012 $M	Group 2011 $M	Bank 2012 $M	Bank 2011 $M
Tier One Loan Capital							
Exchangeable	FRN	USD 38	(1)	**-**	35	**-**	35
Undated	FRN	USD 100	(2)	**98**	93	**98**	93
Undated	TPS	USD 550	(3)	**540**	512	**540**	512
Undated	PERLS III	AUD 1,166	(4)	**1,158**	1,156	**1,158**	1,156
Undated	PERLS IV	AUD 1,465	(5)	**1,463**	1,458	**1,463**	1,458
Undated	PERLS V	AUD 2,000	(6)	**1,985**	1,978	**1,980**	1,971
Undated	TPS	USD 700	(7)	**-**	-	**684**	647
Total Tier One loan capital				**5,244**	5,232	**5,923**	5,872
Tier Two Loan Capital							
AUD denominated			(8)	**800**	1,499	**800**	1,499
USD denominated			(9)	**344**	1,396	**344**	1,396
JPY denominated			(10)	**927**	843	**801**	750
GBP denominated			(11)	**229**	224	**229**	224
NZD denominated			(12)	**559**	556	**274**	270
EUR denominated			(12)	**1,233**	1,343	**1,233**	1,343
CAD denominated			(12)	**288**	288	**288**	288
Total Tier Two loan capital				**4,380**	6,149	**3,969**	5,770
Fair value hedge adjustments				**398**	180	**331**	166
Total loan capital				**10,022**	11,561	**10,223**	11,808

(1) USD300 million undated Floating Rate Notes (FRNs) issued 11 July 1988 exchangeable into dated FRNs.

Outstanding notes (of USD38 million) were discontinued from inclusion in Tier One Loan Capital in July 2011.

(2) USD100 million undated capital notes issued on 15 October 1986.

The Bank has entered into agreements with the Commonwealth of Australia relating to each of the above issues (the "Agreements") which provide that, if certain events occur, the Bank may issue either fully paid ordinary shares to the Commonwealth of Australia or (with the consent of the Commonwealth of Australia) a renounceable rights issue for fully paid ordinary shares to all shareholders, at the prevailing market price for the Bank's shares, up to an amount equal to the outstanding principal value of the relevant note issue or issues plus any accrued interest which is declared due and payable. The capital so raised must be used to pay the amounts due and payable.

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

- A relevant event of default occurs in respect of a note issue and the Trustee of the relevant notes gives notice to the Bank that the notes are immediately due and payable;
- The most recent audited annual Financial Statements of the Group show a loss (as defined in the Agreements); or
- The Bank does not declare a dividend in respect of its ordinary shares.

The relevant events of default differ depending on the relevant Agreement. In summary, they cover events such as failure of the Bank to meet its monetary obligation in respect of the relevant notes; the insolvency of the Bank; any law being passed to dissolve the Bank or the Bank ceasing to carry on general Banking business in Australia; and the Commonwealth of Australia ceasing to guarantee the relevant notes.

In relation to Dated FRNs which have matured to date, the Bank and the Commonwealth agreed to amend the relevant Agreement to reflect that the Commonwealth of Australia was not called upon to subscribe for fully paid ordinary shares up to an amount equal to the principal value of the maturing FRNs.

(3) **TPS 2003**

On 6 August 2003 a wholly owned entity of the Bank (CBA Capital Trust) issued USD550 million of perpetual trust preferred securities which can be redeemed after the first 12 years. The securities were issued into the US capital markets and are subject to Delaware and New York law.

Each trust preferred security represents a beneficial ownership interest in the assets of CBA Capital Trust, a statutory trust established under Delaware law. The sole assets of CBA Capital Trust are the funding preferred securities issued by CBA Funding Trust, which represent preferred beneficial ownership interests in the assets of CBA Funding Trust, and a limited CBA guarantee. The securities qualify as innovative residual Tier One capital of the Bank.

CBA Funding Trust applied all of the proceeds from the sale of the funding preferred securities to purchase convertible notes from the Bank's New Zealand branch.

The trust preferred securities provide for a semi-annual cash distribution in arrears at the annual rate of 5.805%. The distributions on the trust preferred securities are non-cumulative. CBA Capital Trust's ability to pay distributions on the trust preferred securities is ultimately dependent upon the ability of CBA to make interest payments on the convertible notes.

The Bank's New Zealand branch will make interest payments on the convertible notes only if and when declared by the Board of Directors of the Bank. The Board of Directors is not permitted, unless approved by APRA, to declare interest.

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

Note 25 Loan Capital (continued)

preference shares will also occur on the occurrence of certain other events, including a number of events specified by APRA.

No later than 35 business days prior to 30 June 2015, holders may deliver a notice to the Bank requiring it to exchange each trust preferred security for ordinary shares. The Bank may satisfy the obligation to deliver ordinary shares by either delivering the applicable number of ordinary shares or by arranging for the sale of the trust preferred securities at par and delivering the proceeds to the holder. Subject to the approval of APRA, holders may exchange trust preferred securities for the Bank's ordinary shares earlier than 30 June 2015 if, prior to that date, a takeover bid or scheme of arrangement in relation to a takeover has occurred.

If CBA Capital Trust is liquidated, dissolved or wound up and its assets are distributed, for each trust preferred security owned, the holder is entitled to receive the stated liquidation amount of USD1,000 plus the accrued but unpaid distribution for the then current distribution period. Holders may not receive the full amount payable on liquidation if CBA Capital Trust does not have enough funds.

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

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

The Bank's New Zealand branch may redeem the convertible notes for cash: (a) before 30 June 2015, in whole, but not in part, and only if the specified changes in tax law or other tax-related events occur, 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 the offering memorandum occur; and (b) at any time on or after 30 June 2015. The Bank's New Zealand branch must first obtain the approval of APRA to redeem the convertible notes for cash.

The Bank guarantees:

- Semi-annual distributions on the funding preferred securities by CBA Funding Trust to CBA Capital Trust to the extent CBA Funding Trust has funds available for distribution;
- Semi-annual distributions on the trust preferred securities by CBA Capital Trust to the extent CBA Capital Trust has funds available for distribution;
- The redemption amount due to CBA Capital Trust if CBA Funding Trust is obligated to redeem the funding preferred securities for cash and to the extent CBA Funding Trust has funds available for payment;
- The redemption amount due if CBA Capital Trust is obligated to redeem the trust preferred securities for cash and to the extent CBA Capital Trust has funds available for payment;
- The delivery of ADS to CBA Capital Trust by CBA Funding Trust if CBA Funding Trust is obligated to redeem the funding preferred securities for ADS and to the extent that CBA Funding Trust has ADS available for that redemption;
- The delivery of ADS by CBA Capital Trust if CBA Capital Trust is obligated to redeem the trust preferred securities for ADS and to the extent that CBA Capital Trust has ADS available for that redemption;
- The delivery of funding preferred securities by CBA Capital Trust upon dissolution of CBA Capital Trust as a result of a tax event or an event giving rise to a more than insubstantial risk that CBA Capital Trust is or will be considered an Investment Company which is required to be registered under the Investment Company Act;
- The payment of the liquidation amount of the funding preferred securities if CBA Funding Trust is liquidated, to the extent that CBA Funding Trust has funds available after payment of its creditors; and
- The liquidation amount of the trust preferred securities if CBA Capital Trust is liquidated, to the extent that CBA Capital Trust has funds available after payment of its creditors.

The Bank's guarantee does not cover the non-payment of distributions on the funding preferred securities to the extent that CBA Funding Trust does not have sufficient funds available to pay distributions on the funding preferred securities.

Trust preferred securities have limited voting rights.

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

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

(4) PERLS III

On 6 April 2006 a wholly owned entity of the Bank (Preferred Capital Limited "PCL") issued $1,166 million of Perpetual Exchangeable Repurchaseable Listed Shares (PERLS III). PERLS III are preference shares in a special purpose Company, (the ordinary shares of which are held by the Bank), perpetual in nature, offering a non-cumulative floating rate distribution payable quarterly. PERLS III were issued into the Australian capital markets and are subject to Australian law. They qualify as innovative residual Tier One capital of the Bank.

The Dividends paid to PERLS III Holders will be primarily sourced from interest paid on the Convertible Notes issued by CBA NZ to PCL. The payment of interest on the underlying Convertible Notes and Dividends on PERLS III are not guaranteed and are subject to a number of conditions including the availability of profits and the Board (of the Bank in relation to Convertible Note interest, or of PCL in relation to PERLS III Dividends) resolving to make the payment.

The Dividend Rate is a floating rate calculated for each Dividend Period as the sum of the Margin per annum plus the Market Rate per annum multiplied by (1 – Tax Rate). The Initial Margin is 1.05% over Bank Bill Swap Rate and the Step-up Margin, effective from the "Step-up Date" on 6 April 2016, is the Initial Margin plus 1.00% per annum.

Note 25 Loan Capital (continued)

If each PERLS III Holder is not paid a dividend in full within 20 Business Days of the Dividend Payment Date, the Bank is prevented from paying any interest, dividends or distributions, or undertaking certain other transactions, in relation to any securities of the Bank that rank for interest payments or distributions equally with, or junior to, the Convertible Notes or Bank PERLS III Preference Shares. This Dividend Stopper applies until an amount in aggregate equal to the full dividend on PERLS III for four consecutive dividend periods has been paid to PERLS III Holders.

PERLS III will automatically exchange for Bank PERLS III Preference Shares:

- On a failure by PCL to pay a Dividend;
- At any time at the Bank's discretion; or
- 10 Business Days before the Conversion Date.

Subject to APRA approval, PCL may elect to exchange PERLS III for the Conversion Number of Bank Ordinary Shares or $200 cash for each PERLS III:

- On the Step-up Date or any Dividend Payment Date after the Step-up Date; or
- If a Regulatory Event or Tax Event occurs.

PERLS III will automatically exchange for Bank Ordinary Shares if:

- An APRA Event occurs;
- A Default Event occurs; or
- A Change of Control Event occurs.

PERLS III will be automatically exchanged for Bank PERLS III Preference Shares no later than 10 Business Days prior to 6 April 2046 (if they have not been exchanged before that date).

Holders are not entitled to request exchange or redemption of PERLS III or Bank PERLS III Preference Shares.

Holders of PERLS III are entitled to vote at a general meeting of PCL on certain issues. PERLS III holders have no rights at any meeting of the Bank.

(5) PERLS IV

On 12 July 2007 the Bank issued $1,465 million of Perpetual Exchangeable Resalable Listed Securities (PERLS IV). PERLS IV are stapled securities comprising an unsecured subordinated note issued by the Bank's New York branch and a convertible preference share issued by the Bank. These securities are perpetual in nature; offer a non-cumulative floating distribution rate payable quarterly. PERLS IV were issued into the Australian capital markets and are subject to Australian law. They qualify as non-innovative residual Tier One capital of the Bank.

The payment of interest on the underlying convertible notes and dividends on PERLS IV are not guaranteed and are subject to a number of conditions including the availability of profits and the ability of the Board to stop payments.

The distribution rate is a floating rate calculated for each distribution period as the sum of the Bank Bill Swap Rate plus 1.05% per annum, multiplied by (1 – Tax Rate).

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

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

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

PERLS IV may 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.

Note 25 Loan Capital (continued)

(6) PERLS V

On 14 October 2009 the Bank issued $2,000 million of Perpetual Exchangeable Resalable Listed Securities (PERLS V). PERLS V are stapled securities comprising an unsecured subordinated note issued by the Bank's New Zealand branch and a convertible preference share issued by the Bank. These securities are perpetual in nature; offer a non-cumulative floating distribution rate payable quarterly. PERLS V were issued into the Australian capital markets and are subject to Australian law. They qualify as non-innovative residual Tier One capital of the Bank.

The payment of interest on the underlying convertible notes and dividends on PERLS V are not guaranteed and are subject to a number of conditions including the availability of profits and the ability of the Board to stop payments.

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

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

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

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

PERLS V may 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.

(7) TPS 2006

On 15 March 2006 a wholly owned entity of the Bank (CBA Capital Trust II) issued USD700 million ($947 million) of perpetual trust preferred securities which can be redeemed after the first 10 years. The securities were issued into the US capital markets and are subject to Delaware and New York law.

Each trust preferred security represents a preferred beneficial ownership interest in the assets of CBA Capital Trust II, a statutory trust established under Delaware law. The sole assets of the CBA Capital Trust II are USD subordinated notes issued by a New Zealand subsidiary of the Bank, preference shares issued by the Bank, and a limited guarantee by the Bank's New Zealand branch. Each subordinated note held by CBA Capital Trust II forms a unit with a Bank preference share held by CBA Capital Trust II. The trust preferred securities form part of the Bank's innovative residual Tier One capital.

The Bank's New Zealand subsidiary applied the proceeds of its subordinated note issue to CBA Capital Trust II to purchase USD notes from the Bank's New Zealand branch.

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

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

There are restrictions on the Bank's New Zealand subsidiary's ability to make payments on the subordinated notes, the Bank's New Zealand branch's ability to make payments on the Bank's

Note 25 Loan Capital (continued)

New Zealand branch notes and the subordinated note 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 USD1,000, 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 USD1,000 liquidation amount or similar amount of qualifying Tier One securities for each trust preferred security held.

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

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

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

- The Bank's New Zealand subsidiary if the Bank's New Zealand subsidiary does not pay when due, interest on the subordinated notes or certain other amounts payable under the subordinated notes to CBA Capital Trust II in accordance with their terms;
- The Bank if it does not perform its obligations under the trust guarantee; and
- The Bank's New Zealand branch or the Bank if the Bank's New Zealand branch does not perform its obligations under the subordinated notes guarantee or under the Bank's New Zealand branch notes.

The Bank will guarantee the trust preferred securities:

- Cash distributions on the trust preferred securities by CBA Capital Trust II to holders of trust preferred securities on distribution payment dates, to the extent CBA Capital Trust II has funds available for distribution;
- The cash redemption amount due to holders of trust preferred securities if CBA Capital Trust II is obligated to redeem the trust preferred securities for cash, to the extent CBA Capital Trust II has funds available for distribution;
- The delivery of Bank preference shares or qualifying Tier One securities to holders of trust preferred securities if CBA Capital Trust II is obligated to redeem the trust preferred securities for Bank preference shares or qualifying Tier One securities, to the extent CBA Capital Trust II has or is entitled to receive such securities available for distribution; and
- The payment of the liquidation amount of the trust preferred securities if CBA Capital Trust II is liquidated, to the extent that CBA Capital Trust II has funds available for distribution.

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

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

- The subordinated notes will detach from the Bank's preference shares that are part of those units and automatically be transferred to CBA;
- If the Assignment Event is the cash redemption of the Bank preference shares, upon receipt, CBA Capital Trust II will pay to the holders of the trust preferred securities called for redemption the cash redemption price for those Bank preference shares and the accrued and unpaid interest on the subordinated notes that were part of the units with those Bank preference shares; and
- If the Assignment Event is not the cash redemption of Bank preference shares, CBA Capital Trust II will deliver to all holders of trust preferred securities in redemption thereof one Bank preference share for each USD1,000 liquidation preference of trust preferred securities to be redeemed or, if qualifying Tier One securities are delivered, USD1,000 liquidation amount or similar amount of qualifying Tier One securities for each USD1,000 liquidation amount of trust preferred securities to be redeemed, and the Bank preference shares or qualifying Tier One securities will accrue non-cumulative dividends or similar amounts at the rate of 6.024% per annum to but excluding 15 March 2016 and at the rate of LIBOR plus 1.740% per annum thereafter.

If the Bank is liquidated, holders of Bank preference shares will be entitled to receive an amount equal to a liquidation preference out of surplus assets of USD1,000 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 the Bank's New Zealand subsidiary or the Bank's New Zealand branch, as guarantor, has failed to pay in full interest on the subordinated notes or the Bank has failed to pay in full dividends on the Bank preference shares on any interest payment date and/or dividend payment date.

On or after 15 March 2016, the Bank may redeem the Bank preference shares for cash, in whole or in part, on any date selected by the Bank at a redemption price equal to USD1,000 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

Note 25 Loan Capital (continued)

securities, in whole but not in part, on any date selected by the Bank:

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

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

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

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

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

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

- In the case of any non-payment of distributions on the trust preferred securities on any distribution payment date, on or within 21 business days after any distribution payment date, CBA Capital Trust II or the Bank, as guarantor, has paid in full to the holders of the trust preferred securities any distributions owing in respect of that distribution payment date through the date of actual payment in full;
- In the case of any non-payment of a dividend on the Bank preference shares on any dividend payment date, the Bank has paid (a) that dividend in full on or within 21 business days after that dividend payment date, (b) an optional dividend equal to the unpaid amount of scheduled dividends for the 12 consecutive calendar months prior to the payment of such dividend or (c) dividends on the Bank preference shares in full on each dividend payment date during a 12 consecutive month period;
- In the case of any non-payment of interest on the subordinated notes on any interest payment date, (a) on or within 21 business days after any interest payment date, (i) the Bank's New Zealand subsidiary or the Bank's New Zealand branch, as guarantor, has paid in full to the holders of the subordinated notes any interest and other amounts owing in respect of that interest payment date (excluding defaulted note interest) through the date of actual payment in full or (ii) with the prior approval of APRA, the Bank has paid in full to holders of the subordinated notes an assignment prevention optional dividend in an amount equal to such interest and any other amounts, or (b) the Bank has paid dividends on the Bank preference shares in full on each dividend payment date during a 12 consecutive month period; and
- In the case of any non-payment of the redemption price or non-delivery of the securities payable or deliverable with respect to Bank preference shares or the trust preferred securities, such redemption price or securities have been paid or delivered in full, as applicable; then there are restrictions on the Bank paying any interest on equal ranking or junior securities.

(8) AUD denominated Tier Two Loan Capital issuances

- $275 million extendible floating rate note issued December 1989, due December 2014.

The Bank has entered into a separate agreement with the Commonwealth of Australia relating to the above issue (the "Agreement") which provides that, if certain events occur, the Bank may issue either fully paid ordinary shares to the Commonwealth of Australia or (with the consent of the Commonwealth of Australia) a renounceable rights issue for fully paid ordinary shares to all shareholders, at the prevailing market price for the Bank's shares, up to an amount equal to the outstanding principal value of the note issue plus any accrued interest declared due and payable. The capital so raised must be used to pay the amounts due and payable. Events that will trigger the issue of shares include a failure to pay interest due within 7 business days of the due date.

Other outstanding notes at 30 June 2012 were:

- $25 million subordinated FRN, issued April 1999, due April 2029;
- $500 million subordinated floating rate notes, issued September 2008, due September 2018.

(9) USD denominated Tier Two Loan Capital issuances

- USD350 million subordinated fixed rate note, issued June 2003, due June 2018;

(10) JPY denominated Tier Two Loan Capital issuances

- JPY20 billion perpetual subordinated EMTN, issued February 1999;
- JPY30 billion subordinated EMTN, issued October 1995 due October 2015;
- JPY10 billion subordinated notes, issued November 2005, due November 2035;
- JPY5 billion subordinated loan, issued March 2006, due March 2018; and
- JPY9 billion perpetual subordinated notes, issued May 1996.

Note 25 Loan Capital (continued)

[11] GBP denominated Tier Two Loan Capital issuances

GBP150 million subordinated EMTN, issued June 2003, due December 2023.

[12] Other currencies Tier Two Loan Capital issuances

- EUR1,000 million subordinated notes, issued August 2009, due August 2019;
- CAD300 million subordinated notes, issued October 2007, due October 2017;
- NZD350 million subordinated notes, issued May 2005, due April 2015.

  On 18 May 2005 a wholly owned entity of the Bank (CBA Capital Australia Limited) issued NZD350 million redeemable preference shares. Each redeemable preference share is a fixed term obligation of CBA Capital Australia Limited paying quarterly cumulative dividends until maturity. The redeemable preference shares:

  - Are not guaranteed by the Bank;
  - Were issued into the New Zealand capital markets;
  - Are subject to New Zealand and New South Wales law; and
  - Form part of the Bank's Lower Tier Two capital.

  CBA Capital Australia applied all of the proceeds from the sale of the redeemable preference shares to invest in redeemable preference shares issued by CBA Capital Australia (No 2) Pty Ltd, which in turn invested the proceeds in NZD subordinated notes issued by the Bank's New Zealand branch.

  The Dividend Rate is calculated for each Dividend Period as the sum of the Margin per annum plus the Market Rate per annum multiplied by (1 – Tax Rate). The Margin is 0.75% per annum. The Market Rate is the New Zealand one year swap rate. CBA Capital Australia's ability to pay dividends is ultimately dependent upon the ability of the Bank's New Zealand branch to make payments on the NZD subordinated notes, and subject to the directors discretion not to pay or to defer the payment.

  The redeemable preference shares are to be redeemed or repurchased by CBA Capital Australia on 15 April 2015. Subject to APRA approval and the requisite notice, CBA Capital Australia is also entitled to redeem or repurchase the redeemable preference shares earlier on each 15 April until maturity, or if a regulatory or tax event occurs.
- NZD370 million subordinated notes, issued November 2007, due November 2017.

Note 26 Shareholders' Equity

	Group		Bank	
	2012	2011	2012	2011
	$M	$M	$M	$M
Ordinary Share Capital [1]				
Opening balance	**23,602**	23,081	**23,896**	23,379
Issue of shares [2]	**237**	-	**237**	-
Dividend reinvestment plan (net of issue costs) [3]	**1,363**	511	**1,363**	511
Exercise of executive options under employee share ownership schemes	**2**	6	**2**	6
Purchase of treasury shares [4]	**(96)**	(69)	**-**	-
Sale and vesting of treasury shares [4]	**67**	73	**-**	-
Closing balance	**25,175**	23,602	**25,498**	23,896
Other Equity Instruments [1]				
Opening balance	**939**	939	**1,895**	1,895
Closing balance	**939**	939	**1,895**	1,895
Retained Profits				
Opening balance	**11,826**	9,938	**9,593**	7,880
Actuarial losses from defined benefit superannuation plans	**(223)**	(89)	**(223)**	(89)
Realised gains and dividend income on treasury shares [1]	**13**	20	**-**	-
Operating profit attributable to Equity holders of the Bank	**7,090**	6,394	**6,461**	6,480
Total available for appropriation	**18,706**	16,263	**15,831**	14,271
Transfers (to)/from general reserve	**(223)**	270	**-**	-
Transfers from employee compensation reserve	**(1)**	-	**(1)**	-
Interim dividend - cash component	**(1,635)**	(1,532)	**(1,635)**	(1,532)
Interim dividend - dividend reinvestment plan [3]	**(531)**	(513)	**(531)**	(513)
Final dividend - cash component	**(2,099)**	(2,633)	**(2,099)**	(2,633)
Final dividend - dividend reinvestment plan [3]	**(831)**	-	**(831)**	-
Other dividends [5]	**(30)**	(29)	**-**	-
Closing balance	**13,356**	11,826	**10,734**	9,593

(1) Refer to Note 27.

(2) The Group acquired 100% of the issued share capital of Count Financial Limited during the year for a purchase consideration of $372 million. This was in part funded by the issue of $237 million (5,042,949) of ordinary shares.

(3) The declared dividend includes an amount attributable to DRP of $531 million (interim 2011/2012) and $831 million (final 2010/2011). These amounts have been issued in ordinary shares under the plan rules. The DRP in respect of the 2009/2010 final dividend was satisfied in full through an on market purchase and transfer of $679 million of ordinary shares to participating shareholders.

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

(5) Dividends relating to equity instruments on issue other than ordinary shares.

Note 26 Shareholders' Equity (continued)

	Group		Bank	
	2012	2011	2012	2011
Reserves	$M	$M	$M	$M
General Reserve				
Opening balance	**978**	1,248	**570**	570
Appropriation from/(to) retained profits	**223**	(270)	**-**	-
Closing balance	**1,201**	978	**570**	570
Capital Reserve				
Opening balance	**328**	319	**1,576**	1,567
Revaluation surplus on sale of property	**23**	9	**18**	9
Closing balance	**351**	328	**1,594**	1,576
Asset Revaluation Reserve				
Opening balance	**191**	194	**163**	163
Revaluation of properties	**32**	6	**5**	9
Transfers on sale of properties	**(23)**	(9)	**(18)**	(9)
Tax on revaluation of properties	**(5)**	-	**-**	-
Closing balance	**195**	191	**150**	163
Foreign Currency Translation Reserve				
Opening balance	**(1,083)**	(553)	**(330)**	(136)
Currency translation adjustments of foreign operations	**199**	(559)	**76**	(216)
Currency translation on net investment hedge	**3**	13	**4**	12
Tax on translation adjustments	**(12)**	16	**(10)**	10
Closing balance	**(893)**	(1,083)	**(260)**	(330)
Cash Flow Hedge Reserve				
Opening balance	**(402)**	(417)	**(387)**	(312)
Gains and losses on cash flow hedging instruments:				
Recognised in other comprehensive income	**730**	(754)	**847**	(748)
Transferred to Income Statement:				
Interest income	**(354)**	(41)	**(254)**	24
Interest expense	**1,112**	810	**796**	626
Tax on cash flow hedging instruments	**(442)**	-	**(415)**	23
Closing balance	**644**	(402)	**587**	(387)
Employee Compensation Reserve				
Opening balance	**135**	125	**135**	125
Current period movement	**1**	10	**1**	10
Closing balance	**136**	135	**136**	135
Available-for-Sale Investments Reserve				
Opening balance	**245**	173	**237**	70
Net gains and losses on revaluation of available-for-sale investments	**(349)**	124	**(315)**	264
Net gains and losses on available-for-sale investments transferred to Income Statement on disposal	**(81)**	(24)	**(86)**	(24)
Tax on available-for-sale investments	**122**	(28)	**119**	(73)
Closing balance	**(63)**	245	**(45)**	237
Total Reserves	**1,571**	392	**2,732**	1,964
Shareholders' Equity attributable to Equity holders of the Bank	**41,041**	36,759	**40,859**	37,348
Shareholders' Equity attributable to Non-controlling interests	**531**	528	**-**	-
Total Shareholders' Equity	**41,572**	37,287	**40,859**	37,348

Note 27 Share Capital

Issued and paid up ordinary capital	Group 2012 $M	Group 2011 $M	Bank 2012 $M	Bank 2011 $M
Ordinary Share Capital				
Opening balance (excluding Treasury Shares deduction)	**23,896**	23,379	**23,896**	23,379
Issue of shares (1)	**237**	-	**237**	-
Dividend reinvestment plan: Final dividend prior year (2)	**832**	-	**832**	-
Dividend reinvestment plan: Interim dividend (3)	**531**	511	**531**	511
Exercise of executive options under employee share ownership schemes	**2**	6	**2**	6
Closing balance (excluding Treasury Shares deduction)	**25,498**	23,896	**25,498**	23,896
Less: Treasury Shares (4)	**(323)**	(294)	**-**	-
Closing balance	**25,175**	23,602	**25,498**	23,896

(1) The Group acquired 100% of the issue of share capital of Count Financial Limited during the year for a purchase consideration of $372 million. This was in part funded by the issue of 5,042,949 ordinary shares.

(2) The gross dividend entitlement in respect of the DRP for the 2010/2011 final dividend was $831 million, with $832 million ordinary shares issued under the plan rules, which include the carry forward of DRP balances from previous dividends. The DRP in respect of the 2009//2010 final dividend was satisfied in full through an on market purchase and transfer of $679 million of ordinary shares to participating shareholders.

(3) The gross dividend entitlement in respect of the DRP for the 2010/2011 interim dividend was $531 million, with $531 million ordinary shares issued under the plan rules.

(4) Relates to treasury shares held within life insurance statutory funds and the employee share scheme trust.

Number of shares on issue	Group 2012 Shares	Group 2011 Shares	Bank 2012 Shares	Bank 2011 Shares
Opening balance (excluding Treasury Shares deduction)	**1,558,637,244**	1,548,737,374	**1,558,637,244**	1,548,737,374
Issue of shares (1)	**5,042,949**	-	**5,042,949**	-
Dividend reinvestment plan issues:				
2009/2010 Final dividend fully paid ordinary shares $51.75 (2)	**-**	-	**-**	-
2010/2011 Interim dividend fully paid ordinary shares $52.92	**-**	9,682,670	**-**	9,682,670
2010/2011 Final dividend fully paid ordinary shares $47.48	**17,524,300**	-	**17,524,300**	-
2011/2012 Interim dividend fully paid ordinary shares $48.81	**10,874,187**	-	**10,874,187**	-
Exercise of executive options under employee share ownership schemes	**76,100**	217,200	**76,100**	217,200
Closing balance (excluding Treasury Shares deduction)	**1,592,154,780**	1,558,637,244	**1,592,154,780**	1,558,637,244
Less: Treasury Shares	**(6,874,405)**	(6,363,549)	**-**	-
Closing balance	**1,585,280,375**	1,552,273,695	**1,592,154,780**	1,558,637,244

(1) The Group acquired 100% of the issued share capital of Count Financial Limited during the year for a purchase consideration of $372 million. This was part funded by the issue of 5,042,949 CBA ordinary shares.

(2) The DRP in respect of the 2010 final dividend was satisfied in full by an on market purchase and transfer of shares to participating shareholders.

Ordinary Share Capital

Ordinary shares have no par value and the Company does not have a limited amount of share capital.

Ordinary shares entitle holders to receive dividends payable to ordinary shareholders and to participate in the proceeds available to ordinary shareholders on winding up of the Company in proportion to the number of fully paid ordinary shares held.

On a show of hands every holder of fully paid ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll one vote for each share held.

Other equity instruments	Group 2012 $M	Group 2011 $M	Bank 2012 $M	Bank 2011 $M
Issued and paid up	**939**	939	**1,895**	1,895
	Shares	**Shares**	**Shares**	**Shares**
Number of shares	**700,000**	700,000	**1,400,000**	1,400,000

Trust Preferred Securities 2006

On 15 March 2006 the Bank issued USD700 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.

Notes to the Financial Statements

Note 27 Share Capital (continued)

Dividends

The Directors have declared a fully franked final dividend of 197 cents per share amounting to $3,137 million. The dividend will be payable on 5 October 2012 to shareholders on the register at 5pm EST on 24 August 2012.

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

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

Dividends paid since the end of the previous financial year

- A fully franked final dividend of 188 cents per share amounting to $2,930 million was paid on 6 October 2011. The payment comprised cash disbursements of $2,099 million with $831 million being reinvested by participants through the DRP; and
- A fully franked interim dividend of 137 cents per share amounting to $2,166 million was paid on 5 April 2012. The payment comprised cash disbursements of $1,635 million with $531 million being reinvested by participants through the DRP.

Dividend Reinvestment Plan

The Bank expects to issue around $784 million of shares in respect of the DRP for the final dividend for the year ended 30 June 2012.

Record date

The register closes for determination of dividend entitlement and for participation in the DRP at 5pm EST on 24 August 2012 at Link Market Services Limited, Locked Bag A14, Sydney South, 1235.

Ex-dividend Date

The ex-dividend date is 20 August 2012.

Note 28 Share Based Payments

The Group operates a number of cash and equity settled share plans as detailed below.

Employee Share Acquisition Plan

Under the Employee Share Acquisition Plan (ESAP), eligible employees have the opportunity to receive up to $1,000 worth of shares each year (at no cost to them) if the Group meets the required performance hurdles.

To be eligible for an award each employee must achieve a minimum level of performance and service. The value of the shares an individual receives is determined by the Group's performance against a hurdle. The performance hurdle is growth in the Group's net profit after tax ("cash basis") of the greater of 5% or the consumer price index (CPI) change plus 2%. If the hurdle is not met, the Board has discretion to determine whether a full award, a partial award or no award is made.

The number of shares a participant receives is calculated by dividing the award amount by the average price paid for Bank shares purchased during the purchase period preceding the grant date. Shares granted are restricted from sale until the earlier of three years or until such time as the participant ceases employment with the Group. Participants receive full dividend entitlements and voting rights attached to those shares. The Group achieved the performance target for 2011 resulting in $1,000 worth of shares being awarded to each eligible employee during the financial year ended 30 June 2012.

The following table provides details of shares granted under the ESAP during the current and previous financial years ended 30 June.

Period	Allocation date	Participants	Number of shares allocated by participant	Total number of shares allocated	Issue price $	Total fair value $
2012	9 Sep 2011	27,465	21	576,765	46.91	27,056,046
2011	21 Sep 2010	26,023	19	494,437	51.75	25,587,115

It is estimated that approximately $22.8 million of ordinary shares will be purchased on-market at the prevailing market price for the 2012 grant. For the 2012 grant the performance hurdle has been simplified to be growth in the Group's net profit after tax ("cash basis") of greater than 5% (with the Board retaining its discretion in scenarios where the hurdle has not been met).

Note 28 Share Based Payments (continued)

International Employee Share Acquisition Plan

A limited number of employees receive cash-based versions of ESAP under the International Employee Share Acquisition Plan (IESAP). Like the ESAP, eligible employees can receive an award up to $1,000 determined by the Group's performance against a hurdle. The performance hurdle is the same as that which applies to ESAP. To be eligible for an award each employee must achieve a minimum level of performance and service. Under IESAP participants receive grants of performance units, which are monetary units with a value linked to the Bank's share price.

A total of $1.1 million has been expensed during the year (2011: $0.1 million) in respect of this plan.

Employee Share Plan

The Employee Share Plan (ESP) facilitates mandatory short term incentive (STI) deferral, sign-on incentives and retention awards.

Under the ESP, shares awarded generally vest if the participant remains in employment of the Group until the vesting date. The Group purchases fully paid ordinary shares and holds these in trust until such time as the vesting conditions are met. ESP shares receive full dividend and voting rights. Participants may direct the Trustee on how the voting rights are to be exercised during the vesting period. Dividends accrue in the trust and are paid to participants upon vesting of the shares. Where a participant does not satisfy the vesting conditions, shares and dividend rights are forfeited.

The following table provides details of outstanding awards of shares under the ESP.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June
July 2010 - June 2011	772,268	-	(127,129)	(32,440)	612,699
July 2011 - June 2012	-	1,108,959	(52,144)	(34,625)	1,022,190
Total 2012	772,268	1,108,959	(179,273)	(67,065)	1,634,889
Total 2011	-	803,400	(17,679)	(13,453)	772,268

The weighted average fair value at grant date of shares awarded during the year was $48.32 (2011: $52.64). A total of $35.7 million has been expensed during the year (2011: $16.2 million) in respect of this plan.

Employee Share (Performance Unit) Plan

A limited number of employees receive awards under a cash-based version of ESP through the Employee Share (Performance Unit) Plan (ESPUP). The ESPUP replaced the Equity Participation (Performance Unit) Plan for awards made from 1 July 2010 and facilitates mandatory STI deferral, sign-on incentives and retention awards. Under ESPUP participants receive grants of performance units, which are monetary units with a value linked to the Bank's share price. Performance units vest if the participant remains employed by the Group until the vesting date.

On meeting the vesting conditions, a cash payment is made to the participant, the value of which is determined based on the Bank's share price upon vesting plus an accrued dividend value.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June
July 2010 - June 2011	95,643	-	(31,700)	-	63,943
July 2011 - June 2012	-	138,982	(42,727)	(908)	95,347
Total 2012	95,643	138,982	(74,427)	(908)	159,290
Total 2011	-	101,548	(4,116)	(1,789)	95,643

The weighted average fair value at grant date of performance units issued during the year was $46.45 (2011: $51.72). A total of $6.9 million has been expensed during the year (2011: $1.0 million) in respect of this plan.

Group Employee Rights Plan

The Group Employee Rights Plan (GERP) facilitates the mandatory STI deferral, sign-on incentives and retention awards for executives of selected subsidiary companies. Under the GERP, participants receive a right to a share which is subject to vesting conditions. The following table provides details of rights granted under GERP during the current and previous financial years ended 30 June.

Allocation period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June
July 2009 - June 2010	10,021	-	(1,628)	(1,806)	6,587
July 2010 - June 2011	21,068	-	(878)	(2,330)	17,860
July 2011 - June 2012	-	39,134	(1,976)	(1,662)	35,496
Total 2012	31,089	39,134	(4,482)	(5,798)	59,943
Total 2011	11,542	21,946	(2,399)	-	31,089

Note 28 Share Based Payments (continued)

The weighted average fair value at grant date of rights issued during the year was $48.08 (2011: $52.62). A total of $1.0 million has been expensed during the year (2011: $0.6 million) in respect of this plan.

Employee Salary Sacrifice Share Plan

Under the Employee Salary Sacrifice Share Plan (ESSSP), Australian-based employees can elect to receive between $2,000 and $5,000 of their fixed remuneration and/or annual STI as Bank shares. Shares are purchased on-market at the current market price and are restricted from sale for a minimum of two years and a maximum of seven years or earlier, if the employee ceases employment with the Group. Shares receive full dividend entitlements and voting rights.

The following table provides details of shares granted under the ESSSP.

Period	Participants	Number of shares purchased	Average share price $	Total purchase consideration $
2012	227	14,314	49.33	706,109
2011	132	8,114	51.98	421,766

Equity Participation Plan

The Equity Participation Plan (EPP) facilitated the partial deferral of executives STI payments, together with sign-on and retention awards. Shares only vest to participants if they remain in employment of the Group until the vesting date. The Group purchased fully paid ordinary shares and holds these in trust until such time as the vesting conditions are met. Shares receive full dividend and voting rights. Participants may direct the Trustee on how the voting rights are to be exercised during the vesting period. Dividends accrue in the trust and are paid to participants upon vesting of the shares. Where a participant does not satisfy the vesting conditions, shares and dividend rights are forfeited. The EPP was closed to new offers in 2010.

The following table provides details of outstanding awards of shares under the mandatory component of EPP

Allocation period	Outstanding 1 July	Granted	Vested & Released	Forfeited	Outstanding 30 June
July 2001- June 2002	25,674	-	(25,674)	-	-
July 2002- June 2003	27,001	-	(3,686)	-	23,315
July 2003- June 2004	35,352	-	(7,674)	-	27,678
July 2004- June 2005 (1)	29,914	-	(6,118)	-	23,796
July 2007- June 2008	33,379	-	(6,229)	-	27,150
July 2008- June 2009	597,869	-	(549,525)	-	48,344
July 2009- June 2010	697,117	-	(136,439)	(24,561)	536,117
Total 2012	1,446,306	-	(735,345)	(24,561)	686,400
Total 2011	2,129,612	-	(639,214)	(44,092)	1,446,306

(1) No awards were allocated from July 2005 to June 2007.

A total of $11.0 million has been expensed during the year (2011: $23.6 million).

Equity Participation (Performance Unit) Plan

A limited number of employees received cash-based versions of EPP through the Equity Participation (Performance Unit) Plan (EPPUP). The EPPUP was closed to new offers in 2010.

Under the EPPUP, participants received grants of performance units, which are monetary units with a value linked to the Bank's share price. The EPPUP performance units vest if the participant remains employed by the Group until the vesting date. On meeting the vesting conditions, a cash payment is made to the participant, the value of which is determined based on the Bank's share price upon vesting plus an accrued dividend value.

The following table provides details of outstanding awards of performance units under the EPPUP:

Allocation period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June
July 2008 - June 2009	15,590	-	(15,590)	-	-
July 2009 - June 2010	43,383	-	-	-	43,383
Total 2012	58,973	-	(15,590)	-	43,383
Total 2011	105,750	-	(38,561)	(8,216)	58,973

A total of $1.0 million (2011: $1.2 million) has been expensed during the year.

Note 28 Share Based Payments (continued)

Group Leadership Reward Plan

The Group Leadership Reward Plan (GLRP) is the Group's long term incentive plan for the CEO and Group Executives. The GLRP aims to motivate the efforts of participants to support customer satisfaction and shareholder returns in order to improve long term value and achieve the Group's vision.

Under the GLRP, participants are awarded a maximum number of Reward Rights that may vest at the end of a performance period of up to four years subject to the satisfaction of performance hurdles. Each Reward Right that vests entitles the participant to receive one ordinary Bank share. The Board has discretion to apply a cash equivalent.

Vesting is subject to the satisfaction of certain performance hurdles as follows.

For the award made during the 2010 financial year (FY10 award):

- 50% of the award assessed against Customer Satisfaction compared to a set peer group; and
- 50% of the award assessed against Total Shareholder Return (TSR) compared to a set peer group.

For awards made from the 2011 financial year onwards (FY11 & FY12 awards):

- 25% of the award assessed against Customer Satisfaction compared to a set peer group; and
- 75% of the award assessed against TSR compared to a set peer group.

The Customer Satisfaction peer group consists of the ANZ, NAB, St George (FY10 award only) and Westpac (for the Group's retail and business banking lines) and other key competitors.

The TSR peer group for all awards comprises the 20 largest companies listed on the ASX (by market capitalisation) at the beginning of each respective performance period, excluding resources companies and CBA.

Customer satisfaction is determined by the Board with reference to independent external surveys, and TSR is measured independently.

The Board applies a scale when determining the portion of each award to vest at the end of the performance period as follows:

- For the FY10 award, the portion of the award assessed against Customer Satisfaction that will vest is: 100% if CBA is ranked 1st, 75% if CBA is ranked 2nd, and 50% if CBA is ranked 3rd, with no vesting below this level.
- For the FY11 and FY12 awards, the portion of the awards assessed against Customer Satisfaction that will vest is: 100% if CBA is ranked 1st across three surveys, 75% if CBA is ranked 1st across two surveys, and 50% if CBA is ranked 2nd across the three surveys. The Board will exercise discretion where CBA's Customer Satisfaction has improved over the performance period, but in a different combination. Where the Board determines that the overall performance is worse at the end of the performance period than at the beginning, none of this portion will vest.

For the portion of the awards assessed against TSR performance, full vesting applies where CBA is ranked in the top quartile of the peer group at the end of the performance period, 50% will vest if CBA is ranked at the median, with vesting on a sliding scale between the median and 75th percentile. No Reward Rights in this part of the award will vest if the Group's TSR is ranked below the median of the peer group. The total number of Reward Rights that vest will be the aggregate of rights that vest against the Customer Satisfaction and the TSR hurdles at the end of the performance period.

For the introductory year (2009), the awards under the GLRP were split into two tranches, with 50% allocated as a transitional three year performance period and 50% allocated with a four year performance period. This transitional award reflects the move from the Group's previous long term incentives arrangements that measured performance over a three year period. The transitional award is subject to the same performance hurdles as the four year award.

The following table provides details of outstanding awards of performance rights under the GLRP.

Performance period start date	Performance test date	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June
1 July 2009	30 June 2012	370,297	-	-	-	370,297
1 July 2009	30 June 2013	523,919	-	-	-	523,919
1 July 2010	30 June 2014	388,412	-	-	-	388,412
1 July 2011	30 June 2015	-	416,986	-	-	416,986
Total 2012		1,282,628	416,986	-	-	1,699,614
Total 2011		894,216	388,412	-	-	1,282,628

The weighted average fair value at the grant date of all Reward Rights issued during the year was $36.13 per right (2011: $41.41). The fair value of TSR hurdled Reward Rights granted during the period has been independently calculated at grant date using a Monte-Carlo pricing model. The assumptions included in the valuation of the FY12 award includes a risk free interest rate ranging from 4.18% to 4.69%, a nil dividend yield on the Bank's ordinary shares and a volatility in the Bank share price of 30.0%. The fair value for customer satisfaction hurdled Reward Rights granted during the period is the closing price of Bank shares on the grant date.

A total of $18.8 million has been expensed in the current year (2011: $11.9 million) for GLRP.

Note 28 Share Based Payments (continued)

Group Leadership Share Plan

The Group Leadership Share Plan (GLSP) was the Group's previous long term incentive plan for the CEO and Group Executives with awards made during the 2008 financial year (FY08) and 2009 financial year (FY09), after which it was replaced by the GLRP. Under the GLSP, participants shared a pool that vested at the end of a three year performance period subject to satisfaction of performance conditions. The pool for the FY09 award was 3.5% of the growth in the Group's Profit After Capital Charge (PACC), capped at a maximum pool of $36.1 million.

Vesting for each award was subject to the following performance hurdles:

- NPAT growth over the three year performance period being above the average NPAT growth of ANZ, NAB, and Westpac; and
- Customer satisfaction ranking relative to ANZ, NAB, St George and Westpac.

Independent external surveys were used to determine the Group's level of achievement against the customer satisfaction performance hurdle. A ranking was determined by the Board and a vesting scale applied.

The FY09 award reached the end of its performance period on 1 July 2011 and the Board determined that 25% of the FY09 award maximum pool would vest.

Bank shares were provided to participants in relation to the vested awards. The number of shares was determined by the value of the pool that vested at the end of the performance period and the share price at the end of the relevant performance period.

A total of $9.0 million has been reversed in the current year (2011: $6.6 million expensed) for GLSP.

Equity Reward Plan

The Equity Reward Plan (ERP) was the Group's long term incentive plan for executives until the final grants were made in 2006. Under the ERP executives could receive awards of shares or options.

The final ERP award reached the end of its performance period during the 2010 financial year. Vested awards may remain in the ERP for up to 10 years from the date they are granted, and are subject to holding locks during that period.

The following table provides details of outstanding awards of shares under the ERP.

Allocation period	Outstanding 1 July	Granted	Released	Forfeited	Outstanding 30 June
July 2001 - June 2002	5,500	-	(5,500)	-	-
July 2002 - June 2003	1,650	-	-	-	1,650
July 2003 - June 2004	16,750	-	(1,250)	-	15,500
July 2004 - June 2005	13,500	-	-	-	13,500
July 2005 - June 2006	32,780	-	-	-	32,780
July 2006 - June 2007	139,410	-	(100,510)	-	38,900
Total 2012	209,590	-	(107,260)	-	102,330
Total 2011	327,668	-	(118,078)	-	209,590

No amount has been expensed in the current or prior year.

Details of movements in ERP options are as follows:

Year of grant	Latest exercise date	Exercise price $	Outstanding 1 July	Granted	Exercised	Lapsed	Outstanding and exercisable 30 June
2001	3 Sept 2011	30.12	86,100	-	(76,100)	(10,000)	-
Total 2012			86,100	-	(76,100)	(10,000)	-
Weighted average exercise price ($)			30.12	-	30.12	30.12	-
Total 2011			289,100	-	(203,000)	-	86,100
Weighted average exercise price ($)			29.41	-	29.11	-	30.12

The weighted average share price at the date of exercise during the period was $48.12 (2011: $51.69).

Note 28 Share Based Payments (continued)

Non-Executive Directors Share Plan

The Non-Executive Directors Share Plan (NEDSP) facilitates the Non-Executive Directors' (NEDs):

- Acquisition of shares using 20% of their post-tax fees. Effective from 1 January 2012, the compulsory participation in the NEDSP ceased for all current NEDs who hold 5,000 or more shares. For those NEDs who have holdings below this threshold, the 20% deferral of base fees will continue to apply until the 5,000 level has been reached; and
- Further voluntary fee sacrifice of between $2,000 and $5,000 p.a. on a pre-tax basis.

Shares acquired using after tax fees are restricted for sale for ten years or until such time as the Non-Executive Director retires from the Board if earlier. Shares acquired voluntarily are restricted from sale for a minimum of two years and a maximum of seven years, or earlier if the Non-Executive Director retires from the Board.

Shares are purchased on-market at the prevailing market price at that time, and rank equally for dividends with other Bank ordinary shares.

For the current year $0.2 million (2011: $0.3 million) was expensed reflecting shares purchased and allocated under the NEDSP.

Period	Total fees applied $	Participants	Number of shares purchased	Average purchase price $
2012	175,449	10	3,673	47.77
2011	289,606	9	5,404	53.59

Note 29 Non-Controlling Interests

	Group	
	2012	2011
	$M	$M
Shareholders' equity	531	528
Total non-controlling interests	531	528

The share capital above comprises predominantly New Zealand Perpetual Preference Shares (PPS) of AUD505 million. On 10 December 2002, ASB Capital Limited, a New Zealand subsidiary, issued NZD200 million (AUD182 million) of PPS. The PPS were issued into the New Zealand capital markets and are subject to New Zealand law. Such shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly based on the New Zealand one year swap rate plus a margin of 1.3% and are non-cumulative. The payments of dividends are subject to a number of conditions including the satisfaction of solvency tests and the ability of the Board to cancel payments.

On 22 December 2004, ASB Capital No.2 Limited, a New Zealand subsidiary, issued NZD350 million (AUD323 million) of PPS. The PPS were issued into the New Zealand capital markets and are subject to New Zealand law. Such shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly on the New Zealand one year swap rate plus a margin of 1.0% and are non-cumulative. The payments of dividends are subject to a number of conditions including the satisfaction of solvency tests and the ability of the Board to cancel payments.

ASB Capital Limited and ASB Capital No.2 Limited have advanced proceeds from the above public issues to ASB Funding Limited, a New Zealand subsidiary. ASB Funding Limited in turn invested the proceeds in PPS issued by ASB (ASB PPS), also a New Zealand subsidiary. In relation to ASB Capital No.2 Limited, if an APRA Event occurs, the loan to ASB Funding Limited will be repaid and ASB Capital No.2 Limited will become the holder of the corresponding ASB PPS.

The PPS may be purchased by a Commonwealth Bank subsidiary exercising a buy-out right five years or more after issue, or on the occurrence of regulatory or tax events.

Note 30 Capital Adequacy

Capital Management

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”), which includes both Bankwest and ASB Bank (known as “Level Two” or the “Group”).

All entities which are consolidated for accounting purposes are included within the Group capital adequacy calculations except for:

- The insurance and funds management operations; and
- The entities through which securitisation of Group assets are conducted.

Regulatory capital is divided into Tier One and Tier Two Capital. Tier One Capital primarily consists of Shareholders’ Equity plus other capital instruments acceptable to APRA, less goodwill and other prescribed deductions. Tier Two Capital is comprised primarily of hybrid and debt instruments acceptable to APRA less any prescribed deductions. Total Capital is the aggregate of Tier One and Tier Two Capital.

The tangible component of the investment in the insurance and funds management operations are deducted from capital, 50% from Tier One and 50% from Tier Two.

Capital adequacy is measured by means of a risk based capital ratio. The capital ratios reflect capital (Tier One, Tier Two or Total Capital) as a percentage of total Risk Weighted Assets (RWA). RWA represents an allocation of risks associated with the Group’s assets and other related exposures.

The Group has a range of instruments and methodologies available to effectively manage capital including share issues and buybacks, dividend and dividend reinvestment plan policies, hybrid capital raising and dated and undated subordinated debt issues. All major capital related initiatives require approval of the Board.

The Group’s capital position is monitored on a continuous basis and reported monthly to the ALCO. Three year capital forecasts are conducted on a quarterly basis and a detailed capital and strategy plan is presented to the Board annually.

The Group’s capital ratios throughout the 2011 and 2012 financial years were in compliance with both APRA minimum capital adequacy requirements and the Board Approved minimums. The Bank is required to inform APRA immediately of any breach or potential breach of its minimum prudential capital adequacy requirements, including details of remedial action taken or planned to be taken.

Note 31 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 Other Divisions).

Revenues and expenses occurring between segments are subject to transfer pricing arrangements. All intra-group profits are eliminated on consolidation.

Business segments are managed on the basis of net profit after income tax ("cash basis"). Management use "cash basis" to assess performance and it provides the basis for the determination of the Bank's dividends.

(i) Retail Banking Services

Retail Banking Services includes both the origination of home loan, consumer finance and retail deposit products and the sales and servicing of all Retail bank customers. In addition, commission is received for the distribution of business and wealth management products through the retail distribution network.

(ii) Business and Private Banking

Business and Private Banking provides specialised banking services to relationship managed business and Agribusiness customers, private banking to high net worth individuals and margin lending and trading through CommSec. In addition, commission is received for the distribution of retail banking products through the Business and Private Banking network.

(iii) Institutional Banking and Markets

Institutional Banking and Markets services the Group's major corporate, institutional and government clients, creating customised solutions based on specific needs, industry trends and market conditions. The Total Capital Solutions offering includes debt and equity capital raising, financial and commodities risk management and transactional banking capabilities. This segment has international operations in London, Malta, New York, New Zealand, Singapore, Hong Kong, Japan and Shanghai.

(iv) Wealth Management

Wealth Management includes the Global Asset Management (including operations in Asia and Europe), Platform Administration and Financial Advice, as well as 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.

(vii) Other Divisions

The following parts of the business are included in Other Divisions:

- International Financial Services Asia incorporates the Asian retail and SME banking operations (Indonesia, China, Vietnam and India), investments in Chinese and Vietnamese retail banks, the joint venture Chinese life insurance business and the life insurance operations in Indonesia. It does not include the Business and Private Banking, Institutional Banking and Markets and Colonial First State Global Asset Management business in Asia;
- Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Group Tax, Secretariat and Treasury; and
- Group wide eliminations/unallocated includes intra-group elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.

Notes to the Financial Statements

Note 31 Financial Reporting by Segments (continued)

	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	Other $M	2012 Total $M
Net interest income	6,342	2,231	1,409	-	944	1,457	774	**13,157**
Other banking income	1,410	866	937	-	214	207	293	**3,927**
Total banking income	7,752	3,097	2,346	-	1,158	1,664	1,067	**17,084**
Funds management income	-	-	-	1,888	44	-	25	**1,957**
Insurance income	-	-	-	691	227	-	42	**960**
Total operating income	7,752	3,097	2,346	2,579	1,429	1,664	1,134	**20,001**
Investment experience (1)	-	-	-	108	(11)	-	52	**149**
Total income	7,752	3,097	2,346	2,687	1,418	1,664	1,186	**20,150**
Operating expenses (2)	(2,957)	(1,344)	(851)	(1,909)	(727)	(852)	(556)	**(9,196)**
Loan impairment expense	(623)	(227)	(153)	-	(37)	(61)	12	**(1,089)**
Net profit before income tax	4,172	1,526	1,342	778	654	751	642	**9,865**
Corporate tax expense	(1,238)	(459)	(282)	(209)	(164)	(227)	(157)	**(2,736)**
Non-controlling interests	-	-	-	-	-	-	(16)	**(16)**
Net profit after tax ("cash basis") (3)	2,934	1,067	1,060	569	490	524	469	**7,113**
Hedging and IFRS volatility	-	-	-	-	28	(4)	100	**124**
Other non-cash items	-	-	-	(58)	-	(89)	-	**(147)**
Net profit after tax ("statutory basis")	2,934	1,067	1,060	511	518	431	569	**7,090**
Additional information								
Intangible asset amortisation	(36)	(45)	(9)	(8)	(24)	(84)	(70)	**(276)**
Depreciation	(8)	(16)	(52)	(4)	(26)	(31)	(215)	**(352)**
Balance Sheet								
Total assets	284,754	82,157	126,196	20,643	51,456	82,595	70,428	**718,229**
Acquisition of property plant and equipment, intangibles and other non-current assets	6	8	254	287	48	93	198	**894**
Investment in associates	71	28	6	822	-	-	971	**1,898**
Total liabilities	185,402	115,001	74,662	21,081	47,226	76,570	156,715	**676,657**

(1) Investment experience is presented on pre-tax basis.

(2) Operating expenses include volume related expenses.

(3) 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 gain/loss on disposal of controlled entities/investments, treasury shares valuation adjustment, Count Financial acquisition costs and unrealised gains and losses related to hedging and IFRS volatility. Management use “cash basis” to assess performance and it provides the basis for the determination of the Bank’s dividends.

Note 31 Financial Reporting by Segments (continued)

	Retail Banking Services [1] $M	Business and Private Banking [1] [2] $M	Institutional Banking and Markets [2] $M	Wealth Management $M	New Zealand $M	Bankwest $M	Other [3] $M	Total $M
								2011
Net interest income	6,209	2,134	1,331	-	840	1,420	711	12,645
Other banking income	1,312	905	1,136	-	286	220	137	3,996
Total banking income	7,521	3,039	2,467	-	1,126	1,640	848	16,641
Funds management income	-	-	-	1,975	40	-	26	2,041
Insurance income	-	-	-	625	211	-	20	856
Total operating income	7,521	3,039	2,467	2,600	1,377	1,640	894	19,538
Investment experience [4]	-	-	-	83	1	-	37	121
Total net operating income before impairment and operating expense	7,521	3,039	2,467	2,683	1,378	1,640	931	19,659
Operating expenses [5]	(2,903)	(1,335)	(828)	(1,801)	(704)	(869)	(451)	(8,891)
Loan impairment expense	(558)	(261)	(324)	-	(54)	(109)	26	(1,280)
Net profit before income tax	4,060	1,443	1,315	882	620	662	506	9,488
Corporate tax expense	(1,206)	(413)	(311)	(240)	(150)	(199)	(118)	(2,637)
Non-controlling interests	-	-	-	-	-	-	(16)	(16)
Net profit after tax ("cash basis") [6]	2,854	1,030	1,004	642	470	463	372	6,835
Hedging and IFRS volatility	-	-	-	-	(16)	(33)	(216)	(265)
Other non-cash items	-	-	-	(34)	-	(137)	(5)	(176)
Net profit after tax ("statutory basis")	2,854	1,030	1,004	608	454	293	151	6,394
Additional information								
Intangible asset amortisation	(29)	(58)	(11)	(3)	(26)	(88)	(58)	(273)
Depreciation	(10)	(23)	(43)	(4)	(24)	(36)	(200)	(340)
Balance Sheet								
Total assets	274,773	82,928	112,028	20,672	50,491	76,828	50,179	667,899
Acquisition of property plant and equipment, intangibles and other non-current assets	7	15	138	4	46	45	236	491
Investment in associates	71	33	12	765	-	-	831	1,712
Total liabilities	168,418	113,288	63,631	19,921	46,493	71,555	147,306	630,612

(1) Results have been restated for the impact of business resegmentation.

(2) Comparatives have been restated for the impact of the reclassification of bank bill facility fee income from Other banking income to Net interest income to conform with presentation in the current period.

(3) Comparatives have been restated for the reallocation of IFRS net swap costs from Other banking income into Net interest income to conform with presentation in the current period.

(4) Investment experience is presented on a pre-tax basis.

(5) Operating expenses include volume related expenses.

(6) Business segments are measured on a net profit after income tax ("cash basis") which is defined by management as net profit after tax and non-controlling interests before Bankwest significant items, the gain/loss on disposal of controlled entities/investments, treasury shares valuation adjustment, Count Financial acquisition costs and unrealised gains and losses related to hedging and IFRS volatility. Management use "cash basis" to assess performance and it provides the basis for the determination of the Bank's dividends.

Note 31 Financial Reporting by Segments (continued)

Geographical Information						Group Year Ended 30 June
	2012		2011		2010	
Financial Performance & Position	$M	%	$M	%	$M	%
Income						
Australia	**41,809**	**88. 6**	40,986	88. 4	36,169	86. 3
New Zealand	**3,708**	**7. 9**	3,819	8. 2	4,175	10. 0
Other locations (1)	**1,676**	**3. 5**	1,596	3. 4	1,550	3. 7
Total income (2)	**47,193**	**100. 0**	46,401	100. 0	41,894	100. 0
Non-Current Assets (3)						
Australia	**13,594**	**92. 6**	12,706	92. 9	12,654	90. 5
New Zealand	**917**	**6. 2**	852	6. 2	1,009	7. 2
Other locations (1)	**171**	**1. 2**	123	0. 9	315	2. 3
Total non-current assets	**14,682**	**100. 0**	13,681	100. 0	13,978	100. 0

(1) Other locations include: United Kingdom, United States, Japan, Singapore, Malta, Hong Kong, Indonesia, China and Vietnam.
(2) Comparatives have been restated for the IFRS allocation of net swap costs from Other banking income into Net interest income.
(3) Non-current assets include Property, plant and equipment, Investments in associates and joint ventures and Intangibles.

The geographical segment represents the location in which the transaction was recognised.

Note 32 Life Insurance Business

The following information is provided to disclose the statutory life insurance business transactions contained in the Group Financial Statements and the underlying methods and assumptions used in their calculations.

All financial assets within the life statutory funds have been determined to support either life insurance or life investment contracts. Also refer to Note 1(ff). The insurance segment result is prepared on a business segment basis.

	Life Insurance Contracts		Life Investment Contracts		Group	
	2012	2011	2012	2011	2012	2011
Summarised income statement	$M	$M	$M	$M	$M	$M
Premium income and related revenue	**1,890**	1,669	**241**	263	**2,131**	1,932
Outward reinsurance premiums expense	**(249)**	(221)	**-**	-	**(249)**	(221)
Claims expense	**(1,103)**	(1,086)	**(35)**	(37)	**(1,138)**	(1,123)
Reinsurance recoveries	**228**	222	**-**	-	**228**	222
Investment revenue (excluding investments in subsidiaries):						
Equity securities	**6**	126	**(92)**	494	**(86)**	620
Debt securities	**368**	202	**494**	383	**862**	585
Property	**22**	53	**32**	133	**54**	186
Other	**113**	45	**(68)**	69	**45**	114
(Increase)/decrease in contract liabilities	**(202)**	3	**(314)**	(980)	**(516)**	(977)
Operating income	**1,073**	1,013	**258**	325	**1,331**	1,338
Acquisition expenses	**(254)**	(246)	**(30)**	(10)	**(284)**	(256)
Maintenance expenses	**(329)**	(295)	**(78)**	(82)	**(407)**	(377)
Management expenses	**(14)**	(19)	**(25)**	(22)	**(39)**	(41)
Net profit before income tax	**476**	453	**125**	211	**601**	664
Income tax expense attributable to operating profit	**(214)**	(158)	**(29)**	(114)	**(243)**	(272)
Net profit after income tax	**262**	295	**96**	97	**358**	392

Note 32 Life Insurance Business (continued)

Sources of life insurance net profit	Life Insurance Contracts 2012 $M	Life Insurance Contracts 2011 $M	Life Investment Contracts 2012 $M	Life Investment Contracts 2011 $M	Group 2012 $M	Group 2011 $M
The net profit after income tax is represented by:						
Emergence of planned profit margins	**232**	227	**95**	73	**327**	300
Difference between actual and planned experience	**(57)**	(18)	**(1)**	21	**(58)**	3
Effects of changes to underlying assumptions	**(20)**	2	**-**	-	**(20)**	2
Reversal of previously recognised losses or loss recognition on groups of related products	**2**	(1)	**-**	-	**2**	(1)
Investment earnings on assets in excess of policyholder liabilities	**108**	84	**2**	3	**110**	87
Other movements	**(3)**	1	**-**	-	**(3)**	1
Net profit after income tax	**262**	295	**96**	97	**358**	392
Life insurance premiums received and receivable	**1,902**	1,933	**678**	697	**2,580**	2,630
Life insurance claims paid and payable	**1,168**	1,469	**1,576**	2,128	**2,744**	3,597

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 2012 $M	Life Insurance Contracts 2011 $M	Life Investment Contracts 2012 $M	Life Investment Contracts 2011 $M	Group 2012 $M	Group 2011 $M
Contract policy liabilities						
Gross policy liabilities opening balance	**3,137**	3,181	**10,515**	11,411	**13,652**	14,592
Movement in policy liabilities reflected in the Income Statement	**211**	(23)	**314**	980	**525**	957
Contract contributions recognised in policy liabilities	**9**	262	**439**	436	**448**	698
Contract withdrawals recognised in policy liabilities	**(65)**	(242)	**(1,541)**	(2,231)	**(1,606)**	(2,473)
Non-cash movements	**(26)**	(18)	**-**	-	**(26)**	(18)
FX translation adjustment	**-**	(23)	**1**	(81)	**1**	(104)
Gross policy liabilities closing balance	**3,266**	3,137	**9,728**	10,515	**12,994**	13,652
Liabilities ceded under reinsurance						
Opening balance	**(164)**	(189)	**-**	-	**(164)**	(189)
Acquisition of controlled entities	**-**	3	**-**	-	**-**	3
Increase in reinsurance assets	**(8)**	22	**-**	-	**(8)**	22
Closing balance	**(172)**	(164)	**-**	-	**(172)**	(164)
Net policy liabilities						
Expected to be realised within 12 months	**564**	511	**1,583**	1,768	**2,147**	2,279
Expected to be realised in more than 12 months	**2,530**	2,462	**8,145**	8,747	**10,675**	11,209
Total net insurance policy liabilities	**3,094**	2,973	**9,728**	10,515	**12,822**	13,488

Notes to the Financial Statements

Note 33 Remuneration of Auditors

During the financial year, the following fees were paid or payable for services provided by the auditor of the Group and the Bank, and its network firms:

	Group		Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
a) Audit and audit related services				
Audit services				
PricewaterhouseCoopers Australian firm	**14,030**	14,444	**9,106**	9,182
Network firms of PricewaterhouseCoopers Australian firm	**3,815**	3,405	**476**	526
Total remuneration for audit services	**17,845**	17,849	**9,582**	9,708
Audit related services				
PricewaterhouseCoopers Australian firm	**4,620**	4,346	**3,270**	3,968
Network firms of PricewaterhouseCoopers Australian firm	**389**	247	**95**	100
Total remuneration for audit related services	**5,009**	4,593	**3,365**	4,068
Total remuneration for audit and audit related services	**22,854**	22,442	**12,947**	13,776
b) Non-audit services				
Taxation services				
PricewaterhouseCoopers Australian firm	**1,530**	1,420	**1,432**	1,270
Network firms of PricewaterhouseCoopers Australian firm	**1,347**	1,631	**360**	588
Total remuneration for tax related services	**2,877**	3,051	**1,792**	1,858
Other Services				
PricewaterhouseCoopers Australian firm	**2,599**	3,602	**2,599**	3,517
Network firms of PricewaterhouseCoopers Australian firm	**41**	6	**-**	2
Total remuneration for other services	**2,640**	3,608	**2,599**	3,519
Total remuneration for non-audit services	**5,517**	6,659	**4,391**	5,377
Total remuneration for audit and non-audit services (1)	**28,371**	29,101	**17,338**	19,153

(1) An additional amount of $9,231,613 (2011: $9,738,612) was paid to PricewaterhouseCoopers by way of fees for entities not consolidated into the Financial Statements. Of this amount, $8,411,965 (2011: $8,025,284) relates to audit and audit-related services.

The Audit Committee has considered the non-audit services provided by PricewaterhouseCoopers and is satisfied that the services and the level of fees are compatible with maintaining auditors' independence. All such services were approved by the Audit Committee in accordance with pre-approved policies and procedures.

Audit related services principally includes assurance and attestation reviews of the Group's foreign disclosures for overseas investors, services in relation to regulatory requirements, acquisition accounting advice as well as reviews of internal control systems and financial or regulatory information.

Taxation services included assistance and training in relation to tax legislation and developments.

Other services include training, reviews of compliance with legal and regulatory frameworks and project assurance particularly relating to information technology projects.

Note 34 Lease Commitments

	Group		Bank	
	2012	2011	2012	2011
	$M	$M	$M	$M
Lease Commitments - Property, Plant and Equipment				
Due within one year (1)	**499**	498	**404**	405
Due after one year but not later than five years (1)	**1,264**	1,341	**1,053**	1,116
Due after five years (1)	**859**	1,023	**639**	791
Total lease commitments - property, plant and equipment	**2,622**	2,862	**2,096**	2,312

(1) Comparatives have been restated to conform with 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.

The total expected future sublease payments to be received are $77 million as at 30 June 2012 (2011: $38 million).

Note 35 Contingent Liabilities, Contingent Assets and Commitments

Details of contingent liabilities and off balance sheet business are presented 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
	2012	2011	2012	2011
Credit risk related instruments	$M	$M	$M	$M
Guarantees [1]	**5,358**	4,462	**5,357**	4,462
Standby letters of credit [2]	**201**	236	**201**	237
Bill endorsements [3]	**23**	28	**23**	28
Documentary letters of credit [4]	**1,763**	1,723	**1,759**	1,719
Performance related contingents [5]	**1,677**	1,996	**1,605**	1,910
Commitments to provide credit [6]	**127,833**	126,334	**113,503**	111,016
Other commitments [7]	**2,093**	1,355	**1,468**	1,159
Total credit risk related instruments	**138,948**	136,134	**123,916**	120,531

				Bank
		Face Value		Credit Equivalent
	2012	2011	2012	2011
Credit risk related instruments	$M	$M	$M	$M
Guarantees [1]	**4,718**	3,719	**4,718**	3,719
Standby letters of credit [2]	**2**	71	**2**	72
Bill endorsements [3]	**23**	28	**23**	28
Documentary letters of credit [4]	**1,744**	1,699	**1,744**	1,699
Performance related contingents [5]	**1,576**	1,893	**1,554**	1,859
Commitments to provide credit [6]	**109,648**	110,009	**105,045**	103,718
Other commitments [7]	**934**	775	**924**	774
Total credit risk related instruments	**118,645**	118,194	**114,010**	111,869

(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 and Bank 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 and Bank'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 Group or 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.

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 than 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

Notes to the Financial Statements

Note 35 Contingent Liabilities, Contingent Assets and Commitments (continued)

instruments. The Group and Bank takes collateral where it is considered necessary to support off balance sheet financial instruments with credit risk. If an event has occurred that gives rise to a present obligation and it is probable a loss will eventuate, then provisions are raised.

Contingent Assets

The credit commitments shown in the table on page 113 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. Other than as outlined below, there has been no change in contingent liabilities since those disclosed in the Financial Statements for the year ended 30 June 2011.

Storm Financial

The Australian Securities and Investments Commission (ASIC) has commenced legal proceedings against the Bank in relation to Storm Financial, a Queensland-based financial planning firm that collapsed and went into receivership in March 2009. However, no damages have been claimed at this stage and no estimate can be made. In addition, class action proceedings have been commenced against the Group in relation to Storm Financial. At this stage only the damages sought on behalf of the four lead applicants have been quantified on a number of alternate bases, so quantification of the claims of all group members is not possible. The proceedings are listed for hearing from September to December 2012.

The Group is close to finalising its resolution scheme for clients of Storm Financial who borrowed money from the Group. The Group believes that appropriate provisions are held to cover the outcomes and costs of the scheme and any exposures arising from the class action referred to above.

Exception Fee Class Action

In May 2011, Maurice Blackburn announced that it intended to sue 12 Australian banks, including the Commonwealth Bank of Australia and Bankwest, with respect to exception fees. On 16 December 2011 proceedings were issued against the Commonwealth Bank of Australia and on 18 April 2012 proceedings were issued against Bankwest. The financial impact cannot be reliably measured at this stage; however, it is not anticipated to have a material impact on the Group.

Failure to Settle Risk

The Group is subject to a credit risk exposure in the event that another financial institution fails to settle for its payments clearing activities, in accordance with the regulations and procedures of the following clearing systems of the Australian Payments Clearing Association Limited: The Australian Paper Clearing System, The Bulk Electronic Clearing System, The Consumer Electronic Clearing System and the High Value Clearing System (only if operating in “fallback mode”). This credit risk exposure is unquantifiable in advance, but is well understood, and is extinguished upon settlement at 9am each business day.

Capital Commitments

The Group is committed for capital expenditure, under contract of $54 million as at 30 June 2012 (2011: $13 million). The Bank is committed for $14 million (2011: $13 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 2012 was $4.7 million (2011: $4.2 million).

Note 35 Contingent Liabilities, Contingent Assets and Commitments (continued)

Collateral accepted as security for assets

The Group takes collateral where it is considered necessary to support both on and off balance sheet financial instruments. The Group evaluates each customer's creditworthiness 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, re-pledge, or otherwise use some of the collateral received. No collateral has been re-pledged or sold. At Balance Sheet date, the carrying value of collateral accepted is as follows:

	Group		Bank	
	2012	2011	2012	2011
	$M	$M	$M	$M
Cash	3,288	1,491	3,208	1,463
Assets at fair value through Income Statement	3,900	4,114	3,900	4,115
Available-for-sale investments	3,118	2,400	3,106	1,781
Collateral held	10,306	8,005	10,214	7,359

Assets pledged

As part of standard terms of transactions with other banks, the Group has provided collateral to secure liabilities. At Balance Sheet date, the carrying value of assets pledged as collateral to secure liabilities is as follows:

	Group		Bank	
	2012	2011	2012	2011
	$M	$M	$M	$M
Cash	3,507	4,024	3,414	3,762
Assets at fair value through Income Statement (1)	6,222	5,119	6,237	4,857
Assets pledged	9,729	9,143	9,651	8,619
Of which can be repledged or resold by counterparty	5,245	4,063	5,258	3,801

(1) These balances include assets sold under repurchase agreements. The liabilities related to these repurchase agreements are disclosed in Note 19.

Assets Sold Under Repurchase Agreement

Securities sold under agreement to repurchase are retained on the balance sheet when substantially all the risks and rewards of ownership remain with the Group, and the counterparty liability is included separately on the balance sheet when cash consideration is received. At Balance Sheet date, the carrying amounts of such securities and their related liabilities are as follows:

	Group				Bank			
	Carrying Amount		Related Liability		Carrying Amount		Related Liability	
	2012	2011	2012	2011	2012	2011	2012	2011
	$M	$M	$M	$M	$M	$M	$M	$M
Assets at fair value through Income Statement	5,245	4,063	5,245	4,063	5,258	3,801	5,258	3,801
Total	5,245	4,063	5,245	4,063	5,258	3,801	5,258	3,801

Note 36 Fiduciary Activities

The Group conducts 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. These funds and trusts are not consolidated as the Group does not have direct or indirect control. Where the Group incurs liabilities in respect of these activities, and the primary obligation is incurred in an agency capacity, for the fund or trust rather than on its own account, 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	
	2012	2011
	$M	$M
Funds under administration (1)	177,825	175,769
Funds under management (1)	137,535	139,219

(1) Comparatives have been restated to conform with presentation in the current period.

Note 37 Financial Risk Management

Risk Management

The Group is a major financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. Financial instruments are fundamental to the Group's business and managing financial risks, especially credit risk, is a fundamental part of its business activity.

Governance

Risk governance originates at Board level, and cascades through to the CEO and businesses via Group policies, delegated authorities and regular reviews of outcomes. This ensures Board level oversight and is based on a clear segregation of duties between those who originate and those who approve risk exposures. Independent review of the risk management framework is carried out by Group Audit and Assurance.

The Risk Committee of the Board oversees credit, market (including traded, interest rate risk in the banking book (IRRBB), lease residual values, non-traded equity and structural foreign exchange risks), liquidity and funding, operational, regulatory and compliance, insurance and reputational risks assumed by the Group in the course of carrying on its business. Strategic risks are governed by the full Board with input from the various Board sub-committees. Tax and accounting risks are governed by the Audit Committee.

The main financial risks affecting the Group are discussed in Notes 38 (Credit Risk), 39 (Market Risk), and 40 (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.

This framework requires each business to manage the outcome of its risk-taking activities and benefit from the resulting risk adjusted returns.

Accountability for risk management is structured by a "Three Lines of Defence" model as follows:

- Line 1 – Business Management – Risk is best managed at the place it occurs, therefore business managers are responsible for managing the risks for their business. This includes implementing approaches to proactively manage their risk within risk appetite levels, and using risk management outcomes ("the costs of risk") and considerations as part of their day-to-day business making processes.
- Line 2 – Risk Management – Group, Business Unit and Divisional Risk Management units provide risk management expertise and oversight for Business Management risk-taking activities. Risk Management develop specialist policies and procedures for risk management and ensure they are embedded and in use as part of the day-to-day management of the business. Risk Management also establishes and maintains aligned and integrated risk management frameworks and monitors compliance with the frameworks, policies and procedures.
- Line 3 – Group Audit and Assurance – Group Audit and Assurance provide independent assurance to key stakeholders regarding the adequacy and effectiveness of the Group's system of internal controls, risk management procedures and governance processes. It is responsible for reviewing risk management frameworks and Business Unit practices for risk management and internal controls.

Note 38 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), commitments to lend, investments in bonds and notes, financial markets transactions, providers of credit enhancements (e.g. credit default swaps, lenders mortgage insurance), 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, bank and government client groups;
- An industry concentrations policy that defines a system of limits for concentrations by industry; and
- A system of country limits for managing geographic exposures.

The Group assesses the integrity and ability of debtors or counterparties to meet their contracted financial obligations for repayment. Collateral security, in the form of real estate or a charge over income or assets, is generally taken for business credit except for major government, bank and corporate counterparties that are externally risk-rated and of strong financial standing. Longer term consumer finance (e.g. housing loans) is generally secured against real estate while short term revolving consumer credit is generally not secured by formal collateral.

While the Group applies policies, standards and procedures in governing the credit process, the management of credit risk also relies on the application of judgement and the exercise of good faith and due care by relevant people within their delegated authority.

A centralised exposure management system is used to record all significant credit risks borne by the Group. The credit risk portfolio has two major segments:

(i) Retail Managed

This segment has sub-segments covering housing loan, credit card and personal loan facilities, some leasing products and most secured commercial lending up to $1 million.

Note 38 Credit Risk (continued)

Auto decisioning is used to approve credit applications for eligible business and consumer customers. Auto-decisioning uses a scorecard approach based on the Group's historical experience on similar applications, information from a credit reference bureau and/or from the Group's existing knowledge of a customer's behaviour.

Loan applications that do not meet scorecard Auto-decisioning requirements may be referred for 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 oversight is provided by the independent Credit Portfolio Assurance unit. Facilities in the Retail segment become classified for remedial management by centralised units based on delinquency band.

(ii) Credit Risk-Rated

This segment comprises commercial exposures, including bank and government exposures. Each exposure with commercial content exceeding $50,000 is assigned an internal Credit Risk Rating (CRR). The CRR is normally assessed by reference to a matrix where the probability of default (PD) and the amount of loss given default (LGD) combine to determine a CRR grade commensurate with expected loss (EL).

For credit risk exposures greater than $1 million or decisioned outside of the scorecard approach, either a PD Rating Tool 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 Regulation 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 are classified as restructured where their original contractual arrangements have been modified to provide for concessions of interest or principal, for reasons that relate to the customer's financial difficulties, rendering the facility non-commercial to the Group. Facilities that have been restructured are considered impaired.

Default is usually consistent with one or more of the following criteria:

- The customer is 90 days or more overdue on a scheduled credit obligation repayment; or
- The customer is unlikely to repay their credit obligation to the Bank in full, without recourse by the Group to actions such as realising available security.

The Credit Portfolio Assurance unit, part of Group Audit and Assurance, reviews credit portfolios and receives reports covering business unit compliance with policies, portfolio standards, application of credit risk ratings and other key practices and policies on a regular basis. The Credit Portfolio Assurance unit reports its findings to the Board Audit and Risk Committees as appropriate.

Credit Risk Measurement

The measurement of credit risk uses analytical tools to calculate both (i) expected and (ii) unexpected loss probabilities for the credit portfolio. The use of analytical tools is governed by a Credit Rating Governance Committee that reviews and endorses the use of the tools prior to their implementation to ensure they are sufficiently predictive of risk.

(i) Expected Loss

Expected loss is the product of:

- Probability of default (PD);
- Exposure at default (EAD); and
- Loss given default (LGD).

For credit risk-rated facilities, EL is allocated within CRR bands. All credit risk-rated exposures are required to be reviewed at least annually.

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. The EAD treatment is as follows for different facility types:

- Drawn committed facilities (such as fully drawn loans and advances), EAD will generally be the higher of the limit or outstanding balance;
- Committed facilities with uncertain future drawdown (e.g. Credit cards and overdrafts), EAD is based on the Group's historical experience of additional drawings prior to customer default; and
- Uncommitted facilities, EAD 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

Note 38 Credit Risk (continued)

- 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.

(ii) Unexpected Loss

In addition to expected loss, a more stressed loss amount is calculated. This unexpected loss estimate directly affects the calculation of regulatory and internal economic capital requirements (refer to Capital Management section and Note 30, for information relating to regulatory and economic capital).

In addition to the credit risk management processes used to manage exposures to credit risk in the credit portfolio, the internal ratings process also assists management in assessing impairment and provisioning of financial assets (refer to Note 14).

Credit Risk Mitigation, Collateral and Other Credit Enhancements

Where it is considered appropriate, the Group has policies and procedures in place setting out the circumstances where acceptable and appropriate collateral is to be taken to mitigate credit risk, including valuation parameters, review frequency and independence of valuation.

The general nature and amount 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 100% collateralised by highly liquid debt securities, collateral is usually not sought on these balances as exposures are generally considered low risk. The collateral related to agreements to resell has been legally transferred to the Group subject to an agreement to return them for a fixed price.

The Group's cash and liquid asset balance as of 30 June 2012 was $19,666 million (2011: $13,241 million). Included in this balance is $9,599 million (2011: $3,658 million) that is deposited with central banks and considered to carry less credit risk.

Receivables due from other financial institutions

Collateral is usually not sought on these balances as exposures are generally considered to be of low risk. The exposures are mainly to relatively low risk banks (Rated A+, AA- or better). As of 30 June 2012, the Group had $10,886 million (2011: $10,393 million) receivable from other financial institutions.

Trading assets at fair value

These assets are carried at fair value which accounts for the credit risk. Collateral is not generally sought from the issuer or counterparty. Credit derivatives have been used to a limited extent to mitigate the exposure to credit risk. As of 30 June 2012, the Group held $13,816 million (2011: $20,469 million) trading assets at fair value.

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.

Life investment contracts and unit holder investment backed policy liabilities of $14,525 million (2011: $14,998 million), and therefore the credit risk on these assets are borne by policy holders.

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.

Derivative financial assets

The Group's use of derivative contracts is outlined in the derivative financial instruments note (Note 11). The Group is exposed to credit risk on derivative contracts, which arises as a result of counterparty credit risk. The Group's exposure to counterparty risk is affected by the nature of the trades, the creditworthiness of the counterparty, netting, and collateral arrangements.

Credit risk from derivatives is mitigated where possible (typically for financial markets counterparties, but less frequently for corporate or government counterparties) through netting agreements whereby derivative assets and liabilities with the same counterparty can be offset. Group policy requires all netting arrangements to be legally documented. The International Swaps and Derivatives Association (ISDA) Master Agreement is used by the Group as an agreement for documenting over the counter (OTC) derivatives. It provides the contractual framework within which dealing activities across a range of OTC products are conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur.

Collateral is obtained against derivative assets, depending on the creditworthiness of the counterparty and/or nature of the transaction.

As at 30 June 2012, the Group held positive derivative asset OTC contracts with a value of $38,937 million (2011: $30,317 million) and collateral received of $3,288 million (2011: $1,491 million) covering some of these contracts. The credit risk is further reduced where the Group has master netting agreements. The offsets obtained by applying master netting agreements reduced the credit risk of the Group by approximately $18.6 billion as at 30 June 2012 (2011: $10.2 billion).

Available for sale securities (AFS)

As of 30 June 2012, the Group held $60,827 million (2011: $45,171 million) of AFS securities. Included in this holding are $1,317 million (2011: $2,828 million) of securities issued by Australian banks which are subject to an Australian Government guarantee.

Due from subsidiaries

Collateral is not generally taken on these intergroup balances.

Credit commitments and contingent liabilities

The Group applies fundamentally the same risk management policies for off balance sheet risks as it does for its on-balance sheet risks. In the case of credit commitments, customers and counterparties will be subject to the same credit management policies as for loans and advances. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction.

As at 30 June 2012, the Group had $138,948 million (2011: $136,134 million) of off balance sheet exposures (commitments and guarantees). Of these $70,041 million (2011: $70,968 million) are secured by underlying specific assets.

Note 38 Credit Risk (continued)

Loans and other receivables

The principal collateral types for loans and receivable balances are:

- Mortgages over residential and commercial real estate;
- Charges over business assets such as premises, inventory and accounts receivables; and
- Guarantees received from third parties.

Specifically, the collateral mitigating credit risk of the key lending portfolios is addressed in the notes and tables below.

(i) Home Loans

All home loans are secured by fixed charges over borrowers' residential properties, other properties (including commercial and broad acre), or cash (usually in the form of a charge over a deposit). Further, lenders mortgage insurance (LMI) is taken out for most loans with a Loan to Value Ratio (LVR) higher than 80% at origination to cover 100% of the original principal plus interest.

(ii) Personal Lending

Personal lending (e.g. credit cards) is predominantly unsecured.

(iii) Asset Finance

The Group leases assets to corporate and retail clients. When the title to the underlying fixed assets is held by the Group as collateral, the balance is deemed fully secured. In other instances, a client's facilities maybe secured by collateral valued at less than the carrying amount of credit exposure. These facilities are deemed partially secured or unsecured.

(iv) Other commercial and industrial lending

The Group's main collateral types for other commercial and industrial lending consists of secured rights over specified assets of the borrower in the form of: commercial property, land rights, cash (usually in the form of a charge over a deposit), guarantees by company directors supporting commercial lending, a charge over a company's assets (including debtors, stock and work in progress), or a charge over stock or scrip. In other instances, a client's facilities may be secured by collateral with value less than the carrying amount of the credit exposure. These facilities are deemed, secured, partially secured or unsecured.

					Group 2012
	Home Loans	Personal	Asset Financing	Other Commercial and Industrial	Total
Maximum exposure ($M)	350,633	22,428	8,682	150,637	532,380
Collateral classification:					
Secured (%)	98. 7	16. 2	99. 4	36. 6	77. 7
Partially secured (%)	1. 3	-	0. 6	13. 6	4. 7
Unsecured (%)	-	83. 8	-	49. 8	17. 6

					Group 2011
	Home Loans	Personal	Asset Financing	Other Commercial and Industrial	Total
Maximum exposure ($M)	335,841	22,703	9,584	139,213	507,341
Collateral classification:					
Secured (%)	98. 7	20. 3	99. 2	43. 0	80. 1
Partially secured (%)	1. 3	-	0. 8	12. 0	4. 3
Unsecured (%)	-	79. 7	-	45. 0	15. 6

					Bank 2012
	Home Loans	Personal	Asset Financing	Other Commercial and Industrial	Total
Maximum exposure ($M)	269,319	20,067	7,822	114,322	411,530
Collateral classification:					
Secured (%)	98. 9	19. 0	99. 5	39. 4	78. 5
Partially secured (%)	1. 1	-	0. 5	11. 0	3. 8
Unsecured (%)	-	81. 0	-	49. 6	17. 7

					Bank 2011
	Home Loans	Personal	Asset Financing	Other Commercial and Industrial	Total
Maximum exposure ($M)	260,059	20,413	7,839	104,093	392,404
Collateral classification:					
Secured (%)	99. 0	23. 8	99. 4	48. 1	81. 9
Partially secured (%)	1. 0	-	0. 6	8. 3	3. 0
Unsecured (%)	-	76. 2	-	43. 6	15. 1

Note 38 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 2012
	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	-	-	7,519	-	-	-	-	-	-	7,519
Receivables due from other financial institutions	-	-	6,135	-	-	-	-	-	-	6,135
Assets at fair value through Income Statement:										
Trading	5,560	-	975	-	-	-	-	2,416	-	8,951
Insurance [1]	929	-	8,476	-	-	-	-	3,413	-	12,818
Other	-	-	6	-	-	-	-	-	-	6
Derivative assets	311	66	29,508	-	31	-	-	4,846	-	34,762
Available-for-sale investments	25,639	-	26,604	-	-	-	-	479	-	52,722
Loans, bills discounted and other receivables [2]	1,619	5,250	10,225	320,570	2,796	21,772	8,214	106,679	-	477,125
Bank acceptances	3	2,886	191	-	603	-	-	6,032	-	9,715
Other assets [3]	37	61	184	1,165	11	32	17	480	14,023	16,010
Total on balance sheet Australia	34,098	8,263	89,823	321,735	3,441	21,804	8,231	124,345	14,023	625,763
Credit risk exposures relating to off balance sheet assets:										
Guarantees	1,241	34	258	14	903	-	-	2,766	-	5,216
Loan commitments	1,117	814	2,082	57,158	1,903	18,923	-	32,674	-	114,671
Other commitments	96	13	1,770	4	725	-	-	2,042	-	4,650
Total Australia	36,552	9,124	93,933	378,911	6,972	40,727	8,231	161,827	14,023	750,300
Overseas										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	12,147	-	-	-	-	-	-	12,147
Receivables due from other financial institutions	-	-	4,751	-	-	-	-	-	-	4,751
Assets at fair value through Income Statement:										
Trading	407	-	859	-	-	-	-	3,599	-	4,865
Insurance [1]	-	-	1,707	-	-	-	-	-	-	1,707
Other	967	-	7	-	-	-	-	-	-	974
Derivative assets	225	1	3,157	-	-	-	-	792	-	4,175
Available-for-sale investments	6,948	-	1,156	-	-	-	-	1	-	8,105
Loans, bills discounted and other receivables [2]	10,235	5,198	3,156	30,063	345	656	468	5,134	-	55,255
Bank acceptances	-	-	-	-	-	-	-	2	-	2
Other assets [3]	19	1	5,378	1	-	-	1	37	1,746	7,183
Total on balance sheet overseas	18,801	5,200	32,318	30,064	345	656	469	9,565	1,746	99,164
Credit risk exposures relating to off balance sheet assets:										
Guarantees	-	1	2	-	12	-	-	127	-	142
Loan commitments	392	375	197	3,849	168	1,172	-	7,009	-	13,162
Other commitments	71	1	-	-	3	-	-	1,032	-	1,107
Total overseas	19,264	5,577	32,517	33,913	528	1,828	469	17,733	1,746	113,575
Total gross credit risk	55,816	14,701	126,450	412,824	7,500	42,555	8,700	179,560	15,769	863,875

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

(2) Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income on lease receivables in line with Note 13.

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

Note 38 Credit Risk (continued)

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

										Group At 30 June 2011
	Sovereign $M	Agri-culture $M	Bank & Other Financial $M	Home Loans $M	Constr-uction $M	Personal $M	Asset Financing $M	Other Comm & Indust. $M	Other $M	Total $M
Australia										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	6,193	-	-	-	-	-	-	6,193
Receivables due from other financial institutions	-	-	5,203	-	-	-	-	-	-	5,203
Assets at fair value through Income Statement:										
Trading	11,129	-	670	-	-	-	-	3,430	-	15,229
Insurance [1]	844	-	9,871	-	109	-	-	2,559	-	13,383
Other	-	-	-	-	-	-	-	-	-	-
Derivative assets	143	33	23,055	-	43	-	-	3,669	-	26,943
Available-for-sale investments [2]	14,851	-	23,184	-	-	-	-	641	-	38,676
Loans, bills discounted and other receivables [2] [3]	2,212	5,278	9,986	306,250	2,877	22,144	8,328	98,538	-	455,613
Bank acceptances	4	3,071	213	-	528	-	-	6,918	-	10,734
Other assets [4]	83	43	5,171	945	46	7	18	371	13,443	20,127
Total on balance sheet Australia	29,266	8,425	83,546	307,195	3,603	22,151	8,346	116,126	13,443	592,101
Credit risk exposures relating to off balance sheet assets:										
Guarantees	90	29	166	14	550	-	-	3,478	-	4,327
Loan commitments [2]	3,258	967	1,802	54,015	2,897	17,907	-	30,154	-	111,000
Other commitments [2]	42	20	1,803	259	909	-	-	2,003	-	5,036
Total Australia	32,656	9,441	87,317	361,483	7,959	40,058	8,346	151,761	13,443	712,464
Overseas										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	7,048	-	-	-	-	-	-	7,048
Receivables due from other financial institutions	-	-	5,190	-	-	-	-	-	-	5,190
Assets at fair value through Income Statement:										
Trading	1,961	-	1,201	-	-	-	-	2,078	-	5,240
Insurance [1]	-	-	1,615	-	-	-	-	-	-	1,615
Other	299	5	496	-	-	3	-	21	-	824
Derivative assets	222	-	2,502	-	-	-	-	650	-	3,374
Available-for-sale investments [2]	4,793	-	1,046	-	-	-	-	656	-	6,495
Loans, bills discounted and other receivables [3]	4,603	4,920	6,988	29,591	322	559	1,256	3,489	-	51,728
Bank acceptances	-	-	-	-	-	-	-	-	-	-
Other assets [4]	23	-	247	1	1	-	-	62	1,234	1,568
Total on balance sheet overseas	11,901	4,925	26,333	29,592	323	562	1,256	6,956	1,234	83,082
Credit risk exposures relating to off balance sheet assets:										
Guarantees	-	-	3	-	13	-	-	119	-	135
Loan commitments	4,341	367	289	3,370	154	1,164	-	5,649	-	15,334
Other commitments	31	1	-	-	2	-	-	268	-	302
Total overseas	16,273	5,293	26,625	32,962	492	1,726	1,256	12,992	1,234	98,853
Total gross credit risk	48,929	14,734	113,942	394,445	8,451	41,784	9,602	164,753	14,677	811,317

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

(2) Comparatives have been restated to conform with presentation in the current period.

(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.

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

Note 38 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, the type of client and the security cover. All exposures outside the policy limits require approval by the Executive Risk Committee and are reported to the Board Risk Committee.

The following table shows the aggregated number of the Group's Corporate and Industrial counterparty exposures (including direct and contingent exposures) which individually were greater than 5% of the Group's capital resources (Tier One and Tier Two capital):

	Group	
	2012 Number	2011 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 60% of the gross loans and other receivables in domestic mortgage loans and a further 6% in overseas mortgage loans primarily in New Zealand. Overseas loans account for 10% of loans and advances.

The Group restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements are primarily used to manage the risk of derivative transactions and off balance sheet exposures. Balance Sheet assets and liabilities are usually settled on a gross basis.

The credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The offsets obtained by applying master netting arrangements reduced the credit risk of the Group by approximately $18.6 billion as at 30 June 2012 (2011: $10.2 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 corporate facilities that allow on balance sheet netting for credit management purposes. On balance sheet netting reduced the credit risk of the Group by approximately $18.0 billion as at 30 June 2012 (2011: $18.5 billion).

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 2012 was:

Distribution of Financial Instruments by Credit Quality

							Group 2012
	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	19,666	-	-	-	19,666	-	19,666
Receivables due from other financial institutions	10,886	-	-	-	10,886	-	10,886
Assets at fair value through Income Statement:							
Trading	13,816	-	-	-	13,816	-	13,816
Insurance	14,525	-	-	-	14,525	-	14,525
Other	980	-	-	-	980	-	980
Derivative assets	38,929	-	6	2	38,937	-	38,937
Available-for-sale investments	60,827	-	-	-	60,827	-	60,827
Loans, bills discounted and other receivables:							
Australia	462,489	10,668	3,882	86	477,125	(1,920)	475,205
Overseas	52,841	2,008	336	70	55,255	(88)	55,167
Bank acceptances	9,717	-	-	-	9,717	-	9,717
Credit related commitments	138,831	-	112	5	138,948	-	138,948
	823,507	12,676	4,336	163	840,682	(2,008)	838,674

Note 38 Credit Risk (continued)

Distribution of Financial Instruments by Credit Quality (continued)

							Bank 2012
	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	17,952	-	-	-	17,952	-	17,952
Receivables due from other financial institutions	10,482	-	-	-	10,482	-	10,482
Assets at fair value through Income Statement:							
Trading	12,071	-	-	-	12,071	-	12,071
Insurance	-	-	-	-	-	-	-
Other	980	-	-	-	980	-	980
Derivative assets	39,054	-	5	2	39,061	-	39,061
Available-for-sale investments	120,047	-	-	-	120,047	-	120,047
Loans, bills discounted and other receivables:							
Australia	390,100	8,614	2,196	31	400,941	(986)	399,955
Overseas	10,440	14	135	-	10,589	(25)	10,564
Bank acceptances	9,715	-	-	-	9,715	-	9,715
Shares in and loans to controlled entities	71,526	-	-	-	71,526	-	71,526
Credit related commitments	118,584	-	57	4	118,645	-	118,645
	800,951	8,628	2,393	37	812,009	(1,011)	810,998

							Group 2011
	Neither past due nor impaired $M	Past due but not impaired $M	Impaired non-performing $M	Restructured $M	Gross $M	Individually assessed provisions $M	Net $M
Cash and liquid assets	13,241	-	-	-	13,241	-	13,241
Receivables due from other financial institutions	10,393	-	-	-	10,393	-	10,393
Assets at fair value through Income Statement:							
Trading	20,469	-	-	-	20,469	-	20,469
Insurance	14,998	-	-	-	14,998	-	14,998
Other	824	-	-	-	824	-	824
Derivative assets	30,248	-	69	-	30,317	-	30,317
Available-for-sale investments	45,171	-	-	-	45,171	-	45,171
Loans, bills discounted and other receivables:							
Australia	439,056	12,060	4,459	38	455,613	(2,031)	453,582
Overseas	48,808	2,267	464	189	51,728	(94)	51,634
Bank acceptances	10,734	-	-	-	10,734	-	10,734
Credit related commitments	136,056	-	78	-	136,134	-	136,134
	769,998	14,327	5,070	227	789,622	(2,125)	787,497

Note 38 Credit Risk (continued)

Distribution of Financial Instruments by Credit Quality (continued)

							Bank 2011
	Neither past due nor impaired $M	Past due but not impaired $M	Impaired non-performing $M	Restructured $M	Gross $M	Individually assessed provisions $M	Net $M
Cash and liquid assets	10,979	-	-	-	10,979	-	10,979
Receivables due from other financial institutions	10,123	-	-	-	10,123	-	10,123
Assets at fair value through Income Statement:							
Trading	17,765	-	-	-	17,765	-	17,765
Insurance	-	-	-	-	-	-	-
Other	300	-	-	-	300	-	300
Derivative assets	30,663	-	68	-	30,731	-	30,731
Available-for-sale investments	75,699	-	-	-	75,699	-	75,699
Loans, bills discounted and other receivables:							
Australia	371,573	9,519	2,681	38	383,811	(1,050)	382,761
Overseas	8,410	9	171	3	8,593	(31)	8,562
Bank acceptances	10,734	-	-	-	10,734	-	10,734
Shares in and loans to controlled entities	47,357	-	-	-	47,357	-	47,357
Credit related commitments	118,143	-	51	-	118,194	-	118,194
	701,746	9,528	2,971	41	714,286	(1,081)	713,205

Financial Assets Individually Assessed as Impaired

						Group
			2012			2011
	Gross Impaired Assets $M	Individually Assessed Provisions $M	Net Impaired Assets $M	Gross Impaired Assets $M	Individually Assessed Provisions $M	Net Impaired Assets $M
Australia						
Home loans	**919**	**(256)**	**663**	734	(202)	532
Other personal	**29**	**(11)**	**18**	10	(11)	(1)
Asset financing	**53**	**(14)**	**39**	85	(37)	48
Other commercial and industrial	**3,079**	**(1,639)**	**1,440**	3,811	(1,781)	2,030
Financial assets individually assessed as impaired - Australia	**4,080**	**(1,920)**	**2,160**	4,640	(2,031)	2,609
Overseas						
Home loans	**163**	**(28)**	**135**	177	(25)	152
Personal	**5**	**-**	**5**	1	-	1
Asset financing	**7**	**-**	**7**	-	-	-
Other commercial and industrial	**244**	**(60)**	**184**	479	(69)	410
Financial assets individually assessed as impaired - overseas	**419**	**(88)**	**331**	657	(94)	563
Total financial assets individually assessed as impaired	**4,499**	**(2,008)**	**2,491**	5,297	(2,125)	3,172

Note 38 Credit Risk (continued)

Financial Assets Individually Assessed as Impaired (continued)

						Bank
			2012			2011
	Gross Impaired Assets $M	Individually Assessed Provisions $M	Net Impaired Assets $M	Gross Impaired Assets $M	Individually Assessed Provisions $M	Net Impaired Assets $M
Australia						
Home loans	**767**	**(209)**	**558**	639	(157)	482
Other personal	**14**	**(9)**	**5**	7	(9)	(2)
Asset financing	**42**	**(14)**	**28**	54	(34)	20
Other commercial and industrial	**1,463**	**(754)**	**709**	2,135	(850)	1,285
Financial assets individually assessed as impaired - Australia	**2,286**	**(986)**	**1,300**	2,835	(1,050)	1,785
Overseas						
Home loans	**-**	**-**	**-**	-	-	-
Personal	**-**	**-**	**-**	-	-	-
Asset financing	**3**	**-**	**3**	-	-	-
Other commercial and industrial	**141**	**(25)**	**116**	177	(31)	146
Financial assets individually assessed as impaired - overseas	**144**	**(25)**	**119**	177	(31)	146
Total financial assets individually assessed as impaired	**2,430**	**(1,011)**	**1,419**	3,012	(1,081)	1,931

Distribution of Loans, Bills Discounted and Other Receivables by Impairment Status

The table below segregates the loans, bills discounted and other receivables into neither past due nor impaired, past due but not impaired and impaired. An asset is considered to be past due when any payment under the contractual terms has been missed. The amount included as past due is the entire contractual balance, rather than the overdue portion.

The split in the tables below does not reflect the basis by which the Group manages credit risk.

		Group		Bank
	2012	2011	2012	2011
Distribution of loans by credit quality	$M	$M	$M	$M
Gross loans				
Australia				
Neither past due nor impaired	**462,489**	439,056	**390,100**	371,573
Past due but not impaired	**10,668**	12,060	**8,614**	9,519
Impaired	**3,968**	4,497	**2,227**	2,719
Total Australia	**477,125**	455,613	**400,941**	383,811
Overseas				
Neither past due nor impaired	**52,841**	48,808	**10,440**	8,410
Past due but not impaired	**2,008**	2,267	**14**	9
Impaired	**406**	653	**135**	174
Total overseas	**55,255**	51,728	**10,589**	8,593
Total gross loans	**532,380**	507,341	**411,530**	392,404

Note 38 Credit Risk (continued)

Credit Quality of Loans, Bills Discounted and Other Receivables Neither Past Due nor Impaired

For the analysis below, financial assets that are neither past due nor impaired have been segmented into investment, pass and weak classifications. This segmentation of loans in retail and risk-rated portfolios is based on the mapping of a customer's internally assessed PD to Standard and Poor's ratings, reflecting a client's ability to meet their credit obligations. In particular, retail PD pools have been aligned to the Group's PD grades which are consistent with rating agency views of credit quality segmentation.

Investment grade is representative of lower assessed default probabilities with other classifications reflecting progressively higher default risk. No consideration is given to LGD, the impact of any recoveries or the potential benefit of mortgage insurance.

Loans which were neither past due nor impaired

					Group 2012
Credit grading	**Home Loans $M**	**Personal $M**	**Asset Financing $M**	**Other Commercial and Industrial $M**	**Total $M**
Australia					
Investment	**211,290**	**4,006**	**525**	**79,155**	**294,976**
Pass	**87,432**	**13,042**	**7,424**	**39,627**	**147,525**
Weak	**12,923**	**3,598**	**77**	**3,390**	**19,988**
Total Australia	**311,645**	**20,646**	**8,026**	**122,172**	**462,489**
Overseas (1)					
Investment	**5,070**	**68**	**1**	**16,800**	**21,939**
Pass	**22,368**	**375**	**405**	**6,461**	**29,609**
Weak	**860**	**5**	**-**	**428**	**1,293**
Total overseas	**28,298**	**448**	**406**	**23,689**	**52,841**
Total loans which were neither past due nor impaired	**339,943**	**21,094**	**8,432**	**145,861**	**515,330**

					Group 2011
Credit grading (1)	**Home Loans $M**	**Personal $M**	**Asset Financing $M**	**Other Commercial and Industrial $M**	**Total $M**
Australia					
Investment	193,983	3,762	499	66,887	265,131
Pass	90,989	14,192	7,462	41,447	154,090
Weak	11,730	3,099	155	4,851	19,835
Total Australia	296,702	21,053	8,116	113,185	439,056
Overseas (2)					
Investment	3,267	65	281	13,544	17,157
Pass	23,914	268	911	5,728	30,821
Weak	428	11	15	376	830
Total overseas	27,609	344	1,207	19,648	48,808
Total loans which were neither past due nor impaired	324,311	21,397	9,323	132,833	487,864

(1) Comparatives have been restated to conform with 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 38 Credit Risk (continued)

Loans which were neither past due nor impaired (continued)

Credit grading	Home Loans $M	Personal $M	Asset Financing $M	Other Commercial and Industrial $M	Bank 2012 Total $M
Australia					
Investment	165,464	3,512	443	76,234	245,653
Pass	86,211	12,166	7,137	24,373	129,887
Weak	9,670	3,368	63	1,459	14,560
Total Australia	261,345	19,046	7,643	102,066	390,100
Overseas					
Investment	231	-	1	9,157	9,389
Pass	171	18	18	843	1,050
Weak	1	-	-	-	1
Total overseas	403	18	19	10,000	10,440
Total loans which were neither past due nor impaired	261,748	19,064	7,662	112,066	400,540

Credit grading (1)	Home Loans $M	Personal $M	Asset Financing $M	Other Commercial and Industrial $M	Bank 2011 Total $M
Australia					
Investment	160,399	3,400	385	64,069	228,253
Pass	80,944	13,252	6,811	27,169	128,176
Weak	10,272	2,781	143	1,948	15,144
Total Australia	251,615	19,433	7,339	93,186	371,573
Overseas					
Investment	-	-	282	7,008	7,290
Pass	365	19	62	672	1,118
Weak	-	-	2	-	2
Total overseas	365	19	346	7,680	8,410
Total loans which were neither past due nor impaired	251,980	19,452	7,685	100,866	379,983

(1) Comparatives have been restated to conform with presentation in the current period.

Notes to the Financial Statements

Note 38 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.

Past due loans are not classified as impaired if no loss to the Group is expected or if the loans are unsecured consumer loans and less than 180 days past due.

It has not been practicable to determine the fair value of collateral held against these assets.

					Group 2012
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	**3,276**	**637**	**68**	**880**	**4,861**
Past due 30 - 59 days	**1,554**	**165**	**45**	**149**	**1,913**
Past due 60 - 89 days	**886**	**100**	**13**	**97**	**1,096**
Past due 90 - 179 days	**1,113**	**182**	**1**	**133**	**1,429**
Past due 180 days or more	**1,186**	**13**	**8**	**162**	**1,369**
Total Australia	**8,015**	**1,097**	**135**	**1,421**	**10,668**
Overseas					
Past due 1 - 29 days	**1,129**	**144**	**42**	**127**	**1,442**
Past due 30 - 59 days	**232**	**28**	**7**	**5**	**272**
Past due 60 - 89 days	**97**	**11**	**2**	**4**	**114**
Past due 90 - 179 days	**91**	**12**	**3**	**4**	**110**
Past due 180 days or more	**54**	**8**	**1**	**7**	**70**
Total overseas	**1,603**	**203**	**55**	**147**	**2,008**
Total loans which were past due but not impaired	**9,618**	**1,300**	**190**	**1,568**	**12,676**

					Group 2011
Loans which were past due but not impaired [1]	Home Loans $M	Personal [2] $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
Australia					
Past due 1 - 29 days	3,309	586	50	1,276	5,221
Past due 30 - 59 days	1,708	171	21	218	2,118
Past due 60 - 89 days	951	110	16	152	1,229
Past due 90 - 179 days	1,373	191	23	177	1,764
Past due 180 days or more	1,473	23	17	215	1,728
Total Australia	8,814	1,081	127	2,038	12,060
Overseas					
Past due 1 - 29 days	1,266	163	37	143	1,609
Past due 30 - 59 days	244	22	8	8	282
Past due 60 - 89 days	94	11	2	3	110
Past due 90 - 179 days	121	13	2	16	152
Past due 180 days or more	80	5	-	29	114
Total overseas	1,805	214	49	199	2,267
Total loans which were past due but not impaired	10,619	1,295	176	2,237	14,327

(1) Collateral held against past due Home Loans receivables comprises residential and other real estate with an estimated fair value of at least the amounts shown. Personal receivables are generally unsecured. It has not been practicable to determine the fair value of collateral held against past due Asset Financing and Other Commercial and Industrial receivables.

(2) Personal loans, credit cards and other personal financing balances are generally unsecured and written off at 180 days past due unless agreements have been made with the debtor.

Note 38 Credit Risk (continued)

Age Analysis of Loans, Bills Discounted and Other Receivables that are Past Due but Not Impaired (continued)

Bank 2012 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	**2,692**	**566**	**52**	**446**	**3,756**
Past due 30 - 59 days	**1,321**	**148**	**39**	**93**	**1,601**
Past due 60 - 89 days	**772**	**91**	**12**	**46**	**921**
Past due 90 - 179 days	**977**	**169**	**10**	**57**	**1,213**
Past due 180 days or more	**1,049**	**13**	**2**	**59**	**1,123**
Total Australia	**6,811**	**987**	**115**	**701**	**8,614**
Overseas					
Past due 1 - 29 days	**12**	**-**	**-**	**-**	**12**
Past due 30 - 59 days	**1**	**-**	**-**	**-**	**1**
Past due 60 - 89 days	**-**	**-**	**-**	**-**	**-**
Past due 90 - 179 days	**1**	**-**	**-**	**-**	**1**
Past due 180 days or more	**-**	**-**	**-**	**-**	**-**
Total overseas	**14**	**-**	**-**	**-**	**14**
Total loans which were past due but not impaired	**6,825**	**987**	**115**	**701**	**8,628**

Bank 2011 Loans which were past due but not impaired [(1)]	Home Loans $M	Personal [(2)] $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
Australia					
Past due 1 - 29 days	2,668	510	36	621	3,835
Past due 30 - 59 days	1,449	149	16	132	1,746
Past due 60 - 89 days	796	99	13	84	992
Past due 90 - 179 days	1,195	172	19	93	1,479
Past due 180 days or more	1,324	23	16	104	1,467
Total Australia	7,432	953	100	1,034	9,519
Overseas					
Past due 1 - 29 days	7	-	-	-	7
Past due 30 - 59 days	1	-	-	-	1
Past due 60 - 89 days	-	-	-	-	-
Past due 90 - 179 days	1	-	-	-	1
Past due 180 days or more	-	-	-	-	-
Total overseas	9	-	-	-	9
Total loans which were past due but not impaired	7,441	953	100	1,034	9,528

(1) Collateral held against past due Housing Loans receivables comprises residential and other real estate with an estimated fair value of at least the amounts shown. Other personal receivables are generally unsecured. It has not been practicable to determine the fair value of collateral held against past due Asset Financing and Other Commercial/ Industrial receivables.

(2) Personal loans, credit cards and other personal financing balances are generally unsecured and written off at 180 days past due unless agreements have been made with the debtor.

Note 38 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
	2012	2011	2010	2009	2008
	$M	$M	$M	$M	$M
Australia					
Non-Performing assets:					
Gross balances	**3,987**	4,602	4,648	3,514	620
Less provisions for impairment	**(1,920)**	(2,031)	(1,915)	(1,560)	(248)
Net non-performing assets	**2,067**	2,571	2,733	1,954	372
Restructured assets:					
Gross balances	**93**	38	78	119	-
Less provisions for impairment	**-**	-	-	-	-
Net restructured assets	**93**	38	78	119	-
Assets Acquired Through Security Enforcement:					
Gross balances	**-**	-	-	-	-
Less provisions for impairment	**-**	-	-	-	-
Net assets acquired through security enforcement	**-**	-	-	-	-
Net Australia impaired assets	**2,160**	2,609	2,811	2,073	372
Overseas					
Non-Performing assets:					
Gross balances	**349**	468	321	407	63
Less provisions for impairment	**(88)**	(94)	(77)	(169)	(31)
Net non-performing assets	**261**	374	244	238	32
Restructured assets:					
Gross balances	**70**	189	169	170	-
Less provisions for impairment	**-**	-	-	-	-
Net restructured assets	**70**	189	169	170	-
Assets Acquired Through Security Enforcement:					
Gross balances	**-**	-	-	-	-
Less provisions for impairment	**-**	-	-	-	-
Net assets acquired through security enforcement	**-**	-	-	-	-
Net overseas impaired assets	**331**	563	413	408	32
Total net impaired assets	**2,491**	3,172	3,224	2,481	404

Note 38 Credit Risk (continued)

Impaired Assets by Classification (continued)

Impaired assets by size [1]	Australia 2012 $M	Overseas 2012 $M	Total 2012 $M	Australia 2011 $M	Overseas 2011 $M	Group Total 2011 $M
Less than $1 million	925	181	1,106	829	215	1,044
$1 million to $10 million	1,359	110	1,469	1,414	129	1,543
Greater than $10 million	1,796	128	1,924	2,397	313	2,710
Total	4,080	419	4,499	4,640	657	5,297

(1) Comparatives have been restated to conform with presentation in the current period.

Movement in gross impaired assets	2012 $M	2011 $M	2010 $M	2009 $M	Group 2008 $M
Gross impaired assets - opening balance	5,297	5,216	4,210	683	421
Acquisitions	-	-	-	770	-
New and increased	3,929	4,619	5,455	4,374	1,104
Balances written off	(1,687)	(1,798)	(1,904)	(1,056)	(470)
Returned to performing or repaid	(3,040)	(2,740)	(2,545)	(561)	(372)
Gross impaired assets - closing balance	4,499	5,297	5,216	4,210	683

Impaired Loans by Industry and Status

Industry	Loans $M	Gross Impaired Loans $M	Individually Assessed Provisions $M	Net Impaired Loans $M	Write-offs $M	Recoveries $M	Group 2012 Net Write-offs $M
Australia							
Sovereign	1,619	-	-	-	-	-	-
Agriculture	5,250	224	(89)	135	32	-	32
Bank and other financial	10,225	341	(235)	106	51	(17)	34
Home loans	320,570	910	(256)	654	88	(5)	83
Construction	2,796	218	(152)	66	45	-	45
Personal	21,772	29	(11)	18	657	(147)	510
Asset Financing	8,214	53	(14)	39	38	(17)	21
Other commercial and industrial	106,679	2,193	(1,163)	1,030	884	(30)	854
Total Australia	477,125	3,968	(1,920)	2,048	1,795	(216)	1,579
Overseas							
Sovereign	10,235	-	-	-	-	-	-
Agriculture	5,198	56	(7)	49	5	-	5
Bank and other financial	3,156	79	(6)	73	1	-	1
Home loans	30,063	162	(28)	134	24	-	24
Construction	345	-	-	-	-	-	-
Personal	656	5	-	5	19	(8)	11
Asset Financing	468	7	-	7	-	-	-
Other commercial and industrial	5,134	97	(47)	50	33	(4)	29
Total overseas	55,255	406	(88)	318	82	(12)	70
Gross balances	532,380	4,374	(2,008)	2,366	1,877	(228)	1,649

Note 38 Credit Risk (continued)

Impaired Loans by Industry and Status (continued)

							Group 2011
	Loans	Gross Impaired Loans	Individually Assessed Provisions	Net Impaired Loans	Write-offs	Recoveries	Net Write-offs
Industry	$M	$M	$M	$M	$M	$M	$M
Australia							
Sovereign	2,212	-	-	-	-	-	-
Agriculture	5,278	191	(87)	104	10	-	10
Bank and other financial	9,986	387	(254)	133	107	(3)	104
Home Loans	306,250	734	(202)	532	84	(43)	41
Construction	2,877	233	(133)	100	89	-	89
Personal [(1)]	22,144	10	(11)	(1)	567	(134)	433
Asset Financing	8,328	85	(37)	48	26	(2)	24
Other commercial and industrial [(1)]	98,538	2,857	(1,307)	1,550	989	(17)	972
Total Australia	455,613	4,497	(2,031)	2,466	1,872	(199)	1,673
Overseas							
Sovereign	4,603	-	-	-	-	-	-
Agriculture	4,920	123	(11)	112	17	-	17
Bank and other financial	6,988	59	(1)	58	1	-	1
Home Loans	29,591	177	(25)	152	26	-	26
Construction	322	-	-	-	1	-	1
Personal	559	1	-	1	22	(7)	15
Asset Financing	1,256	-	-	-	-	-	-
Other commercial and industrial	3,489	293	(57)	236	36	-	36
Total overseas	51,728	653	(94)	559	103	(7)	96
Gross balances	507,341	5,150	(2,125)	3,025	1,975	(206)	1,769

(1) Comparatives have been restated to conform with presentation in the current period.

Note 39 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 risk values, and implied volatility levels for all assets and liabilities where options are transacted.

For the purposes of market risk management, the Group makes a distinction between Traded and Non-Traded Market Risks. Traded Market Risks principally arise from the Group's trading book activities within the Institutional Banking and Markets business, IFS Asia businesses, ASB and Bankwest.

The predominant Non-Traded Market Risk is IRRBB. Other Non-Traded Market Risks are liquidity risk, funding risk, structural foreign exchange risk arising from capital investments in offshore operations, Non-Traded Equity Risk, market risk arising from the insurance business and lease residual value risk.

The Group's assessment of regulatory capital required under the Basel II framework is discussed in Note 30. Liquidity and funding risks are discussed in Note 40.

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.

Stressed VaR is also calculated for Traded Market Risk using the same methodology as the regular Traded Market Risk VaR except that the historical data used is taken from a one year observation period of significant market volatility as seen during the Global Financial Crisis (GFC).

It should be noted that because VaR is driven by actual historical observations, it is not an estimate of the maximum loss that the Group could experience from an extreme market event. As a result of this limitation, management also uses stress testing to measure the potential for economic loss at significantly higher confidence levels than 97.5%. Management then uses the results in decisions made to manage the economic impact of market risk positions.

The stress events considered for Market Risk are extreme but plausible market movements, and have been back-tested against moves seen during 2008 and 2009 at the height of the GFC. The results are reported to the Risk Committee and the Group's Asset and Liability Committee (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 2012 $M	As at June 2012 $M	Average [(2)] June 2011 $M	As at June 2011 $M
Traded Market Risk	11. 6	8. 7	12. 0	10. 2
Non-Traded Interest Rate Risk [(1)]	27. 7	18. 9	28. 3	32. 6
Non-Traded Equity Risk [(1)]	21. 5	21. 0	23. 0	15. 0
Non-Traded Insurance Market Risk [(1)]	8. 8	8. 0	10. 3	9. 6

(1) The risk on these exposures has been represented in this table using a 1 day holding period. In practice however, these 'non-traded' exposures are managed to a longer expected holding period.

(2) Average VaR calculated for each twelve month period.

Traded Market Risk

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

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

- Provide risk management capital market products and services to customers;
- Efficiently assist in managing the Group's own market risks; and
- Conduct profitable market making within a controlled framework, to assist in the provision of products and services to customers.

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 20. Note 3 details the income contribution of trading activities to the income of the Group.

The Group measures and manages Traded Market Risk through a combination of VaR and stress test limits, together with other key controls including permitted instruments, sensitivity limits and term restrictions. Thus Traded Market Risk is managed under a clearly defined risk appetite within the market risk policy and limit structure approved by the Risk Committee of the Board. Risk is monitored by an independent Market Risk Management (MRM) function.

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.

Note 39 Market Risk (continued)

Traded Market Risk VaR (1 day 97.5% confidence)	Average (1) June 2012 $M	As at June 2012 $M	Average (1) June 2011 $M	As at June 2011 $M
Interest rate risk	5. 2	5. 9	6. 9	3. 5
Foreign exchange risk	1. 0	0. 7	2. 1	1. 8
Equities risk	2. 2	1. 7	1. 7	2. 1
Commodities risk	1. 3	0. 8	1. 2	1. 3
Credit spread risk	2. 8	2. 3	3. 3	2. 8
Diversification benefit	(6. 6)	(6. 2)	(8. 1)	(6. 9)
Total general market risk	5. 9	5. 2	7. 1	4. 6
Undiversified risk	3. 4	2. 4	3. 3	4. 3
ASB Bank	2. 2	1. 0	1. 5	1. 2
Bankwest	0. 1	0. 1	0. 1	0. 1
Total	11. 6	8. 7	12. 0	10. 2

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

Non-Traded Market Risk

Non-traded market risk activities are governed by the Group market risk framework approved by the Risk Committee. The Group market risk framework governs all the activities performed in relation to Non-Traded Market Risk. Implementation of the policy, procedures and limits for the Group is the responsibility of the Group Executive undertaking activities with Non-Traded Market Risk. The Group's Risk division performs risk measurement and monitoring activities of Non-Traded Market Risk. Ownership and management responsibility for CBA domestic operations are assumed by Group Treasury. Management actions conventionally include hedging activities using a range of policy approved derivative instruments. Independent management of the Non-Traded Market Risk activities of offshore banking subsidiaries is delegated to the CEO of each entity, with oversight by the local ALCO. Senior management oversight is provided by the Group's ALCO.

Interest Rate Risk in the Banking Book

Interest rate risk is the current and prospective impact to the Group's financial condition due to adverse changes in interest rates to which the Group's Balance Sheet is exposed. Maturity transformation activities of the Group result in mismatched assets and liabilities positions which direct that the propensity, timing and quantum of interest rate movements have undesired outcomes over both the short term and long term. The Group's objective is to manage interest rate risk to achieve stable and sustainable net interest income in the long term.

The Group measures and manages the impact of interest rate risk in two ways:

(a) Next 12 months' earnings

Interest rate risk from an earnings perspective is the impact based on changes to the net interest income over the next 12 months.

The risk to net interest income over the next 12 months from changes in interest rates is measured on a monthly basis. Earnings risk is measured through sensitivity analysis, which applies an instantaneous 100 basis point parallel shock (increase) in interest rates across the yield curve.

The prospective change to the net interest income is measured by using an Asset/Liability Management simulation model which incorporates both existing and anticipated new business in its assessment. The change in the balance sheet product mix, growth, funding and pricing strategies is incorporated. Assets and liabilities that reprice directly from observable market rates are measured based on the full extent of the rate shock that is applied.

Products that are priced based on Group administered or discretionary interest rates and that are impacted by customer behaviour are measured by taking into consideration the historic repricing strategy of the Bank and repricing behaviours of customers. In addition to considering how the products have repriced in the past the expected change in price based on both the current and anticipated competitive market forces are also considered in the sensitivity analyses.

The figures in the following table represent the potential unfavourable change to the Group's net interest earnings during the year based on a 100 basis point parallel rate shock (decrease).

Net Interest Earnings at Risk		June 2012 $M	June 2011 $M
Average monthly exposure	AUD	152. 2	162. 9
	NZD	20. 7	9. 3
High monthly exposure	AUD	284. 3	241. 2
	NZD	32. 5	26. 1
Low monthly exposure	AUD	40. 7	74. 3
	NZD	11. 5	1. 1
As at balance date	AUD	81. 1	175. 6
	NZD	13. 7	26. 1

(b) Economic Value

Interest rate risk from the economic value perspective is based on a 20 day 97.5% VaR measure.

Measuring the change in the economic value of equity is an assessment of the long term impact to the earnings potential of the Group present valued to the current date. The Group assesses the potential change in its economic value of equity through the application of the VaR methodology. A 20 day 97.5% VaR measure is used to capture the net economic value impact over the long term or total life of all balance sheet assets and liabilities to adverse changes in interest rates. The impact of customer prepayments on the contractual cash flows for fixed rate products is included in the calculation. Cash flows for discretionary priced products are behaviourally adjusted and repriced at the resultant profile.

The figures in the following table represent the net present value of the expected change in the Group's future earnings in all future periods for the remaining term of all existing assets and liabilities.

Non-Traded Interest Rate VaR (20 day 97.5% confidence) (2)	Average (1) June 2012 $M	Average (1) June 2011 $M
AUD Interest rate risk	123. 7	126. 7
NZD Interest rate risk (3)	1. 4	1. 7

(1) Average VaR calculated for each twelve month period.
(2) VaR is only for entities that have material risk exposure.
(3) ASB data (expressed in NZD) is for the month-end date.

Note 39 Market Risk (continued)

Non-Traded Equity Risk

The Group retains Non-Traded Equity Risk through strategic investments and business development activities in divisions including Institutional Banking and Markets, and Wealth Management. This activity is subject to governance arrangements approved by the Risk Committee of the Board, and is monitored on a decentralised basis within the Market Risk Management (MRM) function. An indicative VaR measure is as follows:

Non-Traded Equity VaR (20 day 97.5% confidence)	As at June 2012 $M	As at June 2011 $M
VaR	**94. 0**	67. 0

Market Risk in Insurance Businesses

Modest in the broader Group context, a significant component of Non-Traded Market Risk activities result from the holding of assets related to the Life Insurance businesses. There are two main sources of market risk in these businesses: (i) market risk arising from guarantees made to policyholders; and (ii) market risk arising from the investment of Shareholders' capital.

A second order market risk also arises for the Group from assets held for investment linked policies. On this type of contract the policyholder takes the risk of falls in the market value of the assets. However, falls in market value also impact funds under management and reduce the fee income collected for this class of business.

Guarantees (to Policyholders)

All financial assets within the Life Insurance Statutory Funds directly support either the Group's life insurance or life investment contracts. Market risk arises for the Group on contracts where the liabilities to policyholders are guaranteed by the Group. The Group manages this risk by the monthly monitoring and rebalancing of assets to contract liabilities. However, for some contracts the ability to match asset characteristics with policy obligations is constrained by a number of factors including regulatory requirements or the lack of investments that substantially align cash flows with the cash payments to be made to policyholders.

Shareholders' Capital

A portion of financial assets held within the Insurance business, both within the Statutory Funds and in the Shareholder Funds of the Life Insurance company represents shareholder (Group) capital. Market risk also arises for the Group on the investment of this capital. Shareholders' funds in the Australian Life Insurance businesses are invested 84% in income assets (cash and fixed interest) and 16% in growth assets (shares and property) as at 30 June 2012.

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 2012 $M	Average (1) June 2011 $M
Shareholder funds (2)	**23. 2**	27. 3
Guarantees (to Policyholders) (3)	**30. 7**	43. 7

(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 32.

Structural Foreign Exchange Risk

Structural Foreign Exchange Risk is the risk that movements in foreign exchange rates may have an adverse effect on the Group's Australian dollar earnings and economic value when the Group's foreign currency denominated earnings and capital are translated into Australian dollars. The Group's only material exposure to this risk arises from its New Zealand banking and insurance subsidiaries. This risk is managed in accordance with the following Risk Committee of the Board approved principles:

- Permanently deployed capital in a foreign jurisdiction is not hedged; and
- Forecast earnings from the Group's New Zealand banking and insurance subsidiaries are hedged.

The management of structural foreign exchange risk is regularly reported to the Group's ALCO.

Lease Residual Value Risk

The Group takes Lease Residual Value Risk on assets such as industrial, mining, rail, aircraft, marine, technology, healthcare and other equipment. A lease residual value guarantee exposes the business to the movement in second-hand asset prices. The Lease Residual Value Risk within the Group is controlled through a risk management framework approved by the Risk Committee of the Board. Supporting this framework is an internal Market Risk Standard document which has a risk limit framework which includes asset, geographic and maturity concentration limits and stress testing which is performed by the MRM function.

Commonwealth Bank Group Super Fund

The Commonwealth Bank Group Super Fund (the Fund) was previously called the Officers Superannuation Fund and is the staff superannuation fund for the Group's Australian employees and former employees. Wealth Risk Management and Human Resources manage the risks of the Fund on behalf of the Group. Regular reporting is provided to senior management via the CBA Asset and Liability Committee and the Board Risk Committee on the status of the surplus, risk sensitivities and risk management options. For further information on the Fund, refer to Note 41.

Note 40 Liquidity and Funding Risk

Overview

The Group's liquidity and funding policies are designed to ensure it will meet its obligations as and when they fall due, by ensuring it is able to borrow funds on an unsecured basis, or has sufficient quality assets to borrow against on a secured basis, or has sufficient quality liquid assets to sell to raise immediate funds without adversely affecting the Group's net asset value.

The Group's funding policies and risk management framework are designed to complement the Group's liquidity policies by providing for an optimal liability structure to finance the Group's businesses. The long-term stability and security of the Group's funding is also designed to protect its liquidity position in the event of a crisis specific to the Group.

The Group's liquidity policies are designed to ensure it maintains sufficient cash balances and liquid asset holdings to meet its obligations to customers, in both ordinary market conditions and during periods of extreme stress. These policies are intended to protect the value of the Group's operations across its Retail Banking Services, Business and Private Banking, Institutional Banking and Markets, Wealth Management, New Zealand, Bankwest, and overseas businesses, during periods of unfavourable market conditions.

The Group's funding policies are designed to achieve diversified sources of funding by product, term, maturity date, investor type, investor location, jurisdiction, currency and concentration, on a cost effective basis. This objective applies to the Group's wholesale and retail funding activities.

The Risk Management Framework for Liquidity and Funding

The Group's liquidity and funding policies are approved by the Board and agreed with APRA. The Group has an Asset and Liability Committee whose charter includes reviewing the management of assets and liabilities, reviewing liquidity and funding policies and strategies, as well as regularly monitoring compliance with those policies across the Group. The Group Treasury division manages the Group's liquidity and funding positions in accordance with the Group's liquidity policy; including monitoring and satisfying the liquidity needs of the Group and its subsidiaries.

Larger domestic subsidiaries, such as Bankwest and subsidiaries within the Colonial Group, also apply their own liquidity and funding methods to address their specific needs. The Group's New Zealand banking subsidiary ASB, manages its own domestic liquidity and funding needs in accordance with its own liquidity policies and the policies of the Group. ASB's liquidity policy is also overseen by the RBNZ. The Group also has a relatively small banking subsidiary in Indonesia that manages its own liquidity and funding on a similar basis.

The Group's Financial Services and Risk Management divisions provide prudential oversight of the Group's liquidity and funding risk and manage the Group's relationship with prudential regulators.

Liquidity and Funding Policies and Management

The Group's liquidity and funding policies provide that:

- Balance sheet assets that cannot be liquidated quickly are funded with deposits or term borrowings that meet minimum maturity requirements with appropriate liquidity buffers;
- Short and long term wholesale funding limits are established and reviewed regularly based on surveys and analysis of market capacity;
- A minimum level of assets are retained in highly liquid form;
- The level of liquid assets: complies with crisis scenario assumptions related to "worst case" wholesale and retail market conditions; is adequate to meet known funding obligations over certain timeframes; and are allocated across Australian dollar and foreign currency denominated securities in accordance with specific calculations;
- Certain levels of liquid assets are held to provide for the risk of the Group's committed but undrawn lending obligations being drawn by customers, as calculated based on draw down estimates and forecasts;
- The Group maintains certain levels of liquid asset categories within its liquid assets portfolio. The first category includes negotiable certificates of deposit of Australian banks, bank bills, Commonwealth of Australia Government and Australian state and semi-government bonds and supra-national bonds eligible for repurchase by the RBA at any time. The second category is AAA and A-1+ rated Australian residential mortgage backed securities that meet certain minimum requirements; and
- Offshore branches and subsidiaries adhere to liquidity policies and hold appropriate foreign currency liquid assets as required. All securities are eligible for repurchase by the relevant local central bank at any time.

The Group's key liquidity tools include:

- A liquidity management model similar to a "cash flow ladder" or "maturity gap analysis", that allows forecasting of liquidity needs on a daily basis;
- An additional liquidity management model that implements the agreed prudential liquidity policies. This model is calibrated with a series of "worst case" liquidity crisis scenarios, incorporating both systemic and "name" crisis assumptions, such that the Group will have sufficient liquid assets available to ensure it meets all of its obligations as and when they fall due;
- The RBA's repurchase agreement facilities provide the Group with the ability to borrow funds on a secured basis, even when normal funding markets are unavailable; and
- The Group's various short term funding programmes are supplemented by the Interbank Deposit Agreement between the four major Australian banks. This agreement is similar to a standby liquidity facility that allows the Group to access funding in various crisis circumstances.

The Group's key funding tools include:

- Its consumer retail funding base includes a wide range of retail transaction accounts, investment accounts, term deposits and retirement style accounts for individual consumers;
- Its small business customer and institutional deposit base; and
- Its wholesale international and domestic funding programmes which include it's Australian dollar Negotiable Certificates of Deposit; Australian dollar bank bills; Asian Transferable Certificates of Deposit programme; Australian, U.S. and Euro Commercial Paper programmes; Bankwest Euro Commercial Paper programme; U.S. Extendible Notes programmes; Australian dollar Domestic Debt Programme; U.S. Medium Term Note Programme; Euro Medium Term Note Programme, Covered Bond Programmes and its Medallion and Swan securitisation programmes.

At 30 June 2012 virtually all of the Group's Australian dollar liquid assets qualified for repurchase by the RBA at any time.

Note 40 Liquidity and Funding Risk (continued)

Recent Market Environment

The cost of wholesale and domestic deposit funding remains high. The Group has managed its debt portfolio to avoid concentrations such as dependence on single sources of funding, by type or by investor, and has continued to maintain a diversified funding base and significant funding capacity in the domestic and global unsecured and secured debt markets.

The final impact of new liquidity and funding regulations on the Group is still uncertain though it is likely that they will require increased long term debt issuance and higher holdings of liquid assets. The Group continues to monitor developments in this area and will update its liquidity and funding policies as appropriate.

Details of the Group's regulatory capital position and capital management activities are disclosed in the Capital Management section of the Annual Report and Note 30.

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 2012						
	At Call $M	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Specified $M	Total $M
Monetary liabilities							
Deposits and other public borrowings (1)	199,783	160,957	64,670	16,253	526	-	442,189
Payables due to other financial institutions	4,075	17,072	673	366	-	-	22,186
Liabilities at fair value through Income Statement	-	2,638	1,358	1,974	621	-	6,591
Derivative liabilities (2) (3)	-	30,711	8,568	28,365	15,412	-	83,056
Bank acceptances	-	9,716	1	-	-	-	9,717
Insurance policy liabilities	-	-	-	-	-	12,994	12,994
Debt issues and loan capital	-	25,935	30,495	66,133	33,527	-	156,090
Managed funds units on issue	-	-	-	-	-	995	995
Other monetary liabilities	980	2,883	2,047	442	-	151	6,503
Total monetary liabilities	204,838	249,912	107,812	113,533	50,086	14,140	740,321
Guarantees (4)	-	5,358	-	-	-	-	5,358
Loan commitments (4)	-	127,833	-	-	-	-	127,833
Other commitments (4)	-	5,757	-	-	-	-	5,757
Total off balance sheet items	-	138,948	-	-	-	-	138,948
Total monetary liabilities and off balance sheet items	204,838	388,860	107,812	113,533	50,086	14,140	879,269

(1) Includes deposits that are contractually at call customer savings and cheque accounts. Historical experience is that such accounts provide a stable source of long term funding for the Group.

(2) For non-trading derivative liabilities gross payable amounts on cross currency swaps have been reported. The Group has corresponding receivables on these cross currency swaps that have not been reported, in accordance with the requirements on 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 on the counterparties. All other non-trading derivatives have been reported net, in line with remaining contractual maturities.

(3) Derivatives held for trading 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 40 Liquidity and Funding Risk (continued)

	Group						
	Maturity Period as at 30 June 2011						
	At Call $M	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Specified $M	Total $M
Monetary liabilities							
Deposits and other public borrowings (1)	190,378	128,159	70,577	16,821	525	-	406,460
Payables due to other financial institutions	2,650	13,038	241	1	-	-	15,930
Liabilities at fair value through Income Statement	-	5,498	1,032	3,044	1,023	-	10,597
Derivative liabilities (2) (3) (4)	-	29,976	5,918	23,879	12,815	-	72,588
Bank acceptances	-	10,632	102	-	-	-	10,734
Insurance policy liabilities	-	-	-	-	-	13,652	13,652
Debt issues and loan capital	-	28,841	27,688	63,446	35,695	-	155,670
Managed funds units on issue	-	-	-	-	-	1,048	1,048
Other monetary liabilities	95	4,617	1,997	371	-	284	7,364
Total monetary liabilities	193,123	220,761	107,555	107,562	50,058	14,984	694,043
Guarantees (5)	-	4,462	-	-	-	-	4,462
Loan commitments (5)	-	126,334	-	-	-	-	126,334
Other commitments (5)	-	5,338	-	-	-	-	5,338
Total off balance sheet items	-	136,134	-	-	-	-	136,134
Total monetary liabilities and off balance sheet items	193,123	356,895	107,555	107,562	50,058	14,984	830,177

(1) Includes deposits that are contractually at call customer savings and cheque accounts. Historical experience is that such accounts provide a stable source of long term funding for the Group.

(2) For non-trading derivative liabilities gross payable amounts on cross currency swaps have been reported. The Group has corresponding receivables on these cross currency swaps that have not been reported, in accordance with the requirements on 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 on the counterparties. All other non-trading derivatives have been reported net, in line with remaining contractual maturities.

(3) Derivatives held for trading are included in the 0 to 3 months maturity band.

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

(5) All off balance sheet items are included in the 0 to 3 month maturity band to reflect their earliest possible maturity.

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 2012						
	At Call $M	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Specified $M	Total $M
Monetary liabilities							
Deposits and other public borrowings (1)	**166,386**	**131,967**	**52,933**	**14,928**	**526**	**-**	**366,740**
Payables due to other financial institutions	**3,797**	**17,020**	**651**	**1**	**-**	**-**	**21,469**
Liabilities at fair value through Income Statement	**-**	**396**	**148**	**1,867**	**894**	**-**	**3,305**
Derivative liabilities (2) (3)	**-**	**30,766**	**7,400**	**27,544**	**14,078**	**-**	**79,788**
Bank acceptances	**-**	**9,715**	**-**	**-**	**-**	**-**	**9,715**
Debt issues and loan capital	**-**	**19,059**	**25,945**	**54,793**	**30,230**	**-**	**130,027**
Due to controlled entities	**3,274**	**3,856**	**4,320**	**14,481**	**75,122**	**-**	**101,053**
Other monetary liabilities	**829**	**1,913**	**4,562**	**79**	**-**	**6**	**7,389**
Total monetary liabilities	**174,286**	**214,692**	**95,959**	**113,693**	**120,850**	**6**	**719,486**
Guarantees (4)	**-**	**4,718**	**-**	**-**	**-**	**-**	**4,718**
Loan commitments (4)	**-**	**109,648**	**-**	**-**	**-**	**-**	**109,648**
Other commitments (4)	**-**	**4,279**	**-**	**-**	**-**	**-**	**4,279**
Total off balance sheet items	**-**	**118,645**	**-**	**-**	**-**	**-**	**118,645**
Total monetary liabilities and off balance sheet items	**174,286**	**333,337**	**95,959**	**113,693**	**120,850**	**6**	**838,131**

(1) Includes deposits that are contractually at call customer savings and cheque accounts. Historical experience is that such accounts provide a stable source of long term funding for the Bank.

(2) For non-trading derivative liabilities gross payable amounts on cross currency swaps have been reported. The Group has corresponding receivables on these cross currency swaps that have not been reported, in accordance with the requirements on 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 on the counterparties. All other non-trading derivatives have been reported net, in line with remaining contractual maturities.

(3) Derivatives held for trading 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 40 Liquidity and Funding Risk (continued)

	At Call	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Not Specified	Total
							Bank
	Maturity Period as at 30 June 2011						
	$M	$M	$M	$M	$M	$M	$M
Monetary liabilities							
Deposits and other public borrowings [1]	161,863	103,335	56,774	15,042	543	-	337,557
Payables due to other financial institutions	2,453	13,021	241	1	-	-	15,716
Liabilities at fair value through Income Statement	-	280	353	2,922	1,416	-	4,971
Derivative liabilities [2] [3] [4]	-	28,097	2,945	23,034	12,650	-	66,726
Bank acceptances	-	10,632	102	-	-	-	10,734
Debt issues and loan capital	-	21,890	21,517	51,364	32,350	-	127,121
Due to controlled entities	2,938	2,834	2,034	6,156	38,392	-	52,354
Other monetary liabilities	62	3,531	3,401	71	-	2	7,067
Total monetary liabilities	167,316	183,620	87,367	98,590	85,351	2	622,246
Guarantees [5]	-	3,719	-	-	-	-	3,719
Loan commitments [5]	-	110,009	-	-	-	-	110,009
Other commitments [5]	-	4,466	-	-	-	-	4,466
Total off balance sheet items	-	118,194	-	-	-	-	118,194
Total monetary liabilities and off balance sheet items	167,316	301,814	87,367	98,590	85,351	2	740,440

(1) Includes deposits that are contractually at call customer savings and cheque accounts. Historical experience is that such accounts provide a stable source of long term funding for the Bank.

(2) For non-trading derivative liabilities gross payable amounts on cross currency swaps have been reported. The Group has corresponding receivables on these cross currency swaps that have not been reported, in accordance with the requirements on 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 on the counterparties. All other non-trading derivatives have been reported net, in line with remaining contractual maturities.

(3) Derivatives held for trading are included in the 0 to 3 months maturity band.

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

(5) All off balance sheet items are included in the 0 to 3 month maturity band to reflect their earliest possible maturity.

Note 41 Retirement Benefit Obligations

Name of Plan	Type	Form of Benefit	Date of Last Actuarial Assessment of the Fund
Commonwealth Bank Group Super (formerly known as Officers' Superannuation Fund)	Defined Benefits [1] and Accumulation	Indexed pension and lump sum	30 June 2009 [2]
Commonwealth Bank of Australia (UK) Staff Benefits Scheme (CBA (UK) SBS)	Defined Benefits [1] and Accumulation	Indexed pension and lump sum	30 June 2010

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

(2) An actuarial assessment of the Fund at 30 June 2012 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 Commonwealth Bank Group Super from 8 July 1994. Further, the Bank ceased contributions to the Commonwealth Bank Group Super relating to salary sacrifice benefits from 1 July 1997.

The Bank will continue to monitor the need to make contributions to Commonwealth Bank Group Super including the advice provided in the actuarial assessment of Commonwealth Bank Group Super as at 30 June 2012.

An actuarial assessment of the CBA (UK) SBS, as at 30 June 2010, confirmed a deficit of GBP 68 million ($105 million at the 30 June 2012 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 estimated at $4 million per annum (at the 30 June 2012 exchange rate) and additional contributions of GBP 15 million per annum ($23 million per annum at the 30 June 2012 exchange rate) payable over five years to finance the fund deficit.

Notes to the Financial Statements

Note 41 Retirement Benefit Obligations (continued)

Defined Benefit Superannuation Plans

The amounts reported in the Balance Sheet are reconciled as follows:

	Commonwealth Bank Group Super		CBA(UK)SBS		Total	
	2012 $M	2011 $M	2012 $M	2011 $M	2012 $M	2011 $M
Present value of funded obligations	**(3,716)**	(3,493)	**(420)**	(356)	**(4,136)**	(3,849)
Fair value of plan assets	**3,360**	3,569	**312**	273	**3,672**	3,842
Total pension (liabilities)/assets as at 30 June	**(356)**	76	**(108)**	(83)	**(464)**	(7)
Amounts in the Balance Sheet:						
Liabilities (Note 24)	**(356)**	-	**(108)**	(83)	**(464)**	(83)
Assets (Note 17)	**-**	76	**-**	-	**-**	76
Net (liabilities)/assets	**(356)**	76	**(108)**	(83)	**(464)**	(7)
The amounts recognised in the Income Statement are as follows:						
Current service cost	**(61)**	(53)	**(5)**	(2)	**(66)**	(55)
Interest cost	**(167)**	(158)	**(19)**	(13)	**(186)**	(171)
Expected return on plan assets	**259**	262	**16**	17	**275**	279
Employer financed benefits within accumulation division	**(191)**	(190)	**-**	-	**(191)**	(190)
Total included in defined benefit superannuation plan expense	**(160)**	(139)	**(8)**	2	**(168)**	(137)
Actual return on plan assets	**200**	338	**20**	30	**220**	368
Changes in the present value of the defined benefit obligation are as follows:						
Opening defined benefit obligation	**(3,493)**	(3,332)	**(356)**	(377)	**(3,849)**	(3,709)
Current service cost	**(55)**	(46)	**(5)**	(2)	**(60)**	(48)
Interest cost	**(167)**	(158)	**(19)**	(13)	**(186)**	(171)
Member contributions	**(9)**	(10)	**-**	-	**(9)**	(10)
Actuarial losses	**(213)**	(177)	**(45)**	(31)	**(258)**	(208)
Benefits paid	**221**	230	**14**	12	**235**	242
Exchange differences on foreign plans	**-**	-	**(9)**	55	**(9)**	55
Closing defined benefits obligation	**(3,716)**	(3,493)	**(420)**	(356)	**(4,136)**	(3,849)
Changes in the fair value of plan assets are as follows:						
Opening fair value of plan assets	**3,569**	3,648	**273**	295	**3,842**	3,943
Expected return	**259**	262	**16**	17	**275**	279
Experience gains	**(59)**	76	**4**	13	**(55)**	89
Total contributions	**9**	10	**26**	7	**35**	17
Exchange differences on foreign plans	**-**	-	**7**	(47)	**7**	(47)
Benefits and expenses paid	**(227)**	(237)	**(14)**	(12)	**(241)**	(249)
Employer financed benefits within accumulation division	**(191)**	(190)	**-**	-	**(191)**	(190)
Closing fair value of plan assets	**3,360**	3,569	**312**	273	**3,672**	3,842

	Commonwealth Bank Group Super				
	2012 $M	2011 $M	2010 $M	2009 $M	2008 $M
Present value of funded obligations	**(3,716)**	(3,493)	(3,332)	(3,118)	(2,892)
Fair value of plan assets	**3,360**	3,569	3,648	3,613	4,428
Total assets	**(356)**	76	316	495	1,536
Experience adjustments on plan liabilities	**3**	(6)	77	(120)	134
Experience adjustments on plan assets	**(59)**	76	115	(829)	(520)
Losses from changes in actuarial assumptions	**(216)**	(171)	(276)	(84)	92
Total net actuarial losses	**(272)**	(101)	(84)	(1,033)	(294)

Note 41 Retirement Benefit Obligations (continued)

	CBA(UK)SBS				
	2012	2011	2010	2009	2008
	$M	$M	$M	$M	$M
Present value of funded obligations	(420)	(356)	(377)	(394)	(386)
Fair value of plan assets	312	273	295	308	321
Total liabilities	(108)	(83)	(82)	(86)	(65)
Experience adjustments on plan liabilities	(2)	(14)	19	2	6
Experience adjustments on plan assets	4	13	18	(26)	(21)
(Losses)/Gains from changes in actuarial assumptions	(43)	(17)	(44)	-	(32)
Total net actuarial losses	(41)	(18)	(7)	(24)	(47)

	Total				
	2012	2011	2010	2009	2008
	$M	$M	$M	$M	$M
Present value of funded obligations	(4,136)	(3,849)	(3,709)	(3,512)	(3,278)
Fair value of plan assets	3,672	3,842	3,943	3,921	4,749
Total (liabilities)/assets	(464)	(7)	234	409	1,471
Experience adjustments on plan liabilities	1	(20)	96	(118)	140
Experience adjustments on plan assets	(55)	89	133	(855)	(541)
(Losses)/gains from changes in actuarial assumptions	(259)	(188)	(320)	(84)	60
Total net actuarial losses	(313)	(119)	(91)	(1,057)	(341)

Actuarial gains and losses represent experience adjustments on plan assets and liabilities as well as adjustments arising from changes in actuarial assumptions. Total net actuarial losses recognised in equity from commencement of IFRS (1 July 2005) to 30 June 2012 were $630 million (2011: $317 million).

	Commonwealth Bank Group Super		CBA(UK)SBS	
	2012	2011	2012	2011
Economic assumptions	%	%	%	%
The above calculations were based on the following assumptions:				
Discount rate at 30 June (gross of tax)	4.00	5.20	4.40	5.40
Expected return on plan assets at 30 June	6.10	7.70	4.40	5.60
Expected rate salary increases at 30 June (per annum) (1)	3.50	4.40	4.10	4.80

(1) For Commonwealth Bank Group Super, the 2012 salary increase assumption is a combined promotional and general increase assumption. For 2011 results, there was a separate promotional assumption of around 1.6% per annum.

The return on asset assumption 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.

Up to and including 30 June 2011, the discount rate (gross of tax) assumption for Commonwealth Bank Group Super was based on the yield on 10 year Australian Commonwealth Government securities. Accounting requirements on the government bond rate to discount defined benefit superannuation liabilities is now interpreted to include both Commonwealth and State government securities. The Group's policy, outlined in note 1, is to select the most appropriate rate, to better match the duration of the selected security to the average duration of the liabilities. 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:

	Commonwealth Bank Group Super		CBA(UK)SBS	
	2012	2011	2012	2011
Expected life expectancies for pensioners	Years	Years	Years	Years
Male pensioners currently aged 60	29.2	29.0	29.1	28.9
Male pensioners currently aged 65	24.3	24.2	24.2	24.1
Female pensioners currently aged 60	34.3	34.2	31.6	31.5
Female pensioners currently aged 65	29.2	29.0	26.6	26.5

Note 41 Retirement Benefit Obligations (continued)

Further, the proportion of the retiring members of the main Commonwealth Bank Group Super 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.

As at 30 June 2012, the actual asset allocations for the assets backing the defined benefit portion of Commonwealth Bank Group Super are as follows:

Asset allocations	Actual Allocation %
Australian equities	21.3
Overseas equities	10.9
Real estate	14.2
Fixed interest securities	34.8
Cash	4.3
Other [1]	14.5

(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 Commonwealth Bank Group Super's equity holding in the Group as at 30 June 2012 was $113 million (2011: $102 million). Amounts on deposit with the Bank at 30 June 2012 totalled $21 million (2011: $30 million). Other financial instruments with the Group at 30 June 2012 totalled $46 million (2011: $63 million).

Note 42 Investments in Associated Entities and Joint Ventures

	Group						
	2012 $M	2011 $M	2012 Ownership Interest %	2011 Ownership Interest %	Principal Activities	Country of Incorporation	Balance Date
Acadian Asset Management (Australia) Limited	2	2	50	50	Investment Management	Australia	30-Jun
Aegis Correctional Partnership Trust	-	1	50	50	Investment Vehicle	Australia	30-Jun
Aspire Schools Holdings (Qld) Pty Limited	6	6	50	50	Investment Vehicle	Australia	30-Jun
Aussie Home Loans Pty Limited	71	71	33	33	Mortgage Broking	Australia	30-Jun
Bank of Hangzhou Co., Ltd.	538	458	20	20	Commercial Banking	China	31-Dec
BoCommLife Insurance Company Limited	24	27	38	38	Life Insurance	China	31-Dec
Cardlink Services Limited	12	20	25	25	Transaction Services	Australia	30-Jun
CFS Retail Property Trust [1] [3]	439	439	8	8	Funds Management	Australia	30-Jun
Commonwealth Property Office Fund [2] [3]	147	139	6	6	Funds Management	Australia	30-Jun
Countplus Limited [4]	56	-	37	-	Financial Advice	Australia	30-Jun
Equigroup Pty Limited	18	15	50	50	Leasing	Australia	30-Jun
First State Cinda Fund Management Company Limited	13	15	46	46	Funds Management	China	31-Dec
First State European Diversified Investment Fund	139	139	30	30	Funds Management	Luxembourg	31-Dec
International Private Equity Real Estate Fund	3	3	33	33	Funds Management	Australia	30-Jun
Pinnacle Education SA Holding Company Pty Limited [5]	-	6	-	50	Investment Vehicle	Australia	30-Jun
Qilu Bank Co., Ltd.	213	213	20	20	Commercial Banking	China	31-Dec
Vietnam International Commercial Joint Stock Bank	217	158	20	15	Financial Services	Vietnam	31-Dec
Carrying amount of investments in associated entities and joint ventures	1,898	1,712					

(1) The value for CFS Retail Property Trust based on published quoted prices was $427 million as at 30 June 2012 (2011: $400 million).
(2) The value for Commonwealth Property Office Fund based on published quoted prices was $152 million as at 30 June 2012 (2011: $133 million).
(3) The consolidated entity has significant influence due to its relationship as Responsible Entity.
(4) The value for Countplus Limited based on published quoted prices was $52 million as at 30 June 2012. This investment was purchased during the year.
(5) Formerly known as CIPL SA Schools Pty Limited. This investment was sold during the year.

Note 42 Investments in Associated Entities and Joint Ventures (continued)

	Group	
	2012	2011
Share of Associates' and Joint Ventures profits/(losses)	$M	$M
Operating profits before income tax	**164**	164
Income tax expense	**(24)**	(23)
Operating profits after income tax	**140**	141

	Group	
	2012	2011
Financial information of Associates and Joint Ventures	$M	$M
Assets	**76,844**	66,886
Liabilities	**63,481**	54,299
Revenue	**3,976**	3,722
Operating profits after income tax	**1,326**	1,304

Note 43 Key Management Personnel

The company has applied the exemption under AASB 124 'Related Party Disclosures' which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their Financial Statements. These remuneration disclosures are provided in the Remuneration Report of the Directors' Report on pages 10 to 29 and have been audited.

	Group		Bank	
	2012	2011	2012	2011
Key management personnel compensation	$'000	$'000	$'000	$'000
Short term benefits	**32,683**	32,494	**32,683**	32,494
Post-employment benefits	**748**	752	**748**	752
Share-based payments	**20,516**	9,931	**20,516**	9,931
Long term benefits	**1,241**	463	**1,241**	463
Total	**55,188**	43,640	**55,188**	43,640

Equity Holdings of Key Management Personnel

Shareholdings

Details of the shareholdings of Key Management Personnel (or close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of the aforementioned hold significant voting power) are set out below. For details of Director and Executive equity plans refer to Note 28.

Shares held by directors

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

Directors	Class	Balance 1 July 2011	Shares Acquired [1]	Net Change Other [2]	Balance 30 June 2012
David Turner	Ordinary	10,998	842	-	**11,840**
John Anderson	Ordinary	16,473	1,199	-	**17,672**
Colin Galbraith	Ordinary	16,435	301	-	**16,736**
Jane Hemstritch	Ordinary	25,458	317	-	**25,775**
Launa Inman	Ordinary	1,298	400	-	**1,698**
Carolyn Kay	Ordinary	12,071	317	-	**12,388**
Brian Long	Ordinary	10,701	290	118	**11,109**
Andrew Mohl	Ordinary	10,350	290	42,000	**52,640**
Fergus Ryan	Ordinary	18,546	317	-	**18,863**
Harrison Young	Ordinary	26,446	318	-	**26,764**

(1) Non-Executive Directors who hold less that 5,000 Commonwealth Bank shares are required to receive 20% of their total post-tax annual fees as Commonwealth Bank shares. These shares are subject to a 10 year trading restriction (the shares will be released earlier if the director leaves the Board).

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

Notes to the Financial Statements

Note 43 Key Management Personnel (continued)

Shares held by the CEO and Group Executives

	Class [1]	Balance 1 July 2011	Acquired/ Granted as Remuneration	On Exercise of Options	Reward/ Deferred Shares Vested [2]	Net Change Other [3]	Balance 30 June 2012
Managing Director and CEO							
Ian Narev	Ordinary	7,747	-	-	-	13,529	**21,276**
	Reward Shares/Rights	83,645	81,620	-	-	-	**165,265**
	Deferred Shares	11,674	-	-	(5,976)	-	**5,698**
Group Executives							
Simon Blair	Ordinary	-	-	-	-	-	**-**
	Reward Shares/Rights	52,236	24,854	-	-	-	**77,090**
	Deferred Shares	-	-	-	-	-	**-**
David Cohen	Ordinary	37,881	-	-	-	11,856	**49,737**
	Reward Shares/Rights	80,950	26,950	-	-	-	**107,900**
	Deferred Shares	7,597	-	-	-	-	**7,597**
David Craig	Ordinary	62,656	-	-	-	25,124	**87,780**
	Reward Shares/Rights	109,892	41,322	-	-	-	**151,214**
	Deferred Shares	19,548	-	-	(11,951)	-	**7,597**
Michael Harte	Ordinary	38,418	-	-	-	22,214	**60,632**
	Reward Shares/Rights	94,702	32,190	-	-	-	**126,892**
	Deferred Shares	17,955	-	-	(10,358)	-	**7,597**
Melanie Laing	Ordinary	-	-	-	-	-	**-**
	Reward Shares/Rights	-	23,954	-	-	-	**23,954**
	Deferred Shares	-	10,961	-	-	-	**10,961**
Ross McEwan	Ordinary	9,429	-	-	-	(9,429)	**-**
	Reward Shares/Rights	117,520	38,927	-	-	-	**156,447**
	Deferred Shares	20,814	50,886	-	(11,951)	-	**59,749**
Grahame Petersen	Ordinary	51,100	-	-	-	29,026	**80,126**
	Reward Shares/Rights	107,841	35,184	-	-	-	**143,025**
	Deferred Shares	15,096	-	-	(8,765)	-	**6,331**
Ian Saines	Ordinary	928	-	-	-	22,731	**23,659**
	Reward Shares/Rights	126,647	39,824	-	-	-	**166,471**
	Deferred Shares	21,540	-	-	(13,943)	-	**7,597**
Annabel Spring	Ordinary	-	-	-	-	1,024	**1,024**
	Reward Shares/Rights	-	29,342	-	-	-	**29,342**
	Deferred Shares	10,619	7,563	-	-	-	**18,182**
Alden Toevs	Ordinary	46,784	-	-	-	-	**46,784**
	Reward Shares/Rights	135,499	42,819	-	-	-	**178,318**
	Deferred Shares	10,130	-	-	-	-	**10,130**
Former Executive							
Ralph Norris	Ordinary	243,679	-	-	-	95,406	**339,085**
	Reward Shares/Rights	290,602	-	-	-	-	**290,602**
	Deferred Shares	39,167	-	-	(39,167)	-	**-**

(1) Reward Shares/Rights represent shares granted under the Group Leadership Reward Plan (GLRP) which are subject to performance hurdles. Deferred Shares represent the deferred portion of STI received as shares restricted for three years.

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

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

Note 43 Key Management Personnel (continued)

Loans to Key Management Personnel

All loans to Key Management Personnel (or close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of the aforementioned held significant voting power) have been provided on an arm's length commercial basis including the term of the loan, security required and the interest rate (which may be fixed or variable).

Total Loans to Key Management Personnel

		Opening Balance $'000	Interest Charged $'000	Closing Balance $'000	Number in Group
Directors	**2012**	**5**	**6**	**96**	**2**
	2011	5	-	5	1
CEO & Group Executives	**2012**	**7,153**	**456**	**7,137**	**12**
	2011	9,324	538	7,153	11
Total	**2012**	**7,158**	**462**	**7,233**	**14**
	2011	9,329	538	7,158	12

Loans to Key Management Personnel Exceeding $100,000 in Aggregate

	Balance 1 July 2011 $'000	Interest Charged $'000	Interest Not Charged $'000	Write-off $'000	Balance 30 June 2012 $'000	Highest Balance in Period $'000 (2)
Managing Director and CEO						
Ian Narev (1)	181	1	-	-		182
Group Executives						
Simon Blair	668	20	-	-	400	1,168
David Cohen	596	40	-	-	585	596
Michael Harte	3,302	308	-	-	4,375	4,712
Melanie Laing	-	39	-	-	325	1,171
Ross McEwan (1)	573	43	-	-	1,424	3,010
Ian Saines	310	4	-	-	-	310
Total	**5,630**	**455**	**-**	**-**	**7,109**	**11,149**

(1) Some loans for Mr McEwan and Mr Narev are held in New Zealand Dollars and converted to Australian Dollars for the purpose of this disclosure. The exchange rate at 30 June 2011 has been used for the opening balances, and the exchange rate at 30 June 2012 has been used for calculating interest charged, closing balances and highest balance in period.

(2) Represents the highest balance of loans outstanding at any period during the year ended 30 June 2012.

Other Transactions of Key Management Personnel

Financial Instrument Transactions

Financial instrument transactions (other than loans and shares disclosed within this report) of Key Management Personnel occur in the ordinary course of business on an arm's length basis.

Disclosure of financial instrument transactions regularly made as part of normal banking operations is limited to disclosure of such transactions with Key Management Personnel and entities controlled or significantly influenced by them.

All such financial instrument transactions that have occurred between entities within the Group and their Key Management Personnel have been trivial or domestic in nature and were in the nature of normal personal banking and deposit transactions.

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 44 Related Party Disclosures

The Group is controlled by the Commonwealth Bank of Australia, the ultimate parent, which is incorporated in Australia.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures, pension plans as well as other persons.

A number of banking transactions are entered into with related parties in the normal course of business on an arm's length basis. These include loans, deposits and foreign currency transactions, upon which some fees and commissions may be earned. Details of amounts paid or received from related parties, in the form of dividends or interest, are set out in Note 2.

The Bank's aggregate investments in, and loans to controlled entities are disclosed in the table below. Amounts due to controlled entities are disclosed in the Balance Sheet of the Bank.

		Bank
	2012	2011
	$M	$M
Shares in controlled entities	20,025	18,903
Loans to controlled entities	51,501	28,454
Total shares in and loans to controlled entities	71,526	47,357

The Group also receives fees on an arm's length basis of $74 million (2011: $68 million) from funds classified as associates.

The Bank provides letters of comfort to other entities within the Group on standard terms. Guarantees include a $5 million bank guarantee provided to Colonial First State Investments Limited and a $25 million guarantee to AFS license holders in respect of excess insurance claims.

The Bank is the head entity of the tax consolidated group and has entered into tax funding and tax sharing agreements with its eligible Australian resident subsidiaries. The terms and conditions of these agreements are set out in note 1(x). The amount receivable by the Bank under the tax funding agreement with the tax consolidated entities is $261 million as at 30 June 2012 (2011: $281 million receivable). This balance is included in 'Other assets' in the Bank's separate balance sheet.

All transactions between Group entities are eliminated on consolidation.

Note 45 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
	2012	2011	2010	2012	2011
	$M	$M	$M	$M	$M
Net profit after income tax	7,106	6,410	5,680	6,461	6,480
Decrease/(increase) in interest receivable	79	(224)	(551)	(318)	(287)
(Decrease)/increase in interest payable	(320)	476	889	(240)	465
Net decrease in assets at fair value through Income Statement (excluding life insurance)	3,391	2,697	3,301	2,943	1,202
Net (gain)/loss on sale of controlled entities and associates	(21)	(7)	32	10	(6)
Net gain on sale of investments	(1)	(1)	(4)	(1)	(1)
Net (increase)/decrease in derivative assets/liabilities [1]	(663)	(79)	(11,394)	394	(384)
Net (gain)/loss on sale of property, plant and equipment	(39)	6	4	(40)	6
Equity accounting profit	(120)	(141)	(116)	-	-
Loan impairment expense	1,089	1,280	2,379	994	1,080
Depreciation and amortisation (including asset write downs)	628	613	618	398	387
(Decrease)/increase in liabilities at fair value through Income Statement (excluding life insurance)	(4,321)	(4,851)	(1,254)	(1,424)	87
(Decrease)/increase in other provisions	(69)	80	46	(71)	23
Increase/(decrease)in income taxes payable	37	105	(150)	167	117
Increase/(decrease) in deferred tax liabilities	152	80	53	116	(1)
Decrease/(increase) in deferred tax assets	349	(30)	383	173	131
Decrease/(increase) in accrued fees/reimbursements receivable	18	(1)	44	38	37
Increase/(decrease) in accrued fees and other items payable	64	(99)	302	(6)	(128)
(Decrease)/increase in life insurance contract policy liabilities	(1,157)	835	853	-	-
(Decrease)/increase in cash flow hedge reserve	(58)	15	589	(55)	(98)
(Decrease)/increase in fair value on hedged items	(318)	(427)	838	(702)	(410)
Dividend received	-	-	-	(1,573)	(2,210)
Changes in operating assets and liabilities arising from cash flow movements	(8,611)	10,590	(29,592)	(38,690)	7,597
Other	(99)	(158)	122	(76)	34
Net cash provided by/(used in) operating activities	(2,884)	17,169	(26,928)	(31,502)	14,121

(1) Comparative information has been restated to conform with presentation in the current period.

Note 45 Notes to the Statements of Cash Flows (continued)

(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.

			Group		Bank
	2012	2011	2010	2012	2011
	$M	$M	$M	$M	$M
Notes, coins and cash at banks	**8,508**	5,424	5,285	**7,161**	4,103
Other short term liquid assets	**4,095**	1,301	1,153	**3,784**	977
Receivables due from other financial institutions – at call (1)	**10,597**	7,261	5,012	**10,417**	6,664
Payables due to other financial institutions – at call (1)	**(21,125)**	(6,058)	(6,533)	**(20,801)**	(5,853)
Cash and cash equivalents at end of year	**2,075**	7,928	4,917	**561**	5,891

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

(c) Disposal of Controlled Entities – Fair Value of asset disposal

The Group disposed of certain St Andrew's operations effective 1 July 2010. During the year ended 30 June 2010, the Group disposed of its banking and insurance operations in Fiji.

			Group
	2012	2011	2010
	$M	$M	$M
Net Assets	**-**	60	77
(Loss)/gain on sale (excluding realised foreign exchange losses and other related costs)	**-**	(10)	1
Cash consideration received	**-**	50	78
Less cash and cash equivalents disposed	**-**	(31)	(89)
Net cash inflow/(outflow) on disposal	**-**	19	(11)

(d) Non-cash Financing and Investing Activities

			Group
	2012	2011	2010
	$M	$M	$M
Shares issued under the Dividend Reinvestment Plan (1)	**1,363**	511	1,457

(1) The dividend reinvestment plan in respect of the final dividend for 2009/10 was satisfied in full by an on market purchase and transfer of $679 million of shares to participating shareholders.

(e) Acquisition of controlled entities

The Group gained control of Count Financial Limited (Count Financial) on 29 November 2011. The Group subsequently acquired 100% of the issued share capital on 9 December 2011. Count Financial is an independent, accountant-based financial advice business. This acquisition will support the Group in growing its distribution capabilities through the expansion of its adviser network.

The fair value of the identifiable assets acquired and liabilities assumed at the acquisition date are as follows:

			Group
	2012	2011	2010
	$M	$M	$M
Net identifiable assets at fair value	**140**	-	-
Add: Goodwill	**232**	-	-
Purchase consideration transferred	**372**	-	-
Less: Cash and cash equivalents acquired	**(10)**	-	-
	362	-	-
Less: Non-cash consideration	**(237)**	-	-
Net cash outflow on acquisition	**125**	-	-

Notes to the Financial Statements

Note 46 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. AASB 7 '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's 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
		2012		2011
	Carrying Value $M	Fair Value $M	Carrying Value $M	Fair Value $M
Assets				
Cash and liquid assets	**19,666**	**19,666**	13,241	13,241
Receivables due from other financial institutions	**10,886**	**10,886**	10,393	10,393
Assets at fair value through Income Statement:				
Trading	**13,816**	**13,816**	20,469	20,469
Insurance	**14,525**	**14,525**	14,998	14,998
Other	**980**	**980**	824	824
Derivative assets	**38,937**	**38,937**	30,317	30,317
Available-for-sale investments	**60,827**	**60,827**	45,171	45,171
Loans, bills discounted and other receivables	**525,682**	**526,039**	500,057	500,544
Bank acceptances of customers	**9,717**	**9,717**	10,734	10,734
Other assets	**7,962**	**7,962**	7,059	7,059
Liabilities				
Deposits and other public borrowings	**437,655**	**439,418**	401,147	401,979
Payables due to other financial institutions	**22,126**	**22,126**	15,899	15,899
Liabilities at fair value through Income Statement	**6,555**	**6,555**	10,491	10,491
Derivative liabilities	**39,221**	**39,221**	33,976	33,976
Bank acceptances	**9,717**	**9,717**	10,734	10,734
Insurance policy liabilities	**12,994**	**12,994**	13,652	13,652
Debt issues	**124,712**	**125,818**	118,652	120,752
Managed funds units on issue	**995**	**995**	1,048	1,048
Bills payable and other liabilities	**7,231**	**7,231**	8,983	8,983
Loan capital	**10,022**	**10,387**	11,561	12,105

Note 46 Disclosures about Fair Values of Financial Instruments (continued)

				Bank
		2012		2011
	Carrying Value $M	Fair Value $M	Carrying Value $M	Fair Value $M
Assets				
Cash and liquid assets	**17,952**	**17,952**	10,979	10,979
Receivables due from other financial institutions	**10,482**	**10,482**	10,123	10,123
Assets at fair value through Income Statement:				
Trading	**12,071**	**12,071**	17,765	17,765
Other	**980**	**980**	300	300
Derivative assets	**39,061**	**39,061**	30,731	30,731
Available-for-sale investments	**120,047**	**120,047**	75,699	75,699
Loans, bills discounted and other receivables	**407,122**	**407,418**	387,888	388,187
Bank acceptances of customers	**9,715**	**9,715**	10,734	10,734
Loans to controlled entities	**51,501**	**51,600**	28,454	28,988
Other assets	**6,138**	**6,138**	5,283	5,283
Liabilities				
Deposits and other public borrowings	**362,813**	**364,002**	332,964	333,465
Payables due to other financial institutions	**21,457**	**21,457**	15,686	15,686
Liabilities at fair value through Income Statement	**3,181**	**3,181**	4,700	4,700
Derivative liabilities	**39,226**	**39,226**	32,817	32,817
Bank acceptances	**9,715**	**9,715**	10,734	10,734
Due to controlled entities	**101,053**	**101,053**	52,353	52,353
Debt issues	**102,312**	**103,513**	94,385	97,080
Bills payable and other liabilities	**5,267**	**5,267**	6,635	6,635
Loan capital	**10,223**	**10,435**	11,808	12,007

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 creditworthiness is regularly reviewed in line with the Group's credit policies and where necessary, pricing is adjusted in accordance with individual credit contracts.

For the majority of variable rate loans, excluding impaired loans, the carrying amount is considered a reasonable estimate of fair value. For Institutional variable rate loans the fair value is calculated using discounted cash flow models with a discount rate reflecting market rates offered on similar loans to customers with similar creditworthiness. 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 creditworthiness 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 46 Disclosures about Fair Values of Financial Instruments (continued)

(b) Valuation Methodology

A significant number of financial instruments are carried on balance sheet at fair value.

The best evidence of fair value is a quoted market price in an active market. Therefore, where possible, fair value is based on quoted market prices. Where no quoted market price for an instrument is available, the fair value is based on present value estimates or other valuation techniques based on current market conditions. These valuation techniques rely on market observable inputs wherever possible, or in a limited number of instances, rely on inputs which are reasonable assumptions based on market conditions.

The tables below categorise financial assets and liabilities that are recognised and measured at fair value, and the valuation methodology according to the following hierarchy.

Valuation Inputs

Quoted Prices in Active Markets – Level 1

Financial instruments, the valuation of which are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Financial Instruments included in this category are liquid government and financial institution bonds, listed equities and actively traded derivatives.

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.

Financial instruments included in this category are corporate bonds, certificates of deposit, commercial paper, mortgaged backed securities and Over-the-Counter (OTC) derivatives including interest rate swaps, cross currency swaps and FX options.

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.

Financial instruments included in this category are certain exotic OTC derivatives.

								Group
	Fair Value as at 30 June 2012				Fair Value as at 30 June 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	$M	$M	$M	$M	$M	$M	$M	$M
Assets								
Assets at fair value through Income Statement:								
Trading	9,984	3,832	-	**13,816**	15,720	4,686	63	20,469
Insurance	4,602	9,923	-	**14,525**	5,008	9,990	-	14,998
Other	967	13	-	**980**	299	525	-	824
Derivative assets	15	38,896	26	**38,937**	36	30,240	41	30,317
Available-for-sale investments	49,033	11,793	1	**60,827**	37,131	8,039	1	45,171
Total assets carried at fair value	64,601	64,457	27	**129,085**	58,194	53,480	105	111,779
Liabilities								
Liabilities at fair value through Income Statement	2,449	4,106	-	**6,555**	4,096	6,395	-	10,491
Derivative liabilities	5	39,199	17	**39,221**	4	33,964	8	33,976
Life investment contracts	-	9,728	-	**9,728**	-	10,515	-	10,515
Total liabilities carried at fair value	2,454	53,033	17	**55,504**	4,100	50,874	8	54,982

Note 46 Disclosures about Fair Values of Financial Instruments (continued)

(b) Valuation Methodology (continued)

								Bank
	Fair Value as at 30 June 2012				Fair Value as at 30 June 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	$M	$M	$M	$M	$M	$M	$M	$M
Assets								
Assets at fair value through Income Statement:								
Trading	9,711	2,360	-	**12,071**	14,763	2,996	6	17,765
Other	967	13	-	**980**	299	1	-	300
Derivative assets	9	39,040	12	**39,061**	42	30,660	29	30,731
Available-for-sale investments (1)	39,098	14,490	66,459	**120,047**	29,457	8,797	37,445	75,699
Total assets carried at fair value	49,785	55,903	66,471	**172,159**	44,561	42,454	37,480	124,495
Liabilities								
Liabilities at fair value through Income Statement	2,448	733	-	**3,181**	4,116	584	-	4,700
Derivative liabilities	5	39,204	17	**39,226**	3	32,806	8	32,817
Total liabilities carried at fair value	2,453	39,937	17	**42,407**	4,119	33,390	8	37,517

(1) Included within available-for-sale investments of the Bank are $66,458 million (2011: $37,444 million) of residential mortgage backed securities issued by Bank originated securitisation vehicles for potential repurchase by the Reserve Bank of Australia.

Level 3 movement analysis for the year ended 30 June 2012

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.

The Group transferred $57 million out of Level 3 to Level 2 due to increased observability of valuation inputs. There were no transfers into and out of Level 3 for the Bank. The Group's exposure to financial instruments measured at fair value based in full or in part on non-market observable inputs is restricted to a small number of financial instruments which comprise an insignificant component of the portfolios to which they belong. As such, the purchases, sales, as well as any change in the assumptions used to value the instruments to a reasonably possible alternative do not have a material effect on the portfolio balance of the Group's results. The Bank's exposure to financial instruments measured at fair value based in full or part on non-market observable inputs consists almost entirely of Group originated and internally issued retail mortgage backed securities (RMBS). These securities have been originated for potential repurchase by the Reserve Bank of Australia. The internal RMBS issue was upsized in February 2012 by $31,050 million, with $29,275 million classified as available-for-sale. Movements were recognised in Other comprehensive income of $261 million decrease for the year ended 30 June 2012 (2011: $431 million increase). An increase/decrease of 100 basis points in issue margin would decrease/increase the value of the RMBS by $3,218 million/$3,237 million respectively (2011: $2,019 million/$2,032 million respectively).

The Level 3 financial instruments recognised a loss in the Group Income Statement of $33 million for the year ended 30 June 2012 (2011: $11 million gain) and a loss for the Bank of $34 million (2011: $13 million gain).

Note 47 Securitisation and Covered Bonds

The Group enters into transactions in the normal course of business by which it transfers financial assets directly to Special Purpose Entities (SPE's). These transfers do not give rise to derecogniton of those financial assets for the Group.

Securitisation programmes

Residential mortgages securitised under the Group's securitisation programmes are sold to bankruptcy remote special purpose entities. The Group is entitled to any residual income of the securitisation programme after all payments due to investors have been met. In addition, where derivatives have been externalised, the interest rate and foreign currency risk are held in the Group. As the SPE's are funded by the issue of debt from the SPE on terms whereby the majority of the risks and rewards of the residential mortgages are retained by the Group, the SPE's are consolidated fully and all of these loans are retained on the Group's balance sheet, with the notes issued by the SPE included within debt issues of the Group. The investors have full recourse to the residential mortgages segregated into an SPE.

Covered bonds programmes

To complement the existing wholesale funding sources, the Group has established two global covered bond programmes during the year, for CBA and ASB respectively. Certain residential mortgages have been assigned to a bankruptcy remote SPE associated with covered bond programmes to provide security for the obligations payable on the covered bonds issued by the Group. Similarly to securitisation programmes, the Group is entitled to any residual income after all payments due to covered bonds investors have been met. The Group retains all of the risks and rewards associated with the residential mortgages and where derivatives have not been externalised, interest rate and foreign currency risk are held in the Group. The covered bonds SPE's are consolidated, the residential mortgages are retained on the Group's balance sheet and the covered bonds issued are included within debt securities on issue. The covered bond holders have dual recourse to the Bank or the covered pool assets.

The table below presents the Bank's and Group's securitisation and covered bonds programmes, together with the asset balances that didn't qualify for derecognition and the carrying value of the notes on issue as at 30 June 2012.

		Group (1)				Bank			
		Loans		Associated Liabilities		Loans (2)		Associated Liabilities	
		2012	2011	2012	2011	2012	2011	2012	2011
	Note	$M	$M	$M	$M	$M	$M	$M	$M
Securitisation programmes									
Residential mortgages (3)		**9,279**	11,296	**7,858**	9,424	**75,113**	45,831	**75,095**	45,512
Total securitisation programmes	23	**9,279**	11,296	**7,858**	9,424	**75,113**	45,831	**75,095**	45,512
Covered bonds programmes									
Residential mortgages		**22,358**	-	**12,789**	-	**19,893**	-	**11,423**	-
Total covered bonds programmes	23	**22,358**	-	**12,789**	-	**19,893**	-	**11,423**	-
Total securitisation and covered bonds programmes		**31,637**	11,296	**20,647**	9,424	**95,006**	45,831	**86,518**	45,512

(1) Loans and associated liabilities are classified as Group on the basis that the associated liabilities are issued externally.

(2) Loans balance excludes the prepaid cash collection accounts.

(3) The Bank originated residential mortgage backing securities include $66 billion of mortgages that are currently held for potential repurchase with central banks.

The table below provides a breakdown of exposures to the securitisation vehicles that the Group has established.

						Group
	Funded		Unfunded (1)		Total	
	2012	2011	2012	2011	2012	2011
Exposure to securitisation vehicles	$M	$M	$M	$M	$M	$M
Residential mortgage backed securities held for potential repurchase with central banks	**72,192**	43,662	**-**	-	**72,192**	43,662
Other residential mortgage backed securities	**3,535**	2,125	**-**	-	**3,535**	2,125
Derivatives (2)	**1,519**	1,478	**-**	-	**1,519**	1,478
Liquidity support & other facilities	**884**	1,061	**972**	872	**1,856**	1,933
Total	**78,130**	48,326	**972**	872	**79,102**	49,198

(1) Unfunded amounts apply to financial arrangements the Group holds with securitisation vehicles that the SPE is yet to fully draw upon.

(2) 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 available.

Note 48 Controlled Entities

(a) Principal subsidiaries

The material subsidiaries of the Bank, based on contribution to the consolidated entity's profit, size of investment or nature of activity are:

Entity name	Entity name
Australia	
(a) Banking	
Australian Investment Exchange Limited	Medallion Trust Series 2005-1G
Bank of Western Australia Limited	Medallion Trust Series 2006-1G
BWA Group Services Pty Limited	Medallion Trust Series 2007-1G
CBA AIR Pty Limited	Medallion Trust Series 2008-1R
CBA Covered Bond Trust	Medallion Trust Series 2011-1
CBA Equities Limited	MIS Funding No.1 Pty Limited
CBA International Finance Pty Limited	Preferred Capital Limited
CBFC Leasing Pty Limited	SAFE No2 Pty Limited
CBFC Limited	Securitisation Advisory Services Pty Limited
Colonial Finance Limited	Series 2006-1E SWAN Trust
Commonwealth Investments Pty Limited	Series 2007-1E SWAN Trust
Commonwealth Securities Limited	Series 2008-1D SWAN Trust
GT Funding No. 6 Limited Partnership	Series 2010-1 SWAN Trust
GT Operating No. 5 Limited Partnership	Series 2010-2 SWAN Trust
Homepath Pty Limited	Series 2011-1 SWAN Trust
IWL Broking Solutions Limited	SHIELD Series 50
Medallion Trust Series 2004-1G	Wallaby Warehouse Trust No.1
(b) Insurance and Funds Management	
Avanteos Investments Limited	Colonial Holding Company Limited
Avanteos Pty Limited	Commonwealth Financial Planning Limited
Capital 121 Pty Limited	Commonwealth Insurance Holdings Limited
Colonial Financial Corporation Pty Limited	Commonwealth Insurance Limited
Colonial First State Asset Management (Australia) Limited	Commonwealth Managed Investments Limited
Colonial First State Capital Management Pty Limited	Count Financial Limited
Colonial First State Group Limited	Financial Wisdom Limited
Colonial First State Investments Limited	First State Investment Managers (Asia) Limited
Colonial First State Property Limited	Jacques Martin Administration and Consulting Pty Limited
Colonial First State Property Management Trust	The Colonial Mutual Life Assurance Society Limited
Colonial First State Property Retail Trust	

All the above subsidiaries are 100% owned and incorporated in Australia.

Notes to the Financial Statements

Note 48 Controlled Entities (continued)

(a) Principal Subsidiaries (continued)

Entity name	Extent of Beneficial Interest if not 100%	Incorporated in
New Zealand		
(a) Banking		
Aegis Limited		New Zealand
ASB Bank Limited		New Zealand
ASB Captial No.2 Limited		New Zealand
ASB Covered Bond Trustee Ltd		New Zealand
ASB Finance Limited		New Zealand
ASB Funding Limited		New Zealand
ASB Group Investments Limited		New Zealand
ASB Holdings Limited		New Zealand
CBA Asset Holdings (NZ) Limited		New Zealand
CBA Funding (NZ) Limited		New Zealand
CBA USD Funding Limited		New Zealand
Medallion NZ Series Trust 2009-1R		New Zealand
(b) Insurance and Funds Management		
ASB Cash Fund		New Zealand
ASB Group (Life) Limited		New Zealand
ASB Term Fund		New Zealand
Kiwi Property Management Limited		New Zealand
Sovereign Limited		New Zealand
Other Overseas		
(a) Banking		
Burdekin Investments Limited		Cayman Islands
CBA (Europe) Finance Limited		United Kingdom
CBA Capital Trust I		Delaware USA
CBA Capital Trust II		Delaware USA
CBA Funding Trust I		Delaware USA
CommBank Europe Limited		Malta
CommCapital S.a.r.l		Luxembourg
CommInternational Limited		Malta
CTB Australia Limited		Hong Kong
Newport Limited		Malta
PT Bank Commonwealth	97%	Indonesia
(b) Insurance and Funds Management		
First State Investment Management (UK) Limited		United Kingdom
First State Investment Services (UK) Limited		United Kingdom
First State Investments (Bermuda) Limited		Bermuda
First State Investments (Hong Kong) Limited		Hong Kong
First State Investments (Singapore)		Singapore
First State Investments (UK Holdings) Limited		United Kingdom
First State Investments (UK) Limited		United Kingdom
First State Investment Holdings (Singapore) Limited		Singapore
First State Investments International Limited		United Kingdom
PT Commonwealth Life	80%	Indonesia
SI Holdings Limited		United Kingdom

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

(b) Disposal of Controlled Entities

There has been no disposal of controlled entities during the year. The Group disposed of certain St Andrew's operations effective 1 July 2010. For further details refer to Note 45(c).

Note 48 Controlled Entities (continued)

(c) Acquisition of Controlled Entities

The Group gained control of Count Financial Limited (Count Financial) on 29 November 2011. The Group subsequently acquired 100% of the issued share capital on 9 December 2011. Count Financial is an independent, accountant-based financial advice business. This acquisition will support the Group in growing its distribution capabilities through the expansion of its adviser network.

The fair value of the identifiable assets acquired and liabilities assumed at the acquisition date are as follows:

	Fair Value at acquisition $M
Cash and cash equivalents	10
Trade receivables	7
Investments in associates	55
Available-for-sale investments	36
Identifiable intangible assets	55
Other assets	10
Payables	(9)
Borrowings	(12)
Current tax liabilities	(2)
Deferred tax liabilities	(10)
Net identifiable assets at fair value	140
Add: Goodwill	232
Purchase consideration transferred	372
Less: Cash and cash equivalents acquired	(10)
	362
Less: Non-cash consideration	(237)
Net cash outflow on acquisition	125

	30/06/12
Details of equity instruments issued as part of business combinations	
Number of equity instruments issued	5,042,949
Fair value of equity issued ($m)	237

Count Financial contributed revenues of $66.9 million to the Group for the period from 29 November 2011 to 30 June 2012. If the acquisition had occurred on 1 July 2011, the revenue for the full year 30 June 2012 would have been $117.9 million and the profit would have been $12.0 million (30 June 2011: $56.1 million profit, includes one off gain from the partial sale of Countplus Limited).

The goodwill recognised above is attributable to the expected synergies and other benefits arising from integrating the assets and activities of Count Financial with the Group. None of the goodwill is expected to be deductible for income tax purposes.

The fair value and gross contractual amount of trade receivables is $7 million. At acquisition date, all trade receivables were expected to be collected in full.

Advisory related costs of $8 million are included as other expenses in the income statement and are part of operating cash flows in the statement of cash flows.

Note 49 Subsequent Events

The Bank expects to issue approximately $784 million of ordinary shares in respect of the DRP for the final dividend for the year ended 30 June 2012.

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

Directors' Declaration

In accordance with a resolution of the Directors of the Commonwealth Bank of Australia (Bank), the Directors declare that:

(a) the financial statements for the financial year ended 30 June 2012 in relation to the Bank and the consolidated entity (Group) (together the Financial Statements), and the notes to the Financial Statements, are in accordance with the Corporations Act 2001, including:

(i) s 296 (which requires the financial report, including the Financial Statements and the notes to the Financial Statements, to comply with the accounting standards); and

(ii) s 297 (which requires the Financial Statements, and the notes to the Financial Statements, to give a true and fair view of the financial position and performance of the Group and the Bank);

(b) in compliance with the accounting standards, the notes to the Financial Statements include an explicit and unreserved statement of compliance with international financial reporting standards (see Note 1(a));

(c) in the opinion of the Directors, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable; and

(d) the Directors have been given the declarations required by s 295A in respect of the financial year ended 30 June 2012.

Signed in accordance with a resolution of the Directors.

D J Turner	I M Narev
Chairman	Managing Director and Chief Executive Officer
15 August 2012	15 August 2012

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 2012, the income statement, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both the Commonwealth Bank of Australia and the Group (the consolidated entity). The consolidated entity comprises the Commonwealth Bank of Australia and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Commonwealth Bank of Australia are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

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

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 2012 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 10 to 29 of the directors' report for the year ended 30 June 2012. 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 2012 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

RChowdry

Rahoul Chowdry
Partner

Sydney
15 August 2012