Annual Report 2012

CommonwealthBank

COMMONWEALTH BANK OF AUSTRALIA
ACN 123 123 124 | 15 AUGUST 2012

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Chairman's Statement

Introduction

The 2012 financial year has been another challenging one for financial institutions in general, and for the Group in particular. The macroeconomic environment has again been dominated by uncertainty and volatility in global financial markets. Concerns around the slowing of the Chinese economy, uncertainty about the pace of recovery in the United States, and the ongoing challenges facing the European Union have all continued to weigh heavily on the Australian economy. While the fundamentals of the Australian economy appear sound, a lack of corporate and consumer confidence has dampened demand for credit and seen our customers move to strengthen their balance sheet as they remain cautious about the immediate outlook.

The Group has responded to this environment by maintaining conservative business settings, which includes strong capital, high levels of liquidity and robust provisioning. Retail deposit and wholesale funding costs remain elevated, but the Group remains well funded, which has enabled us to continue supporting our customers, many of whom are finding the current environment challenging.

Operating and Financial Results

The Group is in a strong financial position and has delivered another good result despite subdued underlying credit growth.

Net profit after tax on a cash basis increased 4% on the prior year to $7.1 billion. The Group delivered a strong Return on Equity (ROE) performance of 18.6%, again on a cash basis. Key elements of the result were:

- Net interest income increased 4% to $13,157 million, reflecting 5% growth in average interest earning assets partly offset by a three basis point decline in net interest margin;
- Other banking income decreased 2% to $3,927 million driven by lower Markets trading income, partly offset by higher credit card interchange income and Institutional lending fee growth;
- Funds management income decreased 4% to $1,957 million, impacted by declining equity markets, a higher proportion of customer funds invested into lower margin cash and fixed interest investments, and the continued run-off of the CommInsure closed investment portfolios;
- Insurance income increased 12% to $960 million, driven by 10% inforce premium growth, and favourable claims experience in the New Zealand life insurance business, partly offset by unfavourable domestic claims experience;
- Operating expenses increased 3% to $9,196 million, driven by inflation-related salary increases, property transition costs related to the new Sydney CBD office premises and higher compliance costs. This was partly offset by the continued focus on productivity initiatives to improve customer experience and Group efficiency; and
- Loan impairment expense decreased 15% to $1,089 million, reflecting the gradual improvement in asset quality, with economic overlays maintained at existing levels.

The Group's assets increased by $50 billion or 8% over the prior year, despite subdued underlying credit growth. This was largely driven by an increase in home lending, business and corporate lending balances and non-lending interest earning assets, as a result of higher liquid asset holdings used to maintain conservative business settings.

The Group's funding requirements were mainly generated from deposits, growing by 9% to $379 million. Customer deposits now make up 62% of total funding.

Dividends and Capital

The Group's ability to deliver strong performance and to be one of a handful of global banks which have maintained AA credit ratings, has been underpinned by our decision to retain conservative business settings, particularly with respect to provisioning, liquidity, funding and capital.

As far as capital is concerned, global regulators, including our domestic regulator, the Australian Prudential Regulation Authority (APRA), have driven significant reforms in response to the problems faced by many financial institutions as a result of the Global Financial Crisis.

While the Australian banks performed relatively well over that period, they have, nonetheless, been impacted by these global reforms. In particular, the Basel Committee on Banking Supervision and APRA are proposing changes which are designed to increase the quality, consistency and transparency of capital, to enhance risk coverage frameworks, and reduce systemic and pro-cyclical risk. One of the major outcomes of these reforms is that banks will be required to hold higher levels of capital.

Given the environment in which we have been operating, the Group has already adopted a more conservative and proactive approach to capital management, and is well placed to meet the new Basel III capital requirements. The Group has already increased its Common Equity Tier 1 ratio (CET1) on an internationally harmonised basis by 42% since June 2007. In fact, with an internationally harmonised CET1 of 9.8% we are already well above the average of our international peers.

Going forward the Board has approved a CET1 internationally harmonised target ratio of greater than 9%.

In conjunction with the setting of target capital requirements, the Board has also reviewed the Group's dividend policy. As a result the Group will seek to:

- Pay cash dividends at strong and sustainable levels;
- Target a payout ratio of 70 to 80%; and
- Maximise the use of its franking account by paying fully franked dividends.

Interim dividends will be increased to approximately 70% of interim profit in future periods to ensure a more even distribution of dividends as between interim and final. Consideration will also be given in future periods to minimising the dilutive impact of the DRP through neutralisation initiatives.

As far as the current year is concerned, a final dividend of $1.97 per share was declared, an increase of 5% on the prior year. The total dividend for the year was $3.34 per share (up 4% on the prior year), taking the payout ratio for the year to 75%.

Corporate Governance and Board Performance

This year the Group used an external firm to assist with the assessment of Board performance and effectiveness. Further details are included in the Corporate Governance section of this Annual Report. This is an important area of evaluation, as the proper functioning of your Board effectively challenging yet supporting the management team is one of its most important tasks alongside the Board fiduciary duties of governance.

The Group also engaged an independent firm to discuss directly with some of our major shareholders, our performance, communications with the market and direction of our strategy. They presented their findings directly to the Board, and again there is further information in the Corporate Governance section of this Annual Report.

The Group also surveyed some of our individual shareholders and had one on one critical presentations from other senior fund managers and senior sell-side analysts. This open and independent exposure of the Board to its stakeholder groups is essential for the Board's understanding of the thoughts of the Bank's owners.

There was only one addition to the Board during the year. On 1 December 2011 Ian Narev took over from Ralph Norris as Chief Executive Officer and replaced Ralph as the only executive member of the Board.

I wrote and spoke at length last year about the excellent contribution of Ralph to the Group over his six year tenure as CEO. The fact that the momentum in the business has continued since the announcement of Ian's appointment early in the year is very pleasing and is a great tribute to the skill and professionalism of both Ralph and Ian.

Two of our long standing non-executive directors, Colin Galbraith and Fergus Ryan will be retiring from the Board at the Group's Annual General Meeting. Both have been members of the Board for 12 years. They have made significant contributions to the Board and its committees over that period and I would like to thank them for their commitment and hard work over that period. Their wisdom, insights and considerable experience will be missed by those of us who remain and by senior Group executives.

Fergus Ryan, who has been Chairman of the Audit Committee since 2004, relinquished that role during this year, passing the responsibilities into the very capable hands of Brian Long who joined the Board in September 2010.

I would like to thank all of my fellow directors for their hard work and support over the last year.

Outlook

Looking back on the 2012 year and on the "Outlook" section of last year's statement, my sense is that not a great deal has changed. This past year was characterised by an uncertain and volatile global economy, fragile consumer and corporate confidence, political uncertainty and a multi speed economy which is challenging for many of our customers.

My view of the future is, therefore, not dissimilar from the one expressed last year – that is that we are unlikely to see significant improvements in the macro environment in the coming year. While the US economy does not appear to be getting any worse there are not yet signs of a sustained recovery.

As far as Europe is concerned, it is difficult to see the complex problems which face the European Union being remedied quickly. The concern about the damage that rigid austerity programmes might inflict and the political tensions that may result is understandable. However, if there is sufficient patience and tolerance, an optimist could point to a satisfactory outcome but it will certainly not be soon.

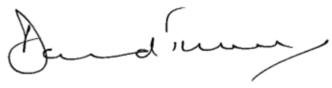
The medium term outlook for the Chinese economy seems positive, but inevitably there will be short term uncertainty and volatility, which may well affect the pace of economic growth.

While optimistic about the medium to long term outlook for Australia, the global economy remains uncertain. It is difficult to see the catalyst for alleviating the uncertainty which will continue to affect consumer and corporate confidence. So, in the near term, the Group expects current revenue trends to continue, and we will retain conservative business settings.

Against this backdrop, the Group will continue to operate in a disciplined and prudent manner, with the focus on driving sustainable improvements in business performance and investing in our long-term strategic priorities. The Group is confident that our customer focused strategy positions the business well for the long term.

We have an excellent management team in the Group and even in a challenging world, your Board is confident that they will succeed.

Finally, I would like to thank our customers and shareholders for their continuing support for the Commonwealth Bank of Australia and of course all the staff of the Group on whom we depend for our success.



David J Turner

Chairman

15 August 2012

Chief Executive Officer's Statement

Our operating environment

This is my first opportunity to write to you all in an Annual Report as Chief Executive of the Commonwealth Bank of Australia. I feel privileged to do so, and am particularly pleased that in its centenary year, the Group continued its strong momentum, notwithstanding the challenges of our operating environment.

Nearly four years after the collapse of Lehman Brothers, the global economy continues to feel the effects of a financial crisis; on-going market volatility continues to fetter economic growth throughout the world.

Despite this lower growth environment, global demand for resources has remained high. So the fundamentals of the Australian economy have remained sound. However, through the lens of our businesses, we continue to see in Australia the impacts of global uncertainty: higher savings rates, lower demand for credit, lower discretionary spending and weaker equity markets. These impacts combine to create a lower revenue growth environment, which could be with us for some time yet.

In addition to these economic factors, regulation is playing a greater part in our businesses. Increased regulation is an inevitable outcome of the global financial crisis. The most significant areas of reform relate to the amount and quality of capital we hold, liquidity requirements, and the way in which financial advice is provided. The Group has constructive on-going dialogue with regulators on the details of relevant regulations, and inevitably there are some areas where our views diverge. However, we understand the need for greater regulation. So our focus is on ensuring that the Group complies fully with all regulation, and that our business model adapts as required. This includes recognition of the costs of greater regulation.

One area of development that the financial crisis has not slowed is technology. Improved availability and speeds of fixed and wireless networks, innovation in devices (particularly mobile devices) and applications for use on them, rapidly decreasing costs of storage, and the exponential improvement in analytic tools continue to change the habits and preferences of our customers, surface new competitors, and provide opportunities for improved productivity. At the core of our strategy for the Group is a belief that these rapid changes in technology create significant opportunity for early adapters, and commensurate risks for financial institutions that underestimate the speed and extent of change.

A balance of short-term momentum…

Our management team is committed to delivering long term value to our shareholders. We also realise that our short term performance is important to you, particularly our ability to deliver sustained profit growth and reliable dividends. Our challenge is to ensure that the Group adapts to the significant economic, regulatory and technology-driven changes in our operating environment referred to earlier, whilst continuing to perform well in the short term.

We believe that we achieved that balance successfully during the 2012 financial year. The Group's cash earnings for the 2012 financial year were $7.1 billion. Our cash return on equity was 18.6%. Relative to our peers and given the uncertain and volatile environment in which we are operating, this is a good result; and we are pleased to be able to distribute 75% of our cash earnings to you by way of dividends.

Underlying the strong overall results were a number of significant achievements, which include:

- We continued to make progress in customer satisfaction. Our business bank led the industry in customer satisfaction throughout the year; and our retail bank closed the gap to number one to the narrowest it has been in the history of the Roy Morgan survey;
- The Group maintained its strong capital position and held $135 billion of liquids as at 30 June 2012. We are one of a handful of global banks with a AA credit rating;
- Customer deposits grew strongly, with balance growth of 9%. This enabled us to maintain an industry leading market share of 26% in retail deposits;
- We finalised the migration of business and retail customers to our new globally leading core banking platform. The platform makes us the only major bank able to offer real-time banking to all its customers;
- To take advantage of our real-time competitive advantage, we launched our revolutionary "Kaching" app, which is available on Apple iPhones and iPads and a range of Android smartphones and tablet devices. The app, which has been downloaded more than 460,000 times, enables our customers to make payments via mobile, email or to Facebook contacts;
- The "Kaching" launch was followed with the launch of Pi. This brings world-leading software to point-of-sale interactions between businesses and their customers. It does so through an open software platform that will allow businesses to download apps, or even create and upload apps, to enhance the experiences of their customers; and
- To commemorate our centenary, we committed to increase our investment in Australian communities by $100 million over the next 10 years.

…and long term change

In addition to achieving these outcomes during the financial year, the Group maintained its focus on long term value. When I assumed the role of CEO in December 2011, I indicated that shareholders could expect a high degree of continuity with the strategy that the Group had successfully executed under the leadership of Ralph Norris over the preceding six years.

The Group has very strong foundations from which to continue to build its long term strategy. In addition to having the most highly respected financial services brand in Australia, the Group has an extensive network of over 1,150 branches, the largest proprietary ATM network, as well as the most visited domestic financial website, which is also the fourth most visited website overall in Australia.

According to Roy Morgan Research, we are the main financial institution for one in every three Australians. The Group has leading market shares in mortgages, deposits and payments, and in merchant acquiring.

Further details on how we will build on these foundations were provided in a strategy update in April. Specifically, I outlined our intention to build capability in four primary areas to deliver long term value to our shareholders: people, technology, strength and productivity.

People

We will continue to actively build a culture based on high integrity, collaboration, individual and collective accountability, and pride in the Group. We will invest in our people through enhanced talent programmes, by our commitment to our diversity goals, and by ensuring that our people continue to enjoy a safe, supportive and secure work environment.

Technology

The Group aspires to become a global leader in the application of technology to financial services. With a multi-year upgrade of our core banking platform nearly complete, unwavering management focus on extracting the benefits of that upgrade, and a customer-focused culture, we believe the Group is well positioned to achieve this aspiration.

Our efforts are focused on three areas: convenience, simplicity and information:

- Convenience: Increasingly our customers want to interact with us while doing other things at home, or, while on the move. Currently, 46% of Netbank log-ins are through mobile devices. That trend is accelerating – up from 26% a year ago. At the same time, of course, many people still want to visit our branches. To meet this trend, we need to ensure that people can interact with us whenever and however they wish, ensuring that their experience is a real time one. For example, small business owners want to see their new balances and get value for deposits immediately, not days later;
- Simplicity: Our customers are telling us that they want things simpler, so they can have more control of what they are doing. We are progressively applying new technology to enable customers to play a greater part in product design. That helps us create more intuitive products and services, readily understandable to our customers and more tailored to their individual needs; and
- Information: At the Commonwealth Bank we see at least one side of more than 40% of all financial transactions that happen in Australia. Having access to the information is one thing; the issue is how to use it. The Group is thinking very carefully about the manner in which it stores and organises this information. This will help us get greater insights into the economy, and assist us to tailor better products for customers and price for risk more effectively.

Strength

We learned through the financial crisis that strength is critical to long-term sustainability, and also creates opportunities for competitive advantage.

It is a strategic priority for us to maintain our strength. This priority impacts our decisions on levels of capital, liquid assets, deposit funding and sources and duration of wholesale funding. It also ensures that the Group maintains the rigorous lending standards that have served us well over time.

Sometimes our predisposition to retaining a strong and flexible balance sheet may not be optimal from a short term profitability perspective. But we are here for the long term.

Strength also requires a thorough approach to surfacing and mitigating operational risks in our business. Recent experiences of major financial institutions overseas highlight the fragility of reputation, and the potential for a single incident to undermine years of effort in building reputation. Our reputation is our most valuable asset, and it is the responsibility of all our people to preserve and enhance it.

Productivity

In all economic climates, the Group needs to focus on finding better ways of delivering products and services to our customers, while at the same time improving efficiency. We are devoting considerable management attention to a Group-wide productivity programme, to improve the core processes in our businesses.

In addition to making our business more customer-friendly and efficient in the long term, this programme will improve our expense management in the short term. Through successful execution of this programme over several years, the Group will avoid short-term cost cutting initiatives that damage morale and therefore undermine long term value. We will not set targets for reduction in people numbers. Nor will we resort to the offshoring of Australian jobs.

Strengthening these four capabilities will drive on-going growth. In particular an opportunity exists to broaden our relationship with our personal customers, continue to drive share growth in business and institutional banking, and continue a measured but committed strategy to deploy our capabilities in off-shore markets we know well, particularly in Indonesia, through our banking and insurance partnerships in China, and through the global reach of our asset management business.

The coming year

Throughout the organisation, we embrace the broader responsibility to the communities in which the Group operates. My team and I are committed to building on the proud legacy that we have inherited. In doing so, we need to be active and responsible members of our broader community.

As a result of the Global Financial Crisis there has been increased negative sentiment towards financial institutions, even in countries like Australia, where banks have remained strong. As one of Australia’s leading financial institutions, we need to acknowledge and respond to these concerns.

The Group will maintain close ties to the broader community through building and sustaining relationships that add value to the community, particularly in financial literacy.

The key to strengthening relationships with the community is not through big brand campaigns or glossy reports; rather it is building long term committed partnerships starting at the grass roots level.

We are also constantly mindful that this institution is owned by 800,000 Australian households directly and millions more who own our shares through superannuation funds.

2012 has been a year of change for CBA and one in which we have many achievements to be proud of across the Group. The progress we have made this year is a direct result of the commitment of our people, who have continued to deliver great outcomes for all of our stakeholders in a competitive environment.

The Group is well positioned for the future. I am confident that our company has the ability to continue to deliver superior long term performance for our customers, our shareholders, our people and the communities in which we operate.

Ian Narev

Chief Executive Officer

15 August 2012

Highlights

Group Performance Highlights

Net Profit after Income Tax	Full Year Ended 30/06/12 $M	Full Year Ended 30/06/11 $M	Half Year Ended 30/06/12 $M	Half Year Ended 31/12/11 $M
Statutory basis	**7,090**	6,394	**3,466**	3,624
Cash basis	**7,113**	6,835	**3,537**	3,576

The Group's net profit after tax ("statutory basis") for the year ended 30 June 2012 was $7,090 million, up 11% on the prior year.

Return on equity ("statutory basis") was 18.7% and Earnings per share ("statutory basis") was 448.9 cents, up 9% on the prior year.

The Management Discussion and Analysis discloses the net profit after tax on both a "statutory basis" and a "cash basis". The statutory basis is prepared in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS). The cash basis is used by Management to present a clear view of the Group's underlying operating results, excluding a number of items that introduce volatility and/or one-off distortions of the Group's current period performance. These items, such as hedging and IFRS volatility, are calculated consistently year on year and do not discriminate between positive and negative adjustments. A list of items excluded from statutory profit is provided in the reconciliation of the Net profit after tax ("cash basis") on page 7 and described in greater detail on page 13.

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, diversified business model and strong risk management culture 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 market 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 new impaired 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.

Net profit after tax ("cash basis") for the year ended 30 June 2012 was $7,113 million, which represented an increase of 4% on the prior year. Cash earnings per share increased 2% to 449.4 cents per share.

Return on Equity ("cash basis") for the year ended 30 June 2012 was 18.6%, down 90 basis points on the prior year, reflecting increased profitability offset by a further strengthening of capital.

Capital

The Group further strengthened its capital position at 30 June 2012 under the existing Basel II methodology with Common Equity Tier One (CET1) and Tier One Capital ratios of 7.8% and 10.0% respectively.

Under the application of Basel III, which is to be implemented from 1 January 2013, the Group has a CET1 ratio of 9.8% as at 30 June 2012 as measured on a fully internationally harmonised basis. This is well above the minimum prescribed at 1 January 2013 of 4.5% and compares favourably to international peers.

The Board has approved a Basel III CET1 internationally harmonised target ratio of greater than 9%. This is discussed in more detail on page 41.

Funding

The Group remains well funded, enabling it to provide ongoing support to customers, despite the continuing impact of the European sovereign debt crisis. However, wholesale and domestic deposit funding remains expensive and continues to place pressure on the Group's net interest margin. While system credit growth remained subdued, the Group satisfied a higher proportion of its funding requirements from domestic deposits.

Customer deposits increased to $379 billion as at 30 June 2012, up $30 billion over the prior year. Customer deposits represented 62% of the Group's total funding source at 30 June 2012, up from 61% in the prior year.

Covered bonds also became a more significant contributor to the Group's funding following the amendment to banking regulations in October 2011 which allows Australian banks to issue covered bonds.

Dividends

The final dividend declared was $1.97 per share, up 5% on the prior year. The total dividend for the year ended 30 June 2012 was $3.34 per share, taking the dividend payout ratio ("cash basis") to 75%.

The final dividend payment will be fully franked and paid on 5 October 2012 to owners of ordinary shares at the close of business on 24 August 2012 (record date). Shares will be quoted ex–dividend on 20 August 2012.

Outlook

The Group remains positive about the medium to long term outlook for Australia. However, the global economy remains uncertain. It is difficult to see the catalyst for alleviating the uncertainty which will continue to affect consumer and corporate confidence. In the near term, the Group expects current revenue trends to continue, while retaining conservative business settings.

Against this backdrop, the Group will continue to operate in a disciplined and prudent manner, focused on driving sustainable improvements in business performance and investing in long-term strategic priorities. The Group is confident that our customer focused strategy positions the business well for the long term.

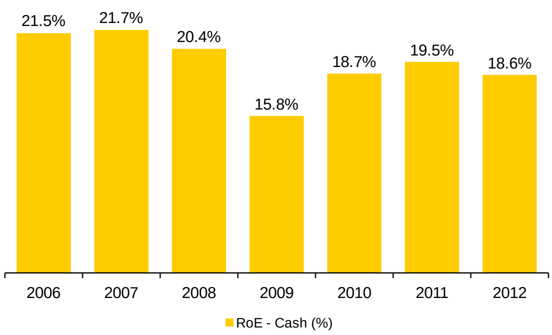
Group Performance Summary	Full Year Ended 30/06/12 $M	Full Year Ended 30/06/11 $M	Jun 12 vs Jun 11 %	Half Year Ended 30/06/12 $M	Half Year Ended 31/12/11 $M	Jun 12 vs Dec 11 %	Statutory Full Year Ended 30/06/12 $M	Statutory Jun 12 vs Jun 11 %
Net interest income [1]	**13,157**	12,645	4	**6,513**	6,644	(2)	**13,122**	4
Other banking income [1]	**3,927**	3,996	(2)	**2,000**	1,927	4	**4,089**	12
Total banking income	**17,084**	16,641	3	**8,513**	8,571	(1)	**17,211**	6
Funds management income	**1,957**	2,041	(4)	**980**	977	-	**1,940**	(5)
Insurance income	**960**	856	12	**459**	501	(8)	**1,233**	10
Total operating income	**20,001**	19,538	2	**9,952**	10,049	(1)	**20,384**	5
Investment experience	**149**	121	23	**93**	56	66	**n/a**	n/a
Total income	**20,150**	19,659	2	**10,045**	10,105	(1)	**20,384**	5
Operating expenses	**(9,196)**	(8,891)	3	**(4,594)**	(4,602)	-	**(9,331)**	3
Loan impairment expense	**(1,089)**	(1,280)	(15)	**(544)**	(545)	-	**(1,089)**	(15)
Net profit before tax	**9,865**	9,488	4	**4,907**	4,958	(1)	**9,964**	10
Corporate tax expense [2]	**(2,736)**	(2,637)	4	**(1,363)**	(1,373)	(1)	**(2,858)**	8
Non-controlling interests [3]	**(16)**	(16)	-	**(7)**	(9)	(22)	**(16)**	-
Net profit after tax ("cash basis")	**7,113**	6,835	4	**3,537**	3,576	(1)	**n/a**	n/a
Hedging and IFRS volatility	**124**	(265)	large	**9**	115	(92)	**n/a**	n/a
Other non-cash items	**(147)**	(176)	(16)	**(80)**	(67)	19	**n/a**	n/a
Net profit after tax ("statutory basis")	**7,090**	6,394	11	**3,466**	3,624	(4)	**7,090**	11
Represented by:								
Retail Banking Services	**2,934**	2,854	3	**1,495**	1,439	4		
Business and Private Banking	**1,067**	1,030	4	**516**	551	(6)		
Institutional Banking and Markets	**1,060**	1,004	6	**513**	547	(6)		
Wealth Management	**569**	642	(11)	**297**	272	9		
New Zealand	**490**	470	4	**232**	258	(10)		
Bankwest	**524**	463	13	**256**	268	(4)		
Other	**469**	372	26	**228**	241	(5)		
Net profit after tax ("cash basis")	**7,113**	6,835	4	**3,537**	3,576	(1)		
Investment experience - after tax	**(89)**	(81)	10	**(53)**	(36)	47		
Net profit after tax ("underlying basis")	**7,024**	6,754	4	**3,484**	3,540	(2)		

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

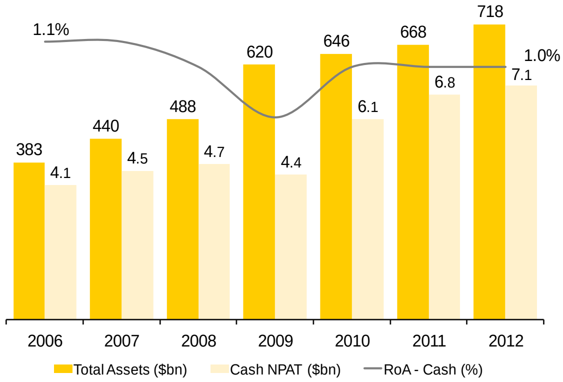
(2) For purposes of presentation, Policyholder tax expense components of Corporate tax expense are shown on a net basis (30 June 2012: $122 million, 30 June 2011: $166 million and for the half years ended 30 June 2012: $82 million and 31 December 2011: $40 million).

(3) Non-controlling interests include preference dividends paid to holders of preference shares in ASB Capital Limited and ASB Capital No.2 Limited.

Group Return on Equity



Group Return on Assets



Highlights

Shareholder Summary	Full Year Ended 30/06/12	30/06/11	Jun 12 vs Jun 11 %	Half Year Ended 30/06/12	31/12/11	Jun 12 vs Dec 11 %
Dividends per share - fully franked (cents)	**334**	320	4	**197**	137	44
Dividend cover - cash (times)	**1. 3**	1. 4	(7)	**1. 1**	1. 6	(31)
Earnings per share (cents)						
Statutory basis - basic	**448. 9**	411. 2	9	**218. 1**	230. 8	(6)
Cash basis - basic	**449. 4**	438. 7	2	**222. 2**	227. 2	(2)
Dividend payout ratio (%)						
Statutory basis	**75. 2**	78. 3	(310)bpts	**91. 1**	60. 1	large
Cash basis	**75. 0**	73. 2	180 bpts	**89. 2**	60. 9	large
Weighted average no. of shares ("statutory basis") - basic (M) (1)	**1,570**	1,545	2	**1,579**	1,561	1
Weighted average no. of shares ("cash basis") - basic (M) (1)	**1,573**	1,548	2	**1,583**	1,564	1
Return on equity ("cash basis") (%)	**18. 6**	19. 5	(90)bpts	**18. 1**	19. 2	(110)bpts
Return on equity ("statutory basis") (%)	**18. 7**	18. 4	30 bpts	**17. 9**	19. 6	(170)bpts

(1) Fully diluted EPS and weighted average number of shares are disclosed in Note 7.

Credit Ratings	Long–term	Short–term	Outlook
Fitch Ratings (1)	AA-	F1+	Stable
Moody's Investor Services	Aa2	P-1	Stable
Standard & Poor's (2)	AA-	A-1+	Stable

(1) On 24 February 2012, Fitch Ratings downgraded the long-term credit rating of the Bank to 'AA-', with all major domestic peer banks also rated 'AA-'.

(2) On 1 December 2011, Standards & Poor's downgraded the long-term credit ratings of the Bank along with the other three major Australian banks.

Market Share Percentage	As at 30/06/12 %	31/12/11 %	30/06/11 %
Home loans	**25. 7**	25. 9	25. 8
Credit cards (1) (2)	**23. 4**	23. 7	23. 0
Personal lending (APRA and other Household) (3)	**14. 8**	14. 6	14. 8
Household deposits	**28. 9**	29. 4	30. 0
Retail deposits (4)	**26. 0**	26. 4	26. 9
Business Lending - APRA (1)	**17. 5**	17. 6	18. 0
Business Lending - RBA (1)	**17. 0**	16. 9	16. 7
Business Deposits - APRA (1)	**20. 4**	20. 5	20. 8
Asset Finance	**13. 6**	13. 7	13. 9
Equities trading	**5. 5**	5. 8	5. 9
Australian Retail - administrator view (1) (5)	**15. 1**	15. 0	15. 1
FirstChoice Platform (1) (5)	**11. 6**	11. 6	11. 5
Australia (total risk) (1) (5)	**13. 4**	13. 2	12. 5
Australia (individual risk) (5)	**13. 3**	13. 3	13. 4
NZ Lending for housing	**21. 6**	22. 0	22. 1
NZ Retail Deposits (1)	**20. 6**	21. 0	21. 3
NZ Lending to business (1)	**9. 0**	9. 0	8. 8
NZ Retail FUM (1)	**18. 8**	15. 1	14. 5
NZ Annual inforce premiums	**30. 3**	30. 2	30. 1

(1) Prior periods have been restated in line with market updates.

(2) As at 31 May 2012.

(3) Personal lending market share includes personal loans and margin loans.

(4) In accordance with RBA guidelines, these measures include some products relating to both the Retail and Corporate segments.

(5) As at 31 March 2012.

Highlights

Key Performance Indicators	Full Year Ended 30/06/12	30/06/11	Jun 12 vs Jun 11 %	Half Year Ended 30/06/12	31/12/11	Jun 12 vs Dec 11 %
Group						
Statutory net profit after tax ($M)	**7,090**	6,394	11	**3,466**	3,624	(4)
Cash net profit after tax ($M)	**7,113**	6,835	4	**3,537**	3,576	(1)
Net interest margin (%)	**2. 09**	2. 12	(3)bpts	**2. 06**	2. 12	(6)bpts
Average interest earning assets ($M) (1)	**629,685**	597,406	5	**636,547**	622,898	2
Average interest bearing liabilities ($M) (1)	**590,654**	559,095	6	**595,873**	585,492	2
Funds management income to average FUA (%)	**0. 99**	1. 04	(5)bpts	**0. 98**	1. 00	(2)bpts
Funds Under Administration (FUA) - average ($M)	**198,115**	196,254	1	**200,960**	194,421	3
Insurance income to average inforce premiums (%)	**42. 2**	41. 5	70 bpts	**39. 1**	45. 7	large
Average inforce premiums ($M)	**2,276**	2,063	10	**2,363**	2,180	8
Operating expenses to total operating income (%)	**46. 0**	45. 5	50 bpts	**46. 2**	45. 8	40 bpts
Effective corporate tax rate (%)	**27. 7**	27. 8	(10)bpts	**27. 8**	27. 7	10 bpts
Retail Banking Services						
Cash net profit after tax ($M)	**2,934**	2,854	3	**1,495**	1,439	4
Operating expenses to total banking income (%)	**38. 1**	38. 6	(50)bpts	**38. 0**	38. 3	(30)bpts
Business and Private Banking						
Cash net profit after tax ($M)	**1,067**	1,030	4	**516**	551	(6)
Operating expenses to total banking income (%)	**43. 4**	43. 9	(50)bpts	**43. 9**	42. 9	100 bpts
Institutional Banking and Markets						
Cash net profit after tax ($M)	**1,060**	1,004	6	**513**	547	(6)
Operating expenses to total banking income (%)	**36. 3**	33. 6	270 bpts	**36. 0**	36. 5	(50)bpts
Wealth Management						
Cash net profit after tax ($M)	**569**	642	(11)	**297**	272	9
FUA - average ($M)	**189,699**	188,866	-	**192,325**	186,266	3
Average inforce premiums ($M)	**1,806**	1,612	12	**1,889**	1,724	10
Funds management income to average FUA (%)	**1. 00**	1. 05	(5)bpts	**0. 99**	1. 01	(2)bpts
Insurance income to average inforce premiums (%)	**38. 3**	38. 8	(50)bpts	**34. 8**	42. 0	large
Operating expenses to net operating income (%) (2)	**67. 1**	61. 6	large	**67. 4**	66. 9	50 bpts
New Zealand						
Cash net profit after tax ($M)	**490**	470	4	**232**	258	(10)
FUA - average ($M)	**8,416**	7,388	14	**8,635**	8,155	6
Average inforce premiums ($M)	**470**	451	4	**474**	456	4
Funds management income to average FUA (%)	**0. 52**	0. 54	(2)bpts	**0. 54**	0. 51	3 bpts
Insurance income to average inforce premiums (%)	**48. 3**	46. 8	150 bpts	**47. 1**	50. 6	(350)bpts
Operating expenses to total operating income (%)	**50. 9**	51. 1	(20)bpts	**51. 6**	50. 1	150 bpts
Bankwest						
Cash net profit after tax ($M)	**524**	463	13	**256**	268	(4)
Operating expenses to total banking income (%)	**51. 2**	53. 0	(180)bpts	**51. 9**	50. 5	140 bpts
Capital (Basel II)						
Common Equity Tier One (%)	**7. 82**	7. 66	16 bpts	**7. 82**	7. 67	15 bpts
Tier One (%)	**10. 01**	10. 01	-	**10. 01**	9. 90	11 bpts
Total Capital (%)	**10. 98**	11. 70	(72)bpts	**10. 98**	11. 11	(13)bpts

(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) Net operating income represents total operating income less volume expenses.

Group Performance Analysis

Financial Performance and Business Review

The Group's net profit after tax ("cash basis") for the year ended 30 June 2012 was $7,113 million, which represented a 4% increase on the prior year.

Earnings per share ("cash basis") increased 2% on the prior year to 449.4 cents per share, whilst Return on Equity ("cash basis") decreased 90 basis points to 18.6%.

The Group delivered a solid financial performance in a challenging environment impacted by ongoing volatility and uncertainty in global markets. This result reflects the Group's financial strength and continued momentum despite the subdued credit growth environment, the impact of increased domestic deposit and wholesale funding costs, and difficult trading conditions for the markets-related businesses. Key elements of the Group result included:

- Net interest income increased 4% to $13,157 million, reflecting a 5% increase in average interest earning assets, partly offset by a three basis point decline in net interest margin;
- Other banking income decreased 2% to $3,927 million, driven by lower equities trading volumes and Markets trading income, including an unfavourable counterparty fair value adjustment, partly offset by higher credit card interchange income and Institutional lending fee growth;
- Funds management income decreased 4% to $1,957 million, impacted by declining investment markets, a higher proportion of customer funds invested into cash, fixed interest and deposit products, reflecting cautious investor sentiment and the managed contraction of the CommInsure closed investment portfolios;
- Insurance income increased 12% to $960 million, driven by 10% average inforce premium growth, partly offset by higher domestic claims;
- Operating expenses increased 3% to $9,196 million, driven by inflation-related salary increases, property transition costs related to the new Sydney CBD office premises and higher compliance costs. This was partly offset by the continued focus on productivity initiatives to improve customer experience and Group efficiency; and
- Loan impairment expense decreased 15% to $1,089 million, mainly reflecting a reduction in new impaired single name exposures within Institutional Banking and Markets. Economic overlays remain unchanged reflecting the Group's conservative approach to provisioning as business conditions remain challenging for some of the Group's customers.

The Group's net profit after tax ("cash basis") for the half year ended 30 June 2012 decreased 1% over the prior half. The result was impacted by a six basis point reduction in net interest margin driven by higher funding costs. The life insurance businesses were also impacted by unfavourable claims.

More comprehensive disclosure of performance highlights by key business segments is contained on pages 18 to 35.

Net Interest Income

Net interest income increased by 4% on the prior year to $13,157 million. This was a result of growth in average interest earning assets of 5% partly offset by a three basis point decline in net interest margin to 2.09%.

Net interest income decreased by 2% on the prior half driven by a six basis point decline in net interest margin due to higher wholesale and domestic deposit funding costs. This was partly offset by a 2% increase in average interest earning assets.

Average Interest Earning Assets

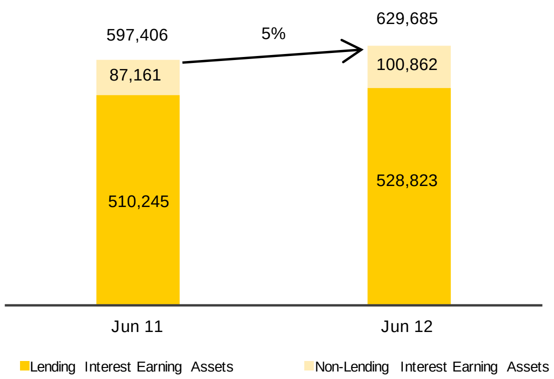
Average interest earning assets increased by $32 billion on the prior year to $630 billion, reflecting an $18 billion increase in average lending interest earning assets and a $14 billion increase in average non-lending interest earning assets.

Home loan average balances increased by $15 billion or 5% since 30 June 2011 to $343 billion.

Average balances for business and corporate lending increased by $3 billion since 30 June 2011 to $165 billion, largely driven by growth in Institutional lending.

Average non-lending interest earning assets increased $14 billion since 30 June 2011 to $101 billion due to higher levels of liquid assets driven by conservative business settings and balance sheet growth.

Average Interest Earning Assets ($M)



Net Interest Margin

The Group's net interest margin decreased three basis points compared to the prior year to 2.09%.

The Australian contribution to Group net interest margin decreased five basis points. The key drivers were:

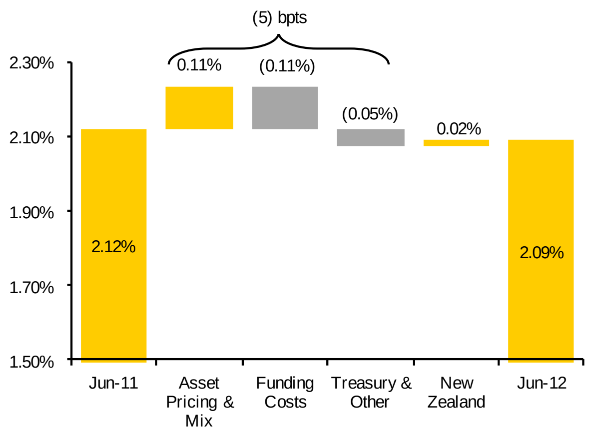
Asset pricing and mix: Increase in margin of 11 basis points, reflecting the repricing of the lending portfolios in response to the sustained increase in both wholesale and deposit funding costs.

Funding costs: Decrease in margin of 11 basis points reflecting continued increases in wholesale funding costs, ongoing intense competition for deposits and the falling cash rate environment.

Treasury and other: Decrease of five basis points, driven by holding higher levels of liquid assets.

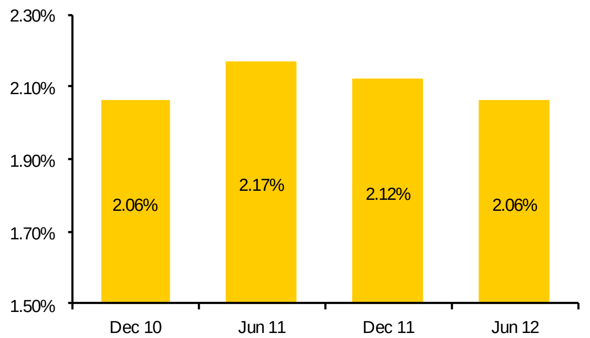
New Zealand's contribution to the Group's net interest margin increased two basis points. This reflected the benefit from fixed rate loan repricing and the continued shift in portfolio mix as customers switched from fixed to variable rate home loans.

NIM movement since June 2011



Over the last six months, net interest margin decreased six basis points compared to the prior half to 2.06%. This was mainly due to the impact of higher domestic deposit and wholesale funding costs, partly offset by asset repricing.

Group NIM (Half Year Ended)



Other Banking Income

	Full Year Ended		Half Year Ended	
	30/06/12	30/06/11	30/06/12	31/12/11
	$M	$M	$M	$M
Commissions	**1,997**	1,946	**988**	1,009
Lending fees (1)	**997**	982	**536**	461
Trading income	**522**	717	**281**	241
Other income	**411**	351	**195**	216
Total	**3,927**	3,996	**2,000**	1,927

(1) Comparative information has been restated for the reclassification of bank bill facility fee income to Net interest income to conform with presentation in the current period.

Other banking income decreased 2% on the prior year to $3,927 million driven by:

- Commissions: increased 3% on the prior year to $1,997 million, including higher credit card interchange income with the continued success of the Diamond Awards card driving customer growth, increased foreign exchange volumes and higher home loan package fee income. This was partly offset by a decrease in brokerage income due to lower retail trading volumes, reflecting subdued market trading conditions;
- Lending fees: increased 2% on the prior year to $997 million, driven by higher fees from strong balance growth in Institutional lending, higher syndication fees and customer growth in overdrafts. This was partly offset by the abolition of home loan switching and deferred establishment fees;
- Trading income: decreased 27% on the prior year to $522 million. This was due to lower Markets income impacted by adverse trading conditions and unfavourable counterparty fair value adjustments from widening credit spreads and the decreasing interest rate environment; and
- Other income: increased 17% on the prior year to $411 million mainly due to gains from the sale of Sydney CBD properties previously held by the Group, and higher equity accounted income from the Bank of Hangzhou.

Other banking income increased 4% on the prior half, including higher fees in Institutional Banking and Markets and customer growth in overdrafts. Treasury and Markets earnings improved compared to the prior half, partly offset by unfavourable counterparty fair value adjustments.

Funds Management Income

	Full Year Ended		Half Year Ended	
	30/06/12	30/06/11	30/06/12	31/12/11
	$M	$M	$M	$M
CFSGAM	**883**	907	**435**	448
Colonial First State	**845**	860	**431**	414
CommInsure	**160**	208	**77**	83
New Zealand and Other	**69**	66	**37**	32
Total	**1,957**	2,041	**980**	977

Funds management income decreased 4% on the prior year to $1,957 million driven by:

- A 2% decrease in average Funds Under Management (FUM) to $147 billion, impacted by declining investment markets (ASX200 Index down 11%; MSCI Emerging Markets Index (AUD) down 14%);
- A higher proportion of customer funds invested into cash, fixed interest and deposit products, reflecting cautious investor sentiment;
- The managed contractions of the CommInsure closed investment portfolios; partly offset by
- The contribution from the Count Financial business acquired in November 2011.

FirstChoice and FirstWrap continued to increase market share and the acquisition and integration of Count Financial resulted in further expansion of the distribution footprint.

Funds management income to average funds under administration (FUA) margin decreased by five basis points to 0.99%, impacted by the shift in business mix to cash, fixed interest and deposit products.

Group Performance Analysis

Insurance Income

	Full Year Ended		Half Year Ended	
	30/06/12	30/06/11	30/06/12	31/12/11
	$M	$M	$M	$M
CommInsure	691	625	327	364
New Zealand and Other	269	231	132	137
Total	960	856	459	501

Insurance income increased by 12% on the prior year to $960 million driven by:

- Average inforce premium growth of 10% to $2,276 million;
- Improved life insurance claims experience and lapse rates in New Zealand; partly offset by
- Higher domestic life and general insurance claims.

Insurance income decreased 8% compared to the prior half driven by higher claims, partly offset by an 8% increase in average inforce premiums.

Operating Expenses

	Full Year Ended		Half Year Ended	
	30/06/12	30/06/11	30/06/12	31/12/11
	$M	$M	$M	$M
Staff expenses	4,947	4,787	2,469	2,478
Occupancy and Equipment expenses	1,056	993	535	521
IT Services expenses	1,159	1,193	578	581
Other expenses	2,034	1,918	1,012	1,022
Total	9,196	8,891	4,594	4,602

Operating expenses increased 3% on the prior year to $9,196 million. The key drivers were:

- Staff expenses: increased by 3% to $4,947 million, driven by inflation-related salary increases, growth in offshore businesses and higher defined benefit superannuation plan expense, partly offset by productivity improvements;
- Occupancy and Equipment expenses: increased by 6% to $1,056 million, largely impacted by the transition to the new office premises at Darling Quarter in the Sydney CBD and Bankwest Place in Perth, inflation-related rent reviews and higher operating lease depreciation;
- Information Technology Services expenses: decreased by 3% to $1,159 million, driven by disciplined vendor expense management, efficiency gains from on demand infrastructure improvements and de-commissioning of legacy systems;
- Other expenses: increased by 6% to $2,034 million, impacted by higher compliance and credit card rewards programme expenses.

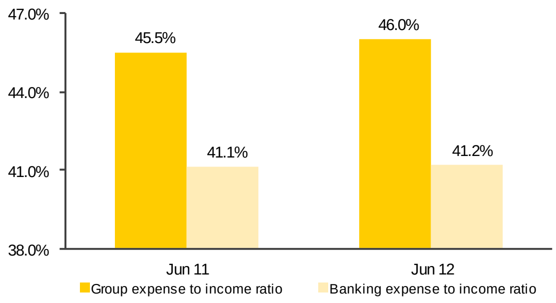
Operating expenses were slightly lower compared to the prior half reflecting disciplined cost management and the continued focus on productivity initiatives.

Group Expense to Income Ratio

The Group expense to income ratio increased by 50 basis points over the prior year to 46.0%. The Banking expense to income ratio increased ten basis points on the prior year to 41.2%.

These ratios reflect lower relative income growth, partly offset by the continued focus on technology and operating efficiencies, underpinned by the long term commitment to productivity.

Group Expense Income



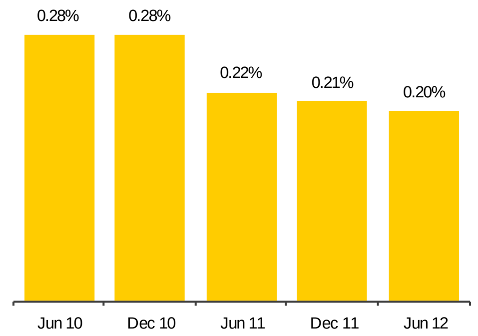
Loan Impairment Expense

Loan impairment expense for the year was $1,089 million, which represented 21 basis points of average gross loans and acceptances. Loan impairment expense decreased 15% on the prior year, largely driven by:

- A substantial decrease in loan impairment expense for the Institutional Banking and Markets business due to a reduction in new impaired single name exposures;
- A reduction in Bankwest's loan impairment expense as higher risk business loans continued to run-off; partly offset by
- Higher Retail Bank loan impairment expense, primarily due to increased write-offs in the unsecured retail portfolio.

Loan impairment expense of $544 million for the half year ended 30 June 2012, was slightly lower than the prior half and represented 20 basis points of average gross loans and acceptances (annualised).

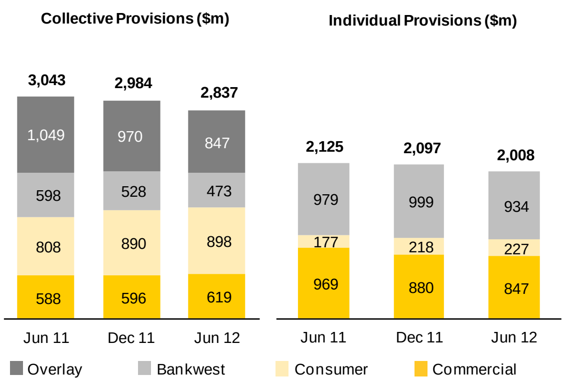
Half Year Impairment Expense annualised as a % of Average Gross Loans and Acceptances



Provisions for Impairment

The Group maintains a prudent and conservative approach to provisioning, with total provisions for impairment losses of $4,845 million as at 30 June 2012, which is a 6% reduction on 30 June 2011. The current level of provision reflects:

- Lower Commercial and Bankwest individually assessed provisions as the level of impaired commercial assets reduced over the year;
- The reduction of Bankwest collective provisions as higher risk business loans continued to run-off; and
- A reduction in management overlays, with economic overlays unchanged since 30 June 2011.



Taxation Expense

The corporate tax expense was $2,736 million, representing an effective tax rate of 27.7%.

The effective tax rate is below the Australian company tax rate of 30% primarily as a result of the profit earned by the offshore banking unit and in offshore jurisdictions that have lower corporate tax rates.

Non-cash items included in Statutory Profit

Non-cash items are excluded from net profit after tax ("cash basis", which is Management's preferred measure of the Group's financial performance, as they tend to be non-recurring in nature or not considered representative of the Group's ongoing financial performance. The impact of these items on the Group's net profit after tax ("statutory basis") is outlined below and is treated consistently with prior period disclosures.

Hedging and IFRS Volatility

Hedging and IFRS volatility includes unrealised fair value gains or losses on economic hedges that do not qualify for hedge accounting under IFRS, including:

- Cross currency interest rate swaps hedging foreign currency denominated debt issues; and
- Foreign exchange hedges relating to future New Zealand earnings.

Hedging and IFRS volatility also includes unrealised fair value gains or losses on the ineffective portion of economic hedges that qualify for hedge accounting under IFRS.

Fair value gains or losses on all of these economic hedges are excluded from cash profit since the asymmetric recognition of the gains or losses does not affect the Group's performance over the life of the hedge. A $124 million after tax gain was recognised in statutory profit for the year ended 30 June 2012 (2011: $265 million loss).

Bankwest Non-cash Items

Merger related amortisation: The acquisition of Bankwest resulted in the recognition of fair value adjustments on certain financial instruments, core deposits and brand name intangible assets that will be amortised over their useful lives. An $89 million after tax expense was recognised for the year ended 30 June 2012 (30 June 2011: $81 million expense).

Integration expenses: The integration of the Bankwest business into the Group was completed as of 30 June 2011. There were no expenses incurred during the current year (30 June 2011: $66 million after tax).

These 2011 expenses were not recognised in cash profit as they were not representative of the Group's expected ongoing financial performance.

Count Financial Limited Acquisition Costs

During the year the Group acquired 100% of the issued share capital of Count Financial Limited (Count Financial), an independent, accountant-based financial advice business. As part of the acquisition, the Group incurred retention, advisory and other expenses totalling $60 million ($43 million after tax). These items are not recognised in cash profit as they are not representative of the Group's expected ongoing financial performance.

Gains/losses on Disposal of Controlled Entities/ Investments

There were no non-cash gains/losses relating to disposals of controlled entities/investments included in the statutory profit for the current year (2011: $7 million after tax loss mainly representing the loss on sale of the St Andrew's insurance business).

Treasury Shares Valuation Adjustment

Under IFRS, CBA shares held by the Group in the managed funds and life insurance businesses are defined as treasury shares and are held at cost. Unrealised gains or losses are recognised in cash profit representing the underlying performance of the asset portfolio attributable to the wealth and life insurance businesses. These unrealised gains or losses are reversed as a non-cash item for statutory reporting purposes. A $15 million after tax gain was included in cash profit in the year ended 30 June 2012 (2011: $22 million gain).

Policyholder Tax

Policyholder tax is included in the Wealth Management business results for statutory reporting purposes. In the year ended 30 June 2012, tax expense of $122 million (2011: $166 million tax expense), funds management expense of $9 million (2011: $62 million income) and insurance income of $131 million (2011: $104 million income) was recognised. The gross up of these items is excluded from cash profit as they do not reflect the underlying performance of the business which is measured on a net of policyholder tax basis.

Core Banking Modernisation

During the year, the Group invested $368 million on the Core Banking Modernisation initiative, which continues to make significant progress. Highlights over the year include:

- Migration of the majority of business deposit and transaction accounts onto the new platform, allowing customers to enjoy the benefits of real-time banking, including everyday settlement;
- Implementation of functionality which will enable the migration of existing commercial loan accounts, as well as improved features for new accounts; and
- Implementation of SAP Business Partner as the Group's new core customer information store, providing the Group with streamlined customer-centric processes.

Group Performance Analysis

Credit Quality

During the year ended 30 June 2012, the credit quality of the business and corporate portfolios gradually improved as reflected in the reduction of the Group's troublesome and impaired assets.

The retail portfolios arrears improved over the year. 30+ day home loan arrears reduced from 1.94% to 1.69% and 90+ day arrears reduced from 1.03% to 0.88%. Home loan arrears declined across all businesses reflecting the impact of natural disasters in prior years and increased collections effectiveness.

Unsecured retail arrears also improved with Credit Card 30+ days arrears falling from 2.99% to 2.63% over the year, and 90+ days arrears reducing from 1.20% to 1.07%. Personal Loans arrears also showed improvement over the year with 30+ days arrears falling from 3.07% to 2.77% and 90+ days arrears decreasing from 1.26% to 1.12%.

Gross impaired assets were $4,499 million as at 30 June 2012, a reduction of 15% over the prior year. Gross impaired assets as a proportion of gross loans and acceptances of 0.83% reduced by 19 basis points compared to 30 June 2011. The impaired asset portfolio remains well provisioned with provision coverage of 44.6%.

	Full Year Ended			Half Year Ended		
Other Credit Quality Metrics	**30/06/12**	**30/06/11**	**Jun 12 vs Jun 11 %**	**30/06/12**	**31/12/11**	**Jun 12 vs Dec 11 %**
Gross loans and acceptances ($M)	**542,097**	518,075	5	**542,097**	530,899	2
Risk weighted assets (RWA) ($M)	**302,787**	281,711	7	**302,787**	297,705	2
Credit risk weighted assets ($M)	**261,429**	246,742	6	**261,429**	258,446	1
Gross impaired assets ($M)	**4,499**	5,297	(15)	**4,499**	4,692	(4)
Net impaired assets ($M)	**2,491**	3,172	(21)	**2,491**	2,595	(4)
Collective provision as a % of credit risk weighted assets	**1. 09**	1. 23	(14)bpts	**1. 09**	1. 15	(6)bpts
Total provisions as a % of credit risk weighted assets	**1. 85**	2. 09	(24)bpts	**1. 85**	1. 97	(12)bpts
Individually assessed provisions for impairment as a % of gross impaired assets	**44. 63**	40. 12	451 bpts	**44. 63**	44. 69	(6)bpts
Impairment expense annualised as a % of average gross loans and acceptances	**0. 21**	0. 25	(4)bpts	**0. 20**	0. 21	(1)bpt

Review of Group Assets and Liabilities

Asset growth of $50 billion or 8% over the prior year was driven by an increase in home lending, business and corporate lending, and non-lending interest earning assets. The increase in non-lending interest earning assets reflects higher liquid asset holdings as the Group maintained its conservative business settings.

The continued low credit growth environment, together with strong deposit growth, has allowed the Group to satisfy its funding requirements mainly through deposits. Customer deposits made up 62% of total funding as at 30 June 2012 (30 June 2011: 61%).

Home Loans

Home loan balances increased by $15 billion to $351 billion as at 30 June 2012, reflecting a 4% increase on the prior year. This outcome was the result of subdued system credit growth and intense price competition. The Group continues to maintain its competitive position through focusing on profitable growth and delivering excellent customer service.

Personal Loans

Personal loans, including credit cards, margin lending and other personal loans, increased 1% over the prior year to $21 billion. Strong growth in credit card balances and personal loans was driven by new product offerings and successful campaigns, including the Diamond Awards credit card launched in the first half of the year. This was partly offset by lower margin lending balances reflecting conservative investor sentiment as equity markets remained volatile over the year.

Business and Corporate Loans

Business and corporate loans increased $9 billion to $169 billion as at 30 June 2012, a 6% increase on the prior year. This was driven by strong growth in Institutional lending balances.

Non-lending Interest Earning Assets

Non-lending interest earning assets increased $16 billion to $104 billion as at 30 June 2012, an 18% increase on the prior year. This was driven by higher liquid asset balances held as a result of balance sheet growth and prudent business settings.

Other Assets

Other assets including derivative assets, insurance assets and intangibles, increased by $10 billion to $74 billion as at 30 June 2012, a 15% increase on the prior year. This increase reflected higher derivative asset balances driven by volatility in interest rate and foreign exchange markets.

Interest Bearing Deposits

Interest bearing deposits increased $37 billion to $428 billion as at 30 June 2012, a 9% increase on the prior year.

Continued global market volatility and customer preference for lower risk investments, together with targeted campaigns in a highly competitive market, resulted in growth of $21 billion in investment deposits, $7 billion in savings deposits, $4 billion in transaction accounts and a $4 billion increase in other demand deposits.

Interest bearing deposit growth slowed to 1% since 31 December 2011 due to intense competition for deposits.

Debt Issues

Debt issues increased $5 billion to $134 billion as at 30 June 2012, a 4% increase on the prior year. While deposits satisfied the majority of the Group's funding requirements during the year, strong access was maintained to both domestic and international wholesale debt markets.

Following the introduction of the Covered Bond legislation in October 2011, the Group completed several Covered Bond transactions across a range of tenors and currencies, raising $13 billion during the second half of the year.

Other Interest Bearing Liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through the income statement and amounts due to other financial institutions, increased $1 billion to $39 billion as at 30 June 2012, a 2% increase on the prior year.

Non-interest Bearing Liabilities

Non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, increased by $4 billion to $75 billion as at 30 June 2012, a 5% increase on the prior year. This was largely due to derivative liabilities hedging term debt impacted by interest rate and foreign exchange volatility.

Group Performance Analysis

Total Group Assets & Liabilities	As at 30/06/12 $M	 31/12/11 $M	 30/06/11 $M	 Jun 12 vs Dec 11 %	 Jun 12 vs Jun 11 %
Interest earning assets					
Home loans [1]	**350,633**	343,100	335,841	2	4
Personal	**21,057**	20,907	20,943	1	1
Business and corporate [2]	**168,536**	164,893	159,154	2	6
Loans, bills discounted and other receivables [3]	**540,226**	528,900	515,938	2	5
Non-lending interest earning assets	**104,304**	103,008	88,142	1	18
Total interest earning assets	**644,530**	631,908	604,080	2	7
Other assets [1] [2] [3]	**73,699**	70,078	63,819	5	15
Total assets	**718,229**	701,986	667,899	2	8
Interest bearing liabilities					
Transaction deposits	**83,401**	82,186	79,466	1	5
Savings deposits	**88,982**	89,194	81,680	-	9
Investment deposits	**197,138**	188,917	176,100	4	12
Other demand deposits	**58,852**	62,052	54,613	(5)	8
Total interest bearing deposits	**428,373**	422,349	391,859	1	9
Debt issues [4]	**134,429**	130,039	129,386	3	4
Other interest bearing liabilities	**38,704**	37,844	37,950	2	2
Total interest bearing liabilities	**601,506**	590,232	559,195	2	8
Non-interest bearing liabilities [4]	**75,151**	72,879	71,417	3	5
Total liabilities	**676,657**	663,111	630,612	2	7
Provisions for impairment losses					
Collective provision	**2,837**	2,984	3,043	(5)	(7)
Individually assessed provisions	**2,008**	2,097	2,125	(4)	(6)
Total provisions for impairment losses	**4,845**	5,081	5,168	(5)	(6)
Less: Off balance sheet provisions	**(18)**	(21)	(21)	(14)	(14)
Total provisions for loan impairment	**4,827**	5,060	5,147	(5)	(6)

(1) Comparative information has been restated for the reclassification of Securitised home loans from Other assets to Home loans to conform with presentation in the current period.

(2) Comparative information has been restated for the reclassification of Bank acceptances of customers from Other assets to Business and corporate to conform with presentation in the current period.

(3) Loans, bills discounted and other receivables excludes provisions for impairment which are included in Other assets.

(4) Comparative information has been restated for the reclassification of Bank acceptances and Securitised debt issues from Non-interest bearing liabilities to Debt issues.

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Retail Banking Services

Financial Performance and Business Review

Retail Banking Services cash net profit after tax for the full year ended 30 June 2012 was $2,934 million, which represented an increase of 3% on the prior year. The result reflected subdued volume growth, an ongoing focus on efficiency, a slight decrease in net interest margin, and an increase in loan impairment expense, particularly in the first half.

Cash net profit after tax increased 4% compared to the prior half, with income down 1%, offset by lower operating expenses and loan impairment expense.

Banking Income

Net interest income was $6,342 million, an increase of 2% on the prior year. The consumer finance portfolio performed strongly with above system volume growth, resulting from product innovation and in-branch and online campaigns. Lower demand for secured credit, and increased wholesale funding costs coupled with competitive pricing resulted in flat net interest income growth for both home lending and deposits.

Other banking income increased 7% to $1,410 million, due to higher net interchange fee income for credit cards and deposits, and strong foreign exchange sales. This was partly offset by a decline in home lending fees following the abolition of certain fees.

Net interest income decreased 1% compared to the prior half as average home loan volume growth of 2% was more than offset by the increased cost of wholesale and retail deposit funding.

Other banking income was flat compared to the prior half, as higher net interchange income was offset by declining home lending fees.

Home Loans

Home loan income for the year ended 30 June 2012 was $2,892 million, slightly lower than the prior year. Average volume growth was 3%, with new business remaining subdued across the broader market. Net interest margin fell as the increase in wholesale funding costs was not matched by variable rate re-pricing. Other banking income decreased by 5%, primarily due to the removal of re-financing fees from March 2011.

Home loan income decreased 3% compared to the prior half as funding costs increased, particularly in the quarter ended March 2012.

Consumer Finance

Consumer Finance income for the year ended 30 June 2012 was $1,896 million, an increase of 11% on the prior year. Volume growth in both credit cards and personal lending was strong, driven by continued success of new products and campaigns. Credit cards and personal loans margins both improved, the latter through an increased focus on risk based pricing strategies.

Other banking income increased 12%, primarily reflecting the penetration of Amex companion credit cards and strong growth of the Diamond Awards credit card which attracts higher interchange fees.

Consumer Finance income increased 7% compared to the prior half due to continued volume growth and margin improvement across both the credit card and personal loan portfolios.

Retail Deposits

Retail Deposit income for the year ended 30 June 2012 of $2,612 million was slightly up on the prior year. Average balance growth was strong at 9%, with the majority of the growth in term deposit products. Deposit margins decreased during the year, impacted by the falling cash rate environment, unfavourable mix impacts as customers shifted to higher yielding products and continued competitive market pressure.

Other banking income increased 3% due to a decrease in debit scheme interchange expenses following structural changes in the industry.

Distribution(1)

Distribution income increased 15% on the prior year to $352 million. This was driven by strong demand for foreign currency and a continued increase in product penetration. Average products per customer was 2.83, which remains the highest of the major banks(2).

Operating Expenses

Operating expenses for the year were $2,957 million, up 2% on the prior year. The increase was primarily driven by continued investment in technology through the Core Banking Modernisation initiative, the Branch Refurbishment programme, as well as staff and property inflationary pressures. This was partially offset by efficiency gains achieved through a continued focus on productivity and streamlining of business processes, resulting in improved service measures.

Customer satisfaction remained at record levels(3), with strong performance across all retail channels.

Expenses decreased 2% compared to the prior half due to productivity gains and continued tight management of discretionary spend.

The expense to income ratio was 38.1%, an improvement of 50 basis points against the prior year.

This strong cost discipline allowed for continued investment in key strategic projects to simplify everyday banking for customers. These award winning online and mobile banking services(4) included the release of CommBank Kaching(TM) and continued enhancements to NetBank.

Loan Impairment Expense

Loan impairment expense for the year ended 30 June 2012 was $623 million, an increase of 12% on the prior year.

This result was driven by increased write-offs related to prior year growth combined with continued challenging economic conditions. Personal loan growth remained strong, offset by lower relative growth in home loans and credit card portfolios and improvements in arrears across all portfolios.

Loan impairment expense decreased 29% compared to the prior half, due to continued improvements in arrears and reduced provisioning in the home loan portfolio.

(1) Distribution includes income associated with the sale of foreign exchange products, and commissions received from the distribution of business banking and wealth management products through the retail network.

(2) Roy Morgan Research, Australians 18+, Average Banking and Finance products held at the bank per Banking and Finance customers, 6 months to June 2012. Major Banks include the CBA, Westpac, NAB and ANZ.

(3) Roy Morgan Research. Australians 14+, CBA MFI Satisfaction score, 6 months to June 2012.

(4) AMBER Awards - "Best Online Bank" and "Best Mobile Banking".

	Full Year Ended 30 June 2012				
	Home Loans	Consumer Finance [1]	Retail Deposits	Distribution	Total
	$M	$M	$M	$M	$M
Net interest income	2,703	1,424	2,215	-	6,342
Other banking income	189	472	397	352	1,410
Total banking income	2,892	1,896	2,612	352	7,752
Operating expenses					(2,957)
Loan impairment expense					(623)
Net profit before tax					4,172
Corporate tax expense					(1,238)
Cash net profit after tax					2,934

	Full Year Ended 30 June 2011				
	Home Loans	Consumer Finance [1]	Retail Deposits	Distribution	Total
	$M	$M	$M	$M	$M
Net interest income	2,706	1,281	2,222	-	6,209
Other banking income	198	422	387	305	1,312
Total banking income	2,904	1,703	2,609	305	7,521
Operating expenses					(2,903)
Loan impairment expense					(558)
Net profit before tax					4,060
Corporate tax expense					(1,206)
Cash net profit after tax					2,854

	Half Year Ended 30 June 2012				
	Home Loans	Consumer Finance [1]	Retail Deposits	Distribution	Total
	$M	$M	$M	$M	$M
Net interest income	1,331	744	1,078	-	3,153
Other banking income	91	238	200	176	705
Total banking income	1,422	982	1,278	176	3,858
Operating expenses					(1,467)
Loan impairment expense					(258)
Net profit before tax					2,133
Corporate tax expense					(638)
Cash net profit after tax					1,495

	As at				
	30/06/12	31/12/11	30/06/11	Jun 12 vs	Jun 12 vs
Balance Sheet	$M	$M	$M	Dec 11 %	Jun 11 %
Home loans	**269,543**	265,244	260,583	2	3
Consumer finance [1]	**15,035**	14,672	13,989	2	7
Other assets	**176**	37	201	large	(12)
Total assets	**284,754**	279,953	274,773	2	4
Transaction deposits	**19,505**	19,507	19,357	-	1
Savings deposits	**63,311**	63,709	59,127	(1)	7
Investments and other deposits	**96,742**	90,176	83,951	7	15
Deposits not bearing interest	**3,136**	3,244	3,057	(3)	3
Other liabilities	**2,708**	2,418	2,926	12	(7)
Total liabilities	**185,402**	179,054	168,418	4	10

(1) Consumer Finance includes personal loans and credit cards.

Business and Private Banking

Financial Performance and Business Review

Business and Private Banking achieved a cash net profit after tax of $1,067 million for the year ended 30 June 2012, which represented a 4% increase on the prior year. The major driver of this result was business banking income growth of 5%, partly offset by a 12% decrease in Equities and Margin Lending income. The result was further strengthened by disciplined expense management together with lower impairment expense, which reflected the sound quality of the portfolio.

Cash net profit after tax decreased 6% compared to the prior half. Banking income was 2% lower with the benefit of effective margin management being offset by lower sales of risk management related products. Income from Equities and Margin Lending decreased 9% due to cautious investor sentiment. Expenses decreased 1% on the prior half reflecting the benefits of productivity initiatives.

Banking Income

Net interest income of $2,231 million increased 5% on the prior year, driven by solid growth in deposit balances. Net interest margin improved as a result of higher lending product margins. This was partly offset by the impact of intense competition for deposits.

Other banking income of $866 million decreased 4% on the prior year. Strong growth in the sale of risk management related products and foreign exchange products, was offset by a decrease in merchant acquiring income driven by structural industry changes and changes in consumer product preferences. While equities trading yields were higher, this was more than offset by a 24% decrease in average volumes.

Net interest income increased 1% on the prior half driven by modest balance growth, partly offset by lower deposit margins, reflecting customer demand for higher yield products, intense competition, and decreasing cash rates.

Other banking income decreased 13% compared to the prior half, driven by lower sales of risk management related products. Equities trading income was also lower with average volumes declining 18% compared to the prior half.

Corporate Financial Services

Corporate Financial Services income increased 10% on the prior year to $1,086 million. Lending income increased 17% on the prior year, driven by 10% growth in balances reflecting continued customer demand for market rate linked products and higher new business margins.

Deposit income increased 4% on the prior year reflecting 7% growth in balances offset by declining margins which were impacted by strong competition for deposits and customer demand for higher yield products. Interest and exchange rate volatility resulted in strong demand for risk management related products with revenue increasing significantly on the prior year.

Regional and Agribusiness Banking

Regional and Agribusiness Banking income increased 9% on the prior year to $489 million. Lending income increased 10% on the prior year, including modest growth in balances and higher new business margins.

Deposit income increased 5% driven by balance growth of 11%, partly offset by lower margins due to customer demand for higher yield products. Income from the sale of risk management related products increased on the prior year.

Local Business Banking

Local Business Banking income increased 5% on the prior year to $850 million. Deposit income increased 10% reflecting 13% growth in deposit balances, partly offset by lower deposit margins, driven by customer demand for higher yield products. Asset finance income increased 24% due to a 6% increase in balances and higher new business margins.

Lending income increased 5% on the prior year, driven by modest balance growth and higher new business margins. Income from merchant acquiring activities decreased 18% following structural changes in the industry and a change in consumer product preferences.

Private Bank

Private Bank income increased 1% on the prior year to $251 million. Home lending balances increased 5% with higher funding costs impacting margins. Advisory income increased 10%, driven by a 20% increase in funds under advice and the benefit of higher advice fees.

Deposit income was flat with customer demand for higher yield deposit products offset by balance growth of 1%.

Equities and Margin Lending

Equities and Margin Lending income decreased 12% on the prior year to $362 million. This was due to a 24% decrease in equities trading volumes as markets were affected by cautious investor sentiment. CommSec held market share and increased yields, with a higher average value per trade undertaken, despite lower volumes.

Margin lending average balances decreased 20% due to customers deleveraging and subdued investor appetite for this product, reflecting the uncertainty in equity markets. Deposit income increased 8% as investors exchanged equities for cash.

Operating Expenses

Operating expenses of $1,344 million increased 1% on the prior year as a result of disciplined expense management. The focus on productivity initiatives, including call centre consolidation and the wind-down of the receivables finance business, assisted in containing cost growth. This was offset by salary related inflation and higher volume related expenses due to strong sales of risk management related products.

Operating expenses decreased 1% compared to the prior half, reflecting the realisation of productivity initiatives. Lower volume related expenses were partly offset by continued investment in the business, including Core Banking Modernisation which has enhanced customer experience through the benefits of real time banking and everyday settlement.

Loan Impairment Expense

Loan impairment expense of $227 million decreased 13% on prior year, supported by the strong underlying quality of the business lending portfolio.

Loan impairment expense increased 6% on the prior half due to lower write backs compared to the prior half.

Loan impairment expense as a percentage of gross loans and acceptances decreased by five basis points on the prior year to 28 basis points.

	Full Year Ended 30 June 2012						
	Corporate Financial Services $M	Regional & Agri-business $M	Local Business Banking $M	Private Bank $M	Equities & Margin Lending $M	Other $M	Total $M
Net interest income	819	397	611	187	168	49	2,231
Other banking income	267	92	239	64	194	10	866
Total banking income	1,086	489	850	251	362	59	3,097
Operating expenses							(1,344)
Loan impairment expense							(227)
Net profit before tax							1,526
Corporate tax expense							(459)
Cash net profit after tax							1,067

	Full Year Ended 30 June 2011 [1]						
	Corporate Financial Services $M	Regional & Agri-business $M	Local Business Banking $M	Private Bank $M	Equities & Margin Lending $M	Other $M	Total $M
Net interest income	760	373	580	186	179	56	2,134
Other banking income	224	75	233	63	234	76	905
Total banking income	984	448	813	249	413	132	3,039
Operating expenses							(1,335)
Loan impairment expense							(261)
Net profit before tax							1,443
Corporate tax expense							(413)
Cash net profit after tax							1,030

	Half Year Ended 30 June 2012						
	Corporate Financial Services $M	Regional & Agri-business $M	Local Business Banking $M	Private Bank $M	Equities & Margin Lending $M	Other $M	Total $M
Net interest income	415	201	308	92	84	21	1,121
Other banking income	118	42	116	31	88	9	404
Total banking income	533	243	424	123	172	30	1,525
Operating expenses							(669)
Loan impairment expense							(117)
Net profit before tax							739
Corporate tax expense							(223)
Cash net profit after tax							516

	As at				
Balance Sheet	30/06/12 $M	31/12/11 $M	30/06/11 $M	Jun 12 vs Dec 11 %	Jun 12 vs Jun 11 %
Interest earning lending assets (excluding margin loans) [2]	**78,029**	78,216	77,545	-	1
Non-lending interest earning assets	**365**	462	480	(21)	(24)
Margin loans	**3,287**	3,546	4,213	(7)	(22)
Other assets [3]	**476**	261	690	82	(31)
Total assets	**82,157**	82,485	82,928	-	(1)
Transaction deposits	**51,973**	51,382	49,309	1	5
Savings deposits	**5,669**	5,888	5,720	(4)	(1)
Investments deposits	**41,468**	41,846	41,650	(1)	-
Certificates of deposit and other	**41**	60	57	(32)	(28)
Due to other financial institutions	**1,042**	449	403	large	large
Debt issues [4]	**9,070**	9,928	9,808	(9)	(8)
Other non-interest bearing liabilities [3]	**5,738**	5,783	6,341	(1)	(10)
Total liabilities [5]	**115,001**	115,336	113,288	-	2

(1) Comparative information has been restated for the impact of resegmentation and the reallocation of bank bill facility fee income from Other banking income to Net interest income to conform with presentation in the current period.

(2) Comparative information has been restated to include Bank acceptances of customers to conform with presentation in the current period (30 June 2012: $9.1 billion; 31 December 2011: $9.9 billion; 30 June 2011: $9.8 billion).

(3) Other assets include intangible assets, and Other non-interest bearing liabilities include non-interest bearing deposits.

(4) Debt issues include Bank acceptances.

(5) Includes deposits relating to Institutional Banking and Markets as well as Business and Private Banking customers.

Institutional Banking and Markets

Financial Performance and Business Review

Institutional Banking and Markets achieved a cash net profit after tax of $1,060 million for the year ended 30 June 2012, which represented a 6% increase on the prior year. The result was driven by improved momentum in lending balance growth, transactional banking deposit volume growth and lower loan impairment expense. This was partly offset by weaker performance in the trading book, which was significantly impacted by unfavourable counterparty fair value adjustments.

Cash net profit after tax decreased 6% on the prior half. The decrease was driven by unfavourable counterparty fair value adjustments and higher impairment expense as individually assessed provisions increased. This was partly offset by an increase in fees from the Asset Leasing business and growth in lending balances.

Banking Income

Net interest income increased 6% on the prior year to $1,409 million. This increase was driven by growth in lending assets, a strong performance in the offshore Markets business, solid Asset Leasing balance growth in the UK and higher deposit volumes from transactional banking customers. This was partly offset by lower deferred fees recognised from the early repayment of debt facilities.

Other banking income was $937 million, a decrease of 18% on the prior year. This result was impacted by a weaker performance in the trading book, particularly in the first quarter, and the unfavourable impact of counterparty fair value adjustments. This was partly offset by an increase in lending and leasing fees, and strong growth in customer activity in the Markets business.

Net interest income was slightly up on the prior half due to lending asset growth partly offset by the impact of higher wholesale funding costs.

Other banking income increased 4% on the prior half, driven by increased fees from the Asset Leasing and Institutional Lending businesses as a result of higher deal flow and lending growth. This was partly offset by weaker Markets income, including the unfavourable impact of widening credit spreads on counterparty fair value adjustments.

Institutional Banking

Net interest income increased 5% on the prior year to $1,172 million due to strong momentum in lending growth with Institutional Banking balances increasing 19% since 30 June 2011. Balance growth was generated from a diverse range of industries, with particular success in the investment grade commercial property and natural resources sectors. The Asset Leasing business also experienced solid offshore loan growth.

Additionally, deposit volumes increased 5% driven by a strong focus on new and existing Transaction Banking customers.

Other banking income increased 7% on the prior year to $801 million driven by solid progress in the Asset Leasing business and growth in fees as lending volumes increased. In addition, the Equity and Advisory Solutions Group benefitted from a gain on the sale of an equity investment in a domestic school and a UK hospital Public Private Partnership (PPP).

Markets

Net interest income increased 8% on the prior year to $237 million primarily due to strong offshore performance in the interest rates business.

Other banking income decreased 65% on the prior year to $136 million due to the adverse market conditions arising from the downgrade of the US sovereign credit rating in the first quarter and ongoing European sovereign debt concerns. In addition, the decrease in income was significantly impacted by unfavourable counterparty fair value adjustments of $121 million for the year ended 30 June 2012 compared to the favourable counterparty adjustment in the prior year of $94 million. This impact was primarily as a result of the falling interest rate environment and widening credit spreads.

The weaker trading outcome was partly offset by a strong performance in sales of Markets products, particularly in interest rates and foreign exchange hedging.

Operating Expenses

Operating expenses increased 3% on the prior year to $851 million. Excluding the impact of higher depreciation expenses related to growth in the Asset Leasing business, operating expenses increased 2%.

The business continued to invest in a number of focused areas, including Transaction Banking initiatives, to enhance customer service, as well as the Group's foreign exchange platform which has contributed to a 32% increase in foreign exchange sales volumes compared to the prior year.

Expenses were in line with the prior half as increased depreciation costs related to growth in the Asset Leasing business, and investment in technology were offset by a disciplined approach to cost management across the business.

Investment in people both domestically and offshore underpins the strategy to deliver Total Capital Solutions to clients.

Loan Impairment Expense

Loan impairment expense of $153 million was 53% lower than the prior year, driven by a decrease in new single name exposures.

Loan impairment expense increased $87 million on the prior half, largely driven by a small number of impaired assets.

The overall credit rating of the Institutional lending portfolio has remained stable.

Corporate Tax Expense

The corporate tax expense for the year ended 30 June 2012 was $282 million. The effective tax rate of 21% is lower than the prior year and benefitted from a higher proportion of profit generated in offshore jurisdictions that have lower corporate tax rates.

Institutional Banking and Markets

	Full Year Ended 30 June 2012		
	Institutional Banking $M	Markets $M	Total $M
Net interest income	1,172	237	1,409
Other banking income	801	136	937
Total banking income	1,973	373	2,346
Operating expenses			(851)
Loan impairment expense			(153)
Net profit before tax			1,342
Corporate tax expense			(282)
Cash net profit after tax			1,060

	Full Year Ended 30 June 2011 (1)		
	Institutional Banking $M	Markets $M	Total $M
Net interest income	1,112	219	1,331
Other banking income	748	388	1,136
Total banking income	1,860	607	2,467
Operating expenses			(828)
Loan impairment expense			(324)
Net profit before tax			1,315
Corporate tax expense			(311)
Cash net profit after tax			1,004

	Half Year Ended 30 June 2012		
	Institutional Banking $M	Markets $M	Total $M
Net interest income	589	116	705
Other banking income	414	63	477
Total banking income	1,003	179	1,182
Operating expenses			(426)
Loan impairment expense			(120)
Net profit before tax			636
Corporate tax expense			(123)
Cash net profit after tax			513

	As at				
Balance Sheet	30/06/12 $M	31/12/11 $M	30/06/11 $M	Jun 12 vs Dec 11 %	Jun 12 vs Jun 11 %
Interest earning lending assets (2)	**56,466**	53,067	49,022	6	15
Non-lending interest earning assets	**34,267**	33,614	32,664	2	5
Other assets (3)	**35,463**	34,474	30,342	3	17
Total assets	**126,196**	121,155	112,028	4	13
Certificates of deposit and other	**12,440**	11,297	8,241	10	51
Investments deposits	**12,200**	10,177	6,982	20	75
Due to other financial institutions	**15,856**	14,060	13,457	13	18
Liabilities at fair value through Income Statement	**2,754**	5,245	4,234	(47)	(35)
Debt issues (4)	**1,487**	2,825	4,415	(47)	(66)
Loan capital	**564**	556	544	1	4
Other non-interest bearing liabilities (3)	**29,361**	28,815	25,758	2	14
Total liabilities	**74,662**	72,975	63,631	2	17

(1) Comparative information has been restated for the impact of resegmentation and the reallocation of bank bill facility fee income from Other banking income to Net interest income to conform with presentation in the current period.

(2) Comparative information has been restated to include Bank acceptances of customers to conform with presentation in the current period (30 June 2012: $0.6 billion; 31 December 2011: $0.8 billion; 30 June 2011: $0.9 billion).

(3) Other assets include intangible assets and derivative assets, and Other non-interest bearing liabilities include derivative liabilities.

(4) Debt issues include Bank acceptances.

Wealth Management

Financial Performance and Business Review

Cash net profit after tax for the year ended 30 June 2012 was $569 million, which represented an 11% decrease on the prior year. The result reflects continued weakness in global investment markets, which was partly offset by a solid insurance performance.

The funds businesses delivered a resilient result with Funds under Administration up 2% to $193 billion, despite significant pressure on investment markets. Market conditions resulted in strong investor flows weighted towards less volatile asset classes, reflecting low investor risk appetite. The insurance businesses experienced inforce premium growth of 20% to $1,971 million, benefitting from new business and improved cross-sell in aligned retail channels.

The business continued to invest in growth and productivity initiatives. These included the expansion of global and domestic fund management capabilities and distribution, the acquisition of Count Financial Limited (Count Financial) and improvements to insurance claims processing. In addition, the business continues to prepare for regulatory change.

CFS Global Asset Management (CFSGAM)

Underlying profit after tax was $234 million, a 15% decrease on the prior year. The result reflects slightly lower Funds under Management (FUM) and continued investment to support global growth initiatives across the US, Europe and Australasia.

FUM as at 30 June 2012 was $146 billion, down 2% on the prior year, reflecting the uncertainty in global equity markets. This performance compared favourably with the ASX 200 and MSCI Emerging Markets[(1)] indices, which fell 11% and 14% respectively over the same period.

Investment performance was sound with 67% of funds outperforming investment benchmarks over a three year period. However, persistent uncertainty in the global economic outlook continued to shift investor preference towards cash and fixed interest products over equities, now representing 73% of total inflows (30 June 2011: 64%). During the year, the business continued to diversify and expanded its footprint globally, opening offices in Paris, Frankfurt and New York, with 55% of revenue now sourced offshore. Despite the global economic conditions, Global Equities FUM was resilient and the newly formed Emerging Markets Debt team sourced over $500 million in Funds under Management in its first nine months.

Cash net profit after tax of $245 million represented a decrease of 13% on the prior year.

Cash net profit after tax in the second half decreased 9% to $117 million reflecting lower performance fees partly offset by disciplined expense management.

Colonial First State (CFS)

Underlying profit after tax was $106 million, a 25% decrease on the prior year. The result reflects continued weakness in market conditions, increased compliance related costs and remediation expenses.

The CFS flagship platforms FirstChoice and FirstWrap continued to grow market share, attracting 34% share of market net flows[(2)]. FirstChoice retained the position of the largest platform and increased its market share to 11.6%[(2)] as at 31 March 2012. Equity market weakness contributed to strong investment flows into cash, fixed interest and deposit products.

The acquisition and integration of Count Financial resulted in CFS expanding its distribution footprint to become the second largest adviser network in the market[(3)].

Cash net profit after tax of $119 million represented a decrease of 17% on the prior year.

Cash net profit after tax in the second half was up 98% to $79 million. The result reflects lower restitution costs and an increased contribution from Count Financial.

CommInsure

Underlying profit after tax was $246 million, a 3% decrease on the prior year. The business achieved strong inforce premium growth across all insurance lines of business, reflected in insurance income growth of 11%. However, this was partly offset by the impact of the run-off of the closed investment portfolios.

Retail Life Insurance results were mixed, with premium income up 11% on the prior year. Inforce premiums as at 30 June 2012 were $815 million, up 10% on the prior year, supported by solid sales from Bank channels, with overall sales growing by 21%. However, in the current economic environment, the industry continued to see deterioration in claims experience as well as an increase in lapses.

The Wholesale Life Insurance business generated strong inforce premiums growth of 41%, mainly due to the acquisition of new business and solid organic growth in existing business.

General Insurance income benefitted from lower event claims and strong inforce premium growth of 16%. During the year, the motor claims handling process was successfully integrated into CommInsure claims management.

Funds management income declined 23% to $160 million, reflecting the managed contraction of the closed portfolios and constrained growth in open business due to uncertain markets.

Cash net profit after tax of $299 million represented a decrease of 2% on the prior year.

Cash net profit after tax in the second half decreased 2% to $148 million mainly due to poor Life claims experience partly offset by improved returns on shareholder capital.

Operating Expenses

Operating expenses increased 7% on the prior year to $1,369 million. This reflects organic offshore growth in CFSGAM, preparation for regulatory changes and the acquisition of Count Financial. Employee numbers increased on the prior year as distribution investment gained momentum.

Productivity and process excellence remained a key focus with a systematic roll out of programmes. These initiatives resulted in productivity improvements across call centres and operations, providing better customer experience and turnaround times.

Operating expenses increased 1% compared to the prior half, reflecting disciplined expense management.

Investment Experience

Investment Experience after tax increased 26% on the prior year to $77 million, reflecting improved returns on shareholder capital partly offset by unfavourable mark to market revaluations on the Guaranteed Annuity portfolio.

Investment Experience after tax increased by $54 million compared to the prior half due to favourable mark to market revaluations on the Guaranteed Annuity portfolio.

(1) MSCI Emerging Markets Index (AUD).
(2) Plan for Life quarterly release.
(3) March 2012 Rainmaker quarterly release.

	Full Year Ended 30 June 2012				
		Colonial			
	CFSGAM	First State	CommInsure	Other	Total
	$M	$M	$M	$M	$M
Funds management income	883	845	160	-	1,888
Insurance income	-	-	691	-	691
Total operating income	883	845	851	-	2,579
Volume expenses	(140)	(192)	(208)	-	(540)
Net operating income	743	653	643	-	2,039
Operating expenses	(439)	(505)	(292)	(133)	(1,369)
Net profit before tax	304	148	351	(133)	670
Corporate tax expense	(70)	(42)	(105)	39	(178)
Underlying profit after tax	234	106	246	(94)	492
Investment experience after tax	11	13	53	-	77
Cash net profit after tax	245	119	299	(94)	569

	Full Year Ended 30 June 2011				
		Colonial			
	CFSGAM	First State	CommInsure	Other	Total
	$M	$M	$M	$M	$M
Funds management income	907	860	209	(1)	1,975
Insurance income	-	-	625	-	625
Total operating income	907	860	834	(1)	2,600
Volume expenses	(151)	(171)	(199)	-	(521)
Net operating income	756	689	635	(1)	2,079
Operating expenses	(391)	(489)	(276)	(124)	(1,280)
Net profit before tax	365	200	359	(125)	799
Corporate tax expense	(90)	(59)	(105)	36	(218)
Underlying profit after tax	275	141	254	(89)	581
Investment experience after tax	6	2	51	2	61
Cash net profit after tax	281	143	305	(87)	642

	Half Year Ended 30 June 2012				
		Colonial			
	CFSGAM	First State	CommInsure	Other	Total
	$M	$M	$M	$M	$M
Funds management income	435	431	77	-	943
Insurance income	-	-	325	2	327
Total operating income	435	431	402	2	1,270
Volume expenses	(71)	(74)	(102)	(1)	(248)
Net operating income	364	357	300	1	1,022
Operating expenses	(215)	(254)	(149)	(71)	(689)
Net profit before tax	149	103	151	(70)	333
Corporate tax expense	(38)	(29)	(45)	22	(90)
Underlying profit after tax	111	74	106	(48)	243
Investment experience after tax	6	5	42	1	54
Cash net profit after tax	117	79	148	(47)	297

Wealth Management

Summary	Full Year Ended 30/06/12 $M	30/06/11 $M	Jun 12 vs Jun 11 %	Half Year Ended 30/06/12 $M	31/12/11 $M	Jun 12 vs Dec 11 %
Funds under administration - average (1)	**189,699**	188,866	-	**192,325**	186,266	3
Funds under administration - spot (1)	**192,781**	188,511	2	**192,781**	184,045	5
Funds under management - average (1)	**146,742**	150,396	(2)	**147,412**	145,385	1
Funds under management - spot (1)	**146,220**	148,639	(2)	**146,220**	141,930	3
Retail Net funds flows (Australian Retail)	**194**	(349)	large	**703**	(509)	large

Funds Under Management (FUM) (1)	Full Year Ended 30/06/12 $M	30/06/11 $M	Jun 12 vs Jun 11 %	Half Year Ended 30/06/12 $M	31/12/11 $M	Jun 12 vs Dec 11 %
Australian equities	**18,366**	22,336	(18)	**18,366**	18,391	-
Global equities	**50,003**	50,860	(2)	**50,003**	47,955	4
Cash and fixed interest	**54,242**	50,946	6	**54,242**	51,849	5
Property and Infrastructure (2)	**23,609**	24,497	(4)	**23,609**	23,735	(1)
Total	**146,220**	148,639	(2)	**146,220**	141,930	3

Sources of Profit from CommInsure	Full Year Ended 30/06/12 $M	30/06/11 $M	Jun 12 vs Jun 11 %	Half Year Ended 30/06/12 $M	31/12/11 $M	Jun 12 vs Dec 11 %
Life insurance operating margins						
Planned profit margins	**170**	164	4	**89**	81	10
Experience variations	**(46)**	(36)	28	**(42)**	(4)	large
Funds management operating margins	**89**	112	(21)	**44**	45	(2)
General insurance operating margins	**33**	14	large	**15**	18	(17)
Operating margins	**246**	254	(3)	**106**	140	(24)
Investment experience after tax	**53**	51	4	**42**	11	large
Cash net profit after tax	**299**	305	(2)	**148**	151	(2)

Annual Inforce Premiums - Risk Business	Full Year Ended 30 June 2012 Opening Balance 30/06/11 $M	Sales/New Business $M	Lapses $M	Other $M	Closing Balance 30/06/12 $M
Retail life	743	216	(144)	-	815
Wholesale life	461	263	(73)	-	651
General insurance	436	120	(51)	-	505
Total	1,640	599	(268)	-	1,971

Annual Inforce Premiums - Risk Business	Full Year Ended 30 June 2011 Opening Balance 30/06/10 $M	Sales/New Business $M	Lapses $M	Other $M	Closing Balance 30/06/11 $M
Retail life	677	178	(112)	-	743
Wholesale life	428	97	(64)	-	461
General insurance	408	100	(72)	-	436
Sub-total	1,513	375	(248)	-	1,640
St Andrew's Insurance (3)	71	-	-	(71)	-
Total	1,584	375	(248)	(71)	1,640

Annual Inforce Premiums - Risk Business	Half Year Ended 30 June 2012 Opening Balance 31/12/11 $M	Sales/New Business $M	Lapses $M	Other $M	Closing Balance 30/06/12 $M
Retail life	781	108	(74)	-	815
Wholesale life	558	130	(37)	-	651
General insurance	468	62	(25)	-	505
Total	1,807	300	(136)	-	1,971

(1) FUM & FUA do not include the Group's interest in the China Cinda JV.

(2) This asset class includes wholesale and listed property trusts as well as indirect listed property securities funds which are traded through the ASX.

(3) The St. Andrew's insurance business was sold effective 1 July 2010.

Funds Under Administration	Opening Balance 30/06/11 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [6] $M	Closing Balance 30/06/12 $M
	Full Year Ended 30 June 2012					
FirstChoice	49,118	13,955	(12,272)	1,683	(787)	50,014
Custom Solutions [1]	7,436	4,410	(2,739)	1,671	(26)	9,081
Standalone (including Legacy) [2]	20,640	2,686	(5,743)	(3,057)	(315)	17,268
Retail products [3]	77,194	21,051	(20,754)	297	(1,128)	76,363
Other retail [4]	1,105	35	(138)	(103)	(1)	1,001
Australian retail	78,299	21,086	(20,892)	194	(1,129)	77,364
Wholesale	39,624	22,752	(19,641)	3,111	708	43,443
Property	18,908	187	(311)	(124)	(90)	18,694
Other [5]	3,083	29	(140)	(111)	460	3,432
Domestically sourced	139,914	44,054	(40,984)	3,070	(51)	142,933
Internationally sourced	48,597	9,460	(8,294)	1,166	85	49,848
Total Wealth Management	188,511	53,514	(49,278)	4,236	34	192,781

Funds Under Administration	Opening Balance 30/06/10 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [6] $M	Closing Balance 30/06/11 $M
	Full Year Ended 30 June 2011					
FirstChoice	43,640	13,690	(11,194)	2,496	2,982	49,118
Custom Solutions [1]	6,114	2,496	(1,599)	897	425	7,436
Standalone (including Legacy) [2]	22,942	3,589	(7,210)	(3,621)	1,319	20,640
Retail products [3]	72,696	19,775	(20,003)	(228)	4,726	77,194
Other retail [4]	1,153	39	(160)	(121)	73	1,105
Australian retail	73,849	19,814	(20,163)	(349)	4,799	78,299
Wholesale	41,050	18,658	(23,069)	(4,411)	2,985	39,624
Property	17,167	1,948	(352)	1,596	145	18,908
Other [5]	3,033	33	(156)	(123)	173	3,083
Domestically sourced	135,099	40,453	(43,740)	(3,287)	8,102	139,914
Internationally sourced	44,515	12,857	(9,462)	3,395	687	48,597
Total Wealth Management	179,614	53,310	(53,202)	108	8,789	188,511

Funds Under Administration	Opening Balance 31/12/11 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [6] $M	Closing Balance 30/06/12 $M
	Half Year Ended 30 June 2012					
FirstChoice	47,539	6,811	(6,070)	741	1,734	50,014
Custom Solutions [1]	7,910	2,294	(1,330)	964	207	9,081
Standalone (including Legacy) [2]	17,758	1,350	(2,307)	(957)	467	17,268
Retail products [3]	73,207	10,455	(9,707)	748	2,408	76,363
Other retail [4]	1,018	19	(64)	(45)	28	1,001
Australian retail	74,225	10,474	(9,771)	703	2,436	77,364
Wholesale	40,660	9,815	(8,249)	1,566	1,217	43,443
Property	19,026	4	(173)	(169)	(163)	18,694
Other [5]	3,255	14	(61)	(47)	224	3,432
Domestically sourced	137,166	20,307	(18,254)	2,053	3,714	142,933
Internationally sourced	46,879	4,471	(4,536)	(65)	3,034	49,848
Total Wealth Management	184,045	24,778	(22,790)	1,988	6,748	192,781

(1) Custom Solutions includes the FirstWrap product.
(2) Includes cash management trusts.
(3) Retail Funds that align to Plan for Life market share releases.
(4) Includes regular premium plans. These retail products are not reported in market share data.
(5) Includes life company assets sourced from retail investors but not attributable to a funds management product.
(6) Includes foreign exchange gains and losses from translation of internationally sourced business.

New Zealand

Financial Performance and Business Review

New Zealand[1] cash net profit after tax[2] for the year ended 30 June 2012 was NZ$638 million, which represented an increase of 9% on the prior year. The result was driven by a solid performance from ASB Bank with net interest margin improvement and lower loan impairment expense. This was partly offset by a lower contribution from Sovereign due to the impact of unfavourable actuarial policy liability valuations.

Cash net profit after tax[2] decreased 10% to NZ$302 million on the prior half due to higher operating and loan impairment expenses together with the impact of unfavourable policy liability valuations.

ASB Bank

ASB Bank cash net profit after tax[2] for the year ended 30 June 2012 was NZ$580 million, up 15% on the prior year, primarily driven by an improved net interest margin and lower loan impairment expense.

Cash net profit after tax[2] was down 8% on the prior half with higher net interest income offset by higher loan impairment and operating expenses.

Banking Income

Net interest income was NZ$1,223 million, an increase of 10% on the prior year benefitting from fixed rate loan repricing and a shift in customer preference to higher margin variable loans. Wholesale funding costs continued to increase as a result of global market uncertainty, with retail deposit margins remaining flat. Volume growth in customer deposits was solid, with lending growth subdued in a low credit growth environment.

Other banking income was NZ$323 million, down 12% on the prior year. This included lower trading income and lower transaction and lending fees, which were partly offset by a focus on bancassurance sales with an increase in income over the prior year.

Home Loans

Home loan balances of NZ$37 billion remained flat on the prior year reflecting the low credit growth environment. Home loan margins have benefitted from the repricing of fixed rate loans and the shift from fixed rate to variable rate loans. The shift to variable rate loans subsided in recent months with both existing and new customers taking up fixed rate loans in a greater proportion. The proportion of the portfolio which was variable rate in nature at 30 June 2012 was 63% (31 December 2011: 63%; 30 June 2011: 59%).

Business Loans

Business loan balances increased 4% on the prior year to NZ$15 billion, driven by solid growth in lending volumes in the second half of the year. Margins improved to more normalised levels as low margin fixed rate loans have repriced.

Customer Deposits

Customer deposit balances of NZ$37 billion have increased 4% on the prior year, outpacing lending growth, and reflecting customer demand for low risk investments. There has been a continued focus on profitable deposit growth notwithstanding the highly competitive market. The portfolio mix change, as customers move towards higher yielding products, has unfavourably impacted margins.

Operating Expenses

Operating expenses for the full year ended 30 June 2012 were NZ$743 million, up 1% on the prior year. The increase was attributable to business restructuring, together with inflation related staff and property expenses. Strategic initiatives to improve customer experience have delivered efficiency improvements, including further customer migration to online statements and smartphone payment applications. The expense to income ratio was 46.6%, down 140 basis points on the prior year.

Operating expenses increased 9% on the prior half driven by higher systems, marketing and business restructuring costs.

Loan Impairment Expense

Loan impairment expense for the year ended 30 June 2012 was NZ$47 million, a decrease of 35% on the prior year. This result benefitted from the non-recurrence of the Christchurch Earthquake provision raised in the prior year, as arrears and hardship levels in Christchurch improved. In addition, arrears rates across the rest of the Retail portfolio were relatively stable, with a slight improvement in 90+ day arrears rates.

Loan impairment expense increased NZ$19 million on the prior half. The first half benefitted from improvement in the Rural portfolio, with lending portfolios stabilising in the second half.

Sovereign

Cash net profit after tax[2] for the year ended 30 June 2012 was NZ$52 million, down 40% on the prior year. The decline in profit was impacted by unfavourable actuarial policy liability valuations, including a decrease in New Zealand Government bond rates. Business performance was sound, including solid inforce premium growth, partly offset by an associated increase in commission expense.

Cash net profit after tax[2] was down 67% on the prior half, also impacted by unfavourable actuarial policy liability valuations.

Insurance Income

Insurance income of NZ$274 million was up 7% on the prior year with favourable claims experience, strong persistency and inforce premium growth of 7%. The inforce premium growth was driven by a solid increase in new business and improved lapse rates.

Operating Expenses

Operating expenses of NZ$229 million were up 5% on the prior year, driven by increased renewal commission expense due to growth in inforce premiums. Excluding commission expenses, operating expenses were up 2% on the prior year reflecting disciplined expense management.

(1) The New Zealand result incorporates ASB Bank and Sovereign Insurance businesses. The CBA Branch results relating to the Institutional Banking and Markets business in New Zealand are not included.

(2) Includes allocated capital charges and other CBA costs.

	Full Year Ended 30 June 2012				
	ASB	Sovereign	Other (1)	Total	Total
	NZ$M	NZ$M	NZ$M	NZ$M	A$M
Net interest income	1,223	-	(13)	1,210	944
Other banking income (2)	323	-	(36)	287	214
Total banking income	1,546	-	(49)	1,497	1,158
Funds management income	50	-	7	57	44
Insurance income	-	274	18	292	227
Total operating income	1,596	274	(24)	1,846	1,429
Operating expenses	(743)	(229)	40	(932)	(727)
Loan impairment expense	(47)	-	-	(47)	(37)
Net profit before tax	806	45	16	867	665
Corporate tax expense	(226)	18	(1)	(209)	(159)
Underlying profit after tax	580	63	15	658	506
Investment experience after tax	-	(11)	(9)	(20)	(16)
Cash net profit after tax	580	52	6	638	490

	Full Year Ended 30 June 2011				
	ASB	Sovereign	Other (1)	Total	Total
	NZ$M	NZ$M	NZ$M	NZ$M	A$M
Net interest income	1,107	-	(10)	1,097	840
Other banking income (2)	367	-	(30)	337	286
Total banking income	1,474	-	(40)	1,434	1,126
Funds management income	54	-	(2)	52	40
Insurance income	-	257	19	276	211
Total operating income	1,528	257	(23)	1,762	1,377
Operating expenses	(733)	(218)	32	(919)	(704)
Loan impairment expense	(72)	-	-	(72)	(54)
Net profit before tax	723	39	9	771	619
Corporate tax expense	(219)	34	-	(185)	(150)
Underlying profit after tax	504	73	9	586	469
Investment experience after tax	-	13	(11)	2	1
Cash net profit after tax	504	86	(2)	588	470

	Half Year Ended 30 June 2012				
	ASB	Sovereign	Other (1)	Total	Total
	NZ$M	NZ$M	NZ$M	NZ$M	A$M
Net interest income	621	-	(5)	616	481
Other banking income (2)	162	-	(19)	143	106
Total banking income	783	-	(24)	759	587
Funds management income	26	-	4	30	23
Insurance income	-	134	8	142	111
Total operating income	809	134	(12)	931	721
Operating expenses	(388)	(116)	28	(476)	(372)
Loan impairment expense	(33)	-	-	(33)	(26)
Net profit before tax	388	18	16	422	323
Corporate tax expense	(110)	5	(1)	(106)	(80)
Underlying profit after tax	278	23	15	316	243
Investment experience after tax	-	(10)	(4)	(14)	(11)
Cash net profit after tax	278	13	11	302	232

(1) Other includes ASB and Sovereign funding entities and elimination entries between Sovereign and ASB.

(2) Total Other banking income disclosed in AUD includes realised gains or losses associated with the hedge of the New Zealand operations.

New Zealand

Balance Sheet	30/06/12 NZ$M	31/12/11 NZ$M	30/06/11 NZ$M	Jun 12 vs Dec 11 %	Jun 12 vs Jun 11 %
			As at		
Home lending	**37,410**	37,382	37,444	-	-
Assets at fair value through Income Statement	**2,200**	2,560	4,165	(14)	(47)
Other lending assets	**15,808**	15,332	15,148	3	4
Non-lending interest earning assets	**4,841**	7,336	4,003	(34)	21
Other assets	**5,380**	5,100	4,597	5	17
Total assets	**65,639**	67,710	65,357	(3)	-
Customer deposits (1)	**36,696**	36,552	35,117	-	4
Debt issues	**6,309**	6,654	6,910	(5)	(9)
Other interest bearing liabilities (2)	**11,139**	12,893	11,484	(14)	(3)
Non-interest bearing liabilities	**6,099**	6,439	6,673	(5)	(9)
Total liabilities	**60,243**	62,538	60,184	(4)	-
Assets					
ASB Bank	**63,392**	65,451	63,050	(3)	1
Other	**2,247**	2,259	2,307	(1)	(3)
Total assets	**65,639**	67,710	65,357	(3)	-
Liabilities					
ASB Bank	**59,206**	61,430	59,103	(4)	-
Other	**1,037**	1,108	1,081	(6)	(4)
Total liabilities	**60,243**	62,538	60,184	(4)	-

Sources of Profit from Insurance Activities	Full Year Ended 30/06/12 NZ$M	30/06/11 NZ$M	Jun 12 vs Jun 11 %	Half Year Ended 30/06/12 NZ$M	31/12/11 NZ$M	Jun 12 vs Dec 11 %
The Margin on Services profit from ordinary activities after income tax is represented by:						
Planned profit margins	**60**	58	3	**30**	30	-
Experience variations	**3**	15	(80)	**(7)**	10	large
Operating margins	**63**	73	(14)	**23**	40	(43)
Investment experience after tax	**(11)**	13	large	**(10)**	(1)	large
Cash net profit after tax	**52**	86	(40)	**13**	39	(67)

New Zealand - Funds Under Administration	Full Year Ended 30/06/12 NZ$M	30/06/11 NZ$M	Jun 12 vs Jun 11 %	Half Year Ended 30/06/12 NZ$M	31/12/11 NZ$M	Jun 12 vs Dec 11 %
Opening balance	**10,407**	8,771	19	**10,679**	10,407	3
Inflows	**2,477**	2,528	(2)	**1,314**	1,163	13
Outflows	**(1,627)**	(1,529)	6	**(875)**	(752)	16
Net Flows	**850**	999	(15)	**439**	411	7
Investment income & other	**120**	637	(81)	**259**	(139)	large
Closing balance	**11,377**	10,407	9	**11,377**	10,679	7

New Zealand - Annual Inforce Premiums	Full Year Ended 30/06/12 NZ$M	30/06/11 NZ$M	Jun 12 vs Jun 11 %	Half Year Ended 30/06/12 NZ$M	31/12/11 NZ$M	Jun 12 vs Dec 11 %
Opening balance	**584**	554	5	**604**	584	3
Sales/New business	**98**	87	13	**48**	50	(4)
Lapses	**(58)**	(55)	5	**(29)**	(29)	-
Other movements	**(1)**	(2)	(50)	**-**	(1)	(100)
Closing balance	**623**	584	7	**623**	604	3

(1) Customer deposits including all interest bearing deposits carried at amortised cost or as liabilities at fair value through Income Statement.
(2) Includes NZ$6.3 billion due to Group companies (31 December 2011: NZ$6.3 billion; 30 June 2011: NZ$6.3 billion).

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Bankwest

Financial Performance and Business Review

Bankwest cash net profit after tax for the year ended 30 June 2012 was $524 million, up 13% on the prior year. The result was driven by a 1% increase in banking income due to strong home lending growth, a 2% decrease in operating expenses benefitting from productivity initiatives, and a 44% decrease in loan impairment expense supported by improved business lending credit quality.

Cash net profit after tax for the half year ended 30 June 2012 decreased 4% compared to the prior half. This result was mainly due to a 4% decrease in income reflecting increased wholesale funding costs and lower deposits margins.

Banking Income

Net interest income of $1,457 million increased 3% compared to the prior year. This was mainly driven by above system home loan volume growth despite the subdued credit growth environment and competitive market.

Other banking income of $207 million decreased 6% compared to the prior year due to customer preference for low fee accounts, lower new business volumes and the impact of unfavourable counterparty fair value adjustments.

Net interest income decreased 5% compared to the prior half, due to increased wholesale funding costs and lower deposit margins, in part driven by the lower cash rate environment. These were partially offset by home loan repricing.

Other banking income increased 1% compared to the prior half, due to higher lending fee income.

Home Loans

Home loan balances increased to $51 billion, up 12% on the prior year, which was significantly higher than system growth of 5%. This was driven by a competitive product proposition, with strong growth in the premium select home loan product, targeted marketing campaigns and the continued expansion and maturity of the East Coast branch network.

Home loan margins declined compared to the prior year as repricing initiatives were offset by the increase in wholesale funding costs. Margins also decreased compared to the prior half as funding costs continued to increase.

Business loans

Business loan balances decreased to $20 billion, down 2% on the prior year. The decrease was due to the continued run off of pre-acquisition higher risk loans. Excluding the pre-acquisition higher risk loans, balances increased 7% over the prior year and grew ahead of system growth.

Business loan margins were flat compared to the prior year but decreased compared to the prior half due to higher funding costs.

Customer Deposits

Solid growth in deposit balances reflected customer preferences for lower risk investments as a result of uncertainty driven by ongoing global market volatility.

Retail deposit balances increased to $17 billion, up 7% on the prior year. Margins decreased as a result of both increased competition and lower cash rates.

Business deposit balances increased 5% on the prior year to $28 billion, mainly as a result of growth in money market and term deposits. Margins decreased driven by strong competition, particularly for money market deposits.

Operating Expenses

Operating expenses of $852 million decreased 2% on the prior year reflecting lower staff costs. This was the result of productivity gains from business wide efficiency initiatives which included a new call centre model and the consolidation of loan processing functions to a single area. Lower staff costs were partly offset by higher home loan volume related expenses.

Other key productivity initiatives include the relocation of the Bankwest corporate headquarters to Bankwest Place and the adoption of an activity based working model which reduced office space requirements.

The expense to income ratio of 51.2% continued to improve, down 180 basis points compared to the prior year, reflecting an ongoing focus on productivity.

Operating expenses decreased 2% compared to the prior half due to lower IT expenses and disciplined expense management.

Despite the reduction in operating expenses compared to the prior half, the expense to income ratio increased 140 basis points in the second half as income was impacted by escalation in wholesale and deposit funding costs.

Loan Impairment Expense

Loan impairment expense was $61 million, down 44% compared to the prior year. This reflects the improving credit quality of the book.

Home loans and Credit Card 90+ day arrears decreased compared to the prior year as a result of strong collections processes along with improvements in credit quality.

Bankwest

	Full Year Ended			Half Year Ended		
	30/06/12 $M	30/06/11 $M	Jun 12 vs Jun 11 %	30/06/12 $M	31/12/11 $M	Jun 12 vs Dec 11 %
Net interest income	**1,457**	1,420	3	**709**	748	(5)
Other banking income	**207**	220	(6)	**104**	103	1
Total banking income	**1,664**	1,640	1	**813**	851	(4)
Operating expenses	**(852)**	(869)	(2)	**(422)**	(430)	(2)
Loan impairment expense	**(61)**	(109)	(44)	**(23)**	(38)	(39)
Net profit before tax	**751**	662	13	**368**	383	(4)
Corporate tax expense	**(227)**	(199)	14	**(112)**	(115)	(3)
Cash net profit after tax	**524**	463	13	**256**	268	(4)

	As at				
Balance Sheet	30/06/12 $M	31/12/11 $M	30/06/11 $M	Jun 12 vs Dec 11 %	Jun 12 vs Jun 11 %
Home lending	**50,998**	48,668	45,673	5	12
Other lending assets	**22,255**	22,479	22,722	(1)	(2)
Other assets	**9,342**	8,895	8,433	5	11
Total assets	**82,595**	80,042	76,828	3	8
Transaction deposits	**9,055**	8,596	8,731	5	4
Savings deposits	**7,333**	7,718	7,033	(5)	4
Investments deposits	**28,692**	28,892	26,956	(1)	6
Certificates of deposit and other	**264**	282	59	(6)	large
Debt issues	**9,414**	9,588	9,064	(2)	4
Due to other financial institutions [(1)]	**18,854**	16,272	16,644	16	13
Other liabilities	**2,958**	2,972	3,068	-	(4)
Total liabilities	**76,570**	74,320	71,555	3	7

(1) Includes amounts due to Group companies (30 June 2012: $18.7 billion; 31 December 2011: $16.2 billion; 30 June 2011: $16.5 billion).

Other Divisions

Financial Performance and Business Review

IFS Asia

International Financial Services Asia (IFS 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 businesses in Asia.

IFS Asia cash net profit after tax for the year ended 30 June 2012 was $79 million, an increase of 49% over the prior year. The result was characterised by strong contributions from the Bank of Hangzhou and the proprietary banking and insurance businesses in Indonesia.

IFS Asia cash net profit after tax for the half year ended 30 June 2012 was up 14% compared to the prior half, driven by a higher contribution from the Bank of Hangzhou.

Banking Income

Net interest income increased 24% over the prior year to $99 million, due to strong lending growth and higher margins in PT Bank Commonwealth in Indonesia. Lending balances increased 37% during the year, and are now in excess of $1 billion. The consumer, business and SME portfolio balance growth amounted to 93%, 89% and 62% respectively. Expansion of the Group's footprint in Indonesia continued during the year with eight new PT Bank Commonwealth branches being opened, bringing the total number of branches to 92.

Two additional China County banks were opened during the year, bringing the total number of proprietary banks in China to five. While still a number of years away from achieving critical mass, lending balances continued to grow strongly.

The proprietary banking businesses in India and Vietnam also continue to grow steadily.

Proprietary customer numbers in Asia increased by 22% to 292,000 compared to the prior year.

Other banking income increased 18% to $146 million driven by a strong equity accounted profit contribution from the Bank of Hangzhou, benefitting from lending growth and higher margins. The result also included strong wealth management, bancassurance and treasury income growth from the Indonesian retail banking business. This was partially offset by a lower contribution to earnings from Qilu Bank as a result of the ongoing impact of a prior year fraud incident.

Insurance Income

Insurance income increased 43% to $67 million, reflecting strong growth in sales volumes at PT Commonwealth Life in Indonesia. Inforce premium income grew 39% on the prior year. PT Commonwealth Life also opened four new life offices, bringing the total to 28.

The BoCommLife joint venture in China also grew steadily, with inforce premium income up 38% on the prior year.

Operating Expenses

Operating expenses were up 15% to $212 million, reflecting higher volume related expenses in line with sales growth in the Indonesian insurance business, and the continued investment in Indonesia and China.

Operating expense growth slowed in the current half to 2%, with higher volume related expenses partly offset by disciplined expense management.

Corporate Centre

Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Secretariat, Group Tax and Treasury.

Treasury is primarily focused on the management of the Group's interest rate risk, funding and liquidity requirements, and management of the Group's capital. The Treasury function includes:

- Portfolio Risk Management: manages the interest rate risk of the Group's non-traded balance sheet using transfer pricing to consolidate risk into Treasury and hedging the residual mismatch between assets and liabilities using swaps, futures and options; and manages the Group's prudential liquidity requirements;
- Group Funding: manages the Group's long and short term wholesale funding requirements; and
- Capital and Regulatory Strategy: manages the Group's capital requirements.

Corporate Centre cash net profit after tax for the year ended 30 June 2012 was $386 million, a 4% decrease on the prior year.

Total banking income increased 7% to $867 million driven by:

- Higher income from the increase in the liquid asset portfolio held as a result of balance sheet growth and conservative business settings; partially offset by
- Reduced earnings on unallocated capital due to the lower interest rate environment.

Operating expenses increased 29% to $344 million compared to the prior year mainly driven by a $31 million increase in the defined benefit superannuation plan expense and the impact of the transition to the new office premises at Darling Quarter in the Sydney CBD.

Eliminations/Unallocated

Eliminations/Unallocated includes intra-group elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.

Eliminations/Unallocated cash net profit after tax increased by $88 million on the prior comparative period including the gains from the sale of Sydney CBD properties previously held by the Group.

	IFS Asia $M	Corporate Centre $M	Eliminations [1]/ Unallocated $M	Total $M
Full Year Ended 30 June 2012				
Net interest income	99	729	(54)	774
Other banking income	146	138	9	293
Total banking income	245	867	(45)	1,067
Funds management income	-	-	25	25
Insurance income	67	-	(25)	42
Total operating income	312	867	(45)	1,134
Operating expenses	(212)	(344)	-	(556)
Loan impairment expense	(11)	-	23	12
Net profit before tax	89	523	(22)	590
Corporate tax expense	(7)	(137)	11	(133)
Non-controlling interests	(4)	-	(12)	(16)
Underlying profit after tax	78	386	(23)	441
Investment experience after tax	1	-	27	28
Cash net profit after tax	79	386	4	469

	IFS Asia $M	Corporate Centre $M	Eliminations [1]/ Unallocated $M	Total $M
Full Year Ended 30 June 2011				
Net interest income	80	718	(87)	711
Other banking income	124	94	(81)	137
Total banking income	204	812	(168)	848
Funds management income	-	-	26	26
Insurance income	47	-	(27)	20
Total operating income	251	812	(169)	894
Operating expenses	(184)	(267)	-	(451)
Loan impairment expense	(10)	-	36	26
Net profit before tax	57	545	(133)	469
Corporate tax expense	(5)	(142)	47	(100)
Non-controlling interests	(2)	-	(14)	(16)
Underlying profit after tax	50	403	(100)	353
Investment experience after tax	3	-	16	19
Cash net profit after tax	53	403	(84)	372

	IFS Asia $M	Corporate Centre $M	Eliminations [1]/ Unallocated $M	Total $M
Half Year Ended 30 June 2012				
Net interest income	51	364	(71)	344
Other banking income	76	119	9	204
Total banking income	127	483	(62)	548
Funds management income	-	-	14	14
Insurance income	33	-	(12)	21
Total operating income	160	483	(60)	583
Operating expenses	(107)	(194)	-	(301)
Loan impairment expense	(5)	-	5	-
Net profit before tax	48	289	(55)	282
Corporate tax expense	(3)	(77)	22	(58)
Non-controlling interests	(2)	-	(5)	(7)
Underlying profit after tax	43	212	(38)	217
Investment experience after tax	(1)	-	12	11
Cash net profit after tax	42	212	(26)	228

(1) Represents Group wide eliminations.

Investment Experience

Investment Experience	Full Year Ended 30/06/12 $M	30/06/11 $M	Jun 12 vs Jun 11 %	Half Year Ended 30/06/12 $M	31/12/11 $M	Jun 12 vs Dec 11 %
Wealth Management	**108**	83	30	**75**	33	large
New Zealand	**(11)**	1	large	**(5)**	(6)	(17)
Other	**52**	37	41	**23**	29	(21)
Investment experience before tax	**149**	121	23	**93**	56	66
Corporate tax expense	**(60)**	(40)	50	**(40)**	(20)	100
Investment experience after tax	**89**	81	10	**53**	36	47

Shareholder Investment Asset Mix (%)	As at 30 June 2012 Australia [1] %	New Zealand %	Asia %	Total %
Local equities	-	-	-	-
International equities	-	-	-	-
Property	11	-	-	9
Sub-total	11	-	-	9
Fixed interest	21	62	96	31
Cash	68	38	4	60
Sub-total	89	100	100	91
Total	100	100	100	100

Shareholder Investment Asset Mix ($M)	As at 30 June 2012 Australia [1] $M	New Zealand $M	Asia $M	Total $M
Local equities	10	1	-	11
International equities	-	1	-	1
Property	251	-	-	251
Sub-total	261	2	-	263
Fixed interest	462	363	98	923
Cash	1,566	224	4	1,794
Sub-total	2,028	587	102	2,717
Total	2,289	589	102	2,980

(1) Includes Shareholders' funds in the CFS Global Asset Management, Colonial First State and CommInsure businesses.

Risk Governance

The Board and its Risk Committee operate as the highest level of the Group's risk governance and under the direction of their respective charters. At management level, risk governance is undertaken by a structured hierarchy of committees and forums across the Group, each with specified accountabilities. A more detailed description of the risk governance structure is set out in the Corporate Governance section of the Annual Report.

Risk Management Organisation

The Group Chief Risk Officer (CRO), who heads the Risk Management function, oversees independent risk management for the Group. This unit is comprised of both risk management teams embedded in the businesses and Group functional teams that develop controls for each type of risk and who help the Group understand risk aggregation to enable enterprise wide risk management. The CRO reports to the Chief Executive Officer (CEO) and has direct and unfettered reporting requirements to the Board Risk Committee.

Risk management professionals deployed in each Business Unit measure risks and take actions to ensure businesses adhere to risk policies and procedures. They also provide insights to assist the business in making decisions that optimise their risk-adjusted returns.

Whilst the independent risk management function is an important component of the risk management framework, business managers are the consequential owners of the risks taken in their businesses. As risk owners, they are expected to staff their businesses with employees who are appropriately knowledgeable about risk and its management.

The Group's risk appetite framework creates transparency over risk management and strategy decisions and, in turn, promotes a strong risk culture. Governance processes and disciplines are connected to the Group's, and aligned businesses, risk appetite statements. These promote independence of the risk management function from the Group's Business Units and the Group Audit and Assurance (GAA) function.

Independent review of the risk management framework is carried out by GAA. They audit the actions of businesses and risk management teams. In addition, Risk Management and GAA support "whistle blower" protocols to encourage employees to raise issues they believe reveal weaknesses in the Group's risk undertakings.

Further information on financial risk governance and management is included in Note 37 to the Financial Statements.

Risk Appetite

The risk appetite of the Group represents the types and degree of risk that it is willing to accept for its shareholders in its strategic and business actions. Fundamentally, it guides the Group's risk culture and sets out quantitative and qualitative boundaries on risk-taking activities which apply Group wide.

The Board's view is that a well articulated risk appetite is important in giving the Group's stakeholders a clear expectation of how the Group will operate from a risk taking perspective.

This expectation is defined by a number of principles and metrics that are aligned to the Board's risk philosophy and sets minimum standards for shareholder value; allowing for resiliency factors in capital, funding, asset/liability management, liquidity, risk culture, and other risk mitigants.

Risk appetite is dynamic in nature and is reviewed on a regular basis in conjunction with the Group's strategic plans and business actions. The validation of strategic plans against the risk appetite ensures that the assessment of current capital adequacy and future contingent capital plans are also aligned with the risk appetite.

The Group's risk appetite is to take risks that are adequately rewarded and that support its aspiration of achieving solid and sustainable growth in shareholder value. Supporting this risk appetite, the Group will:

- Operate responsibly, meet the financial needs of its customers, provide excellent customer service and maintain impeccable professional standards and business ethics;
- Differentiate between risk (with a relatively clearly discernable distribution of possible outcomes), which is to be assessed on its merits, and uncertainty (which has an unknown distribution of possible outcomes that is hard to discern), and which is to be minimised;
- Make business decisions only after careful consideration of risk, including consideration of potential upside and downside scenarios;
- Impose a set of limits and operating controls aligned to this and each subordinate (e.g. business unit) risk appetite statement so that discipline in risk taking is systematically maintained;
- Understand the risks it takes on (or the nature of uncertainties involved), undertaking strategic initiatives or exposure to new products and services only as sufficient experience and insight is gained;
- Exercise disciplined moderation in risk-taking, underpinned with strength in capital, funding and liquidity;
- Diligently strive to protect and enhance its reputation;
- Maintain a control environment that, within practical constraints, minimises risks to the sustainability of its business; and
- Promote a culture aimed at the achievement of best practice in the recognition, assessment, pricing and management of risk.

Risk policies and tolerances support the Group and business risk appetite statements by:

- Summarising the principles and practices to be used by the Group in managing its major risks;
- Quantifying the financial operating limits for risks, principally credit risk, market risk (both traded and non-traded) and operational and compliance risk; and
- Stating clearly the types of risk outcomes to which the Group is intolerant.

The Group regularly benchmarks and aligns its policy framework against existing prudential and regulatory standards. Potential developments in Australian and international standards, and best practice are considered during a review.

Risks that are readily quantifiable (such as credit, market and liquidity risks) have their risk profiles restricted by limits. Other significant risk categories are not managed in terms of defined financial limits, but via comprehensive qualitative management standards and procedures.

Risk Management

Principal Risk Types

The principal risk types, their relevant governing policies and how they support the risk appetite are outlined in the table below.

Risk Type	Governing Policies	How Policy Supports Risk Appetite
Credit Risk including Concentration Risk	The Group Credit Framework and Policies, including: Large Credit Exposure Policy; Country Risk Exposure Policy; and Industry Sector Concentration Policy.	**Quantitative limits/tolerances:** Exposures to a single counterparty or group of related counterparties (limits differentiated by counterparty type, PD rating and security cover); Country Risk (exposure limits to control transfer / cross-border and sovereign default risks); and Industry concentrations (exposure and risk adjusted concentration limits).
Market Risk	Group Market Risk Policy; and Funds Management and Insurance Market Risk Policy.	**Quantitative limits/tolerances:** Traded Market Risk (VaR and Stress Testing limits); Interest Rate Risk in the Banking Book (Market Value Sensitivity and Net Interest Earnings at Risk limits); Seed Trust Market Risk limits; Lease Residual Value Risk limits; Investment mandates for insurance Asset and Liability Management risk (VaR and stress testing limits); and Non-Traded Equity limits.
Liquidity and Funding Risk	Group Liquidity and Funding Policy.	**Quantitative limits/tolerances:** Liquid asset holdings under name crisis scenario; and Source of funding (e.g., wholesale) limits and term funding limits.
Operational Risk	Operational Risk Policy and Framework.	**Management via:** A number of risk mitigating policies; Reporting and case management of loss and near loss incidents; Comprehensive risk assessment and control assurance processes; Quantitative Risk Assessment Framework and Capital modelling; and Support from skilled risk professionals embedded throughout the Group.
Insurance Risk	Risk Management Framework.	**Management via:** Risk Management Strategy and Risk Statement; Underwriting and claims standards; Retaining the right to amend premiums on risk policies; and Re-insurance purchase under policy guidance.
Compliance Risk	Compliance Risk Management Framework (CRMF).	**Management via:** The CRMF Minimum Group Standards for Compliance, Risk Management Obligations Register and Guidance Notes that detail specific requirements and accountabilities for each Business Unit; Business Unit compliance frameworks; and Support from skilled compliance professionals embedded throughout the Group.
Strategic Business Risk	Strategic Framework.	**Management via elements of other risk type policies and processes in addition to management controls including:** Strategic planning; Strategic implementation; and Financial management.
Reputational Risk	Cultural Framework and Statement of Professional Practice.	**Management via elements of other risk type policies and processes in addition to:** Support from risk professionals embedded throughout the Group; and Crisis management testing of leadership team.

Credit Risk

Credit risk is the potential of loss arising from failure of a debtor or counterparty to meet their contractual obligations. At a portfolio level, credit risk includes concentration risk arising from interdependencies between counterparties (large credit exposures), and concentrations of exposure to countries, industry sectors and geographical regions. Exposure to risk also arises through securitisation activity.

The Group's credit risk policies have been developed as a matter of sound risk management practice and in accordance with the expectations of regulators' prudential standards as well as legal requirements.

The measurement of credit risk is based on an internal credit risk-rating system, which uses analytical tools to estimate expected and unexpected loss for the credit portfolio.

Further information on credit risk management and measurement is included in Note 38 to the Financial Statements.

Market Risk

Market risk is the potential of loss arising from adverse changes in interest rates, foreign exchange rates, commodity and equity prices, credit spreads, lease residual values, and implied volatility levels. Market risk also includes risks associated with funding and liquidity management.

Further information on market risk is included in Note 39 to the Financial Statements.

Liquidity and Funding Risk

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. Funding risk is the risk of over-reliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds.

Further information on liquidity and funding risk is included in Note 40 to the Financial Statements.

Operational Risk

Operational risk is defined as the risk of economic loss arising from inadequate or failed internal processes, people, systems or from external events. It includes legal, regulatory, fraud, business continuity and technology risks.

The Group's operational risk management framework supports the achievement of its financial and business goals. The following objectives have been approved by the Risk Committee:

- Maintenance of an effective internal control environment and system of internal control;
- Demonstration of effective governance, including a consistent approach to operational risk management across the Group;
- Transparency, escalation and resolution of risk and control incidents and issues; and
- Making decisions based upon an informed risk-return analysis and appropriate standards of professional practice.

Insurance Risk

Insurance risk is the risk of loss due to increases in policy benefits arising from variations in the incidence or severity of insured events. Risk exposure arises in the insurance business as the risk that claims payments are greater than expected. In the life insurance business, this arises primarily through mortality (death) or morbidity (illness or injury) risks being greater than expected. For the general insurance business, variability arises mainly through weather related incidents and similar events, as well as general variability in home, motor and travel insurance claim amounts.

The management of insurance risk is an integral part of the operation of the insurance business. It is essential in the control of claims on an end-to-end basis, from underwriting to policy termination or claim payment.

The major methods of mitigating insurance risk are:

- Sound product design and pricing, to ensure that robust procedures are in place and there are no risks which have not been priced into contracts;
- Regular review of insurance experience, so that product design and pricing remains sound;
- Carrying out underwriting, so that the level of risk associated with an individual contract can be accurately assessed, charged for through premium rates, and reserved for;
- Claims management, where an assessment is made such that only genuinely insured claims are admitted and paid; and
- Transferring a portion of the risk carried to reinsurers.

Further information on the Life Insurance Business is included in Note 32 to the Financial Statements.

Compliance Risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that the Group may suffer as a result of its failure to comply with the requirements of relevant laws, regulatory bodies, industry standards and codes.

The Group's Compliance Risk Management Framework (CRMF) is consistent with the Australian Standard on Compliance Programmes. It is designed to help the Group meet its obligations under the Corporations Act 2001, the Group's Australian Financial Services Licence and Australian Credit Licences. CRMF incorporates a number of components, including Group policies, a Compliance Obligations Register and a Compliance Review programme to monitor compliance with policies.

These are complemented by Business Unit compliance frameworks including obligations registers, standards and procedures.

The CRMF provides for the assessment of compliance risks, implementation of controls, monitoring and testing of framework effectiveness and the escalation, remediation and reporting of compliance incidents and control weaknesses.

The Group's compliance strategy is based on two fundamental principles:

- Line management in each Business Unit have the responsibility to ensure their business is, and remains compliant with, legislative, regulatory, industry code and organisational requirements; and
- Group and Business Unit regulatory risk and compliance teams work together to monitor, oversee and report on compliance to management, compliance committees and the Board.

Strategic Business Risk

Strategic business risk is defined as the risk of economic loss resulting from changes in the business environment caused by the following factors:

- Macroeconomic conditions;
- Competitive forces at work; or
- Social trends.

Strategic business risk is taken into account as business strategies and objectives are defined. The Board receives reports on business plans, major projects and change initiatives and monitors progress and reviews successes compared to plans.

Reputational Risk

Reputational risk arises from the negative perception on the part of customers, counterparties, shareholders, investors, debt holders, market analysts, regulators and other relevant parties of the Group.

This risk can adversely affect the Group's ability to maintain existing, or establish new, business relationships and access to sources of funding. Reputational risk is multidimensional and reflects the perception of other market participants. Furthermore, it exists throughout the organisation and exposure to reputational risk is a function of the adequacy of the Group's control of its risk management processes, as well as the manner and efficiency with which management responds to external influences on Group-related transactions. In many but not all respects, adverse reputational risk outcomes flow from the failure to manage other types of risk.

Stress Testing Framework

Stress testing is used, in combination with other risk management practices, to understand, manage and quantify the Group's risks.

The Group regularly carries out stress tests across its various businesses as part of:

- Formal business strategic planning and capital assessment at Board level;
- Regular risk management exercises;
- Business contingency planning; and
- Requests from regulators or external agencies.

Ad-hoc risk stress testing is also regularly undertaken to identify and assess the risk profile of the Group.

The stress testing framework includes:

- Group-wide stress scenarios which inform and engage the Board in assessing capital requirements and other key financial outcomes under various severe but plausible scenarios. These tests are conducted across businesses with the results aggregated to the Group level; and
- Risk Management related stress testing, which supports enhanced risk identification, assessment and management within the Group's Risk Appetite.

Such stress testing facilitates a more robust understanding of the Group's risks and facilitates better management policies and predictability of capital requirements in more extreme circumstances.

Stress testing also provides an input into the formation of internal views of the adequacy of the Group's capital, liquidity, and provisions and the development of capital and liquidity contingency plans which detail how the Group would respond to potential future adverse scenarios.

Specific risk types for which stress tests are conducted on a routine basis for business risk management purposes include:

- Credit risk stress tests on a number of retail and commercial portfolios;
- Traded market risk, non-traded interest rate risk, non-traded equity risk and non-traded insurance risk portfolios;
- Liquidity stress tests that determine survival horizons are performed and reported to the Asset and Liability Committee (ALCO) on a monthly basis. The stress tests look to identify the timeframe over which high quality liquid assets could survive under various stress liability run-off scenarios;
- Funding indicators monitor a range of balance sheet metrics focussing on external market conditions, changing patterns of business activity and concentration; and
- Operational risk to assess the potential for operational risk outcomes.

Risk Management Initiatives

In order to remain effective in constantly evolving economic, strategic and regulatory environments, the risk management framework and culture requires a continuous cycle of review and refinement. Over the last twelve months the Group has made the following key refinements to its framework:

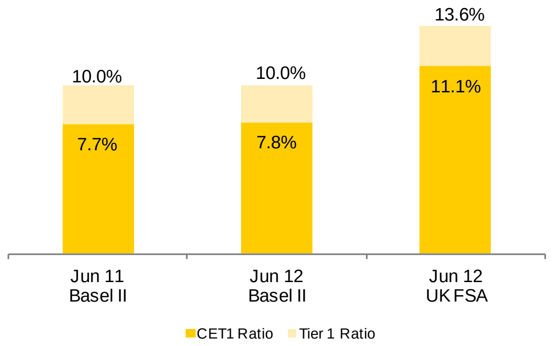
- Implementation of key projects and initiatives aligned to achieving the risk management strategic plan;
- Update of the risk appetite statements for the Group and for each of the Group's major Business Units;
- Implementation of the Group's integrated Operational Risk and Compliance system, promoting a more comprehensive, single integrated view of operational risk and compliance data;
- Simplification of the Group's credit manual, creating a more user-friendly document that also encourages a culture of ownership and accountability across the Group;
- Refresh of the credit risk assessment models;
- Undertaking of further risk optimisation strategies and portfolio reviews that have provided insight into key risk dependencies and resulted in adjusting risk exposure levels based on available risk-adjusted returns;
- Refinement of the internal capital allocation framework to provide performance measurement that better supports the optimisation of shareholder returns;
- Continuation of projects that will substantially enhance core risk systems, data and processes;
- Creation of the Group Credit Structuring (GCS) team by combining the specialist workout resources from Credit Risk Solutions and Specialised Lending Services. The combined GCS team is better placed to ensure consistency of service delivery for business customers and to ensure the full resources of the Group can be utilised on problem exposures;
- Commencement of the Workout Integration Project. Following on from the creation of GCS, this project will integrate the workout functions across the Group (ASB, Bankwest and CBA) with consistent processes which will improve interactions with internal and external customers, enhance productivity and result in better outcomes as well as providing deeper career opportunities for staff;
- Enhancement of the structured learning framework (across credit, market and operational risk) that is available to risk management and front line staff;
- Implementation of a more targeted and comprehensive Product Approval Process, to ensure that the risks associated with innovative new products and variations to existing ones, are identified, understood, priced and managed accordingly;
- Enhancement of the Group's risk modelling and stress testing frameworks to meet the demands of an ever-changing macroeconomic environment; and
- Monitoring of and responding to regulatory changes and likely future regulatory changes (particularly in regards to Basel 2.5 and Basel III).

Basel II Regulatory Capital – Current Environment

The Group maintains a strong capital position with ratios well in excess of APRA and the Board Approved minimum levels at all times throughout the year ended 30 June 2012.

The Group's Common Equity Tier One (CET1) and Tier One ratios as at 30 June 2012 were 7.8% and 10.0% respectively. Tier One Capital remained flat compared to the prior year with a solid profit performance offset by an increase in Risk Weighted Assets (RWA), including the adoption of stricter regulatory requirements under Basel 2.5.

The Group's CET1 and Tier One ratios as at 30 June 2012 under the Financial Services Authority (the UK regulator) method were 11.1% and 13.6% respectively.



Basel III Regulatory Capital

From 1 January 2013, the Group will adopt the Basel III measurement and monitoring of regulatory capital.

In December 2010, the Basel Committee on Banking Supervision (BCBS) published a discussion paper on banking reforms to address issues which led to the Global Financial Crisis and to position banks for future crises. The objectives of the capital reforms are to increase the quality, consistency and transparency of capital, to enhance the risk coverage framework, and to reduce systemic and pro-cyclical risk. The major reforms are to be phased in from 1 January 2013 to 1 January 2019.

In March 2012, Australian Prudential Regulation Authority (APRA) published a discussion paper and draft prudential standards relating to the implementation of the Basel III capital reforms in Australia. APRA proposes to adopt a more conservative approach than the minimum standards published by the BCBS and to adopt an accelerated timetable for implementation.

The APRA draft prudential standards require a minimum CET1 ratio of 4.5% effective from 1 January 2013. An additional CET1 capital conservation buffer of 2.5% will be implemented on 1 January 2016, bringing the minimum CET1 requirement to 7%. The BCBS advocates the same minimum requirements, but implementation is to be phased in over an extended timeframe up to 1 January 2019.

It is expected that APRA will publish a final set of prudential standards later this calendar year.

Implementation of Basel III Capital Reforms

The Board has set a target of holding greater than 9% of CET1, as defined under the internationally harmonised BCBS rules.

The Group's internationally harmonised CET1 ratios are calculated based on full adoption of the Basel III capital reforms, which will not come into effect until 2019 for most banks.

Adoption of a CET1 target based on internationally harmonised principles will enable a more meaningful comparison of the Group's capital levels relative to its international peers.

In establishing a CET1 target of greater than 9%, the Board undertook a detailed analysis of a range of factors including:

- The higher CET1 capital requirements applicable under Basel III;
- The economic capital requirements of the Group;
- The results of various stress tested scenarios which have been used to establish appropriate buffers above minimum regulatory requirements; and
- Consideration of capital levels across global peers.

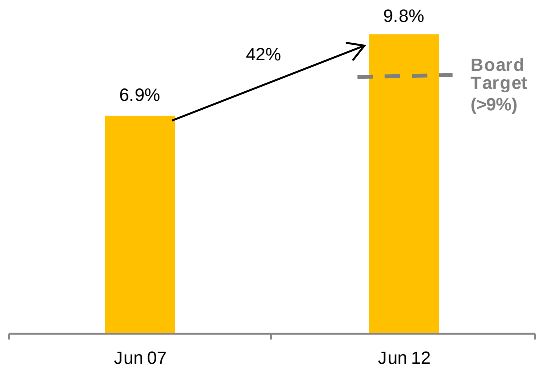
In setting such a high CET1 target (greater than 9%), the Group would expect that in times of severe stress, the CET1 capital may fall below this level. If this happens for a material period, the Group can deploy a range of capital management initiatives to restore capital levels. This reflects the lower relative profit volatility of the Group due to lower exposure to global investment banking and the higher exposure to stable, low risk mortgages and the broader retail banking market.

Whilst the Group has set a CET1 target, consistent with the proactive approach to management of capital, the Group keeps targets under continuing review, assessing the Group's financial experience and outlook against the volatile external environment, as well as the continuing evolution of the regulatory regime.

Basel III Capital (Internationally Harmonised) as at 30 June 2012

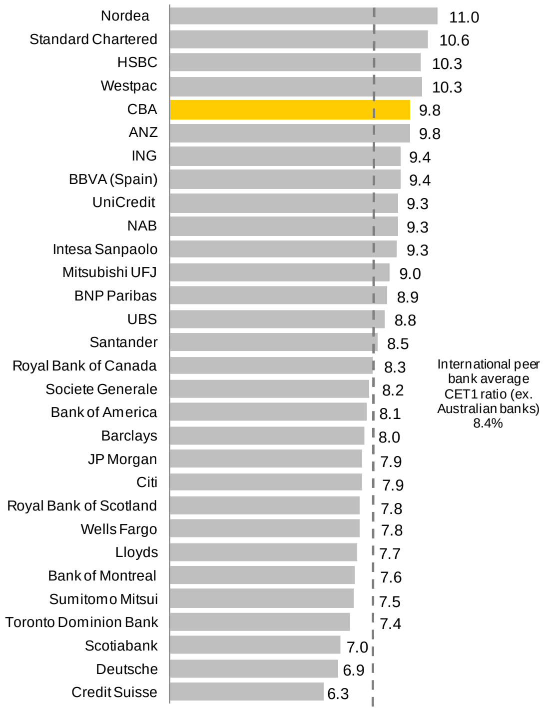
The Group is well positioned to meet the Board approved internationally harmonised Common Equity target with a CET1 ratio of 9.8% as at 30 June 2012.

The Group has adopted a conservative and proactive approach to capital management and this is reflected in the overall strength of its capital position. The CET1 ratio (on an internationally harmonised basis) has increased by over 40% since the Global Financial Crisis (June 2007).



The Group's 30 June 2012 internationally harmonised CET1 ratio of 9.8%, places it well above the average of its international peers (approximately 8.4%).

Capital Management



Source: Morgan Stanley – based on last reported CET1 ratios as at 13 August 2012 assuming Basel III capital reforms are fully implemented. The peer group comprises listed commercial banks with total assets in excess of A$400 billion who have disclosed fully implemented Basel III ratios, or provided sufficient disclosure for Morgan Stanley Equity Research to estimate the ratios.

Basel III Capital (APRA) as at 30 June 2012

The Group has a CET1 ratio of 7.5% under the Basel III APRA draft prudential standards, above the minimum ratio of 4.5%.

The differences in the Basel III APRA and the Basel III internationally harmonised CET1 ratios include:

Deductions

- APRA requires a full deduction to be taken against CET1 for equity investments (including investments in insurance and funds management operations) and deferred tax assets. On an internationally harmonised basis, such items are concessionally risk weighted if they fall below prescribed thresholds.

Risk Weighted Assets

- APRA requires capital to be held for Interest Rate Risk in the Banking Book (IRRBB). There is no similar requirement on an internationally harmonised basis; and
- APRA requires a minimum Loss Given Default (LGD) floor of 20% to be applied to mortgages.

Other Regulatory Changes

General and Life Insurers

In May 2012, APRA released a number of draft and final prudential standards with respect to capital requirements for general and life insurers. Final versions of the remaining prudential standards are expected to be released by APRA before the end of the calendar year. Implementation of the majority of the reforms is scheduled for 1 January 2013.

Superannuation Funds Management

APRA has released draft prudential standards that will introduce new financial requirements for registered superannuation trustees. Final prudential standards are expected to be released before the end of this calendar year, with the new requirements to be implemented on 1 July 2013.

In November 2011, the Australian Securities and Investments Commission (ASIC) released new financial requirements that apply to Responsible Entities. These new requirements, which are not expected to have a material impact, will become effective on 1 November 2012.

Supervision of Conglomerate Groups

APRA released a discussion paper titled "Supervision of Conglomerate Groups" in March 2010. APRA is seeking to extend its current prudential supervision framework to Conglomerate Groups that have material operations in more than one APRA regulated industry and/or have one or more material unregulated entities. The aims of the Level 3 proposals are to ensure that a Conglomerate Group holds adequate capital to protect the APRA regulated entities from potential contagion and other risks within the Group.

Draft capital standards are expected to be released before the end of the calendar year, with implementation expected from 1 January 2014.

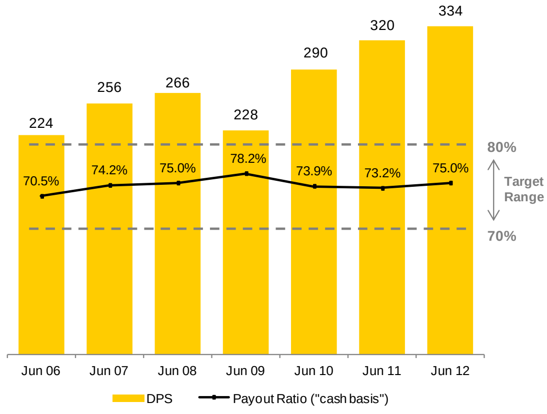
Dividends

Final Dividend for the year ended 30 June 2012

A final dividend of $1.97 per share was declared, an increase of 5% on the prior year. The total dividend for the year ended 30 June 2012 was $3.34 per share, up 4% on the prior year, taking the payout ratio ('cash basis") for the year to 75%.

The final dividend will be fully franked and will be paid on 5 October 2012 to owners of ordinary shares at the close of business on 24 August 2012 (record date). Shares will be quoted ex-dividend on 20 August 2012.

Full Year Dividend History (cents per share)



Dividend Reinvestment Plan (DRP)

The DRP will continue to operate but no discount will be applied to shares issued under the plan for the final dividend.

Dividend Policy

As part of the review of its Capital policy the Board has also reviewed its dividend policy. The Group will seek to:

- Pay cash dividends at strong and sustainable levels;
- Target a payout ratio of 70% to 80%; and
- Maximise the use of its franking account by paying fully franked dividends.

The payout ratio for interim dividends will be increased in future periods to approximately 70% of interim profit to ensure a more even distribution of dividends across the year.

Consideration will be given in future periods to minimise the dilutive impact of the DRP through the on-market purchase of the number of shares required to satisfy the DRP participation.

Current Regulatory Framework

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 BCBS. 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 ("Level One", comprising the Bank and APRA approved subsidiaries) and for the Bank and all of its banking subsidiaries, which includes both Bankwest and ASB Bank ("Level Two" or the "Group").

All subsidiary 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 is 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.

Capital adequacy is measured by means of a risk based capital ratio. The capital ratios reflect capital as a percentage of total RWA. RWA represents a risk weighted assessment of the Group's assets and other related exposures.

The Group has a range of instruments and methodologies available to effectively manage capital. These include share issues and buybacks, dividend and DRP 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 ratios throughout the 2011 and 2012 financial years were in compliance with both APRA minimum capital adequacy requirements and the Board Approved minimum.

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.

Banks may not pay dividends if, immediately after payment, they are unable to meet the minimum capital requirements. APRA does not permit banks to pay dividends from retained profits without prior approval.

Basel II Regulatory Framework

The Basel II framework consists of three pillars:

- Pillar 1 – defines the rules for calculating the minimum regulatory capital requirements;
- Pillar 2 – addresses the supervisory review process; and
- Pillar 3 – specifies public disclosure requirements.

The Group, excluding Bankwest, was granted advanced Basel II accreditation by APRA on 10 December 2007.

The Advanced Internal Ratings Based Approach (AIRB) for credit risk and the Advanced Measurement Approaches (AMA) for operational risk were adopted in the calculation of RWA from 1 January 2008.

Interest Rate Risk in the Banking Book (IRRBB), which relates to the risk that the Bank's profit derived from net interest income is adversely impacted from changes to interest rates. IRRBB was included in the calculations of RWA from 1 July 2008. This is not a requirement under the Basel II Pillar 1 framework.

Basel II enhancements announced in July 2009, relating to securitisation and market risk were implemented on 1 January 2012.

The work undertaken for the Bank to achieve the advanced accreditation has provided the Group with increased sophistication in risk measurement and management. This has increased the flexibility with which the Group manages its decision making and capital management.

Regulatory Capital Requirements for Other Major ADI's in the Group

ASB Bank Limited

ASB Bank Limited (ASB) operates as a stand-alone Bank under Basel II advanced status and is subject to regulation by the Reserve Bank of New Zealand (RBNZ). The RBNZ applies a similar methodology to APRA in calculating regulatory capital requirements.

ASB had a Tier One ratio of 11.67% and a Total Capital ratio of 12.57% at 30 June 2012. ASB Bank was in compliance with its regulatory capital requirements at all times during the year.

Bankwest

Bankwest currently operates as a stand-alone Bank under Basel II standardised status and is separately regulated by APRA. In line with APRA's regulations which require Australian subsidiaries of major banks to operate under the same licence as their parent, Bankwest is expected to relinquish its Australian ADI licence in October 2012. This event will have no impact on the Group's capital levels as Bankwest is already included within the Group's capital numbers.

There is a separate programme to extend the Group's advanced accreditation to include the assets of Bankwest. Bankwest's Tier One ratio was 8.48% and Total Capital was 12.04% at 30 June 2012. Bankwest was in compliance with its regulatory capital requirements at all times during the year.

Insurance and Funds Management Business

The Group's insurance and funds management companies held $1,318 million of assets in excess of regulatory solvency requirements at 30 June 2012 (31 December 2011: $1,108 million; 30 June 2011: $1,014 million). In addition, these companies held assets in excess of regulatory capital requirements as at 30 June 2012.

Pillar 3 Disclosures

Full details on the market disclosures required under Pillar 3, per prudential standard APS 330 "Public Disclosure of Prudential Information", are provided on the Group's website.

Capital Management

Capital Management

The Group maintains a strong capital position with the capital ratios well in excess of APRA minimum capital adequacy requirements (Prudential Capital Ratio (PCR)) and the Board Approved minimum levels at all times throughout the year ended 30 June 2012.

The Group's Common Equity Tier 1 (CET1), Tier One and Total Capital ratios (which include ASB Bank and Bankwest) as at 30 June 2012 were 7.82%, 10.01% and 10.98% respectively.

The Group's CET1 and Tier One Capital ratios increased by 15 and 11 basis points respectively over the prior half. This was primarily driven by capital generated from earnings (net of dividend and DRP) partially offset by the adoption of Basel II enhancements related to market risk and securitisation ("Basel 2.5"), which came into effect 1 January 2012.

The Group's Total Capital ratio decreased 13 basis points over the prior half to 10.98%, with the benefits from the improvement in Tier One Capital, offset by the planned redemption of Lower Tier Two instruments.

Compared to the prior year, the Group's CET1 Capital ratio increased 16 basis points, whilst Tier One Capital remained flat, with a solid profit performance offset by an increase in RWA.

Total Capital decreased 72 basis points compared to the prior year, primarily driven by the planned redemption of a number of Lower Tier Two Instruments.

RWA were $303 billion at 30 June 2012, an increase of $21 billion since 30 June 2011 levels, primarily driven by a corporate lending volume related increase in credit RWA.

Under the application of Basel III, which is due to be implemented from 1 January 2013, the Group's 30 June 2012 CET1 ratio is 9.8%, as measured under the internationally harmonised basis and is 7.5% based on APRA's proposed Basel III methodology.

The Group's CET1, Tier One and Total Capital ratios as at 30 June 2012 under the Financial Services Authority (the UK regulator) method of calculating regulatory capital as a percentage of RWA were 11.1%, 13.6% and 14.1% respectively. This has been provided for comparative purposes as the Group is not regulated by the Financial Services Authority.

Capital Initiatives

The following significant initiatives were undertaken during the year to actively manage the Group's capital:

Tier One Capital

- The allocation of $832 million of ordinary shares in order to satisfy the DRP in respect of the final dividend for the 2010/2011 financial year, representing a participation rate of 28.4%;
- The issue of $237 million of ordinary shares associated with the acquisition of Count Financial Limited in December 2011; and
- The allocation of $531 million of ordinary shares in order to satisfy the DRP in respect of interim dividend for the 2011/2012 financial year, representing a participation rate of 24.5%.

Tier Two Capital

- Redemption of four separate subordinated Lower Tier Two debt issues totalling $1,361 million in the December 2011 half year; and
- Redemption of a further two separate subordinated Lower Tier Two debt issues totalling $500 million in May 2012.

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	As at		
	30/06/12	31/12/11	30/06/11
Risk Weighted Capital Ratios	%	%	%
Common Equity Tier One (1)	**7.82**	7.67	7.66
Tier One	**10.01**	9.90	10.01
Tier Two	**0.97**	1.21	1.69
Total Capital	**10.98**	11.11	11.70

(1) Represents Fundamental Tier One Capital net of Tier One deductions.

	As at		
	30/06/12	31/12/11	30/06/11
Regulatory Capital (Basel II)	$M	$M	$M
Fundamental Tier One Capital After Deductions	**23,664**	22,837	21,575
Total Tier One Capital	**30,299**	29,473	28,213
Total Tier Two Capital	**2,939**	3,588	4,749
Total Capital	**33,238**	33,061	32,962

	As at		
	30/06/12	31/12/11	30/06/11
Risk Weighted Assets (Basel II)	$M	$M	$M
Credit risk exposures	**261,429**	258,446	246,742
Traded market risk	**4,842**	3,105	3,162
Interest rate risk in the banking book	**9,765**	11,525	9,699
Operational risk	**26,751**	24,629	22,108
Total risk weighted assets	**302,787**	297,705	281,711

Capital Adequacy

Regulatory Capital	30/06/12 $M	31/12/11 $M	30/06/11 $M
	As at		
Ordinary Share Capital	**25,175**	24,651	23,602
Treasury shares [1]	**323**	316	294
Ordinary Share Capital and Treasury Shares	**25,498**	24,967	23,896
Other Equity Instruments	**939**	939	939
Trust Preferred Securities 2006 [2]	**(939)**	(939)	(939)
Total Other Equity Instruments	**-**	-	-
Reserves [3]	**1,571**	829	392
Cash flow hedge reserve	**(644)**	(234)	402
Employee compensation reserve	**(136)**	(95)	(135)
Asset revaluation reserve	**(195)**	(191)	(191)
Available-for-sale investments reserve [4]	**-**	-	(245)
Foreign currency translation reserve related to non-consolidated subsidiaries	**171**	153	149
Total Reserves	**767**	462	372
Retained Earnings and current period profits	**13,356**	11,928	11,826
Expected dividend [5]	**(3,137)**	(2,166)	(2,930)
Estimated reinvestment under Dividend Reinvestment Plan [6]	**784**	542	733
Retained earnings adjustment for non-consolidated subsidiaries [7]	**(126)**	35	227
Other	**(219)**	(178)	(189)
Net Retained Earnings	**10,658**	10,161	9,667
Non-controlling Interest [8]	**531**	528	528
ASB Perpetual Preference Shares [8]	**(505)**	(505)	(505)
Non-controlling interests less ASB Perpetual Preference Shares	**26**	23	23
Total Fundamental Tier One Capital	**36,949**	35,613	33,958

(1) Represents shares held by the Group's life insurance operations and employee share scheme trusts.

(2) Trust Preferred Securities 2006 issued 15 March 2006 of USD700 million. These instruments qualify as Tier One Innovative Capital of the Group.

(3) The Group's general reserve, capital reserve and foreign currency translation reserve (excluding balances related to non consolidated subsidiaries) qualify as Fundamental Tier One Capital.

(4) As at 30 June 2012, the Available-for-Sale reserve had a deficit balance of $63 million, resulting in the requirement to recognise this deficit in the regulatory Capital Calculations (31 December 2011: $83 million deficit).

(5) Represents expected dividends required to be deducted from current period earnings.

(6) DRP in respect of the June 2012 final dividend is to be satisfied through the issue of shares, with the assumed reinvestment rate based on reinvestment experience as approved by APRA. The DRP in respect of both the December 2011 interim and June 2011 final dividend was satisfied by the issue of shares.

(7) Represents cumulative current year profit and retained earnings adjustment for subsidiaries not consolidated for regulatory purposes. This includes adjustments to the extent to which retained earnings from non-consolidated subsidiaries have not been repatriated to the Bank in dividends (June 2012: $878 million, December 2011: $717 million, June 2011: $525 million). The retention of these profits are used to fund the future growth of these operations. This has been offset by the one-off write back adjustments upon adoption of IFRS of $752 million.

(8) Non-controlling interest classified as Tier One Innovative Capital under Basel II regulations. Comprised predominantly of ASB Perpetual Preference Shares of NZ$550 million issued by New Zealand subsidiary entities. These shares are non-redeemable and carry limited voting rights.

Capital Management

Capital Adequacy (continued)

Regulatory Capital	As at 30/06/12 $M	31/12/11 $M	30/06/11 $M
Tier One Capital Deductions - 100%			
Goodwill and other intangibles (excluding software) (1)	**(8,581)**	(8,546)	(8,306)
Capitalised expenses	**(263)**	(240)	(252)
Capitalised computer software costs	**(1,700)**	(1,480)	(1,297)
Defined benefit superannuation plan surplus (2)	**-**	-	(53)
General reserve for credit losses top up (3)	**(209)**	(183)	(132)
Deferred tax	**(548)**	(383)	(287)
Tier One Capital deductions - 100%	**(11,301)**	(10,832)	(10,327)
Tier One Capital Deductions - 50% (4)			
Equity investments in other entities (5)	**(612)**	(638)	(639)
Equity investments in non-consolidated subsidiaries (net of intangibles) (6)	**(629)**	(594)	(526)
Expected impairment losses (before tax) in excess of eligible credit provisions (net of deferred tax) (7)	**(630)**	(646)	(817)
Other deductions (5)	**(113)**	(66)	(74)
Tier One Capital deductions - 50%	**(1,984)**	(1,944)	(2,056)
Total Tier One Capital Deductions	**(13,285)**	(12,776)	(12,383)
Fundamental Tier One Capital after Deductions	**23,664**	22,837	21,575
Residual Tier One Capital			
Innovative Tier One Capital			
Non-cumulative preference shares (8)	**2,625**	2,626	2,598
Non-controlling Interests (9)	**505**	505	505
Eligible loan capital	**98**	98	128
Total Innovative Tier One Capital	**3,228**	3,229	3,231
Non-Innovative Residual Tier One Capital (10)	**3,407**	3,407	3,407
Total Residual Tier One Capital	**6,635**	6,636	6,638
Total Tier One Capital	**30,299**	29,473	28,213

(1) Represents total Goodwill and other intangibles (excluding capitalised computer software costs) which is required to be deducted from Tier One Capital.

(2) In accordance with APRA regulations, the surplus (net of tax) in the Bank's defined benefit superannuation fund which is included in Shareholders' equity must be deducted from Tier One Capital.

(3) Capital deduction at 30 June 2012 of $209 million after tax (31 December 2011: $183 million, 30 June 2011: $132 million) to ensure the Group has sufficient provisions and capital to cover credit losses estimated to arise over the full life of the individual facilities, as required by APS 220.

(4) Represents 50% Tier One and 50% Tier Two Capital deductions under Basel II.

(5) Represents the Group's non-controlling interest in other entities. Prior period comparatives restated with reclassification between equity investments and other deductions.

(6) Represents the net equity within the non-consolidated subsidiaries (primarily the Colonial Group) which is deducted 50% from Tier One and 50% from Tier Two Capital. This deduction is net of $1,214 million in Non-Recourse Debt issued by Colonial Finance Limited (31 December 2011: $1,880 million; 30 June 2011: $1,452 million) and $1,000 million in Colonial Group Subordinated Notes issued in April 2012. The Colonial Hybrid issue of $700 million was redeemed in two equal tranches, $350 million in April 2012 and $350 million in November 2011.

(7) Regulatory Expected Loss (pre tax) using stressed loss given default assumptions associated with the loan portfolio in excess of eligible credit provisions (collective provision and general reserve for credit losses net of tax and individually assessed provision pre tax) are deducted 50% from both Tier One and Tier Two Capital.

(8) APRA approved Innovative Tier One Capital instruments (PERLS III and Trust Preferred Securities 2003 and 2006).

(9) Non-controlling interest classified as Tier One Innovative Capital under Basel II regulations. Comprised predominantly of ASB Perpetual Preference Shares of NZ$550 million issued by New Zealand subsidiary entities. These shares are non-redeemable and carry limited voting rights.

(10) Comprises PERLS IV $1,465 million (less costs) issued by the Bank in July 2007 and PERLS V $2,000 million (less costs) issued by the Bank in October 2009. These have been approved by APRA as Tier One Non-Innovative Capital instruments.

Capital Adequacy (continued)

Regulatory Capital	As at 30/06/12 $M	31/12/11 $M	30/06/11 $M
Regulatory Capital: Tier Two Capital			
Upper Tier Two Capital			
Prudential general reserve for credit losses (net of tax) (1)	**595**	631	620
Asset revaluation reserve (2)	**88**	86	86
Upper Tier Two note and bond issues	**358**	368	336
Other	**176**	151	124
Total Upper Tier Two Capital	**1,217**	1,236	1,166
Lower Tier Two Capital			
Lower Tier Two note and bond issues (3) (4)	**3,726**	4,314	5,728
Holding of own Lower Tier Two Capital	**(20)**	(18)	(89)
Total Lower Tier Two Capital	**3,706**	4,296	5,639
Tier Two Capital Deductions			
50% Deductions from Tier Two Capital (5)	**(1,984)**	(1,944)	(2,056)
Total Tier Two Capital	**2,939**	3,588	4,749
Total Capital	**33,238**	33,061	32,962

(1) Represents the after tax collective provisions and general reserve for credit losses of banking entities in the Group (including Bankwest) which operate under the Basel II Standardised methodology.

(2) APRA allows only 45% of asset revaluation reserve to be included in Tier Two Capital.

(3) APRA requires these Lower Tier Two note and bond issues to be included as if they were unhedged.

(4) For regulatory capital purposes, Lower Tier Two note and bond issues are amortised by 20% of the original amount during each of the last five years to maturity.

(5) Represents 50% Tier One and 50% Tier Two Capital deductions under Basel II rules.

Risk Weighted Assets	As at 30/06/12 $M	31/12/11 $M	30/06/11 $M
Credit risk			
Subject to advanced IRB approach			
Corporate	**49,331**	45,983	39,180
SME Corporate	**22,319**	22,155	22,471
SME Retail	**4,071**	4,486	4,435
Sovereign	**3,003**	3,201	2,517
Bank	**7,619**	7,925	7,216
Residential mortgage	**54,545**	53,844	55,709
Qualifying revolving retail	**6,703**	6,491	6,398
Other retail	**8,462**	8,116	7,253
Impact of the regulatory scaling factor (1)	**9,363**	9,132	8,711
Total risk weighted assets subject to advanced IRB approach	**165,416**	161,333	153,890
Specialised lending	**36,141**	36,915	35,990
Subject to Standardised approach			
Corporate	**10,430**	9,950	8,048
SME Corporate	**6,580**	6,803	7,389
SME Retail	**4,836**	4,230	4,461
Sovereign	**107**	308	103
Bank	**1,243**	1,303	1,238
Residential mortgage	**25,705**	24,660	23,515
Other retail	**2,559**	2,627	2,574
Other assets	**3,240**	5,215	4,751
Total risk weighted assets subject to standardised approach	**54,700**	55,096	52,079
Securitisation	**2,833**	2,695	2,670
Equity exposures	**2,339**	2,407	2,113
Total risk weighted assets for credit risk exposures	**261,429**	258,446	246,742
Traded market risk	**4,842**	3,105	3,162
Interest rate risk in the banking book	**9,765**	11,525	9,699
Operational risk	**26,751**	24,629	22,108
Total risk weighted assets (2)	**302,787**	297,705	281,711

(1) APRA requires Risk Weighted Assets amounts that are derived from IRB risk weight functions be multiplied by a factor of 1.06.

(2) RWA include the consolidation of Bankwest which operates under the Basel II Standardised methodology.

Description of Business Environment

Australia

Financial Services

Financial services providers in Australia offer household and business customers a wide range of products and services encompassing retail, business and institutional banking, funds management, superannuation, insurance, investment, risk management and stockbroking. The domestic competitive landscape includes the four major banks, regional banks, building societies and credit unions, foreign retail banks, local and global investment banks, fund managers, private equity firms, insurance companies, brokers and third party distributors.

Banking

While the Australian economy has performed well relative to developed economies over the past twelve months, ongoing uncertainty in global markets has resulted in some early signs of weakness. The Reserve Bank of Australia has proactively sought to address domestic pressures by reducing the official cash rate by 1.25% to 3.50% during the financial year.

The domestic banking environment has not been immune to the broader economic conditions, encountering headwinds characterised by strong competition, muted credit growth, elevated funding costs, and fragile business and consumer confidence.

These challenging operating conditions have resulted in subdued growth in operating income across the banking sector. Despite these difficult conditions, major banks have retained strong capital and liquidity positions, which should see them well placed to meet upcoming Basel III requirements.

In the short to medium term, significant challenges and uncertainties remain for both the domestic and global financial systems. Domestic credit growth is likely to remain subdued and strong levels of competition are likely to continue. Finally, concerns about sovereign debt credit risk, particularly in Europe, continue to impact global financial markets. This is expected to result in a continuation of elevated funding costs, conservative capital and liquidity settings.

Funds Management

Market volatility and investor uncertainty continues to create a challenging business environment. However, the long term growth outlook of the Australian funds management industry is strong, underpinned by the increase in compulsory superannuation contributions from 9% to 12% by the 2020 financial year. Global funds management is also expected to continue to grow in the long term, driven by increasing wealth in developing countries.

The demand for simple, transparent and lower fee products is expected to continue as investors shift towards cash products and focus on net-of-fee performance. Australia's ageing population and the requirement for income streams for retirement is expected to drive demand for products which address market volatility, inflationary threats and longevity risks.

Margin pressure within the funds management industry will remain as a result of investor product preferences and further regulatory change, which is expected to reduce revenue and increase capital requirements and costs. Consolidation is expected to continue as participants seek scale and expand capabilities to counteract these impacts.

Insurance

Australian insurance market growth is expected to continue, largely driven by greater consumer awareness and access through a wider array of channels. Bancassurance, master trusts and industry funds continue to be the strongest areas of growth, with a particular focus on direct channels. To meet the growing needs of consumers, insurance manufacturers are placing a greater emphasis on technology and service efficiency.

There continues to be a large number of ongoing government reviews and regulatory consultations in both the life and general insurance industries. The proposed changes are expected to increase insurance coverage and improve transparency of policy information.

Advice-based product profitability is being impacted by increasing lapse rates and loss ratios. Lapse rates have been increasing due to heightened competition and advisers seeking to replace lost income in light of regulatory changes, while loss ratios have been increasing due to the current economic environment, leading to increased loss recognition and strengthening of reserves amongst competitors.

The general insurance market remains highly competitive and concentrated amongst a few large players. The industry has continued to be impacted by significant global weather events over the last 12 months, and as a result, many insurers are implementing premium rate increases and moving to minimise reinsurance and claims costs where possible.

New Zealand

The Group's banking activities in New Zealand are conducted by ASB Bank and also by the New Zealand branch of CBA. The Group's insurance activities in New Zealand are conducted by Sovereign Assurance Company.

Competition in the New Zealand banking sector remains intense, with the four main banks being owned by Australian parents and accounting for 90% of the total banking system. In addition, Kiwibank, the New Zealand Government and New Zealand Post owned and operated bank launched in March 2002, continues to compete aggressively in the retail sector.

Wholesale funding costs remain elevated, and competition for retail deposits remains strong as banks continue to secure increased domestic funding whilst at the same time reducing reliance on wholesale funding.

During most of the financial year, there continued to be a shift towards higher margin variable rate home loans from lower margin fixed rate home loans.

NZ economic activity over the financial year was underpinned by the boost from the Rugby World Cup, higher milk production as a result of excellent weather conditions on pasture growth, and post-earthquake rebuilding. There are encouraging signs of a recovery in domestic demand taking place.

Financial System Regulation in Australia

Australia has, by international standards, a high quality financial system which regulates financial products and services consistently, regardless of the type of financial institutions providing them.

The main regulators of financial services in Australia are the Reserve Bank of Australia, the Australian Prudential Regulation Authority, the Australian Securities and Investments Commission, the Australian Transaction Reports and Analysis Centre and the Australian Competition and Consumer Commission. Each agency has system-wide responsibilities for the different objectives of government oversight of the financial system. A description of these agencies and their general responsibilities and functions is set out on the next page.

The Reserve Bank of Australia (RBA) is responsible for monetary policy, financial system stability and regulation of the payments system. The RBA also administers sanctions implemented via the Banking (Foreign Exchange) Regulations 1959.

The Australian Prudential Regulation Authority (APRA) has responsibility for the prudential supervision of banks, building societies and credit unions, life and general insurance companies, friendly societies and superannuation funds (pension funds). Unless an institution is authorised under the Banking Act 1959 or exempted by APRA, it is prohibited from engaging in the general business of deposit-taking.

The Australian Securities and Investments Commission (ASIC) has responsibility for regulating and enforcing Company and financial services laws that protect consumers, investors and creditors, including the Corporations Act 2001. The Corporations Act 2001 provides for a single licensing regime for sales, advice and dealings in financial products and services, consistent and comparable financial product disclosure and a single authorisation procedure for financial exchanges and clearing and settlement facilities. ASIC is also responsible for the National Consumer Credit Protection Act and the responsible lending framework it imposes upon credit providers.

The Australian Transaction Reports and Analysis Centre (AUSTRAC) has responsibility for overseeing compliance with the Anti-Money Laundering and Counter Terrorism Financing Act 2006 and the Financial Transaction Reports Act 1988. As a provider of financial services in Australia and internationally, the Group is committed to the principles of the Financial Action Task Force as the international standard setter for anti-money laundering and counter-terrorism financing efforts.

The Australian Competition and Consumer Commission (ACCC) promotes competition and fair trade to benefit consumers, business and the community through the administration of the Trade Practices Act 1974.

In addition to the above, the Department of Foreign Affairs and Trade (DFAT), a federal government department, has responsibility for implementing legislation giving effect to decisions of the United Nations Security Council (UNSC) relating to sanctions, including the freezing of terrorist assets.

Supervisory Arrangements

The Bank and its subsidiary Bank of Western Australia are Authorised Deposit-taking Institutions (ADIs) under the Banking Act 1959 and are subject to prudential regulation by APRA.

In carrying out its prudential responsibilities, APRA closely monitors the operations of banks to ensure that they operate within the prudential framework and that sound management practices are followed.

APRA's broader supervision programme includes a combination of on-site thematic reviews, regular engagement with the Board and senior management of individual institutions and prudential consultation and reviews of regular statistical returns reported by individual institutions.

In addition, APRA has established arrangements under which each bank's external auditor reports to APRA regarding observance of prudential standards and other supervisory requirements.

The prudential framework applied by APRA is embodied in a series of prudential standards and other requirements including:

(i) Capital Adequacy

APRA has approved the Bank's application to use the advanced internal ratings-based approach to credit risk and the advanced measurement approach to operational risk for the purposes of calculating capital requirements under the Basel II Framework.

(ii) Funding and Liquidity

APRA exercises liquidity control by requiring each bank to develop a liquidity management strategy that is appropriate for itself. Each policy is formally approved by APRA. A key element of the Group's liquidity policy is the holding of high quality liquid assets to meet liquidity requirements.

The liquid assets held are assets that are available for repurchase by the RBA (over and above those required to meet the Real-time Gross Settlement obligations, Certificates of Deposit / Bills of other banks and overnight interbank loans) and other highly liquid marketable securities. More detailed comments on the Group's liquidity and funding risks are provided in Note 40 to the Financial Statements.

(iii) Large Credit Exposures

APRA requires banks to ensure that, other than in exceptional circumstances, individual credit exposures to non-bank, non-government clients do not exceed 25% of the capital base. Exposure to unrelated ADIs is not to exceed 50% of the capital base. Prior consultation must be held with APRA if a bank intends to exceed set thresholds. For information on the Group's large exposures refer to Note 38 to the Financial Statements.

(iv) Ownership and Control

In pursuit of transparency and risk minimisation, the Financial Sector (Shareholding) Act 1998 embodies the principle that regulated financial institutions should maintain widespread ownership. The Act applies a common 15% shareholding limit for ADIs, insurance companies and their holding companies.

The Commonwealth Treasurer has the power to approve acquisitions exceeding 15% where this is in the national interest, taking into account advice from the ACCC in relation to competition considerations and APRA on prudential matters. The Treasurer may also delegate approval powers to APRA where one financial institution seeks to acquire another.

The Government's present policy is that mergers among the four major banks will not be permitted until the Government is satisfied that competition from new and established participants in the financial industry has increased sufficiently.

Proposals for foreign acquisition of Australian banks are subject to approval by the Treasurer under the Foreign Acquisitions and Takeovers Act 1975.

(v) Banks' Association with Non-Banks

There are formal guidelines (including maximum exposure limits) that control investments and dealings with subsidiaries and associates. A bank's equity associations with other institutions should normally be in the field of finance. APRA has expressed an unwillingness to allow subsidiaries of a bank to exceed a size which would endanger the stability of the parent. No bank can enter into any agreements or arrangements for the sale or disposal of its business, or effect a reconstruction or carry on business in partnership with another bank, without the consent of the Treasurer.

(vi) Fit and Proper and Governance

ADIs are subject to APRA's "Fit and Proper" and "Governance" prudential standards. ADIs are required to implement a Board approved Fit and Proper policy covering minimum requirements for the fitness and proprietary of their responsible persons which include designated members of senior management. ADIs also

Description of Business Environment

Supervisory Arrangements (continued)

have to comply with APRA's Governance prudential standard, which sets out requirements for Board size and composition, independence of directors, executive remuneration and other APRA governance matters.

(vii) Supervision of Non-Bank Group Entities

The Australian life insurance company subsidiaries, general insurance company subsidiaries and the superannuation trustees of the Group also come within the supervisory review of APRA.

APRA's prudential supervision of both life insurance and general insurance companies is exercised through the setting of minimum standards for solvency and financial strength to ensure obligations to policyholders can be met. Trustees operating APRA regulated superannuation entities are required to hold a Registrable Superannuation Entity (RSE) licence from APRA.

Life insurance and general insurance companies are subject to prudential standards including capital adequacy, risk management and reinsurance arrangements. Compliance with APRA regulation is monitored through regular returns, independent actuarial investigations, auditor certification and supervisory inspections.

Life and general insurance companies are also subject to similar Fit and Proper and Governance requirements as those applying to ADIs.

Accounting Policies and Estimates

The Group's accounting policies including critical accounting policies and estimates are set out in Note 1 to the Financial Statements.

Building a Sustainable Business

For the Group, sustainability means building a successful business today, while ensuring creation of long-term value for the Group's customers, people, shareholders and the wider community.

The Group's approach to sustainability is closely connected to its strategic priorities - developing world-leading technology, creating a vibrant customer focused culture, and maintaining a strong and flexible balance sheet. Over the years, the Group's sustainability programmes and initiatives have enabled the Group to excel in customer service, develop a diverse and talented workforce and contribute to the community, whilst also delivering superior returns to shareholders.

Focusing on sustainability has allowed the Group to also successfully manage Environment, Social and Governance (ESG) risks and opportunities that arise in a rapidly changing operating environment.

Over the past year, the Group has worked with both internal and external stakeholders to create an updated sustainability framework, endorsed by the Board, to help the Group respond most effectively to the material issues facing the business and industry.

The Sustainability framework has five key focus areas:

1. Sustainable Business Practices

The Group has embedded sustainable business practices across the business through strong governance, well established management systems, responsible procurement and transparent reporting.

Strong Corporate Governance

The Board has created a comprehensive Corporate Governance framework, which complies with the principles put forward by the ASX Corporate Governance Council.

Environment, Social and Governance (ESG) Risk Management Systems

The Group seeks to minimise any activities that could result in risk to the environment, its people, the community, the Group's customers or good corporate governance. The Group's formal Risk Appetite Statement outlines ESG risks and provides guidance on how to respond to them.

Responsible Procurement

In May 2012, the Group developed a new way to assess sustainability risks and supplier performance by leveraging its centralised procurement system. Suppliers tendering for work are required to explain their sustainability practices around Occupational Health and Safety (OH&S), risk management, human rights, governance, community investment and environmental performance as part of the selection process.

Transparent Reporting

Transparency of the Group's sustainability practices and its role in the wider community are essential to the way the Group does business. The Group uses a variety of reporting materials to communicate this information to a wide range of stakeholders.

Further information regarding the Group's sustainability practices can be accessed at commbank.com.au/sustainability.

2. Responsible Financial Services

The Group's vision is to be Australia's finest financial services organisation by excelling in customer service. Its products and services aim to achieve this goal responsibly. That means not only delivering high quality financial solutions, but also delivering the right solutions to the right people, with a strong focus on customers' individual needs.

Customer Service Excellence and Innovation

In 2008, the Core Banking Modernisation programme was launched, enabling the Group to better serve customers' evolving needs through world-leading technology. During the reporting period, the Group achieved some significant milestones, including real-time banking for both retail and small business customers; such that merchants and their customers can now see transaction details online and in real time, 365 days a year.

Over the last 12 months, the Group launched CommBank Kaching, a revolutionary mobile phone application that offers fast, safe and easy mobile banking. Customers can now pay anyone, anytime, anywhere from their iPhone or Android smartphone using CommBank Kaching. Since its launch in December 2011, over 400,000 Netbank customers have downloaded the application.

Tailored Customer Service for Indigenous Communities

In 2009, the Group launched the Indigenous Customer Assistance Line (ICAL), the first of its kind in Australia. ICAL provides tailored banking services to the Group's Aboriginal and Torres Strait Islander customers. It includes a dedicated team of banking professionals who provide much-needed banking services to a number of remote communities in Cape York, the Northern Territory and the Kimberley. ICAL currently takes around 1,500 calls each week.

In April 2012, the Group helped increase the number of accredited Indigenous financial counsellors in Australia, with nine new Aboriginal and Torres Strait Islander graduates from Palm Island, Yarrabah, Cairns and Thursday Island. Those counsellors successfully completed the Diploma of Community Services (Financial Counselling). The course is the result of a partnership between the Indigenous Consumer Assistance Network (ICAN) and the Commonwealth Bank.

Supporting Customers in Financial Difficulty

The Group continues to provide support in uncertain times to its diverse customer base. Over the last 12 months, the Group has expanded its Customer Assist team to 100 members. The team's Case Management Officers provide personalised support to customers who are experiencing hardship. The Group also supports low income earners and the not-for-profit sector with a wide range of fee-free and discounted financial services.

Customer Satisfaction

The Group is well on track towards achieving its goal of providing superior customer service to the Group's customers. The Group's success is reflected in the customer satisfaction indicators included in the sustainability scorecard.

Further information about customer satisfaction can be found in the CEO's Statement.

3. Engaged and Talented People

The Group strives to deliver excellence in customer service through engaged people who are empowered, motivated and skilled to deliver. In the reporting period, new programmes and initiatives to attract, foster and retain a diverse, engaged and talented workforce have continued to be rolled out.

Diversity Strategy

The diversity strategy endorsed by the CEO and Executive Committee, has four pillars:

- Respect and inclusion;
- Diversity in leadership;
- Diversity support; and
- Adaptable work practices.

Gender Diversity as a Lead Diversity Indicator

In 2010, the Group demonstrated its commitment to gender diversity by setting a public target for women's representation at senior levels; with a commitment to increase the representation of women in Executive Manager positions and above from 26.6% in December 2009 to 35% by December 2014. The Group progressed towards this target, with 30.9% of senior management positions being held by women as at 30 June 2012. Across the Group we now have 60.5% women employees.

In January 2012, the Group was awarded the prestigious Catalyst Award for its culture change programme and diversity initiatives, making the Group only the second Australian organisation to win this global award in its 27-year history. The Group's commitment to diversity was further recognised by Equal Opportunity for Women in the Workplace Agency (EOWA) with an Employer of Choice for Women (EOCFW) citation.

Integrating HR Systems

The Group continues to use technology to improve its people's productivity. The new HR platform, integrates a number of people processes to help actively and consistently manage capabilities and careers as well as support a culture connected to customer satisfaction goals.

The new HR platform now includes Performance Management, Remuneration Review, Talent and Succession Management and Volunteering modules. Learning Management, Recruitment and On-Boarding are scheduled to be included in the next financial year.

Key People Indicators

The Group has continued to develop a vibrant, customer-focused and high integrity culture, recording positive results for a number of indicators listed on the sustainability scorecard.

4. Community Contribution and Action

The Group has a long and proud history of supporting local communities across Australia through mutually beneficial partnerships and remains committed to building a sustainable future for generations to come.

An Additional $100 million Commitment to the Community

In September 2011, the Group announced it would add to its existing programmes by increasing its investment in Australian communities by $100 million over the next ten years. This will be achieved by:

- Extending the StartSmart financial literacy programmes;
- Matching staff contributions to the Staff Community Fund, dollar-for-dollar; and
- Introducing more staff volunteering activities.

Building a Financially Literate Society

The Group has a proud tradition of supporting generations of young Australians to learn about how to save and manage their money. In February 2012, the Commonwealth Bank Foundation increased its reach with the launch of StartSmart Pathways - bringing money management to life for students in Vocational Education and Training (VET). StartSmart is the largest face-to-face financial literacy programme of its kind in the world. In the reporting period, the Group provided StartSmart education sessions to 235,735 students.

Contributing to Society through the Group's Workforce

The Staff Community Fund is Australia's largest and longest-running employee contribution programme. The Group matches its people's contributions to the Fund, dollar for dollar. As at 30 June 2012, over 10,000 people across the Group are donating to the Fund. In 2012 alone, $2 million in grants will be awarded by the Group to youth-focused local organisations.

The Group also encourages and supports its people to contribute their time and skills to the community, by creating skilled and general volunteering opportunities with community groups.

In the reporting period, the Group became an active member of Jawun, a partnership of organisations connecting skilled people with Indigenous communities to share knowledge and expertise. In 2012, the Group sent secondees to Redfern, La Perouse and Cape York to support Jawun's mission to promote self-reliance, entrepreneurial activity and business planning among Indigenous people.

Closing the Gap - Working with Indigenous Australia

The Group's Indigenous strategy aims to create social and economic opportunities for Aboriginal and Torres Strait Islander people through education, employment, enterprise support and appropriate banking services. The Group works with its partners to promote Indigenous culture within the Group and in the broader Australian community by actively participating in programmes and initiatives such as National Aborigines and Islanders Day Observance Committee (NAIDOC) week.

As part of its Indigenous employment strategy, the Group has created 354 career opportunities for Aboriginal & Torres Strait Islander Australians, exceeding its original target of creating 350 additional opportunities. The Group continues to partner with a wide range of organisations to help Indigenous people achieve their potential. For example, the launch of 'Walkabout your Business' with Ambrose Business Solutions, Darwin, has helped Aboriginal and Torres Strait Islander entrepreneurs establish and successfully operate businesses in remote communities. The Group also launched the 'Desert Hub Social Impact' through Enterprise in Alice Springs to link, grow and develop social enterprises in the desert regions of Central Australia.

Sponsorship Activities

This year marks the Group's 25th anniversary of sponsoring Cricket Australia. For the third year running, the Group supported local cricket clubs and associations at the community level through its Grants for Grassroots Cricket™ programme, which donated $385,000 in cash and equipment to clubs across Australia.

Once again, the Group was a major sponsor of Clean Up Australia Day and the Australian of the Year Awards. The Group also continues to support important health initiatives, helping to raise funds for organisations such as the Breast Cancer Institute of Australia and the Prostate Cancer Foundation of Australia. Finally the Group continues to bring the arts to all Australians through enduring partnerships with Opera Australia, Australian Chamber Orchestra and the Bangarra Dance Theatre, and within the environmental arena, supports the Great Barrier Reef Foundation and Clean Up Australia.

Find out more about the Group's activities in the community at commbank.com.au/community.

5. Environmental Stewardship

The Group continues to measure and reduce its environmental footprint, and provide smart solutions to help customers and employees do the same.

The Group is on track to meet its target of a 20% reduction in carbon emissions from 2008-09 levels by June 2013. This represents a reduction of 34,550 tonnes of carbon. Over the past three years, the Group's emissions have steadily declined, reflected in the sustainability scorecard. Current carbon reduction initiatives include:

- Consolidating commercial buildings, including relocating approximately 6,500 employees to Commonwealth Bank Place in Sydney, saving approximately 12,700 tonnes of carbon emissions (CO_2-e) per annum;
- Implementing a green refresh lighting project to replace inefficient lighting in approximately 950 branches across Australia, saving approximately 8,000 tonnes CO_2-e per annum; and
- Implementing a green refresh heating, ventilation and air conditioning (HVAC) project in retail and commercial buildings, saving approximately 12,000 tonnes CO_2-e per annum.

Indirect Impact - Managing the Carbon Intensity of the Group's Loan Book

The Group acknowledges that it may have an indirect impact on the environment through the provision of financial services to customers in environmentally sensitive industries. To minimise the Group's impact, the Credit Risk Policy continues to require that environmental risks be assessed at key stages in the lending process, using environmental questionnaires and independent assessments, as well as checking the customers' own environmental policies, processes and licensing requirements.

Climate Change Opportunities

As society moves to a low-carbon economy, the Group's Carbon Solutions Group continues to help customers manage their carbon risks and capture opportunities by allowing them to leverage the Group's core capabilities in financing, trading and distribution. The Group works with market-leading companies, with expertise in a wide range of energy-related sectors to deliver innovative and integrated solutions to its customers. The Group's commodities team also continues to actively trade a range of environmental products, including Renewable Energy Certificates.

The Group has been a senior investor in renewable and clean energy projects in Australia and New Zealand since 2004. As at 30 June 2012, its single asset loan facilities to clean and renewable generation companies increased to approximately 71% of total exposure in this sector (measured by Megawatt (MW) capacity), compared to 59% last year.

The Group remains an active member of the United Nations Environment Programme for Financial Institutions (UNEPFI) and United Nations Global Compact.

In October 2011, the Group submitted its annual response to the National Greenhouse and Energy Reporting (NGER) scheme, and published its Energy Efficiency Opportunities (EEO) report in December 2011. Once again, the Group also voluntarily submitted its response to the Carbon Disclosure Project (CDP) in May 2012.

Further Development

The Group remains committed to delivering long-term value to its customers, people, shareholders and the community. The Group does this by continuing to monitor all its business practices against its sustainability framework, and to look for ways that it can improve its sustainability results in all areas.

More detailed information on the Group's sustainability programmes and initiatives will be available from October 2012 at commbank.com.au/sustainability.

Sustainability

Sustainability Scorecard [1]

Customer Satisfaction	Units	2012	2011	2010
Roy Morgan Research Main Financial Institution Customer Satisfaction [2]	%	**79.0**	75.2	75.6
Rank		**2nd**	4th	2nd
DBM Business Financial Services Monitor [3]		**7.3**	7.1	7.0
Rank		**Equal 1st**	Equal 2nd	Equal 1st
Wealth Insights Platform Service Level Survey [4]		**7.69**	7.79	7.70
Rank		**2nd**	1st	1st
People				
Engagement				
Employee Engagement Index [5]	%	**80**	n/a	n/a
Employee turnover (voluntary) [6]	%	**12.90**	12.65	12.73
Diversity				
Women in Executive Manager and above roles [7]	%	**30.9**	28.2	26.3
Safety and Well-being				
Lost time injury frequency rate (LTIFR) [8]	Rate	**2.1**	2.5	2.9
Absenteeism [9]	Rate	**6.2**	6.0	5.9
Environment				
Greenhouse Gas Emissions				
Scope 1 emissions [10]	tCO_2-e	**7,546**	9,835	10,248
Scope 2 emissions [11]	tCO_2-e	**118,852**	137,948	142,218
Scope 3 emissions [12]	tCO_2-e	**20,194**	22,885	24,340
Financial Literacy Programmes				
School banking students (active) [13]		**191,416**	140,280	92,997
StartSmart students booked [14]		**235,735**	200,081	119,669

(1) All metrics capture data from Australian domestic operations only (excluding Bankwest), unless otherwise stated.

(2) Roy Morgan Research Main Financial Institution (MFI) Retail Customer Satisfaction. Australian population 14+, % "Very Satisfied" or "Fairly Satisfied" with relationship with that MFI. 6-month rolling average to June 2010, 2011 and 2012. Note the institution definitions were updated in March 2012. The Ranking refers to the Group's position relative to the other three major Australian banks (Westpac, NAB and ANZ).

(3) The average satisfaction of each financial institution's MFI business customers surveyed by DBM Business Financial Services Monitor. Respondents rate their overall relationship with that institution on a scale from 0 to 10 (0 is 'Extremely Dissatisfied', 10 is 'Extremely Satisfied'). This is reported as a 6 month rolling average as at 30 June. The ranking refers to the Group's position relative to the other three major Australian banks (Westpac, NAB, and ANZ).

(4) The average score financial advisers give to the Colonial FirstChoice and FirstWrap platforms on a scale of 1-10 (1 is 'Poor', 10 is 'Excellent'), in this survey. Ranking captures the relative position of both platforms compared with bank peer master trusts measured in the survey, based on the percentage of advisers giving 7-10 for overall satisfaction. Previously the Group reported the proportion of financial advisers giving the Colonial FirstChoice platform an overall score of 7-10. Comparatives have been restated using the average scores for the two platforms.

(5) In 2012 the Group moved the people and culture survey administration to a new provider. The index shows the proportion of employees replying 4 or 5 on the questions relating to satisfaction, retention, advocacy and pride on a scale of 1-5 (5 is 'strongly agree', 1 is 'strongly disagree'). No prior year data is available.

(6) Employee turnover refers to all voluntary exits of domestic, permanent employees as a percentage of the average domestic, permanent headcount (full-time, part-time, job share or on extended leave).

(7) Roles at the level of Executive Manager and above filled by women, in relation to the total permanent headcount as at 30 June, which captures permanent headcount (full-time, part-time, job share, on extended leave), and contractors (fixed term arrangements).

(8) LTIFR is the reported number of occurrences of lost time arising from injury or disease that have resulted in an accepted workers compensation claim, for each million hours worked by domestic employees. This relates to domestic employees only (permanent, casual and those contractors paid directly by the Group). Data is complete as at 30 June each year, however it is updated in future reports due to late reporting of incidents that occurred during the year, or the subsequent acceptance or rejection of claims made in the year. To reflect these changes, the 2011 comparative (previously 1.9) has been restated. In addition, the metric covers two additional business units, Custom Solutions and Colonial Property Management.

(9) Absenteeism is the annualised figure as at 31 May each year. Absenteeism refers to the average number of sick leave days (and, for CommSec employees, carers' leave days) per full-time equivalent (FTE), reported by domestic, permanent employees. FTE captures domestic, permanent employees (full-time, part-time, job share or on extended leave).

(10) Scope 1 carbon emissions relate to the consumption of gas and fuel (gasoline and diesel) by domestic retail and commercial properties, business use of domestic tool-of-trade vehicle fleet, dedicated bus services, business use of private vehicles, and business use of hire cars. Data was collected in line with NGER legislation requirements.

(11) Scope 2 carbon emissions relate to the electricity by domestic retail and commercial properties and domestic ATMs. Due to the electricity billing cycle, 16% of 2011/12 electricity data was estimated to meet publication deadlines. Data was collected in line with NGER legislation requirements.

(12) Scope 3 carbon emissions relate to the upstream emissions related to Scope 1 and 2 emission sources.

(13) The number of active school banking students as part of the Group's financial literacy programme.

(14) The number of students booked to attend Commonwealth Bank Foundation StartSmart programmes.

Introduction

This statement outlines the key aspects of the Commonwealth Bank's corporate governance framework. The Board has consistently placed great importance on good corporate governance practices of the Group, which it believes is vital to the Group's well-being. The Board has adopted a comprehensive framework of Corporate Governance Guidelines, designed to properly balance performance and conformance. This enables the Group to undertake, in an effective manner, the prudent risk-taking activities which are the basis of its business. The Guidelines and practices of the Group comply with the revised "Corporate Governance Principles and Recommendations", dated 30 June 2010, released by the ASX Corporate Governance Council.

Charter

The Board's role and responsibilities are set out in the Board Charter. The responsibilities include:

- The Group's corporate governance, including the establishment of Committees;
- Oversight of business and affairs by:
  - Establishing with management and approving the strategies and financial objectives;
  - Approving major corporate and capital initiatives, capital expenditure acquisitions and divestments in excess of limits delegated to management;
  - Overseeing the establishment of appropriate risk management systems including defining the Group's risk appetite and establishing appropriate financial policies such as target capital and liquidity ratios; and
  - Monitoring the performance of management and the environment in which the Group operates.
- Approving documents (including reports and statements to shareholders) required by the Bank's Constitution and relevant regulation;
- Approval of the Group's major HR policies and overseeing the development strategies for senior and high performing executives; and
- Employment of the Chief Executive Officer (CEO).

A copy of the Board Charter is available on the Group's website.

The Board carries out the legal duties of its role in accordance with the Group's values of trust, honesty and integrity. It has regard to the interests of the Group's customers, people, shareholders and the broader community in which the Group operates at all times.

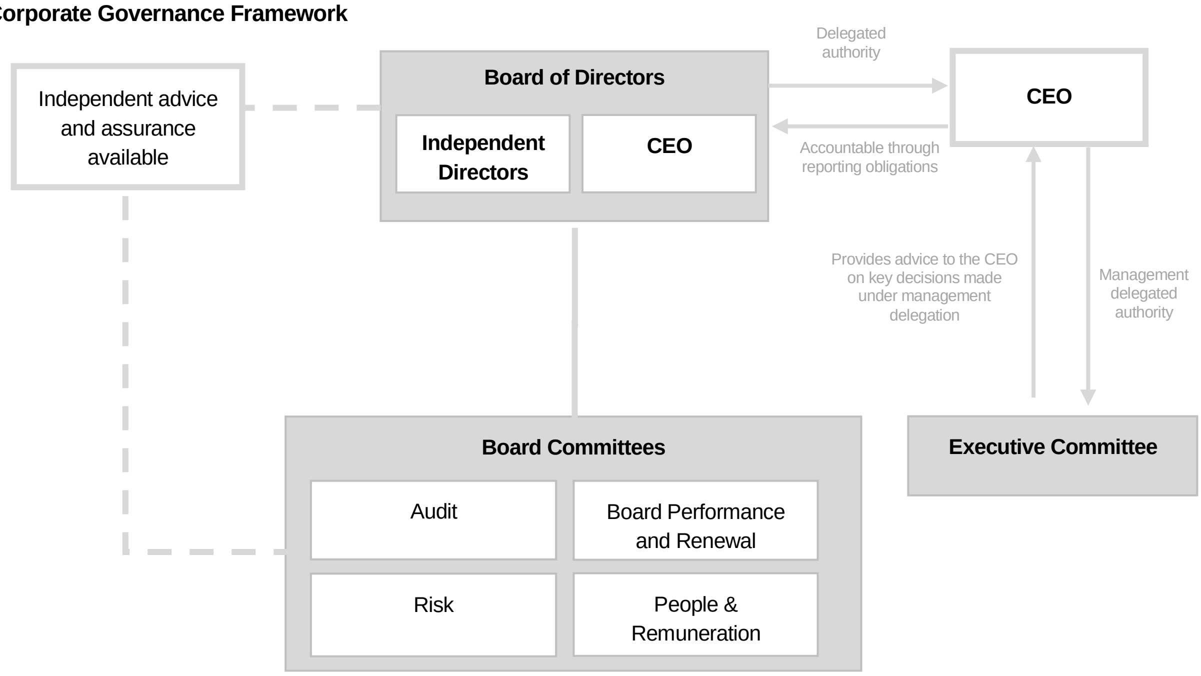
Delegation of Authority

The Board delegates to the CEO the responsibility to achieve the Group's objective of creating long term value for its shareholders through excelling in customer service and providing sustained best-in-industry performance in safety, community reputation and environmental impact.

The CEO is responsible for the day to day management of the business and maintaining a comprehensive set of management delegations under the Group's Delegation of Authorities framework. These delegations cover commitments around project investment, operational expenditure and non-financial activities and processes. They are designed to accelerate decision-making and improve both efficiency and customer service.

An overview of the Group's Corporate Governance framework is outlined below.

Corporate Governance Framework



Corporate Governance

Composition

There are currently eleven Directors of the Bank and details of their experience, qualifications, special responsibilities and attendance at meetings are set out in the Directors' Report.

Membership of the Board and Committees is set out below:

	Board Membership	Position Title	Committee Membership			
Director			Board Performance and Renewal	People & Remuneration	Audit	Risk
D J Turner	Non-Executive, Independent	Chairman	Chairman	Member	-	Member
I M Narev	Executive	Chief Executive Officer	-	-	-	Member
J A Anderson	Non-Executive, Independent	-	Member	-	-	Member
C R Galbraith	Non-Executive, Independent,	-	Member	-	Member	Member
J S Hemstritch	Non-Executive, Independent	-	-	Chairman	-	Member
L K Inman (1)	Non-Executive, Independent	-	-	-	-	Member
S C H Kay	Non-Executive, Independent	-	-	Member	Member	Member
B J Long	Non-Executive, Independent	-	-	-	Chairman	Member
A M Mohl	Non-Executive, Independent	-	-	Member	-	Member
F D Ryan	Non-Executive, Independent	-	-	-	Member	Member
H H Young	Non-Executive, Independent	-	-	-	Member	Chairman

(1) Ms Inman was appointed to the Board with effect from 16 March 2011. She was elected at the Annual General Meeting held on 8 November 2011.

Constitution

The Constitution of the Bank specifies that:

- The CEO and any other Executive Directors are not eligible to stand for election as Chairman of the Bank;
- The number of Directors will not be less than nine nor more than thirteen (or such lower number as the Board may from time to time determine). The Board has decided that there will be eleven Directors; and
- At each Annual General Meeting (AGM) one third of Directors (other than the CEO) will retire from office and may stand for re-election.

The Board has established a policy which limits the Directors' appointment term to 12 years (except where succession planning for Chairman and appointment of Chairman requires an extended term). On appointment, the Chairman will be expected to be available for that position for five years.

Independence

The Group's Non-Executive Directors are required to be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment. The Board regularly assess each Director's independence to ensure ongoing compliance with this requirement.

Directors are required to conduct themselves in accordance with the ethical policies of the Group and be meticulous in their disclosure of any material contract or relationship in accordance with the Corporations Act 2001. This disclosure extends to the interests of family companies and spouses. Directors must also strictly adhere to the participation and voting constraints in relation to matters in which they may have an interest in. Each Director may from time to time have personal dealings with the Group or be involved with other companies or professional firms which may have dealings with the Group. Details of offices held by Directors with other organisations are disclosed in the Directors' Report and on the Group's website. Full details of related party dealings are set out in the notes to the Financial Statements as required by law.

All the current Non-Executive Directors of the Bank have been assessed as independent Directors. In reaching that determination, the Board has taken into account (in addition to the matters set out above):

- The specific disclosures made by each Director;
- Where applicable, the related party dealings referrable to each Director;
- That no Director is, or has been associated directly with, a substantial shareholder of the Bank;
- That no Non-Executive Director has ever been employed by the Bank or any of its subsidiaries;
- That no Director is, or has been associated with, a supplier, professional adviser, consultant to or customer of the Group which is material under accounting standards;
- That no Non-Executive Director personally carries on any role for the Group otherwise that as a Director of the Bank; and
- That no Non-Executive Director has a material contractual relationship with the Group other than as a Director of the Bank.

Education and Review

Directors participate in an induction programme upon appointment and in a refresher programme on a regular basis. This programme of continuing education ensures that the Board is kept up to date with developments in the industry both locally and globally. It also includes sessions with local and overseas experts in the particular fields relevant to the Group's operations.

This year the Board also received an external assessment of shareholders' perception of performance and strategy, which helped update the Board on the Bank's external profile amongst investors.

Board Performance and Renewal Committee

The Non-Executive Directors meet at least annually without management, in a forum intended to allow for an open discussion on Board and management performance. This is in addition to the consideration of the CEO's performance and remuneration which is conducted by the Board in the CEO's absence.

Performance evaluations in accordance with the above processes have been undertaken during the year. Details on management performance evaluations are contained in the Remuneration Report section of the Directors' Report, on pages 69 to 88.

The Board Performance and Renewal Committee annually review the Group's corporate governance procedures. It considers the composition and effectiveness of the Commonwealth Bank of Australia Board and also the boards of the major wholly owned subsidiaries. It also considers the effectiveness of the Board and ensures that the Board annually reviews its own performance, policies and practices. These reviews seek to identify where improvements can be made in Board processes. They also assess the quality and effectiveness of information made available to Directors. The review process includes a performance assessment of the Board Committees and each Director. Every two years, this process is also facilitated by an external consultant.

The Board used an independent facilitator in this year's performance review. The review endorsed the current Board and Committee processes and also suggested ways in which collective and individual Director performance might be improved. The assessment has been considered by the Board and individual Director assessments have been diarised with Directors by the Chairman of the Board.

After considering the results of the performance assessment, the Board will determine its endorsement of the Directors to stand for re-election at the next AGM.

In accordance with the Board's policies, the Committee consists solely of independent Non-Executive Directors, with the CEO attending the meeting by invitation.

A copy of the Board Performance and Renewal Committee Charter is available on the Group's website.

Selection of Directors

The Board Performance and Renewal Committee's set of criteria for Director appointments are reviewed annually and adopted by the Board. These are aimed at creating a Board capable of challenging, stretching and motivating management to achieve sustained, outstanding performance in all respects. The Group's aim is to ensure that any new appointee is able to contribute to the Board constituting a competitive advantage for the Group. Based on these criteria, each Director should:

- Be capable of operating as part of an exceptional team;
- Contribute outstanding performance and exhibit impeccable values;
- Be capable of inputting strongly to risk management, strategy and policy;
- Provide an appropriate mix of skills, diversity and experience required currently and for the future strategy of the Group;
- Be excellently prepared and receive all necessary education;
- Provide important and significant insights, input and questions to management from their experience and skill; and
- Vigorously debate and challenge management.

Professional intermediaries are engaged to identify a diverse range of potential candidates for appointment as Directors based on the identified criteria.

The Board Performance and Renewal Committee will assess the skills, experience and personal qualities of these candidates. It will also take into consideration other attributes including diversity to ensure that any appointment decisions adequately reflect the environment in which the Group operates. Information on the Group's diversity strategy more generally can also be found in the Sustainability section of this report on pages 51 to 54.

Candidates who are considered suitable for appointment as Directors by the Board Performance and Renewal Committee are then recommended for decision by the Board and, if appointed, will stand for election at the next AGM, in accordance with the Constitution.

The Chairman will provide a letter to all new Directors setting out the terms of appointment and relevant Board policies. These include time commitment, code of ethics and continuing education. All current Directors have been provided with a letter confirming the terms of their appointment. A copy of the form of the appointment letter is available on the Group's website.

Policies

Board policies relevant to the composition of Committees and functions of Directors include:

- The Board will consist of a majority of independent Non-Executive Directors;
- The Board Performance and Renewal, People & Remuneration and Audit Committees should consist solely of independent Non-Executive Directors. The Risk Committee should consist of a majority of independent Non-Executive Directors;
- The Chairman will be an independent Non-Executive Director;
- The Audit Committee will be chaired by an independent Non-Executive Director other than the Chairman;
- The Board will meet on a regular and timely basis. The meeting agendas will provide adequate information about the affairs of the Group. It also enables the Board to guide and monitor management, and assist in its involvement in discussions and decisions on strategy. Strategic matters are given priority on regular Board meeting agendas. In addition, ongoing strategy is the major focus of at least one Board meeting annually;
- An agreed policy on the basis that Directors are entitled to obtain access to Group documents and information, and to meet with management; and
- A procedure whereby, after appropriate consultation, Directors are entitled to seek independent professional advice, at the expense of the Group, to assist them to carry out their duties as Directors. The policy of the Group provides that any such advice is generally made available to all Directors.

Ethical Standards

Conflicts of Interest

In accordance with the Constitution and the Corporations Act 2001, Directors are required to disclose to the Board any material contract in which they may have an interest. In compliance with section 195 of the Corporations Act 2001 any Director with a material personal interest in a matter being considered by the Board will not vote on or be present when the matter is being considered. If the material personal interest is disclosed or identified before a Board or Committee meeting takes place those Directors will also not receive a copy of any paper dealing with the matter.

Share Trading

The Board has adopted a Group Securities Trading policy which prohibits Directors, employees and contractors of the Group from:

- Dealing in the Group's securities if they are in possession of unpublished price-sensitive information; and
- Communicating unpublished price-sensitive information to other people.

Directors are also only permitted to deal with the Group's securities within certain periods, as long as they are not in the possession of unpublished price-sensitive information. These periods include the 30 days after the half yearly and final results announcements, and 14 days after quarterly trading update releases.

The Policy also requires that Directors do not deal on the basis of considerations of a short term nature or to the extent of trading in those securities. Similar restrictions apply to Executives of the Group, which is in addition to the prohibition of any trading (including hedging) in positions prior to vesting of shares or options.

Directors and Executives who report to the CEO are also prohibited from:

- Any hedging of publicly disclosed shareholding positions; and
- Entering into or maintaining arrangements for margin borrowing, short selling or stock lending, in connection with the securities of the Group.

A copy of the policy is available on the Group's website.

Remuneration Arrangements

Details of the governance arrangements and policies relevant to remuneration are set out in the Remuneration Report on pages 69 to 88.

Audit Arrangements

Audit Committee

The Audit Committee assists the Board in fulfilling its statutory and fiduciary responsibilities. It provides an objective and independent review of the effectiveness of the external reporting of financial information and the internal control environment of the Group, as well as obtaining an understanding of the Group's tax and accounting risks. The Audit Committee is responsible for overseeing accounting policies, professional accounting requirements, internal audit (GAA), external audit, APRA statutory and regulatory reporting requirements, and the external auditor's appointment.

The Charter of the Audit Committee incorporates a number of policies and practices to ensure that the Committee is independent and effective.

These include:

- The Audit Committee will comprise at least three members. All members must be Non-Executive, Independent Directors and be financially literate. At least one member should have relevant qualifications and experience as referred to in the ASX Corporate Governance Principles and Recommendations;
- The Chairman of the Audit Committee cannot be the Chairman of the Board. The term of each member will be determined by the Board through annual review. The Risk Committee Chairman will be a member of the Audit Committee and vice-versa to ensure the flow of relevant information between the two committees;
- Meetings will be at least quarterly and as required. The external auditor will be invited to all meetings;
- Meetings will be held from time to time with GAA and the external auditor without management or others being present;
- The Committee has the power to call attendees as required, including open access to management, GAA, external audit and the right to seek explanations and additional information;
- Senior management and the internal and external auditor have free and unfettered access to the Audit Committee with the Group Auditor having a direct reporting line, whilst maintaining a management reporting line to the Chief Financial Officer; and
- It has the option, with the concurrence of the Chairman of the Board, to retain independent legal, accounting or other advisors to the extent the Committee considers necessary at the Group's expense.

A copy of the Audit Committee Charter is available on the Group's website.

Auditor

PricewaterhouseCoopers (PwC) was appointed as the external auditor of the Bank at the 2007 AGM, effective from the beginning of the 2008 financial year.

The PwC partner managing the Group's external audit will attend the 2012 AGM and be available to respond to shareholder questions relating to the external audit.

In line with current legislations, the Group requires that the partner be changed within five years of being appointed.

The Group and its external auditor must continue to comply with U.S Auditor independence requirements. U.S. Securities and Exchange Commission (SEC) rules still apply to various activities that the Group undertakes in the United States, even though the Bank is not registered under the Exchange Act.

Non-Audit Services

The External Auditor Services Policy requires the Audit Committee (or its delegate) to approve all audit and non-audit services before engaging the external auditors to perform the work. The policy also prohibits the external auditors from providing certain services to the Group or its affiliates. The objective of this policy is to avoid prejudicing the external auditor's independence.

The policy is designed to ensure that the external auditors do not:

- Assume the role of management or act as an employee;
- Become an advocate for the Group;
- Audit their own work;
- Create a mutual or conflicting interest between themselves and the Group;
- Require an indemnification from the Group to themselves;
- Seek contingency fees; nor
- Have a direct financial or business interest or a material indirect financial or business interest in the Group or any of its affiliates, or an employment relationship with the Group or any of its affiliates.

Audit Arrangements (continued)

Under the policy, the external auditor will not provide certain services including the following services:

- Bookkeeping or other services relating to accounting records or Financial Statements of the Group;
- Financial information systems design and implementation;
- Appraisal or valuation services (other than certain tax only valuation services) and fairness opinions or contribution-in-kind reports;
- Actuarial services unless approved in accordance with independence guidelines;
- Internal audit outsourcing services;
- Management functions, including acting as an employee and secondment arrangements;
- Human resources;
- Broker-dealer, investment adviser or investment banking services;
- Legal services;
- Expert services for the purpose of advocating the interests of the Group;
- Services relating to marketing, planning or opining in favour of the tax treatment of certain transactions;
- Tax services in connection with certain types of tax transactions;
- Tax services to individuals, and any immediate family members of any individuals, in a Financial Reporting Oversight Role; and
- Certain corporate recovery and similar services.

In general terms, the permitted services are:

- Audit services to the Group or an affiliate;
- Related services connected with the lodgement of statements or documents with the ASX, ASIC, APRA or other regulatory or supervisory bodies;
- Services reasonably related to the performance of the audit services;
- Agreed-upon procedures or comfort letters provided by the external auditor to third parties in connection with the Group's financing or related activities; and
- Other services pre-approved by the Audit Committee.

Risk Management

Risk Management governance originates at Board level, and cascades through to the CEO and businesses, via policies and delegated authorities. This ensures Board level oversight and 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 through GAA.

The Board and its Risk Committee operate under the direction of their respective charters. The Board Charter stipulates, amongst other things that:

- The Board is responsible for "overseeing the establishment of systems of risk management by approving accounting policies, financial statements and reports, credit policies and standards, risk management policies and procedures and operational risk policies and systems of internal controls"; and
- The CEO is responsible for "implementing a system, including a system of internal controls and audits, to identify and manage risks that are material to the business of the Group".

The CEO and the Chief Financial Officer have given the Board their declaration in accordance with section 295A of the Corporations Act 2001. The CEO has confirmed that the declaration is founded on a sound system of risk management and internal control and also that the system is operating effectively in all material respects in relation to financial risks.

Risk Committee

The Risk Committee oversees the Group's risk management framework. This includes credit, market (including traded interest rate risk in the banking book, lease residual values, non-traded equity and structural foreign exchange), liquidity and funding, operational, insurance, regulatory and compliance, and reputational risks assumed by the Group in the course of carrying on its business. It reviews regular reports from management on the measurement of risk and the adequacy and effectiveness of the Group's risk management and internal controls systems.

Strategic risks are governed by the Board, with input from the various Board sub-committees. Tax and accounting risks are governed by the Audit Committee.

A key purpose is to help formulate the Group's risk appetite for consideration by the Board, and agreeing and recommending a risk management framework to the Board that is consistent with the approved risk appetite.

This framework, which is designed to achieve portfolio outcomes consistent with the Group's risk-return expectations, includes:

- High-level risk management policies for each of the risk areas it is responsible for overseeing; and
- A set of risk limits to manage exposures and risk concentrations.

The Committee monitors management's compliance with the Group risk framework (high-level policies and limits). It also makes recommendations on the key policies relating to capital (that underpin the Internal Capital Adequacy Assessment Process), liquidity and funding. These are overseen and reviewed by the Board on at least an annual basis.

The Committee also monitors the health of the Group's risk culture, and reports any significant issues to the Board.

As part of the remuneration policy, the Risk Committee provides written input to the People & Remuneration Committee to assist in the alignment of executive remuneration with appropriate risk behaviours.

The Committee reviews significant correspondence with regulators, receives reports from management on regulatory relations and reports any significant regulatory issues to the Board.

Levels of insurance cover on insurance policies maintained by the Group to mitigate some operational risks are disclosed to the Risk Committee for comment.

The Risk Committee charter states that the Committee will meet at least quarterly, and as required. In practice this is at least six times a year. To allow it to form a view on the independence of the function, the Risk Committee meets with the Group Chief Risk Officer (CRO) in the absence of other management at least annually or as decided by of the Committee or the CRO. The Chairman of the Risk Committee provides a report to the Board following each Committee meeting.

A copy of the Risk Committee charter appears on the Group's website.

Risk Management (continued)

Framework

The Group has an integrated risk management framework in place to identify, assess, manage and report risks and risk adjusted returns on a consistent and reliable basis.

A description of the functions of the framework and the nature of the risks is set out in the Risk Management section of the Annual Report (pages 37 to 40) and in Notes 37 to 40 to the Financial Statements (pages 178 to 201).

Continuous Disclosure

Matters which could be expected to have a material effect on the price or value of the Company's securities must be disclosed under the Corporations Act 2001 and the ASX Listing Rules. The Group's "Guidelines for Communication between the Bank and Shareholders" is available on the Group's website. These set out the processes to ensure that shareholders and the market are provided with full and timely information about the Group's activities in compliance with continuous disclosure requirements.

Continuous Disclosure policy and processes are in place throughout the Group to ensure that all material matters which may potentially require disclosure are promptly reported to the CEO. This is achieved via established reporting lines or as a part of the deliberations of the Group's Executive Committee. Matters reported are assessed and, where required by the ASX Listing Rules, advised to the market. A Disclosure Committee has also been formed to provide advice on the requirements for disclosing information to the market. The Company Secretary is responsible for communications with the ASX and for ensuring that such information is not released to any person until the ASX has confirmed its release to the market.

Shareholder Communication

The Group believes it is very important for its shareholders to make informed decisions about their investment in the Group. In order for the market to have an understanding of the business operations and performance, the Group aims to provide shareholders with access to quality information in the form of:

- Interim and final results;
- Annual Reports;
- Shareholder newsletters;
- AGM;
- Quarterly trading updates and Business Unit briefings where considered appropriate;
- All other price sensitive information will be released to the ASX in a timely manner; and
- The Group's website at www.commbank.com.au.

The Group employs a wide range of communication approaches, including direct communication with shareholders, publication of all relevant Group information on the shareholder centre section of the website and webcasting of most market briefings for shareholders. Upcoming webcasts are announced to the market via ASX announcements and publicised on the website to enable interested parties to participate. To make its general meetings more accessible to shareholders, the Group moves the location between Australian capital cities each year and live webcasts are available for viewing online. The Group has taken these actions to encourage shareholder participation at general meetings.

A summary record of issues discussed at one-on-one or group meetings with investors and analysts, including a record of those present, time and venue of the meeting, are kept for internal reference only.

The Group is committed to maintaining a level of disclosure that meets the highest of standards and provides all investors with timely and equal access to information.

Ethical Policies

The values of the Group are trust, honesty and integrity. The Board carries out its legal duties in accordance with these values and having appropriate regard to the interests of the Group's customers, shareholders, people and the broader community in which the Group operates.

Policies and codes of conduct have been established by the Board and the Group Executive team to support the Group's objectives, vision and values.

Statement of Professional Practice

The Group's code of ethics, known as a Statement of Professional Practice, sets standards of behaviour required of all employees and directors including:

- To act properly and efficiently in pursuing the objectives of the Group;
- To avoid situations which may give rise to a conflict of interest;
- To know and adhere to the Group's Equal Employment Opportunity policy and programmes;
- To maintain confidentiality in the affairs of the Group and its customers; and
- To be absolutely honest in all professional activities.

These standards are regularly communicated to the Group's people. The Group has also established the Group Securities Trading policy to ensure that unpublished price-sensitive information is not used in an illegal manner for personal advantage.

Our People

The Group has implemented various policies and systems to enable its people to carry out their duties in accordance with the Group's values. These include:

- Fair Treatment Review;
- Equal Employment Opportunity;
- Occupational Health and Safety;
- Recruitment and selection;
- Performance management;
- Talent management and succession planning;
- Remuneration and recognition;
- Employee share plans; and
- Supporting Professional Development.

Information on the Group's diversity strategy can be found in the Sustainability section of this report on pages 51 to 54.

Behaviour Policy

The Group is strongly committed to maintaining an ethical workplace and to complying with legal and ethical responsibilities. The Group's Behaviour policy requires its people to report fraud, corrupt conduct, mal-administration or serious and substantial waste by others. A system has been established which allows people to remain anonymous, if they wish, for reporting of these matters.

The policy includes reporting of auditing and accounting issues. These are reported to the Chief Compliance Officer by the Chief Security Officer, who administers the reporting and investigation system. The Chief Security Officer reports any such matters to the Audit Committee, noting the status of resolution and actions to be taken.

Code of Conduct

The Board will operate in a manner reflecting the Group's values and in accordance with its agreed corporate governance guidelines, the Bank's Constitution, the Corporations Act and all other applicable regulations.

The Board employs and requires at all levels, impeccable values, honesty and openness. Through its processes, it achieves transparent, open governance and communications under all circumstances, and addressing both performance and conformance.

The Board's policies and codes include detailed provisions dealing with:

- The interaction between the Board and management to ensure there is effective communication of the Board's views and decisions, resulting in motivation and focus towards long term shareholder value behaviours and outcomes;
- Disclosure of relevant personal interests so that potential conflict of interest situations can be identified and appropriate action undertaken to avoid compromising the independence of the Board; and
- Securities dealings in compliance with the Group's strict guidelines and in accordance with its values of trust, honesty and integrity.

Website

The Group's Corporate Governance statement can be viewed at www.commbank.com.au > About us > Shareholders > Corporate Profile.

The current charters and summary of policies and guidelines referred to in this statement are also published on this section of this website.

Directors' Report

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

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 22 Inc., Bank of England ceasing 31 May 2012 and Financial Services Volunteer Corps.

Other interests: Wesley College Advisory Committee.

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

Mr Young is a resident of Victoria. Age 67.

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.

Directors' Report

Committee Meetings

Director	Risk Committee		Audit Committee		People & Remuneration Committee	
	No. of Meetings Held [(1)]	No. of Meetings Attended	No. of Meetings Held [(1)]	No. of Meetings Attended	No. of Meetings Held [(1)]	No. of Meetings Attended
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.

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.

Review of Operations

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

Changes in State of Affairs

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

Highlights included:

- "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.

Directors' Report

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 62 to 65 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.

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

Directors' Report – Remuneration Report

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 85^{th} 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.

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)	Full Year
	Group Executive, Business and Private Banking (until 30 November 2011)	
Group Executives		
Simon Blair	Group Executive, International Financial Services	Full Year
David Cohen	Group General Counsel	Full Year
	Acting Group Executive Human Resources (until 14 February 2012)	
	Group Executive Group Corporate Affairs (from 15 February 2012)	
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)	Full Year
	Group Executive, Business and Private Banking (from 1 October 2011)	
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.

Directors' Report – Remuneration Report

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:

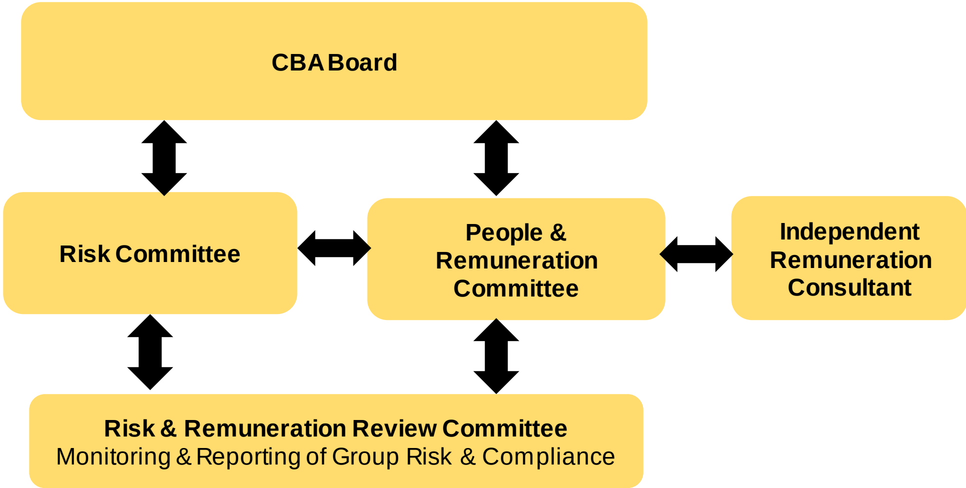
- Provide target remuneration which is market competitive, without putting upward pressure on the market;
- Align rewards with shareholder interests and our business strategy;
- Clearly articulate to Executives the link between individual and Group performance, and individual reward;
- Reward superior 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.

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 Committee	Chairman	50,000	52,500
	Member	25,000	26,250
Board Performance & Renewal Committee	Chairman	10,000	10,500
	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 82 provides the individual remuneration expense for each NED in relation to the 2012 performance year.

Directors' Report – Remuneration Report

2. Remuneration Framework

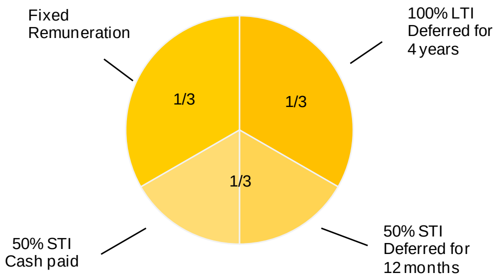
The remuneration arrangements of our CEO and Group Executives are made up of both fixed and at risk remuneration. This is composed of the following three elements:

- 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.

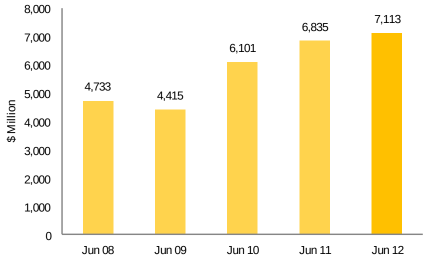
3. Linking Remuneration to Performance

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

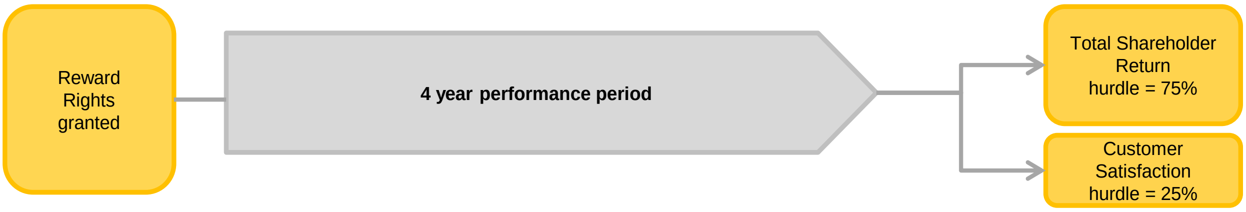
The GLRP award granted during the 2010 financial year reached the end of its three year performance period on 30 June 2012. This was a one-off transitional award made during the 2010 financial year, when LTI arrangements moved from a three year to a four year performance period. This transitional grant 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.

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 74 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.

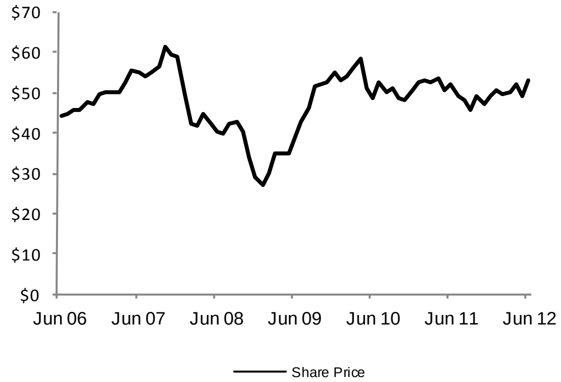
Long Term Performance against key measures

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.

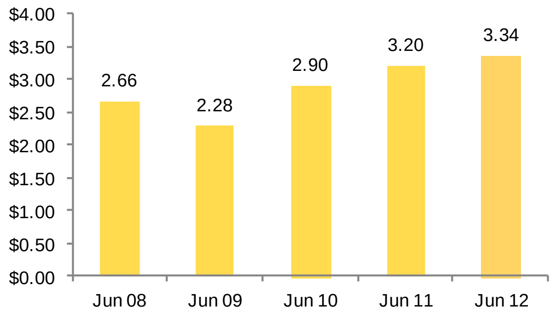
Performance against shareholder return

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

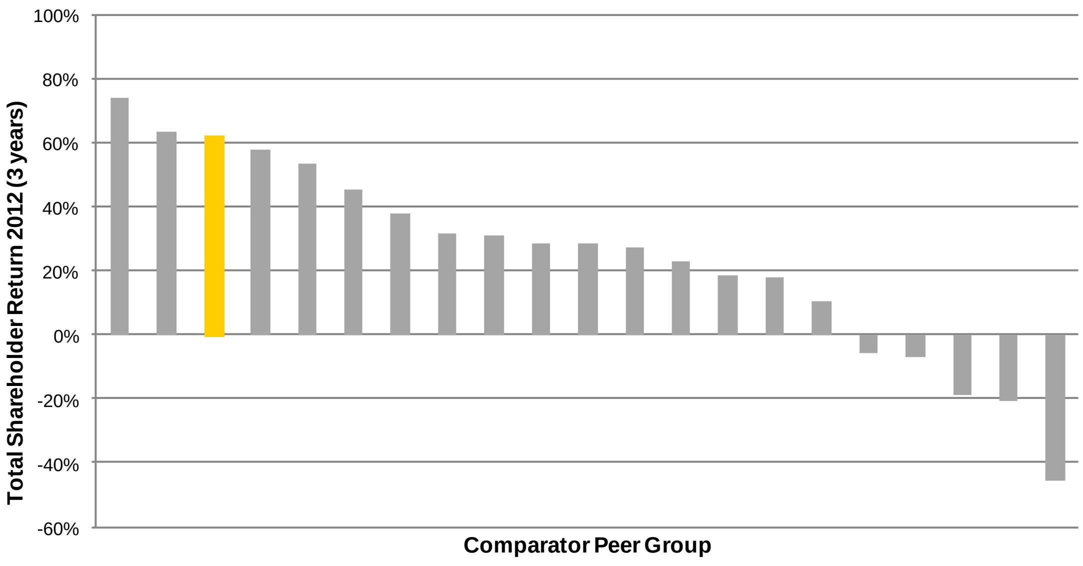


CBA Dividends Per Share



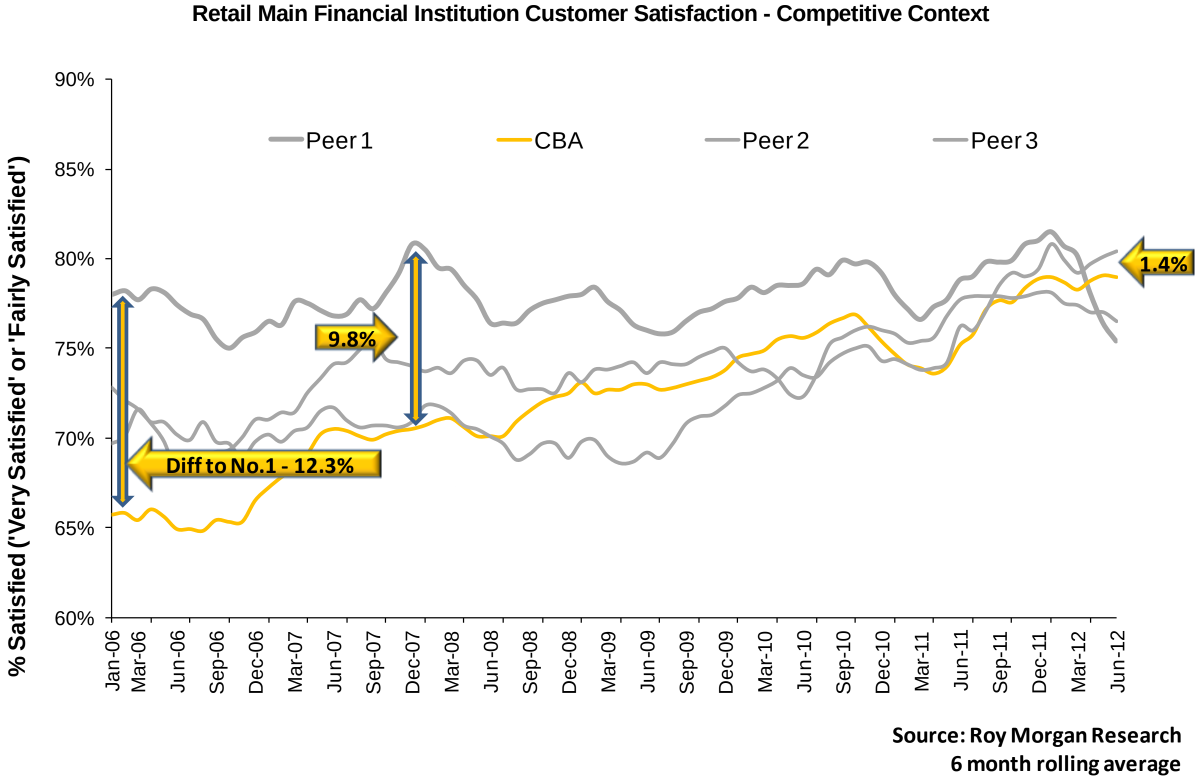
Relative TSR Performance Against Our Peers

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.

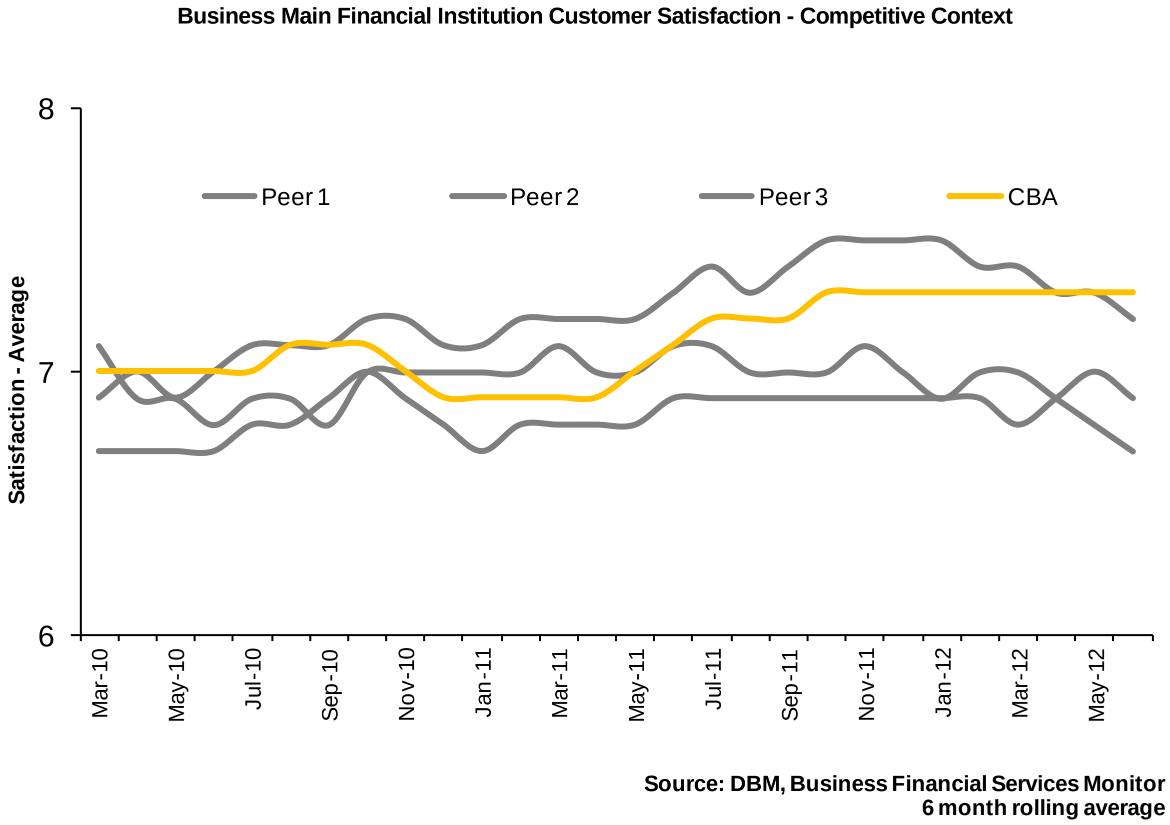


Performance against Customer Satisfaction

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.



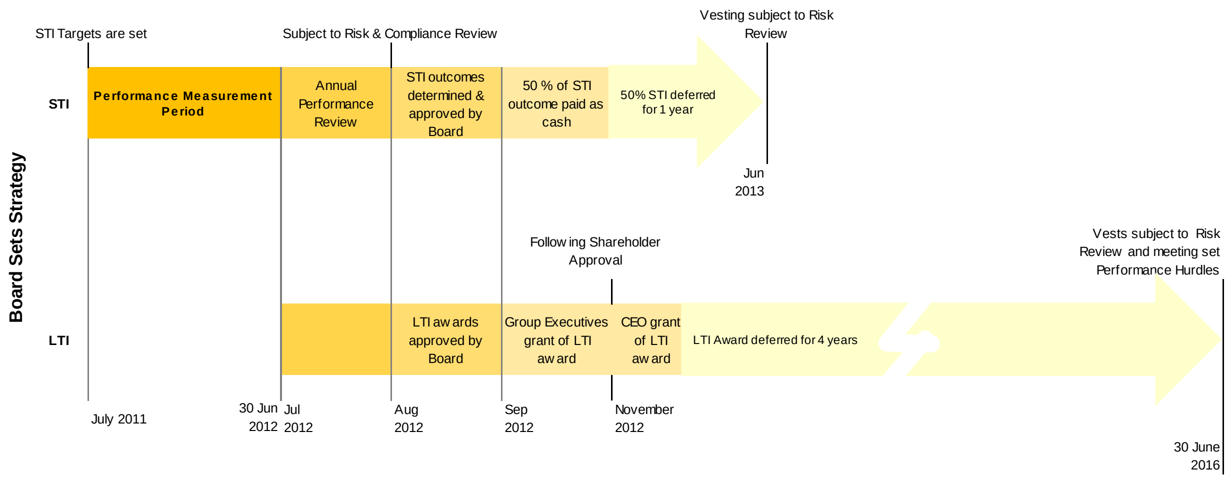
Directors' Report – Remuneration Report



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 83 and 84. 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 83

		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 83		**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 73 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.

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 81, 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.

Former executive - Ralph Norris		2012 $M	2011 [1] $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 81.

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 83 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.

Directors' Report – Remuneration Report

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.

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:

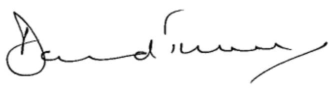
- The operation of the Independent Auditor Services Policy during the year to restrict the nature of non-audit services engagements, to prohibit certain services and to require Audit Committee pre-approval for all such engagements; and
- The relative quantum of fees paid for non-audit services compared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

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

Incorporation of Additional Material

This report incorporates the Chairman's Statement (pages 2 to 3), Highlights (pages 6 to 9), Analysis sections for Retail Banking Services (pages 18 to 19), Business and Private Banking (pages 20 to 21), Institutional Banking and Markets (pages 22 to 23), Wealth Management (pages 24 to 27), New Zealand (pages 28 to 30), Bankwest (pages 32 to 33), Other Divisions (pages 34 to 35) and Shareholding Information (pages 221 to 224) sections of this Annual report.

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

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Five Year Financial Summary

	2012	2011	2010	2009	2008
	$M	$M	$M	$M	$M
Net interest income [1]	**13,157**	12,645	12,008	10,184	7,872
Other operating income [1] [2]	**6,993**	7,014	7,051	6,634	6,469
Total operating income	**20,150**	19,659	19,059	16,818	14,341
Operating expenses	**(9,196)**	(8,891)	(8,601)	(7,765)	(7,021)
Impairment expense	**(1,089)**	(1,280)	(2,075)	(3,048)	(930)
Operating profit before goodwill and income tax expense	**9,865**	9,488	8,383	6,005	6,390
Corporate tax expense	**(2,736)**	(2,637)	(2,266)	(1,560)	(1,626)
Non-controlling interests	**(16)**	(16)	(16)	(30)	(31)
Net profit after tax ("cash basis")	**7,113**	6,835	6,101	4,415	4,733
Defined benefit superannuation plan (expense)/income [3]	**-**	-	-	(10)	9
Treasury shares valuation adjustment	**(15)**	(22)	(44)	(28)	60
Hedging and IFRS volatility	**124**	(265)	17	(245)	(42)
Visa Initial Public Offering gain after tax	**-**	-	-	-	295
Investment and restructuring	**-**	-	-	-	(264)
One-off expenses	**-**	-	-	(23)	-
Tax on NZ Structured finance transactions	**-**	-	(171)	-	-
Loss on disposal of controlled entities/investments	**-**	(7)	(23)	-	-
Bankwest non cash items	**(89)**	(147)	(216)	614	-
Count Financial acquisition costs	**(43)**	-	-	-	-
Net profit after income tax attributable to Equity holders of the Bank	**7,090**	6,394	5,664	4,723	4,791
Contributions to profit (after tax)					
Retail Banking Services	**2,934**	2,854	2,461	2,107	1,911
Business and Private Banking	**1,067**	1,030	898	736	721
Institutional Banking and Markets	**1,060**	1,004	1,173	166	771
Wealth Management	**492**	581	592	514	789
New Zealand	**506**	469	387	438	n/a
Bankwest	**524**	463	(45)	113	n/a
International Financial Services	**n/a**	n/a	n/a	n/a	555
Other [3]	**441**	353	457	537	(1)
Net profit after tax ("underlying basis")	**7,024**	6,754	5,923	4,611	4,746
Investment experience after tax	**89**	81	178	(196)	(13)
Net profit after tax ("cash basis")	**7,113**	6,835	6,101	4,415	4,733
Defined benefit superannuation plan (expense)/income [3]	**-**	-	-	(10)	9
Treasury shares valuation adjustment	**(15)**	(22)	(44)	(28)	60
Hedging and IFRS volatility	**124**	(265)	17	(245)	(42)
Visa Initial Public Offering gain after tax	**-**	-	-	-	295
Investment and restructuring	**-**	-	-	-	(264)
One-off expenses	**-**	-	-	(23)	-
Tax on NZ Structured finance transactions	**-**	-	(171)	-	-
Loss on disposal of controlled entities/investments	**-**	(7)	(23)	-	-
Bankwest non cash items	**(89)**	(147)	(216)	614	-
Count Financial acquisition costs	**(43)**	-	-	-	-
Net profit after tax ("statutory basis")	**7,090**	6,394	5,664	4,723	4,791
Balance Sheet					
Loans, bills discounted and other receivables	**525,682**	500,057	493,459	466,631	361,282
Total assets	**718,229**	667,899	646,330	620,372	487,572
Deposits and other public borrowings	**437,655**	401,147	374,663	368,721	263,706
Total liabilities	**676,657**	630,612	610,760	588,930	461,435
Shareholders' equity	**41,572**	37,287	35,570	31,442	26,137
Net tangible assets	**29,821**	26,217	24,688	20,738	16,422
Risk weighted assets	**302,787**	281,711	290,821	288,836	205,501
Average interest earning assets [4]	**629,685**	597,406	577,261	510,510	418,829
Average interest bearing liabilities [5]	**590,654**	559,095	543,824	483,283	395,989
Assets (on Balance Sheet) - Australia	**621,355**	581,695	561,618	528,354	410,225
Assets (on Balance Sheet) - New Zealand	**55,499**	54,993	56,948	59,606	54,312
Assets (on Balance Sheet) - Other	**41,375**	31,211	27,764	32,412	23,035

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

(2) Includes investment experience.

(3) Due to the change in expectations on the size and impact of defined benefit superannuation plan (income)/expense, from 1 July 2009 this amount has been included as part of total expenses ("cash basis") and is recorded in the Other segment.

(4) Comparatives have been restated for the reallocation of Bank Acceptances of customers and securitised home loans to Interest earning assets.

(5) Comparatives have been restated for the reallocation of Bank Acceptances and securitised debt issues to interest bearing liabilities.

Five Year Financial Summary

	2012	2011	2010	2009	2008
Shareholder summary					
Dividends per share - fully franked (cents)	**334**	320	290	228	266
Dividends cover - statutory (times)	**1.3**	1.3	1.3	1.3	1.3
Dividends cover - cash (times)	**1.3**	1.4	1.4	1.3	1.3
Earnings per share (cents)					
Basic					
Statutory	**448.9**	411.2	367.9	328.5	363.0
Cash basis	**449.4**	438.7	395.5	305.6	356.9
Fully diluted					
Statutory	**432.9**	395.1	354.2	313.4	348.7
Cash basis	**433.4**	420.6	379.8	292.4	343.1
Dividend payout ratio (%)					
Statutory	**75.2**	78.3	79.7	73.1	74.1
Cash basis	**75.0**	73.2	73.9	78.2	75.0
Net tangible assets per share ($)	**18.7**	16.8	15.9	13.7	12.4
Weighted average number of shares (statutory basic) (M)	**1,570**	1,545	1,527	1,420	1,307
Weighted average number of shares (statutory fully diluted) (M)	**1,674**	1,668	1,640	1,548	1,424
Weighted average number of shares (cash basic) (M)	**1,573**	1,548	1,531	1,426	1,313
Weighted average number of shares (cash fully diluted) (M)	**1,677**	1,671	1,644	1,554	1,430
Number of shareholders	**792,906**	792,765	784,382	776,283	741,072
Share prices for the year ($)					
Trading high	**53.80**	55.77	60.00	46.69	62.16
Trading low	**42.30**	47.05	36.20	24.03	37.02
End (closing price)	**53.10**	52.30	48.64	39.00	40.17
Performance ratios (%)					
Return on average Shareholders' equity					
Statutory	**18.7**	18.4	17.5	16.8	19.8
Cash basis	**18.6**	19.5	18.7	15.8	20.4
Return on average total assets					
Statutory	**1.0**	1.0	0.9	0.9	1.0
Cash basis	**1.0**	1.0	1.0	0.8	1.0
Capital adequacy - Tier One	**10.01**	10.01	9.15	8.07	8.17
Capital adequacy - Tier Two	**0.97**	1.69	2.34	2.35	3.41
Capital adequacy - Total	**10.98**	11.70	11.49	10.42	11.58
Net interest margin	**2.09**	2.12	2.08	1.99	1.88
Other information (numbers)					
Full-time equivalent employees	**44,844**	46,060	45,025	44,218	39,621
Branches/services centres (Australia)	**1,167**	1,160	1,147	1,142	1,009
Agencies (Australia)	**3,818**	3,795	3,884	3,859	3,814
ATM's (proprietary)	**4,213**	4,173	4,149	4,075	3,301
EFTPOS terminals	**175,436**	170,855	165,621	167,025	187,377
Productivity (1)					
Total income per full-time (equivalent) employee ($)	**446,013**	424,186	418,057	386,381	362,384
Employee expense/Total income (%)	**24.7**	24.5	24.1	23.3	25.5
Total operating expenses/Total income (%)	**46.0**	45.5	45.7	45.4	48.9

(1) The productivity metrics have been calculated on a “cash basis”.

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

Financial Statements

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

	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
							Group
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

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	
	Note	2012 $M	2011 $M	2010 $M	2012 $M	2011 $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 2012 $M	Group 2011 $M	Group 2010 $M	Bank 2012 $M	Bank 2011 $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.

Notes to the Financial Statements

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
Interest earning assets [1]	**Average Balance $M**	**Interest $M**	**Average Rate %**	**Average Balance $M**	**Interest $M**	**Average Rate %**	**Average Balance $M**	**Interest $M**	**Average Rate %**
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)

			Group
	2012	2011	2010
	Average Balance	Average Balance	Average Balance
Non-interest earning assets	$M	$M	$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

		2012			2011				Group 2010
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest bearing liabilities (1)	$M	$M	%	$M	$M	%	$M	$M	%
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 %	2011 Avg Bal $M	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 %	2011 Avg Bal $M	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.

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)

	Group		
	2012	2011	2010
Geographical analysis of key categories [1]	%	%	%
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 2012 $M	Group 2011 $M	Group 2010 $M	Bank 2012 $M	Bank 2011 $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 2012 $M	Group 2011 $M	Group 2010 $M	Bank 2012 $M	Bank 2011 $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 2012 %	Group 2011 %	Group 2010 %	Bank 2012 %	Bank 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 $M	2011 $M	2010 $M	2012 $M	2011 $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		Bank
	2012	2011	2010	2012	2011
	$M	$M	$M	$M	$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:

			Group		Bank
	2012	2011	2010	2012	2011
Deferred tax assets not taken to account	$M	$M	$M	$M	$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

			Group		Bank
Expiration of deferred tax assets not taken	2012	2011	2010	2012	2011
to account	$M	$M	$M	$M	$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.

Notes to the Financial Statements

Note 6 Dividends

	Group			Bank	
	2012	2011	2010	2012	2011
	$M	$M	$M	$M	$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

			Group
	2012	2011	2010
Earnings per ordinary share		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).

			Group
	2012	2011	2010
Reconciliation of earnings used in calculation of earnings per share	$M	$M	$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	2011	2010
	M	M	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		Bank
	2012	2011	2012	2011
	$M	$M	$M	$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		Bank
	2012	2011	2012	2011
	$M	$M	$M	$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.

Notes to the Financial Statements

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 $M	2011 $M	2012 $M	2011 $M	2012 $M	2011 $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 $M	2011 $M	2012 $M	2011 $M	2012 $M	2011 $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	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]	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	2012 Fair Value Liability $M	2011 Fair Value Asset $M	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)

				Bank
		2012		2011
	Fair Value	Fair Value	Fair Value	Fair Value
	Asset	Liability	Asset	Liability
Derivatives held for hedging	$M	$M	$M	$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.

				Bank
		2012		2011
	Fair Value	Fair Value	Fair Value	Fair Value
	Asset	Liability	Asset	Liability
Other derivatives	$M	$M	$M	$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.

Notes to the Financial Statements

Note 12 Available-for-Sale Investments

	Group 2012 $M	Group 2011 $M	Bank 2012 $M	Bank 2011 $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 $M	%	3 to 12 months $M	%	1 to 5 years $M	%	5 to 10 years $M	%	10 or more years $M	%	Non-Maturing $M	Total $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 $M	%	3 to 12 months $M	%	1 to 5 years $M	%	5 to 10 years $M	%	10 or more years $M	%	Non-Maturing $M	Total $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)

				Group
	Maturity Period at 30 June 2011			
	Maturing 1 Year or Less	Maturing Between 1 & 5 Years	Maturing After 5 Years	Total
Industry [1]	$M	$M	$M	$M
Australia				
Sovereign	2,015	80	117	2,212
Agriculture	3,009	1,087	1,182	5,278
Bank and other financial	7,870	1,142	974	9,986
Home loans	6,057	17,490	282,703	306,250
Construction	1,547	722	608	2,877
Personal [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

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

Notes to the Financial Statements

Note 16 Intangible Assets

	Group		Bank	
	2012	2011	2012	2011
	$M	$M	$M	$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.

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

	Maturing Three Months or Less $M	Maturing Between Three & Six Months $M	Maturing Between Six & Twelve Months $M	Maturing after Twelve Months $M	Group At 30 June 2012 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**

	Maturing Three Months or Less $M	Maturing Between Three & Six Months $M	Maturing Between Six & Twelve Months $M	Maturing after Twelve Months $M	Group At 30 June 2011 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	Group 2012	2011	2010
	$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.

Notes to the Financial Statements

Note 25 Loan Capital

				Group		Bank	
		Currency Amount (M)	Footnotes	2012 $M	2011 $M	2012 $M	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

Notes to the Financial Statements

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)

Reserves	Group 2012 $M	Group 2011 $M	Bank 2012 $M	Bank 2011 $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.

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.

Notes to the Financial Statements

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 $M	Group 2011 $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. A detailed breakdown of the components of capital is detailed on pages 45 to 47.

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	2011 Total $M
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.

Notes to the Financial Statements

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

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

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 175 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.

	Home Loans	Personal	Asset Financing	Other Commercial and Industrial	Group 2012 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

	Home Loans	Personal	Asset Financing	Other Commercial and Industrial	Group 2011 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

	Home Loans	Personal	Asset Financing	Other Commercial and Industrial	Bank 2012 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

	Home Loans	Personal	Asset Financing	Other Commercial and Industrial	Bank 2011 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

Notes to the Financial Statements

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

	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
										Group At 30 June 2011
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)

	Neither past due nor impaired $M	Past due but not impaired $M	Impaired non-performing $M	Restructured $M	Gross $M	Individually assessed provisions $M	Bank 2012 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

	Neither past due nor impaired $M	Past due but not impaired $M	Impaired non-performing $M	Restructured $M	Gross $M	Individually assessed provisions $M	Group 2011 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

Notes to the Financial Statements

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

			2012			Group 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)

			2012			Bank 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.

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)

						Group
	Australia	Overseas	Total	Australia	Overseas	Total
	2012	2012	2012	2011	2011	2011
Impaired assets by size [1]	$M	$M	$M	$M	$M	$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.

					Group
	2012	2011	2010	2009	2008
Movement in gross impaired assets	$M	$M	$M	$M	$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

							Group
							2012
	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	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
Industry	Loans $M	Gross Impaired Loans $M	Individually Assessed Provisions $M	Net Impaired Loans $M	Write-offs $M	Recoveries $M	Net Write-offs $M
Australia							
Sovereign	2,212	-	-	-	-	-	-
Agriculture	5,278	191	(87)	104	10	-	10
Bank and other financial	9,986	387	(254)	133	107	(3)	104
Home Loans	306,250	734	(202)	532	84	(43)	41
Construction	2,877	233	(133)	100	89	-	89
Personal [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.

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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)

							Bank
	Maturity Period as at 30 June 2011						
	At Call $M	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Specified $M	Total $M
Monetary liabilities							
Deposits and other public borrowings (1)	161,863	103,335	56,774	15,042	543	-	337,557
Payables due to other financial institutions	2,453	13,021	241	1	-	-	15,716
Liabilities at fair value through Income Statement	-	280	353	2,922	1,416	-	4,971
Derivative liabilities (2) (3) (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

Notes to the Financial Statements

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 69 to 88 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**	-	-

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

Chairman

15 August 2012

I M Narev

Managing Director and Chief Executive Officer

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*.

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Independent auditor's report to the members of the Commonwealth Bank of Australia (continued)

Auditor's opinion

In our opinion:

(a) the financial report of the Commonwealth Bank of Australia is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Commonwealth Bank of Australia and consolidated entity's financial position as at 30 June 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 69 to 88 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

Rhowdry

Rahoul Chowdry — Sydney

Partner — 15 August 2012

Top 20 Holders of Fully Paid Ordinary Shares as at 3 August 2012

Rank	Name of Holder	Number of Shares	%
1	HSBC Custody Nominees (Australia) Limited	224,434,908	14.10
2	J P Morgan Nominees Australia Limited	177,164,675	11.13
3	National Nominees Limited	135,819,906	8.53
4	Citicorp Nominees Pty Limited	66,627,637	4.18
5	Cogent Nominees Pty Limited	34,978,463	2.20
6	RBC Dexia Investor Services Australia Nominees Pty Limited	19,789,298	1.24
7	AMP Life Limited	13,795,362	0.87
8	Australian Foundation Investment Company Limited	8,527,900	0.54
9	UBS Wealth Management Australia Nominees Pty Limited	7,130,942	0.45
10	Bond Street Custodians Limited	5,308,173	0.33
11	Milton Corporation Limited	3,013,225	0.19
12	Queensland Investment Corporation	2,998,879	0.19
13	Argo Investments Limited	2,777,895	0.17
14	Navigator Australia Limited	2,647,807	0.17
15	Invia Custodian Pty Limited	2,486,397	0.16
16	Perpetual Trustee Co Limited (Hunter)	2,387,645	0.15
17	Questor Financial Services Limited	2,200,705	0.14
18	UBS Nominees Pty Limited	2,144,941	0.13
19	Nulis Nominees (Australia) Limited	2,070,683	0.13
20	Pershing Australia Nominees Limited	2,000,616	0.13

The top 20 shareholders hold 718,306,057 shares which is equal to 45.13% of the total shares on issue.

Stock Exchange Listing

The shares of the Commonwealth Bank of Australia are listed on the Australian Securities Exchange under the trade symbol CBA, with Sydney being the home exchange.

Details of trading activity are published in most daily newspapers, generally under the abbreviation of CBA or C'wealth Bank. The Bank does not have a current on-market buy-back of its shares.

Range of Shares (Fully Paid Ordinary Shares and Employee Shares): 3 August 2012

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1 – 1,000	582,237	73.82	193,135,224	12.13
1,001 – 5,000	181,331	22.99	376,625,834	23.66
5,001 – 10,000	17,459	2.21	119,547,918	7.50
10,001 – 100,000	7,466	0.95	141,474,372	8.89
100,001 and over	216	0.03	761,371,432	47.82
Total	788,709	100.00	1,592,154,780	100.00
Less than marketable parcel of $500	14,028	1.78	54,765	0.00

Voting Rights

Under the Bank's Constitution, each person who is a voting Equity holder and who is present at a general meeting of the Bank in person or by proxy, attorney or official representative is entitled:

- On a show of hands – to one vote; and
- On a poll – to one vote for each share held or represented.

If a person present at a general meeting represents personally or by proxy, attorney or official representative more than one Equity holder, on a show of hands the person is entitled to one vote even though he or she represents more than one Equity holder.

If an Equity holder is present in person and votes on a resolution, any proxy or attorney of that Equity holder is not entitled to vote.

If more than one official representative or attorney is present for an Equity holder:

- None of them is entitled to vote on a show of hands; and
- On a poll only one official representative may exercise the Equity holders voting rights and the vote of each attorney shall be of no effect unless each is appointed to represent a specified proportion of the Equity holders voting rights, not exceeding in aggregate 100%.

If an Equity holder appoints two proxies and both are present at the meeting:

- If the appointment does not specify the proportion or number of the Equity holder's votes each proxy may exercise, then on a poll each proxy may exercise one half of the Equity holder's votes;
- Neither proxy shall be entitled to vote on a show of hands; and
- On a poll each proxy may only exercise votes in respect of those shares or voting rights the proxy represents.

Shareholding Information

Top 20 Holders of Perpetual Exchangeable Repurchaseable Listed Shares III ("PERLS III") as at 3 August 2012

Rank	Name of Holder	Number of Shares	%
1	AMP Life Limited	155,309	2.66
2	UBS Wealth Management Australia Nominees Pty Limited	151,330	2.59
3	J P Morgan Nominees Australia Limited	91,980	1.58
4	National Nominees Limited	85,891	1.47
5	Navigator Australia Limited	82,887	1.42
6	Citicorp Nominees Pty Limited	82,150	1.41
7	Mr Walter Lawton and Mrs Jan Rynette Lawton	70,000	1.20
8	RBC Dexia Investor Services Australia Nominees Pty Limited	63,086	1.08
9	Perpetual Trustee Company Limited	57,462	0.99
10	The Australian National University Investment Section	56,282	0.97
11	Nulis Nominees (Australia) Limited	55,400	0.95
12	ANZ Executors & Trustee Company Limited	52,639	0.90
13	Mr John Stuart Walker + Mr Ralph Lane	50,000	0.86
14	Catholic Education Office Diocese of Parramatta	49,750	0.85
15	HSBC Custody Nominees (Australia) Limited	39,843	0.68
16	Truckmate (Australia) Pty Limited	35,000	0.60
17	Kerlon Pty Limited	30,000	0.51
18	Mutual Trust Pty Limited	28,275	0.48
19	Questor Financial Services Limited	26,190	0.45
20	UCA Cash Management Fund Limited	25,996	0.45

The top 20 PERLS III shareholders hold 1,289,470 shares which is equal to 22.10% of the total shares on issue.

Stock Exchange Listing

PERLS III are preference shares issued by Preferred Capital Limited (a wholly-owned subsidiary of the Bank) and are listed on the Australian Securities Exchange under the trade symbol PCAPA, with Sydney being the home exchange. Details of trading activity are published in most daily newspapers.

Range of Shares (PERLS III): 3 August 2012

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1 – 1,000	17,922	96.69	3,058,704	52.44
1,001 – 5,000	544	2.93	1,058,166	18.14
5,001 – 10,000	31	0.17	242,410	4.16
10,001 – 100,000	36	0.20	1,166,362	20.00
100,001 and over	2	0.01	306,639	5.26
Total	18,535	100.00	5,832,281	100.00
Less than marketable parcel of $500	21	0.11	40	0.00

Voting Rights

PERLS III do not confer any voting rights in the Bank but if they are exchanged for or convert into ordinary shares or preference shares of the Bank in accordance with their terms of issue, the voting rights of the ordinary or preference shares (as the case may be) will be as set out on page 221 for the Bank's ordinary shares.

The holders will not be entitled to vote at a general meeting of the Bank except in the following circumstances:

- If at the time of the meeting, a dividend has been declared but has not been paid in full by the relevant payment date;
- On a proposal to reduce the Bank's share capital;
- On a resolution to approve the terms of a buy-back agreement;
- On a proposal that affects rights attached to the preference shares;
- 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;
- During the winding up of the Bank; or
- As otherwise required under the Listing Rules from time to time, in which case the holders will have the same rights as to manner of attendance and as to voting in respect of each preference share as those conferred on ordinary shareholders in respect of each ordinary share.

At a general meeting of the Bank, holders of preference shares are entitled:

- On a show of hands, to exercise one vote when entitled to vote in respect of the matters listed above; and
- On a poll, to one vote for each preference share.

The holders will be entitled to receive notice of any general meeting of the Bank and a copy of every circular or other like document sent out by the Bank to ordinary shareholders and to attend any general meeting of the Bank.

Top 20 Holders of Perpetual Exchangeable Resaleable Listed Securities IV ("PERLS IV") as at 3 August 2012

Rank	Name of Holder	Number of Shares	%
1	UBS Wealth Management Australia Nominees Pty Limited	300,757	4.11
2	J P Morgan Nominees Australia Limited	212,720	2.90
3	Citicorp Nominees Pty Limited	174,436	2.38
4	UCA Cash Management Fund Limited	150,000	2.05
5	Questor Financial Services Limited	134,336	1.83
6	UBS Nominees Pty Limited	114,000	1.56
7	Invia Custodian Pty Limited	111,289	1.52
8	HSBC Custody Nominees (Australia) Limited	90,623	1.24
9	Eastcote Pty Limited	90,000	1.23
10	RBC Dexia Investor Services Australia Nominees Pty Limited	77,289	1.06
11	Avanteos Investments Limited	48,759	0.67
12	Navigator Australia Limited	48,150	0.66
13	Fortis Clearing Nominees Pty Limited	47,951	0.65
14	Cogent Nominees Pty Limited	42,202	0.58
15	National Nominees Limited	41,233	0.56
16	Nulis Nominees (Australia) Limited	35,066	0.48
17	The Australian National University Investment Section	31,082	0.42
18	Ian Potter Foundation Limited	30,000	0.41
19	Netwealth Investments Limited	28,132	0.38
20	Mutual Trust Pty Ltd	26,478	0.36

The top 20 PERLS IV shareholders hold 1,834,503 shares which is equal to 25.05% of the total shares on issue.

Stock Exchange Listing

PERLS IV are stapled securities issued by the Commonwealth Bank of Australia and are listed on the Australian Securities Exchange under the trade symbol CBAPB, with Sydney being the home exchange. Details of trading activity are published in most daily newspapers.

Range of Shares (PERLS IV): 3 August 2012

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1 – 1,000	15,814	94.69	3,396,123	46.36
1,001 – 5,000	790	4.73	1,579,027	21.56
5,001 – 10,000	53	0.32	384,571	5.25
10,001 – 100,000	37	0.22	964,538	13.17
100,001 and over	6	0.04	1,000,741	13.66
Total	16,700	100.00	7,325,000	100.00
Less than marketable parcel of $500	2	0.01	2	0.00

Voting Rights

PERLS IV confer voting rights in the Bank in the following limited circumstances:

- When dividend payments on the preference shares are in arrears;
- On proposals 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.

Furthermore if PERLS IV convert into ordinary shares of the Bank in accordance with their terms of issue, the voting rights of the ordinary shares will be as set out on page 221.

At a general meeting of the Bank, holders of PERLS IV are entitled:

- On a show of hands, to exercise one vote when entitled to vote on the matters listed above; and
- On a poll, to exercise one vote for each preference share.

The holders will be entitled to the same rights as the holders of the Bank's ordinary shares in relation to receiving notices, reports and financial statements and attending and being heard at all general meetings of the Bank.

Shareholding Information

Top 20 Holders of Perpetual Exchangeable Resaleable Listed Securities V ("PERLS V") as at 3 August 2012

Rank	Name of Holder	Number of Shares	%
1	UBS Wealth Management Australia	253,564	2.54
2	HSBC Custody Nominees (Australia) Limited	197,479	1.97
3	Questor Financial Services Limited	154,490	1.54
4	Navigator Australia Limited	126,865	1.27
5	J P Morgan Nominees Australia Limited	103,576	1.04
6	RBC Dexia Investor Services Australia Nominees Pty Limited	91,205	0.91
7	Nulis Nominees (Australia) Limited	79,762	0.80
8	Australian Executor Trustees Limited	67,273	0.67
9	Netwealth Investments Limited	58,314	0.58
10	Avanteos Investments Limited	51,335	0.51
11	Invia Custodian Pty Limited	50,615	0.51
12	Dimbulu Pty Ltd	50,000	0.50
13	ABN AMRO Clearing Sydney Nominees Pty Ltd	46,726	0.47
14	Citicorp Nominees Pty Limited	43,774	0.44
15	National Nominees Limited	40,813	0.41
16	Amelvan Pty Limited	39,220	0.39
17	Perpetual Trustee Co Limited (Hunter)	39,074	0.39
18	JMB Pty Limited	33,925	0.34
19	Bond Street Custodians Limited	31,664	0.32
20	Peters (Meat) Export Pty Limited	28,455	0.28

The top 20 PERLS V shareholders hold 1,588,129 shares which is equal to 15.88% of the total shares on issue.

Stock Exchange Listing

PERLS V are stapled securities issued by the Commonwealth Bank of Australia and are listed on the Australian Securities Exchange under the trade symbol CBAPA, with Sydney being the home exchange. Details of trading activity are published in most daily newspapers.

Range of Shares (PERLS V): 3 August 2012

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1 – 1,000	32,242	96.58	5,557,969	55.57
1,001 – 5,000	1,020	3.06	2,016,610	20.17
5,001 – 10,000	66	0.20	504,568	5.05
10,001 – 100,000	49	0.15	1,225,526	12.26
100,001 and over	4	0.01	695,327	6.95
Total	33,381	100.00	10,000,000	100.00
Less than marketable parcel of $500	3	0.01	3	0.00

Voting Rights

PERLS V confer voting rights in the Bank in the following limited circumstances:

- When dividend payments on the preference shares are in arrears;
- On proposals 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.

Furthermore if PERLS V convert into ordinary shares of the Bank in accordance with their terms of issue, the voting rights of the ordinary shares will be as set out on page 221.

At a general meeting of the Bank, holders of PERLS V are entitled:

- On a show of hands, to exercise one vote when entitled to vote on the matters listed above; and
- On a poll, to exercise one vote for each preference share.

The holders will be entitled to the same rights as the holders of the Bank's ordinary shares in relation to receiving notices, reports and financial statements and attending and being heard at all general meetings of the Bank.

Trust Preferred Securities

550,000 Trust Preferred Securities were issued on 6 August 2003. Cede & Co is registered as the sole holder of these securities.

700,000 Trust Preferred Securities were issued on 15 March 2006. Cede & Co is registered as the sole holder of these securities.

The Trust Preferred Securities do not confer any voting rights in the Bank but if they are exchanged for or converted into ordinary shares or preference shares of the Bank in accordance with their terms of issue, the voting rights of the ordinary or preference shares (as the case may be) will be as set out on page 221 for the Bank's ordinary shares and page 222 for the preference shares.

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132 221 General Enquiries

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- Internet relay users can be connected to our telephone numbers via National Relay Service.

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New investors without a financial adviser can call 1300 360 645. Financial advisers can call 131 836.

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Alternatively, visit www.comminsure.com.au

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Australian Securities Exchange Listing
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Annual Report

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