Determined to offer strength in uncertain times.

Annual Report 2009

Determined to be different

Commonwealth Bank of Australia ACN 123 123 124

Front Cover – Safe deposit vault, 48 Martin Place, Sydney.
The enormous 30 tonne vault door, still the second largest of its kind in the world, was built by Chubb in England, and even exhibited at the 1927 Wembley Exhibition. The engineers incorporated the latest metal laminate technology and no upgrading has been required. The door was far too heavy for any motor vehicle at the time, and was brought from the docks on wagons drawn by teams of eighteen horses.

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Chairman's Statement

The 2009 financial year has been another challenging one for the global financial services sector. The continued fall-out from the ongoing volatility in global credit markets and slowing economic growth have combined to place significant pressure on the financial performance and capital positions of a large number of international banks and financial services organisations.

In this environment, the Commonwealth Bank of Australia ("the Group") has performed well, delivering a good profit at a time when many of its international peers struggle to remain profitable.

The Group remains in a strong financial position with a continued focus on delivering on its vision of becoming Australia's finest financial services organisation through excelling in customer service.

Results

The Group's net profit after tax ("statutory basis") for the full year ended 30 June 2009 was $4,723 million, which represents a decrease of 1% on the prior year. Included in this result as a non-cash item is the gain recognised on acquisition of Bankwest of $612 million after tax.

Net profit after tax ("cash basis") for the full year was $4,415 million, which represents a decrease of 7% on the prior year. This result was impacted by a significant increase in impairment expense during the year.

Key financial performance highlights, on a comparable basis, excluding Bankwest, for the year included:

- Net interest income growth of 21% on the prior year, reflecting solid lending and deposit growth and an eight basis point improvement in margins;
- Other banking income growth of 21% on the prior year, as a result of strong trading income, higher commissions and lending fees;
- Funds management income decline of 21% on the prior year, due to the adverse impact of the investment market downturn on Funds Under Administration and timing of asset sales;
- Insurance income growth of 9% on the prior year, following a 19% increase in average inforce premiums;
- Operating expense growth of 4% on the prior year, reflecting the Group's continued disciplined approach to expense management; and
- Significantly higher loan impairment provisioning levels, reflecting a cyclical deterioration in portfolio quality and the Group's prudent and conservative approach to provisioning.

Cash earnings per share fell 14% on the prior year to 305.6 cents per share. Return on Equity ("cash basis") remained strong at 15.8%.

Having maintained the interim dividend at the same level as the prior year ($1.13 per share), the Board took the view that in the current uncertain environment and with the need to maintain a strong capital base it was prudent to reduce the final dividend to $1.15 per share, a reduction of 25% on last year's final dividend. As a result the total dividends for the year were $2.28 per share – down 14% on the prior year.

The Group's sound financial position and tightly focused strategy enabled it to grow both organically and by acquisition. Acquiring Bankwest at an attractive price has provided a unique opportunity to expand in Western Australia. The Group also secured a strategic stake in Australia's leading home loan mortgage broker – Aussie Home Loans.

Retail Banking Services performed strongly over the year ended 30 June 2009 with cash net profit after tax of $2,107 million, increasing 10% on the prior year. The result was underpinned by strong sales and volume growth in key product lines, and disciplined cost management. However, higher impairment expenses, funding costs as well as intense competition for retail deposits had a negative impact on margins and profitability.

Institutional Banking and Markets achieved cash net profit after tax of $166 million for the year ended 30 June 2009, which represented a decrease of 78% on the prior year as a result of a significant increase in impairment expense. The underlying performance of the division remains strong with total banking income increasing by 37% to $2,402 million.

Business and Private Banking achieved cash net profit after tax of $736 million, which represents a 2% increase on the prior year. This result was impacted by a significant increase in impairment expense during the year. The operating performance of the business was strong with total banking income increasing 9%, driven by strong business lending and deposit volumes and effective margin management.

Underlying profit after tax for Wealth Management fell 35% on the prior year to $514 million. The Insurance business achieved strong volume growth over the year with total inforce premiums up 25% to $1.6 billion at 30 June 2009. The Funds Management businesses were impacted by sustained pressure on investment markets and, while down on the prior year, market conditions showed improvements in the last quarter. Funds Under Administration as at 30 June 2009 decreased 9% to $169 billion.

Cash net profit after tax for the Wealth Management business was down 61% to $286 million, primarily due to unrealised mark to market losses from widening credit spreads on the valuation of assets backing the Guaranteed Annuities portfolio, and the impairment of listed and unlisted investments.

International Financial Services cash net profit after tax for the year was $470 million, a decrease of 19% on the prior year. After removing the impact of currency fluctuations, the decrease was 13%. The lower result was due predominantly to increased impairment expense in ASB Bank which increased by $159 million to $193 million.

ASB Bank cash net profit after tax for the year was $332 million. Excluding the impact of realised gains on the hedge of New Zealand operations and currency fluctuations, profit reduced by 9% on the prior year. This result reflects the impacts of the downturn in the New Zealand economy which entered recession in early 2008. Balance sheet growth slowed, margins contracted due to higher funding costs and impairment expense increased sharply. Despite these challenging conditions, ASB Bank was able to grow revenue, mainly through a strong trading result.

Since acquisition, Bankwest has contributed $113 million cash net profit after tax. The result was supported by solid volume growth and expense discipline including the implementation of integration strategies which have resulted in an improvement in productivity.

Risk Management

While the Group has experienced the effects of the global financial crisis, with loan impairment expense and provisions for impairment losses increasing over the course of the year, the Group's approach to risk management has it well positioned to offer continued strength in what has been a challenging period for the global economy.

The Group's lending practices are based on sound measures that spread risk by providing finance to a broad consumer and business base, large and small, across various sectors primarily in Australia and New Zealand, with selective exposure to quality counterparties in other countries.

The strength of risk management policies in these uncertain times has been reflected in the recognition of the Group's overall asset quality and capital position. In particular, the Group remains in a select group of global banks with an AA credit rating and is ranked one of the safest and most profitable banks in the world. At the same time, whilst credit conditions and lending standards have tightened, this strength has allowed the Group to continue to lend to its customers, and generate further economic growth.

During the year, and in response to the global financial crisis, the Australian Commonwealth Government introduced guarantees on all Australian bank deposits and provided Australian banks with the ability to access Commonwealth Government backed guarantees for their wholesale debt raising activities. At the time of their introduction, these actions were entirely appropriate given the challenges facing global financial markets. In the case of the wholesale debt guarantee, this was essential in that it enabled Australian banks to continue to raise funding at competitive prices in an environment where virtually all global banks were operating with similar guarantees from their respective governments. However, the point needs to be made that while the Group has clearly benefited from the guarantee it has paid over $70 million to the Commonwealth Government in fees. As far as the guarantee on deposits is concerned, while this may have been helpful for second tier banks, the Group received no direct benefit. In fact, its introduction resulted in the significant slowing of deposit inflows that we were experiencing (as a result of the "flight to quality") following the collapse of Lehman Brothers in the first half of the financial year.

Dividends and Capital

The final dividend of 115 cents per share, which is fully franked, will be paid on 1 October 2009. The Group continues to issue new shares to satisfy the requirements of its Dividend Reinvestment Plan ("DRP"). A discount of 1.5% will apply to the DRP price in relation to the 2009 final dividend.

During the year, dividend and interest payments were also made to the holders of the Group's various capital securities: PERLS II, PERLS III, PERLS IV, Trust Preferred Securities 2003, Trust Preferred Securities 2006, ASB Capital Preference Shares and ASB Capital No 2 Preference Shares.

The Group maintains a strong capital position with the capital ratios remaining well in excess of both APRA minimum capital adequacy requirements and the Board's approved minimum targets at all times throughout the year. Tier One Capital and Total Capital ratios as at 30 June 2009 were 8.07% and 10.42% respectively, and include the consolidation of Bankwest and the finalisation of the associated fair value accounting adjustments and purchase price adjustment.

The following significant initiatives were undertaken during the Financial Year to actively manage the Group's Tier One Capital:

- Issue of $694 million of ordinary shares in October 2008 to satisfy the Dividend Reinvestment Plan in respect of the final dividend for 2007/08;
- Issue of $2 billion of ordinary shares in October 2008, via a share placement, to fund the acquisition of Bankwest and St Andrew's (52.6 million shares at $38.00 per share);
- Issue of $2 billion of ordinary shares through the following share placements in December 2008; $357 million at a weighted average price of $28.37 per share and a further $1.65 billion of shares at $26.00 per share;
- Issue of $405 million of ordinary shares in March 2009 to satisfy the DRP in respect of the interim dividend for 2008/09; and
- Issue of $865 million of ordinary shares in March 2009 with respect to the Share Purchase Plan (33.3 million shares at $26.00 per share).

The proceeds from the share placement in December 2008 were used to fund the redemption of the PERLS II securities ($750 million), in March 2009.

The strength of the Group's capital position continues to be reflected in its long-term credit ratings as illustrated on page 17.

Corporate Governance and Board Performance

The Board has been through significant change in the last five years as the Group has moved to add strength and diversity to the Board. The Group has paid particular attention to building capability and experience in financial services and specifically in the areas of capital and risk management. These changes were timely and have been of great benefit to the Group as we have been confronted with the challenges presented by the global financial crisis and the impacts of the slowing domestic economy. The Board's Risk Committee, chaired by the very capable and experienced Harrison Young, has had a particularly busy year and the fact that all Board members now sit on this committee reflects the critical importance which the Board places on the management of risk and capital in the current environment.

In August 2009 I announced that I would be retiring from the Board, having served 16 years as a member and five years as Chairman. Over that period the Group has undergone substantial change and delivered strong returns for shareholders. It has been an exciting and challenging experience as the Group has evolved from government ownership to being one of Australia's largest and most successful public companies. I feel privileged to have served on, and more recently led, the Board and it has been an exciting and enriching experience.

I am pleased to be able to hand over the Chairmanship to David Turner who has served on the Board as a non-executive director since August 2006. With his extensive experience in finance, international business and governance, David will make a fine Chairman of what is a very strong Board. He takes over with my and the other Directors' best wishes and I am sure he will find his tenure as Chairman as challenging and rewarding as I have.

Finally, I would like to thank my fellow directors for their hard work, dedication and support over the last 12 months.

Chairman's Statement

Outlook

The 2009 financial year has been a challenging one and the outlook remains uncertain. However, the Australian economy has been more resilient than many had predicted a year ago and it is pleasing to see that there is some evidence of the beginnings of an economic recovery and improvements in business and consumer confidence, but there are still significant risks on the downside.

Despite these positive signs, overall credit growth in Australia is expected to slow through 2010 and economic conditions are likely to remain challenging for the Group and many of its customers in the coming year. Accordingly the Group will retain its conservative business settings maintaining appropriate levels of capital, liquidity and provisioning. The Group will also continue with its cautious approach to the management of credit and market risk.

Conclusion

The Group has come out of a very difficult year in a strong position. In an environment where many international peers have been under significant financial pressure, the Group remains highly profitable and goes into the new financial year well positioned both competitively and financially. Despite the unprecedented pressures on the global financial system and the difficult domestic economy, it has remained well funded and has been able to support its customers in this time of need. This performance is a tribute to the strength of the Group's business model and the enormous commitment and hard work of our people who have delivered great outcomes for our customers and shareholders.

The solid performance of the Group in such difficult circumstances gives me great confidence in its future. I remain optimistic about the Group's ability to use its financial strength to build an even stronger franchise as the domestic and global economies recover.

Finally, I would like to thank our customers and shareholders for their continuing support of the Commonwealth Bank of Australia.

JM Schubert

John Schubert

Chairman

12 August 2009

Chief Executive Officer's Statement

The 2009 financial year has been one of the most challenging that the global financial services industry has seen for some decades. While the Australian economy performed well relative to other similar economies, the Commonwealth Bank of Australia ("the Group") and the other major Australian banks have not been immune from the effects of ongoing volatility in global credit markets and slowing economic conditions.

At a time when many international banks have reported substantial losses, have had to raise significant amounts of new capital and be rescued by governments, the Group has delivered a good result. The Group reported cash net profit after tax of $4,415 million, driven by strong operating income growth and a disciplined approach to costs. Return on Equity was a very solid 15.8%, which enabled the Group to provide its shareholders with an aggregate of $3.7 billion in dividends during the year.

The Group remains in a strong financial position with all its businesses well positioned for the future, a favourable funding position and capital ratios significantly above internal target levels. Continued investment in the business has seen further progress made on achieving the Group's vision to be Australia's finest financial services organisation through excelling in customer service.

Operating Environment

The combination of volatile global credit markets and the slowing of global economic growth made the 2009 financial year a challenging one for the Group and its customers. While the Group has not been immune from the impacts of the global financial crisis, it has demonstrated a high degree of resilience which has enabled it to support its customers through a period when many financial institutions have found it difficult to do so. This strength can be attributed to a number of factors including:

- Remaining well capitalised with high levels of liquidity;
- The ability to maintain an AA credit rating through the business cycle;
- A sound regulatory environment; and
- A determination to maintain high credit standards.

As a result the Group is emerging from the global financial crisis in a very strong position. It ranks in the top 25 banks in the world by market capitalisation, it is one of only a few global banks to maintain an AA credit rating and was recently listed by Global Finance Magazine as one of the top 15 safest banks in the world.

The Group's financial strength placed it in a unique position at the end of December 2008, to acquire at a substantial discount to book value, Bankwest and St Andrew's. These excellent assets have enabled the Group to realise a long standing strategic objective of strengthening its retail banking business in Western Australia and building an increased capability in business banking. The integration of these businesses is proceeding according to plan and we are very pleased with their performance since we assumed ownership.

The Group's financial strength has also enabled continued investment in the Core Banking Modernisation program which has made significant progress and remains on schedule. The depth of our commitment to the future is demonstrated by the fact that the Group invested over $1 billion during the year in a range of growth, productivity and compliance projects.

The Group has weathered the global financial crisis well and is appropriately positioned going into the new financial year. While the Australian economy is expected to remain resilient, credit growth is likely to moderate and credit quality will continue to be an issue. In this environment, the Group recognises the need to be prudent, and the importance of maintaining a strong capital base, high levels of liquidity and conservative provisioning.

Strategic Priorities

The Group is committed to achieving its vision of becoming Australia's finest financial services organisation through excelling in customer service, with the Group's objective to be ranked number one in customer satisfaction by June 2010.

The Group's "Determined to be Different" theme conveys our determination to be better than we have ever been, by making real progress across each of our five strategic priorities:

- Customer Service;
- Business Banking;
- Technology and Operational Excellence;
- Trust and Team Spirit; and
- Profitable Growth.

Customer Service remains the Group's top strategic priority and further good progress was made during 2009, including:

- Embedding of a sales and service culture with a particular emphasis on training our front line people;
- Investing in the front line and becoming more accessible to customers, in particular refurbishing retail branches and opening new branches, increasing customer facing staff, and continuing training for Wealth Management and insurance advisers to drive cross-sell initiatives;
- Continuously reviewing and refining the Group's product portfolio and introducing new and improved products; and
- Simplifying procedures to improve responsiveness and speed up approval and processing times.

These initiatives are being noticed by our customers, who are telling us that service is improving. Specific measures of success in improving Customer Service include:

- Retail Banking Services recorded the largest improvement in customer satisfaction scores amongst local peers, increasing 2.9% on the prior year to 73.0%. Weekly customer experience surveys have also shown a significant improvement across all of the Retail distribution channels;
- Twenty eight of the Group's retail products received CANSTAR CANNEX five star ratings;
- Numerous awards for the NetBank online banking service, including Money Magazine's "Online Bank of the Year";
- 2009 "Lender of the Year" at the annual Mortgage and Finance Association of Australia (MFAA) industry awards;
- Bankwest was awarded Money Magazine's "Money Minder of the Year" award for the second consecutive year and Smart Investor Blue Ribbon 08 "Bank of the Year" award;
- ASB Bank won The Banker's "Bank of the Year Award for New Zealand" for the seventh consecutive year;
- In Business and Private Banking, the percentage of satisfied and very satisfied customers was 72.8%, as measured by TNS Business Finance Monitor. The June TNS survey rated the Group as the most improved business bank in Australia over the past 12 months;
- CommSec's position as market leader has been recognised by its winning of major industry awards. It was awarded a five star rating by CANSTAR CANNEX for both its online share trading and margin lending products;

Chief Executive Officer's Statement

- CommSec also won the AFR/Smart Investor Blue Ribbon Award for "Online Broker of the Year - Fully Featured", and key awards from Money Magazine including "Best Innovative Product" for the CommSec Cash Management offering;
- East & Partners' Customer Satisfaction rated Institutional Banking and Markets best in the market for the fourth year running under the categories of "Understanding Customers' Business" and "Loyalty to the Relationship";
- Colonial First State won awards for "Best Fund Manager" and "Best Master Trust/Wrap Provider" for FirstChoice in the 2009 Wealth Insights Service Level Survey Reports for the second consecutive year; and
- Custom Solutions (previously Avanteos) was awarded "Best full-service Platform" in the Investment Trends 2008 Platform report for the third consecutive year.

Improving the Group's competitive position in Business Banking remains a strategic priority, with key progress and outcomes during 2009 including:

- The launch of the Group's Small Business Investment Package, announced in March 2009, including the Business Banking Support Line, a dedicated financial support service to help small business and agribusiness customers during the current challenging economic conditions;
- The introduction of eVolve, a new product which provides small business customers with e-commerce functionality including virtual shop-front and online payment facilities;
- The introduction of SuperGear, a solution for self managed Super Funds wishing to invest in property;
- Continued development of industry-leading transaction banking capability through CommBiz saw the integration of trade finance, foreign exchange and money market trading products as well as global cash management functionality onto the platform. The CommBiz client base grew 20% in the year and transaction numbers grew by 39%;
- Achievement of record asset finance volumes with new business market share increasing 7% on the prior year to 21%;
- Within Institutional Banking and Markets, expanding global distribution capabilities to position the Group as the leader in fixed income markets; and
- Expanding the Institutional Equities business to meet the demand from major listed corporate clients seeking to raise equity capital, and to meet the needs of institutional investors.

Technology and Operational Excellence initiatives are designed to deliver greater efficiency across the Group as well as providing competitive leverage through innovative processes and systems. Progress during the year included:

- Significant progress was made on the Group's Core Banking Modernisation program which will replace the Group's legacy systems and drive improvements in customer service and productivity through process simplification and the introduction of real time straight through processing;
- Introduction of a number of initiatives designed to improve customer service, increase operational efficiency and provide increased security to the Group and its customers. These include Scheme Debit Card, Home Loan Top-ups, Anti Money Laundering, Data Centre Consolidation, CommSec/IWL Integration, Global Markets Growth Initiative and further enhancements to FirstChoice; and
- The "Finest Online" program which delivered a single, Group-wide, online sales and service front end and saw the Group receive widespread recognition for the quality of its online offerings.

The commitment, engagement and enthusiasm of our people go to the heart of our success as an organisation and our ability to deliver on the Group's strategic priorities. Progress on Trust and Team Spirit initiatives includes:

- A continued improvement in employee satisfaction scores, with the Gallup workplace survey placing the Group at the 80th percentile of the Gallup Worldwide benchmark;
- Greater collaboration across the Group and better alignment to the needs of our customers, which is reflected in improvements in customer satisfaction scores, declining customer complaints and increased customer compliments;
- ASB Bank received the Gallup "Great Workplace Award 2008" for the second consecutive year;
- Improvements in workplace safety with the Group's Lost Time Injury Frequency Rate falling by a further 32% from 3.1 to 2.1; and
- Continued support in the community including commitments to a range of initiatives such as financial literacy, environmental partnerships and one-off assistance for communities in need of help.

The Profitable Growth priority was introduced to ensure that the Group remains focused on identifying opportunities which will ensure continued growth and value creation.

Examples of progress during the year include:

- Acquisition of Bankwest and St Andrew's at a substantial discount to book value;
- The purchase of a 33% holding in Aussie Home Loans, and the acquisition of $2.25 billion of Wizard originated high quality home loans following Aussie's purchase of the Wizard brand and distribution network;
- Indonesian and Chinese businesses, whilst still a relatively small part of the Group, are all performing well;
- Institutional Banking and Markets is seeking to build on its high level of expertise by further developing its debt and equity market capabilities and leveraging core competencies into offshore markets; and
- Continued focus on improving Group-wide cross-sell and referral rates, designed to better leverage the significant opportunities in the existing customer base.

Sustainability and contribution to the community

The Group is committed to a range of sustainability initiatives which complement our strategic priorities and objectives. Significant progress has been made during the year on an integrated plan to both manage and track progress on these initiatives, which embrace our people and customers, as well as the communities and the environment in which the Group operates. As part of its commitment to its sustainability initiatives, the Group will release a stand-alone Sustainability Report later this year, to improve communication of sustainability performance to stakeholders.

A summary of the Group's progress to date, future plans and key sustainability metrics are contained in pages 49 to 52 of this Annual Report.

Chief Executive Officer's Statement

As well as providing ongoing support to approximately 11 million customers (including Bankwest), the Group's contribution to the community over the last year has been meaningful. The Group directly employs over 38,000 people in Australia, and uses the services of many thousands of external third party suppliers for a wide range of products and services. All of these businesses receive competitive remuneration, provide employment to thousands of Australians and contribute to the economy. The Group also remains committed to retaining jobs in Australia and has recently committed to retain all its operations and call centre activities in Australia and not undertake off-shoring for at least the next three years. In addition the Group returns a significant proportion of its profit as dividends to the nearly 800,000 domestic shareholders who together own over 80% of the Group's shares.

The collapse of Storm Financial, a former licensed financial planner group, has attracted understandable publicity and regulatory scrutiny. Many major financial services organisations, including the Group, provided loans to Storm's clients in order for them to implement Storm's financial advice. We have publicly acknowledged that there were some shortcomings in our conduct when we lent money to some of Storm's clients. We have committed to putting right any wrongs on our part and we are proactively offering assistance to those facing hardship through the establishment of a resolution scheme that will provide swift and fair resolution for affected customers.

The Group also received some criticism in relation to its capital raising at the end of 2008. We have taken this matter seriously and have initiated actions to address the underlying issues involved.

Conclusion

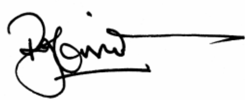
I am pleased with the financial performance of the Group in what has been a challenging period. We have also continued to make good progress in delivering on the five strategic priorities which are key components in achieving our goal of becoming Australia's finest financial services organisation through excelling in customer service.

The headwinds which impacted our performance in 2009 have continued into the new financial year, although there are some signs that they may be moderating. However, the 2010 year will present challenges (as well as opportunities) for the Group and its customers and the outlook is by no means clear. In this environment the Group remains cautious and will continue to maintain its conservative approach to capital, funding, liquidity and provisioning. At the same time the Group recognises that it is well placed to continue to strengthen its business franchise and improve its financial performance and returns to shareholders.

The ability to deliver the strong performance we have seen over the past financial year across the Group would not have been possible without the goodwill and commitment of our people. I am very grateful for the high level of support I have received across the organisation and continue to be enormously impressed with the quality and skills of our people.

It is a great privilege to lead this organisation and I am confident that we can continue to deliver for our people, our customers and our shareholders.

Thank you.



Ralph Norris

Chief Executive Officer

12 August 2009

Highlights

Group Performance Highlights

Net Profit after Income Tax	Full Year Ended 30/06/09 $M	Full Year Ended 30/06/08 $M	Half Year Ended 30/06/09 $M	Half Year Ended 31/12/08 $M
Statutory basis	**4,723**	4,791	**2,150**	2,573
Cash basis	**4,415**	4,733	**2,402**	2,013
Underlying basis ex Bankwest	**4,498**	4,746	**2,353**	2,145

The Group's net profit after tax ("statutory basis") for the full year ended 30 June 2009 was $4,723 million, which represents a decrease of 1% on the prior year. Included in this result as non-cash items were hedging and AIFRS volatility losses of $245 million after tax and the gain recognised on acquisition of Bankwest of $612 million after tax.

Net profit after tax ("cash basis") for the full year was $4,415 million, which represents a decrease of 7% on the prior year. Excluding Bankwest, net profit after tax ("cash basis") decreased 9%. This result was impacted by a significant increase in impairment expense during the year.

Cash earnings per share decreased 14% on the prior year to 305.6 cents per share. Return on Equity ("cash basis") for the year ended 30 June 2009 was 15.8%, reflecting in part the Group's strengthened capital position.

Group Performance excluding Bankwest

The acquisition of Bankwest and St Andrew's at a substantial discount to fair value created a one-off gain of $612 million. For ease of comparison the results of Bankwest, which was only owned for six months and contributed $113 million to cash profit after tax, have been excluded from the following commentary.

The Group's net profit after tax ("underlying basis") was $4,498 million, representing a 5% decrease on the prior year.

In a challenging market environment and slowing economic conditions the Group's operating performance has been solid. Operating income growth has been strong, up 14% on the prior year, whilst operating expense growth was up 4% on the prior year. This resulted in a 430 basis point improvement in the expense to income ratio to 44.6%.

Drivers of the Group's financial performance were:

- Net interest income growth of 21% on the prior year, reflecting solid lending and deposit growth and an eight basis point improvement in underlying margins;
- Other banking income growth of 21% on the prior year, as a result of strong trading income, early repayment fees received from customers exiting fixed rate loans and higher commissions and lending fees;
- Funds management income decline of 21% on the prior year, due to the adverse impact of the investment market downturn on Funds under administration and timing of asset sales;
- Insurance income growth of 9% on the prior year, following a 19% increase in average inforce premiums; and
- Operating expense growth of 4% on the prior year, reflecting the Group's continued disciplined expense management.

Offsetting this solid operating performance was a significant increase in impairment expense on the prior year to $2,935 million. This outcome reflects higher retail and corporate provisioning, increased management overlay and additional provisions taken to cover a small number of single name corporate exposures in the first half. The increase in impairment expense reflects both the cyclical deterioration in portfolio quality and the Group's conservative provisioning.

The Group's net profit after tax ("underlying basis") for the half year ended 30 June 2009 was $2,353 million, up 10% on the prior half. The increase reflects solid volume growth, improved margins and a lower second half impairment expense, partly offset by reduced funds management income due to adverse investment markets and higher operating expenses.

Other performance highlights relating to strategic priorities that position the Group well for the medium to long term include:

- Improvement in both retail and business customer satisfaction relative to industry peers over the year;
- The purchase of a strategic interest in Aussie Home Loans, a leading player in the Australian mortgage broker market;
- Restructure of the Premium Business Services division into Business & Private Banking and Institutional Banking & Markets, enabling the Group to further improve its focus on supporting and servicing these diverse customer segments;
- Continued progress on the Core Banking Modernisation project which is tracking ahead of schedule; and
- Continued improvements in People Engagement Workplace survey results (Source: Gallup).

Capital

The Group maintained its cautious and conservative approach in the current economic environment by maintaining a strong capital position. This was reflected in a Tier One capital ratio of 8.07% at 30 June 2009. The Bank is also one of only eight AA rated banks worldwide.

Dividends

The final dividend declared was $1.15 per share, a reduction of 25% on the prior year in response to continued uncertainty in the global and domestic economies. The total dividend for the year to 30 June 2009 was $2.28, taking the dividend payout ratio ("cash basis") to 78.2%.

The final dividend payment will be fully franked and will be paid on 1 October 2009 to owners of ordinary shares at the close of business on 21 August 2009 ("record date"). Shares will be quoted ex–dividend on 17 August 2009.

The Bank issued $405 million of shares to satisfy shareholder participation in the Dividend Reinvestment Plan ("DRP") in respect of the interim dividend for 2008/09.

Outlook

The 2009 financial year has been a challenging one and the outlook remains uncertain. However, the Australian economy has been more resilient than many had predicted a year ago and it is pleasing to see that there is some evidence of the beginnings of an economic recovery and improvements in business and consumer confidence but there are still significant risks on the downside.

Despite these positive signs, overall credit growth in Australia is expected to slow through 2010 and economic conditions are likely to remain challenging for the Group and many of its customers in the coming year. Accordingly the Group will retain its conservative business settings maintaining appropriate levels of capital, liquidity and provisioning. The Group will also continue with its cautious approach to the management of credit and market risk.

Group Performance Summary	Full Year Ended 30/06/09 $M	Full Year Ended 30/06/08 $M	Jun 09 vs Jun 08 %	Half Year Ended 30/06/09 $M	Half Year Ended 31/12/08 $M	Jun 09 vs Dec 08 %	Full Year Ended Incl. (4) Bankwest 30/06/09 $M
Net interest income	**9,595**	7,907	21	**5,052**	4,543	11	**10,186**
Other banking income	**4,008**	3,312	21	**1,972**	2,036	(3)	**4,176**
Total banking income	**13,603**	11,219	21	**7,024**	6,579	7	**14,362**
Funds management income	**1,813**	2,307	(21)	**808**	1,005	(20)	**1,813**
Insurance income	**910**	832	9	**478**	432	11	**910**
Total operating income	**16,326**	14,358	14	**8,310**	8,016	4	**17,085**
Investment experience	**(267)**	(17)	large	**(84)**	(183)	54	**(267)**
Total income	**16,059**	14,341	12	**8,226**	7,833	5	**16,818**
Operating expenses	**7,282**	7,021	4	**3,731**	3,551	5	**7,765**
Impairment expense	**2,935**	930	large	**1,328**	1,607	(17)	**3,048**
Net profit before income tax	**5,842**	6,390	(9)	**3,167**	2,675	18	**6,005**
Corporate tax expense (1)	**1,510**	1,626	(7)	**864**	646	34	**1,560**
Minority interests (2)	**30**	31	(3)	**14**	16	(13)	**30**
Net profit after tax excluding Bankwest ("cash basis")	**4,302**	4,733	(9)	**2,289**	2,013	14	**4,415**
Bankwest net profit after tax ("cash basis")	**113**	-	large	**113**	-	large	**n/a**
Net profit after tax ("cash basis")	**4,415**	4,733	(7)	**2,402**	2,013	19	**4,415**
Hedging and AIFRS volatility	**(245)**	(42)	large	**(237)**	(8)	large	**(245)**
Gain on acquisition of controlled entities	**612**	-	large	**65**	547	(88)	**612**
Other non-cash items (3)	**(59)**	100	large	**(80)**	21	large	**(59)**
Net profit after tax ("statutory basis")	**4,723**	4,791	(1)	**2,150**	2,573	(16)	**4,723**
Represented by:							
Retail Banking Services	**2,107**	1,911	10	**988**	1,119	(12)	
Business and Private Banking	**736**	721	2	**363**	373	(3)	
Institutional Banking and Markets	**166**	771	(78)	**334**	(168)	large	
Wealth Management	**286**	737	(61)	**111**	175	(37)	
International Financial Services	**470**	581	(19)	**192**	278	(31)	
Other	**537**	12	large	**301**	236	28	
Net profit after tax excluding Bankwest ("cash basis")	**4,302**	4,733	(9)	**2,289**	2,013	14	
Investment experience - after tax	**196**	13	large	**64**	132	(52)	
Net profit after tax excluding Bankwest ("underlying basis")	**4,498**	4,746	(5)	**2,353**	2,145	10	
Bankwest net profit after tax	**113**	-	large	**113**	-	large	
Net profit after tax ("underlying basis")	**4,611**	4,746	(3)	**2,466**	2,145	15	

(1) For purposes of presentation, Policyholder tax (benefit)/expense components of Corporate tax expense are shown on a net basis for the years ended 30 June 2009: ($164) million, 30 June 2008: ($115) million and for the half years ended 30 June 2009: $31 million and 31 December 2008: ($195) million.

(2) Minority interests include preference dividends paid to holders of preference shares in ASB Capital.

(3) Other non-cash items represent the following items: 30 June 2009: merger related amortisation expense, Bankwest integration expenses, defined benefit superannuation expense, treasury shares valuation adjustment and other one-off expenses; 30 June 2008: Gain on Visa initial public offering, investment and restructuring, defined benefit superannuation expense and treasury share valuation adjustments.

(4) Includes the Bankwest result from the date of acquisition by profit and loss line item.

Highlights continued

Shareholder Summary	Full Year Ended 30/06/09	Full Year Ended 30/06/08	Jun 09 vs Jun 08 %	Half Year Ended 30/06/09	Half Year Ended 31/12/08	Jun 09 vs Dec 08 %
Dividends per share - fully franked (cents)	**228**	266	(14)	**115**	113	2
Dividend cover - cash (times)	**1. 3**	1. 3	-	**1. 4**	1. 2	17
Earnings per share (cents)						
Statutory basis - basic	**328. 5**	363. 0	(10)	**142. 2**	188. 4	(25)
Cash basis - basic	**305. 6**	356. 9	(14)	**158. 5**	146. 3	8
Dividend payout ratio (%)						
Statutory basis	**73. 1**	74. 1	(100)bpts	**82. 4**	65. 3	large
Cash basis	**78. 2**	75. 0	320bpts	**73. 7**	83. 6	large
Weighted average no. of shares - statutory basic (M)	**1,420**	1,307	9	**1,490**	1,352	10
Weighted average no. of shares - cash basic (M) (1)	**1,426**	1,313	9	**1,495**	1,358	10
Return on equity - cash (%)	**15. 8**	20. 4	(460)bpts	**16. 3**	15. 0	130bpts

(1) Further details are disclosed in Note 7, Earnings Per Share.

Balance Sheet Summary	As at 30/06/09 $M	31/12/08 $M	30/06/08 $M	Jun 09 vs Dec 08 %	Jun 09 vs (3) Jun 08 %
Lending assets (1)	**473,715**	449,861	369,597	5	28
Total assets	**620,372**	618,761	487,572	-	27
Total liabilities	**588,930**	588,774	461,435	-	28
Shareholders' Equity	**31,442**	29,987	26,137	5	20
Assets held and Funds Under Administration (FUA)					
On Balance Sheet:					
Banking assets	**596,919**	595,051	461,944	-	29
Insurance Funds Under Administration	**15,407**	16,174	17,345	(5)	(11)
Other insurance and internal funds management assets	**8,046**	7,536	8,283	7	(3)
	620,372	618,761	487,572	-	27
Off Balance Sheet:					
Funds Under Administration (2)	**159,927**	148,275	173,960	8	(8)
Total assets held and FUA	**780,299**	767,036	661,532	2	18

(1) Lending assets comprise Loans, Bills Discounted, and Other Receivables (gross of provisions for impairment and excluding securitisation) and Bank acceptances of customers.

(2) Includes Funds Under Administration balances relating to St Andrew's Australia Pty Ltd of $823 million as at 30 June 2009.

(3) Growth is inflated as the balance sheet as at 30 June 2008 does not include Bankwest.

Market Share Percentage	Group (ex Bankwest and St Andrew's) 30/06/09	31/12/08	30/06/08	Group (inc Bankwest and St Andrew's) 30/06/09	31/12/08
Home loans	**21.9**	20.3	19.3	**25.1**	23.3
Credit cards [2]	**18.7**	18.3	18.1	**21.8**	20.9
Personal lending (APRA and other Household) [3] [5]	**13.6**	14.2	15.8	**15.7**	20.3
Household deposits	**28.8**	29.1	29.1	**32.3**	32.6
Retail deposits [4]	**22.6**	23.2	23.4	**26.6**	27.3
Business Lending - APRA [1]	**13.6**	13.6	13.8	**19.4**	18.9
Business Lending - RBA [1]	**13.7**	13.7	13.6	**17.0**	16.9
Business Deposits - APRA [1]	**15.7**	16.4	15.8	**20.8**	21.3
Asset Finance	**13.6**	12.8	12.7	**13.6**	12.8
Equities trading (CommSec) [1]	**6.4**	6.0	6.3	**6.4**	6.0
Australian Retail - administrator view [1]	**14.2**	13.9	13.9	**14.4**	14.1
FirstChoice Platform [1]	**9.9**	9.8	9.7	**9.9**	9.8
Australia (total risk) [1]	**14.6**	14.7	14.7	**15.4**	15.5
Australia (individual risk) [1]	**13.3**	13.3	13.2	**14.5**	14.5
NZ Lending for housing	**23.3**	23.4	23.3	**23.3**	23.4
NZ Retail Deposits	**21.2**	21.6	21.2	**21.2**	21.6
NZ Lending to business	**8.8**	8.5	8.7	**8.8**	8.5
NZ Retail FUM	**20.3**	20.1	16.4	**20.3**	20.1
NZ Annual inforce premiums	**31.7**	31.7	31.7	**31.7**	31.7

As at

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

(2) As at 31 May 2009.

(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) During the half year to 30 June 2009, Bankwest market share was impacted by a reclassification of balances from personal lending to home loans. Comparatives have not been restated.

Highlights continued

Key Performance Indicators - Group	Full Year Ended 30/06/09	Full Year Ended 30/06/08	Jun 09 vs Jun 08 %	Half Year Ended 30/06/09	Half Year Ended 31/12/08	Jun 09 vs Dec 08 %
Group						
Underlying profit after tax ($M) (1)	**4,611**	4,746	(3)	**2,466**	2,145	15
Net interest margin (%)	**2. 10**	2. 02	8 bpts	**2. 16**	2. 04	12 bpts
Average interest earning assets ($M) (2)	**481,248**	385,667	25	**526,512**	436,722	21
Average interest bearing liabilities ($M) (2)	**453,458**	362,249	25	**496,742**	410,880	21
Funds management income to average FUA (%)	**1. 04**	1. 19	(15)bpts	**0. 98**	1. 11	(13)bpts
Funds Under Administration (FUA) - average ($M)	**173,872**	194,156	(10)	**167,001**	179,371	(7)
Insurance income to average inforce premiums (%)	**50. 6**	55. 1	(450)bpts	**51. 1**	50. 2	90 bpts
Average inforce premiums ($M)	**1,798**	1,511	19	**1,885**	1,708	10
Operating expenses to total operating income (%)	**45. 4**	48. 9	(350)bpts	**46. 5**	44. 3	220 bpts
Effective corporate tax rate (%)	**26. 0**	25. 4	60 bpts	**27. 4**	24. 1	330 bpts
Retail Banking Services						
Cash net profit after tax ($M)	**2,107**	1,911	10	**988**	1,119	(12)
Operating expenses to total banking income (%)	**42. 9**	46. 1	(320)bpts	**43. 4**	42. 4	100 bpts
Business and Private Banking						
Cash net profit after tax ($M)	**736**	721	2	**363**	373	(3)
Operating expenses to total banking income (%)	**48. 8**	50. 5	(170)bpts	**48. 6**	49. 1	(50)bpts
Institutional Banking and Markets						
Cash net profit after tax ($M)	**166**	771	(78)	**334**	(168)	large
Operating expenses to total banking income (%)	**28. 3**	34. 1	large	**29. 5**	26. 9	260 bpts
Wealth Management						
Underlying profit after tax ($M) (1)	**514**	789	(35)	**186**	328	(43)
FUA - average ($M) (3)	**167,677**	186,696	(10)	**160,974**	173,001	(7)
Average inforce premiums ($M) (3)	**1,405**	1,136	24	**1,469**	1,314	12
Funds management income to average FUA (%)	**1. 03**	1. 20	(17)bpts	**0. 96**	1. 11	(15)bpts
Insurance income to average inforce premiums (%)	**45. 3**	49. 0	(370)bpts	**45. 2**	46. 3	(110)bpts
Operating expenses to net operating income (%) (4)	**62. 0**	52. 7	large	**68. 9**	56. 3	large
International Financial Services						
Underlying profit after tax ($M) (1)	**467**	555	(16)	**198**	269	(26)
FUA - average ($M)	**6,195**	7,460	(17)	**6,027**	6,370	(5)
Average inforce premiums ($M)	**393**	375	5	**416**	394	6
Funds management income to average FUA (%)	**0. 79**	0. 64	15 bpts	**0. 77**	0. 81	(4)bpts
Insurance income to average inforce premiums (%)	**66. 4**	67. 2	(80)bpts	**68. 8**	59. 9	large
Operating expenses to total operating income (%)	**50. 7**	51. 9	(120)bpts	**47. 6**	53. 8	large
Bankwest						
Cash net profit after tax ($M)	**113**	-	large	**113**	-	large
Operating expenses to total banking income (%)	**63. 6**	-	large	**63. 6**	-	large
Capital Adequacy - (Basel II)						
Tier One (%)	**8. 07**	8. 17	(10)bpts	**8. 07**	8. 75	(68)bpts
Total (%)	**10. 42**	11. 58	(116)bpts	**10. 42**	11. 39	(97)bpts

(1) Cash net profit after tax less Investment experience after tax.

(2) Average interest earning assets and average interest bearing liabilities have been adjusted to remove the impact of securitisation. Average interest earning assets and interest bearing liabilities relating to Bankwest have been included for the full and half years to 30 June 2009.

(3) Average funds under administration and average inforce premiums relating to St Andrew's have been included from date of acquisition.

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

Key Performance Indicators - Excluding Bankwest	Full Year Ended 30/06/09	Full Year Ended 30/06/08	Jun 09 vs Jun 08 %	Half Year Ended 30/06/09	Half Year Ended 31/12/08	Jun 09 vs Dec 08 %
Underlying profit after tax ($M)	**4,498**	4,746	(5)	**2,353**	2,145	10
Net interest margin (%)	**2. 11**	2. 02	9 bpts	**2. 18**	2. 04	14 bpts
Average interest earning assets ($M)	**450,830**	385,667	17	**465,173**	436,722	7
Average interest bearing liabilities ($M)	**425,395**	362,249	17	**440,149**	410,880	7
Operating expenses to total operating income (%)	**44. 6**	48. 9	(430) bpts	**44. 9**	44. 3	60 bpts

Financial Performance and Business Review

In order to enhance the understanding and comparability of financial information between periods, commentary in the Financial Performance and Business Review excludes Bankwest unless otherwise stated. The results for St Andrew's have been included but are not material to the Group's result.

The Group's net profit after tax ("underlying basis") for the full year ended 30 June 2009 was $4,498 million, which represents a 5% decrease on the prior year.

The performance during the year was underpinned by:

- Solid growth in lending and deposit balances, with home lending up 19% to $257 billion, business lending up 6% to $135 billion, and domestic deposits up 23% to $287 billion since June 2008;
- Underlying net interest margin improvement of eight basis points since June 2008;
- Decline in average funds under administration of 10%, reflecting the adverse impact of volatile investment markets and outflows of short-term cash mandates;
- CommInsure inforce premium growth of 25% since June 2008 to $1,560 million, with both Life and General insurance businesses experiencing strong volumes; partly offset by
- Operating expense growth of 4%, reflecting continued investment in people and technology as well as higher occupancy and volume expenses; and
- Significantly higher loan impairment provisioning levels, reflecting a cyclical deterioration in portfolio quality and the Group's prudent and conservative approach to provisioning.

The Group's net profit after tax ("underlying basis") for the half to 30 June 2009 increased by 10% on the prior half to $2,353 million. The second half increase reflects a continuation of themes from the first half and a lower second half impairment expense.

More comprehensive disclosure of performance highlights by key business segments is contained on pages 20-35 of this report.

Net Interest Income

Net interest income increased by 21% on the prior year to $9,595 million. The increase was a result of continued strong growth in average interest earning assets of 17% together with an eight basis point improvement in underlying net interest margin.

Net interest income increased by 11% on the prior half to $5,052 million. The increase was driven by strong growth in average interest earning assets of 7% and a 14 basis point improvement in underlying net interest margin.

Factors impacting net interest margin are discussed on page 14.

Average Interest Earning Assets

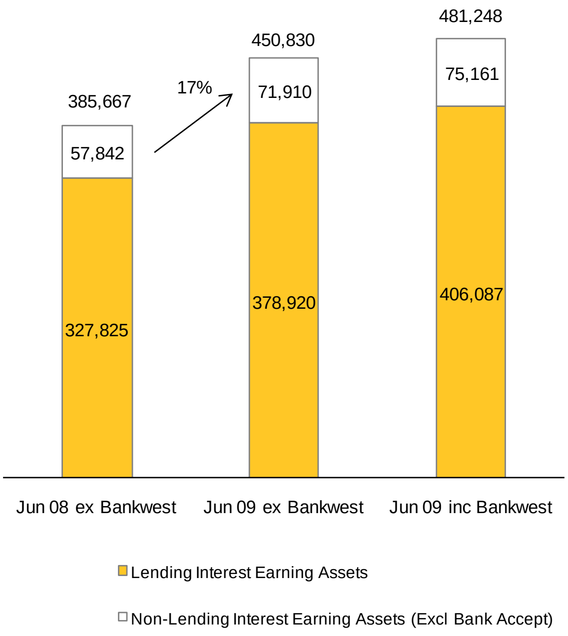
Average interest earning assets increased by $65 billion on the prior year to $451 billion, reflecting a $51 billion increase in average lending interest earning assets and a $14 billion increase in average non-lending interest earning assets.

Home loan average balances excluding the impact of securitisation increased by $33 billion since June 2008 to $223 billion, following above market volume growth whilst tightening credit standards.

Average balances for business and corporate lending increased by $20 billion since June 2008 to $137 billion, largely due to growth in Institutional Banking & Markets.

The growth of $14 billion in average non-lending interest earning assets reflects higher levels of liquid assets held in response to uncertain economic and financial market conditions as well as additional liquid assets acquired to fund Bankwest's operations upon acquisition.

Average Interest Earning Assets ($M)



Net Interest Margin

Underlying net interest margin improved eight basis points on the prior year. Key drivers of the improvement in underlying margin were:

Asset Pricing: Overall increase in margin of 13 basis points, reflecting the impact of repricing on home loans (four basis points), personal lending (six basis points) and business lending (three basis points). This has been in response to higher funding costs and increased credit risk.

Deposit pricing: Deposit margins decreased 24 basis points due to strong price competition for retail deposits and the decline in the official cash rate.

Mix and Liquids: Average liquid asset holdings increased $14 billion since June 2008, resulting in six basis points of margin decline. This was driven by higher levels of liquid assets held in response to uncertain economic and financial market conditions (five basis points) together with liquid assets acquired to fund the Bankwest operations upon acquisition (one basis point).

The adverse impact of higher relative growth in lower margin home loans contributed one basis point of margin contraction.

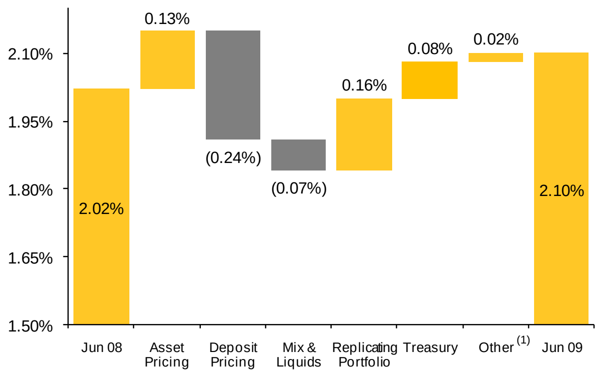
Replicating portfolio: As deposit margins have been adversely impacted by the declining cash rate environment the replicating portfolio has acted as a "buffer" and contributed 16 basis points to margin.

Treasury: Increase of eight basis points driven by higher earnings due to the free funding benefit of $5 billion from capital raised during the year (four basis points) and Treasury gains generated through the management of short dated interest rate exposures (four basis points).

Other: Increase of two basis points driven by higher margins in offshore business units (four basis points), partly offset by lower margins in ASB (two basis points).

NIM movement since June 2008

Additional information, including the average balances, is set out in Note 4 to the Financial Statements.



(1) Includes one basis point reduction from Bankwest and one basis point increase from AIFRS volatility.

Other Banking Income

	Full Year Ended		Half Year Ended	
	30/06/09	30/06/08	30/06/09	31/12/08
	$M	$M	$M	$M
Commissions	**1,961**	1,827	**984**	977
Lending fees	**1,348**	976	**731**	617
Trading income	**720**	546	**272**	448
Other income	**254**	228	**113**	141
	4,283	3,577	**2,100**	2,183
AIFRS reclassification of net swap costs	**(275)**	(265)	**(128)**	(147)
Other banking income ex Bankwest	**4,008**	3,312	**1,972**	2,036
Bankwest	**168**	-	**168**	-
Other banking income	**4,176**	3,312	**2,140**	2,036

Excluding the impact of AIFRS non-trading derivative volatility and Bankwest, other banking income increased 20% over the year.

Factors impacting Other banking income were:

- Commissions: increased by 7% on the prior year to $1,961 million. This outcome reflects portfolio growth, the benefit of increased collection rates in credit cards and personal lending and higher credit card loyalty reward income (offset by an increase in operating expenses). CommSec brokerage commissions were lower following weaker volumes;
- Lending fees: increased by 38% on the prior year to $1,348 million. The increase was due to growth in retail, corporate and institutional lending fees arising from higher lending volumes, together with $244 million of early repayment fees received from customers exiting fixed rate loans. The associated costs from the unwind of swaps related to these fixed rate loans will largely be incurred over the next three years;
- Trading income: increased by 32% on the prior year to $720 million. The increase was driven by higher foreign exchange and interest rate trading income generated from volatile market conditions together with Treasury income derived through the management of short dated interest rate risk exposures; and
- Other income: increased by 11% on the prior year to $254 million, reflecting additional equity accounted profits from investments in Asia, together with higher operating lease rentals.

Excluding the impact of AIFRS volatility and Bankwest, other banking income in the current half decreased 4% on the prior half to $2,100 million. This outcome was the result of lower trading income in the second half following the adverse impact of the steepening yield curve on Treasury earnings, partly offset by higher early repayment fees received from customers exiting fixed rate loans.

Funds Management Income

	Full Year Ended		Half Year Ended	
	30/06/09	30/06/08	30/06/09	31/12/08
	$M	$M	$M	$M
CFS GAM	**773**	1,068	**331**	442
Colonial First State	**696**	884	**329**	367
CommInsure and Other	**266**	281	**109**	157
ASB and Other	**78**	74	**39**	39
Funds management income	**1,813**	2,307	**808**	1,005

Funds management income decreased by 21% on the prior year to $1,813 million. The decline was due to a reduction in average funds under administration and funds under management, both down 10% on the prior year, reflecting the adverse impact of falling investment markets and outflows of short term cash mandates from institutional investors.

Funds under administration (spot) as at 30 June 2009 was $175 billion, representing an 8% decrease since 30 June 2008. The fall in funds under administration compares favourably with the ASX 200 and MSCI World (AUD) indices, which fell 24% and 16% respectively over the same period, reflecting the Group's diversification by asset class and geography.

Funds management income to average FUA decreased by 15 basis points on the prior year to 1.04% due to seed asset sales in the prior year and the adverse impact of higher levels of low margin short term cash mandates in the current year.

Funds management income in the current half decreased 20% on the prior half due to similar themes as those described above.

Insurance Income

	Full Year Ended		Half Year Ended	
	30/06/09	30/06/08	30/06/09	31/12/08
	$M	$M	$M	$M
CommInsure and Other	**636**	557	**329**	307
Sovereign and Other	**274**	275	**149**	125
Insurance income	**910**	832	**478**	432

Insurance income increased by 9% on the prior year to $910 million. The increase was a result of growth in average inforce premiums of 19% due to strong sales in Life and General insurance, partly offset by higher retail and wholesale life claims.

Insurance income in the current half increased 11% on the prior half following 10% growth in average inforce premiums.

Operating Expenses

Operating expenses increased by 4% over the prior year to $7,282 million. The increase was driven by:

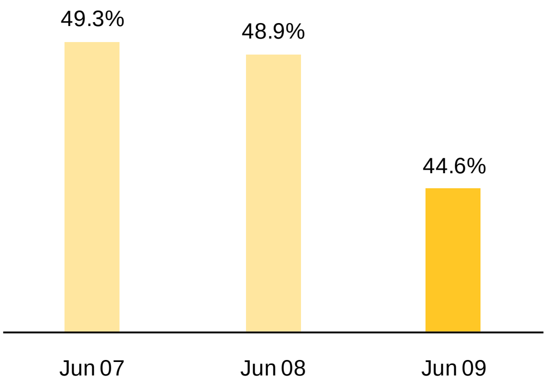
- Continued investment in people and technology;
- Higher volume related expenses resulting from strong growth in inforce premiums, an increase in depreciation charges relating to operating leases and additional credit card loyalty program costs (offset in other banking income); and
- Higher occupancy expenses following market rent increases and one-off costs relating to the relocation of offices to Sydney Olympic Park and Darling Park.

Gross investment continued to be strong, up 5% on the prior year to $1,075 million. This includes spend on Core Banking Modernisation, Finest Online and the branch refurbishment program, together with other key strategic initiatives.

Operating expenses in the current half increased 5% on the prior half to $3,731 million. Excluding the impact of additional card loyalty costs, expenses increased 3%.

Group Expense to Income Ratio (excluding Bankwest)

The expense to income ratio improved by 430 basis points over the prior year to 44.6%. The improvement reflects the Group's strong income growth combined with a continued focus on operational efficiencies, including mortgage and commercial loans processed per full time equivalent up by 25% and 17% respectively.



Group Performance Analysis continued

Impairment Expense

Impairment expense for the year was $2,935 million, representing 72 basis points of average gross loans and acceptances. This expense reflects a write off of listed notes issued by ABC Learning Limited (nine basis points), the Group's exposure to a small number of single name corporate customers (10 basis points), an increase in management overlay (12 basis points), and higher retail and corporate collective and individual provisioning (41 basis points).

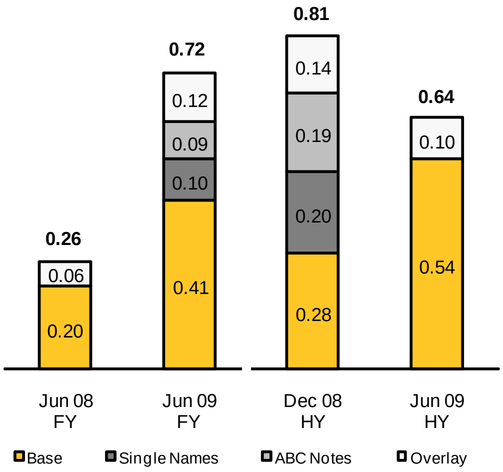
Home loan arrears over 90 days and personal lending arrears have increased on the prior year with deterioration in the second half. Credit card arrears deteriorated over the year, although have stabilised in the second half. As a result of higher arrears levels, additional resources have been deployed to collections. Credit policies for all retail products have also been tightened.

The corporate lending portfolio has been significantly impacted by a large increase in individual and collective provisioning due to a number of single name exposures. In addition, corporate collective provisioning has increased in response to a number of downgrades and adverse migration in credit ratings across the portfolio as a result of the deteriorating domestic economy.

Impairment expense for the current half decreased $279 million on the prior half to $1,328 million.

Gross impaired assets (excluding Bankwest) increased significantly over the prior year to $2,844 million.

Impairment Expense 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 including Bankwest at 30 June 2009 of $4,954 million. This represents a $1,346 million increase since December 2008 and $3,209 million increase since June 2008. The current level reflects:

- The low risk, high quality nature of the home lending portfolio which represented 61% of lending assets excluding securitisation at 30 June 2009;
- Significantly increased specific provisioning in the corporate portfolio resulting from the deterioration in market conditions and exposure to a number of single name corporate customers;
- Higher collective provisioning following an increase in retail arrears and adverse migration in corporate credit ratings;
- A management overlay of $1,320 million to cover the impact of economic conditions, and other risks;
- No direct exposure to US sub-prime or non-recourse mortgages; and
- No material exposure to Collateralised Debt Obligations ("CDO's").

Taxation Expense

The corporate tax expense was $1,510 million, representing an effective tax rate of 25.8%. The effective tax rate was below the expected long term underlying effective tax rate of between 26.0% and 27.5% due to:

- Investment allowance deductions;
- An increased domestic impairment expense that resulted in a higher proportion of profit coming from offshore jurisdictions which have lower corporate tax rates compared to Australia; and
- Tax benefits from structured finance transactions that was offset by an equivalent reduction in pre-tax operating income.

Total Group Assets & Liabilities	30/06/09 $M	31/12/08 $M	30/06/08 $M	Jun 09 vs Dec 08 %	Jun 09 vs [4] Jun 08 %
	As at				
Interest earning assets					
Home loans including securitisation	**292,206**	265,694	215,743	10	35
Less: securitisation	**(12,568)**	(14,769)	(11,676)	(15)	8
Home loans excluding securitisation	**279,638**	250,925	204,067	11	37
Personal	**19,260**	19,303	20,265	-	(5)
Business and corporate	**160,089**	164,901	126,987	(3)	26
Loans, bills discounted and other receivables [1]	**458,987**	435,129	351,319	5	31
Provisions for loan impairment	**(4,924)**	(3,578)	(1,713)	38	large
Net loans, bills discounted and other receivables	**454,063**	431,551	349,606	5	30
Non-lending interest earning assets	**72,688**	74,391	49,385	(2)	47
Total interest earning assets	**531,675**	509,520	400,704	4	33
Other assets [2]	**88,697**	109,241	86,868	(19)	2
Total assets	**620,372**	618,761	487,572	-	27
Interest bearing liabilities					
Transaction deposits	**66,117**	66,685	59,917	(1)	10
Saving deposits	**79,736**	71,611	53,420	11	49
Investment deposits	**135,314**	136,085	98,745	(1)	37
Other demand deposits	**78,938**	66,358	44,014	19	79
Total interest bearing deposits	**360,105**	340,739	256,096	6	41
Deposits not bearing interest	**8,616**	9,445	7,610	(9)	13
Deposits and other public borrowings	**368,721**	350,184	263,706	5	40
Debt issues	**88,814**	86,676	73,785	2	20
Other interest bearing liabilities	**43,744**	51,859	44,756	(16)	(2)
Total interest bearing liabilities	**492,663**	479,274	374,637	3	32
Securitisation debt issues	**13,005**	15,723	12,032	(17)	8
Non-interest bearing liabilities [3]	**83,262**	93,777	74,766	(11)	11
Total liabilities	**588,930**	588,774	461,435	-	28
Provisions for impairment losses					
Collective provision	**3,225**	2,474	1,466	30	large
Individually assessed provisions	**1,729**	1,134	279	52	large
Total provisions for impairment losses	**4,954**	3,608	1,745	37	large
Less off balance sheet provisions	**(30)**	(30)	(32)	-	(6)
Total provisions for loan impairment	**4,924**	3,578	1,713	38	large

(1) Gross of provisions for impairment which are included in Other assets.

(2) Other assets include Bank acceptances of customers, derivative assets, and provisions for impairment, securitisation assets, insurance assets and intangibles.

(3) Non-interest bearing liabilities include derivative liabilities and insurance policy liabilities.

(4) Growth rate is inflated as the balance sheet as at 30 June 2008 does not include Bankwest.

Credit Ratings	Long–term	Short–term	Outlook
Fitch Ratings	AA	F1+	Stable
Moody's Investor Services	Aa1	P-1	Negative
Standard & Poor's	AA	A-1+	Stable

The Group continues to maintain a strong capital position that is reflected in its credit ratings which remained unchanged for the year. Additional information regarding the Bank's capital is disclosed in the Capital Management Section of this report, pages 41-45.

Acquisition of Bankwest and St Andrew's

Acquisition Overview

The Group acquired 100% of the share capital of the Bank of Western Australia Limited ("Bankwest") and St Andrew's Australia Pty Ltd ("St Andrew's") on 19 December 2008.

Bankwest operates in the domestic market providing a comprehensive range of products, focusing on the small business banking and retail segments.

Since acquisition, Bankwest has continued to expand its customer base. As at 30 June 2009 Bankwest provided services to more than 960,000 retail customers and 26,000 business clients, through an extensive network of 135 retail branches, 78 Business Banking centres, direct and third party distribution channels, agencies and electronic, telephone and internet banking facilities.

St Andrew's provides life insurance and wealth management products to the Australian marketplace. Its range of products is similar to those provided by the Group's existing Wealth Management business.

The acquisition of Bankwest provides the Group with a significant opportunity to further develop its business in the Western Australian market. It complements the Group's existing operations and delivers additional growth opportunities in key market segments, as well as enhanced product and service delivery opportunities to customers.

The Group's Executive Committee and Bankwest Board are committed to delivering sustainable growth of the business in line with the Group's existing strategic priorities. Bankwest will continue to operate under the retained brand name, with a separate Board of Directors.

Acquisition Accounting

Following the finalisation of the fair value of assets and liabilities acquired, the gain on acquisition was $983 million before tax and has been treated as a non-cash item. The gain is significantly higher than the $660 million indicated at the time the acquisition was announced, due to the increase in the final fair value of net assets acquired, including $719 million of intangible assets. This is despite an increase of $1,059 million to the collective and individual provisions arising from the acquisition.

As part of the acquisition, fair value adjustments relating to fixed interest assets and liabilities and intangible assets subject to amortisation were recognised. Due to the significant size and non-recurring nature of these adjustments, the amortisation of the adjustments will be treated as non-cash and recognised over the assets and liabilities remaining useful lives.

Further details on the acquisition are disclosed in Note 49 Acquisition of Controlled Entities, page 223.

Purchase Consideration as at 30 June 2009	**$M**
Original purchase price	2,100
Additional purchase price adjustment	26
Costs relating to acquisition	37
Purchase consideration	2,163
Fair value of net identifiable assets acquired	3,676
Less: preference share placement	(530)
Gain on acquisition	983
Income tax expense	(371)
Gain on acquisition after tax	**612**

Integration Progress

The integration of Bankwest and St Andrew's into the Group is progressing smoothly. The initial phase is focused on aligning the operations of Bankwest and the Group across the country, and consolidating systems and processes for efficiency.

The operations of St Andrew's are run as part of the Group's Wealth Management business. The integration of St Andrew's will enable existing customers to benefit from a wide range of investment platforms and product offerings.

During the half year to 30 June 2009, several key integration milestones have been achieved, including:

- Reciprocal ATM access, with customers of both the Commonwealth Bank and Bankwest having access to more than 4,000 ATMs, the largest network of any bank nationally, without paying any additional fees;
- Established an integration/synergy program including a cross business steering group;
- Commenced restructuring activities;
- Initiated a review of major contracts and licences to identify savings through additional buying power, notably for large IT licensing arrangements;
- Established initial technology links; and
- Delivered a directional target operating model for Bankwest.

Integration Expenses and Synergies

Total integration expenditure for the initial phase is anticipated to be $313 million. The expenditure will be incurred over three years and due to its size and non-recurring nature it will be treated as a non-cash item.

The amount of integration expenditure for the six months to 30 June 2009 was $112 million.

Integration Expenditure for the year ended 30 June 2009	**$M**
Restructuring	16
Property	7
Operations	24
IT expenditure	60
Other	5
Total	**112**

Anticipated cost synergies have increased from an annualised run rate (by 2012) of $220 million to $250 million. This includes benefits associated with restructuring, cessation of the East Coast store rollout and other IT and property synergies. A low risk approach to the integration is being adopted that focuses on minimising distraction while maximising customer and business outcomes.

Asset Quality

The tables below illustrate the key measures of Asset Quality for the Group.

Asset Quality - Group	Full Year Ended 30/06/09	30/06/08	Jun 09 vs [3] Jun 08 %	Half Year Ended 30/06/09	31/12/08	Jun 09 vs Dec 08 %
Gross loans and acceptances ($M)	**488,500**	383,502	27	**488,500**	466,868	5
Risk weighted assets ("RWA") - Basel II ($M)	**288,836**	205,501	41	**288,836**	239,289	21
Credit risk weighted assets ($M)	**258,453**	187,440	38	**258,453**	221,231	17
Gross impaired assets ($M)	**4,210**	683	large	**4,210**	2,714	55
Net impaired assets ($M)	**2,481**	404	large	**2,481**	1,580	57
Collective provision as a % of risk weighted assets - Basel II [1]	**1. 12**	0. 71	41 bpts	**1. 12**	0. 89	23 bpts
Collective provision as a % of credit risk weighted assets - Basel II [1]	**1. 25**	0. 78	47 bpts	**1. 25**	0. 97	28 bpts
Collective provision as a % of gross loans and acceptances	**0. 66**	0. 38	28 bpts	**0. 66**	0. 53	13 bpts
Individually assessed provisions for impairment as a % of gross impaired assets	**41. 1**	40. 8	30 bpts	**41. 1**	41. 8	(70)bpts
Impairment expense annualised as a % of average RWA - Basel II [1] [2]	**1. 25**	0. 46	79 bpts	**1. 03**	1. 43	(40)bpts
Impairment expense annualised as a % of average gross loans and acceptances	**0. 68**	0. 26	42 bpts	**0. 61**	0. 81	(20)bpts

Asset Quality - Excluding Bankwest	Full Year Ended 30/06/09	30/06/08	Jun 09 vs Jun 08 %	Half Year Ended 30/06/09	31/12/08	Jun 09 vs Dec 08 %
Gross loans and acceptances ($M)	**430,650**	383,502	12	**430,650**	408,174	6
Risk weighted assets ("RWA") - Basel II ($M)	**246,001**	205,501	20	**246,001**	239,289	3
Credit risk weighted assets ($M)	**218,664**	187,440	17	**218,664**	221,231	(1)
Gross impaired assets ($M)	**2,844**	683	large	**2,844**	1,944	46
Net impaired assets ($M)	**1,735**	404	large	**1,735**	1,048	66
Collective provision as a % of risk weighted assets - Basel II	**0. 93**	0. 71	22 bpts	**0. 93**	0. 80	13 bpts
Collective provision as a % of credit risk weighted assets - Basel II	**1. 04**	0. 78	26 bpts	**1. 04**	0. 86	18 bpts
Collective provision as a % of gross loans and acceptances	**0. 53**	0. 38	15 bpts	**0. 53**	0. 47	6 bpts
Individually assessed provisions for impairment as a % of gross impaired assets	**39. 0**	40. 8	(180) bpts	**39. 0**	46. 1	large
Impairment expense annualised as a % of average RWA - Basel II [2]	**1. 27**	0. 46	81 bpts	**1. 10**	1. 43	(33) bpts
Impairment expense annualised as a % of average gross loans and acceptances	**0. 72**	0. 26	46 bpts	**0. 64**	0. 81	(17) bpts

(1) The ratio at 31 December 2008 has been adjusted to include an estimate of Bankwest risk weighted and credit risk weighted assets.

(2) For the full year ended 30 June 2008, this ratio uses a simple average pro-forma Basel II RWA at 31 December 2007 and actual Basel II RWA at 30 June 2008.

(3) Growth rate is inflated as 30 June 2008 does not include Bankwest.

Retail Banking Services

Financial Performance and Business Review

Retail Banking Services performed strongly over the year ended 30 June 2009 with cash net profit after tax of $2,107 million, increasing 10% on the prior year. The result was underpinned by strong sales and volume growth in key product lines, disciplined cost management and a higher impairment expense.

Customer service remains a key focus, with the business recording the largest improvement in customer satisfaction scores amongst local peers, increasing 2.9% on the prior year to 73.0%(1). Weekly customer experience surveys have also shown a significant improvement across all major channels.

A number of initiatives have been implemented that have contributed to this achievement. Highlights include:

- Enhancements to NetBank and the launch of mobile phone banking providing more convenience to our customers;
- Removal of a direct charge by the Group for our customers using non-CBA ATMs, and free access to over 4,000 CBA and Bankwest ATMs for Group customers;
- Over 1.6 million customers signing up to Online Statements;
- The purchase of a 33% holding in Aussie Home Loans Pty Limited, and the acquisition of $2.25 billion of Wizard originated home loans following Aussie's purchase of the Wizard brand and distribution network;
- Offering access to more than 1,000 branches across Australia with a continued focus on branch refurbishment;
- The launch of Australia's only "60 minute" home loan, where eligible customers can obtain a completed home loan within an hour of walking into a branch; and
- A home loan "repayment holiday" of up to 12 months for customers who lose their jobs due to the current economic downturn and assistance packages for victims of Victorian bushfire and NSW and Queensland floods.

The success of these initiatives is reflected in:

- The Group's retail products received 28 five star ratings from CANSTAR CANNEX and the Branch and ATM network was named the most comprehensive in recognition of the Group's reach and accessibility to customers;
- A number of awards for the NetBank online banking service, including Money Magazine's Online Bank of the year; and
- 2009 "Lender of the Year" at the annual Mortgage and Finance Association of Australia (MFAA) industry awards.

In addition, a record number of staff across the business participated in the annual People & Culture Survey with results showing that the business is supported by an engaged group of people.

Home Loans

Home loan income increased 32% on the prior year to $1,742 million. Strong balance growth of 21%, compared to market growth of 7%, was achieved through "flight-to-quality", increased lending capability in the branch network and significant presence in the broker market, while credit standards were tightened. In addition, CBA continues to offer the equal lowest priced standard variable home loans amongst local peers. Margins have benefited through a considered approach to repricing but continue to be impacted by higher funding costs. Other banking income was up 18% on prior year, underpinned by increased volumes and package fee collection rates.

(1) Source: Roy Morgan Research satisfaction with Main Financial Institution (MFI) six monthly moving averages based on respondents aged 14+. Represents the percentage of customers who answered as being either very or fairly satisfied.

Consumer Finance

Consumer Finance income increased 28% on the prior year to $1,441 million. This includes the impact of higher income relating to loyalty redemptions following changes to the Qantas Frequent Flyer program (offset in expenses). Excluding the impact of higher loyalty income, growth was 22% on the prior year and 10% on the prior half. The focus on profitable growth has resulted in sustainable balance growth as well as improved margins to offset increased funding costs and risk. Other banking income increased 21% on the prior year excluding loyalty income, mainly as a result of increased collection rates and an uplift in interchange income.

Retail Deposits

Deposit income of $3,069 million was in line with the prior year. Balances grew 16%, reflecting both "flight-to-quality" and a shift to more conservative style investment products. This was marginally below market growth due to strong price competition. However, the Group has maintained its number one market share position with a significant gap to the next competitor. Transaction account balances grew 11%, with personal account openings across all channels up 30% on the prior year, supported by new product offerings such as the Debit MasterCard.

During the second half margins were negatively impacted by declining cash rates (net of replicating portfolio benefit) and intense competition. Other banking income decreased 10% on the prior half mainly as a result of a reduction in ATM fees following the introduction of direct charging.

Distribution

Commissions received primarily from the distribution of business banking, wealth management, and foreign exchange products through the retail distribution network increased 29% on the prior year. This was mainly due to increased focus on foreign exchange volumes and general insurance cross sell initiatives. Cross-sell has improved due to enhanced skills in the branch network and record numbers of needs analysis conversations conducted with customers.

Operating Expenses

Operating expenses increased 6% on the prior year, mainly due to higher credit card loyalty costs. Excluding loyalty, operating expense growth was 2% with staff and occupancy cost increases partly offset by productivity improvements. Operating expenses for the second half excluding loyalty increased only 1% on the prior half despite increased staff costs as a result of higher home loan volumes and continued focus on collections and origination criteria to manage asset quality. The expense to income ratio for the year has decreased to 42.9%, a productivity improvement of 7%.

Impairment Expense

Impairment expense, including provision for Storm Financial customer remediation, increased significantly on the prior year to $699 million. Increased volumes and higher arrears due to deteriorating economic conditions both contributed to the underlying increase. Home and personal lending arrears over 90 days increased on the prior year, with deterioration in the second half. Credit card arrears increased significantly in the first half of the year, but have stabilised in the second half. Additional resources have been allocated to collections, resulting in fewer arrears flowing into losses. Credit policies for all products have been tightened.

Retail Banking Services continued

	Full Year Ended 30 June 2009				
	Home Loans $M	Consumer Finance [1] $M	Retail Deposits $M	Distribution $M	Total $M
Net interest income	1,575	958	2,392	-	4,925
Other banking income	167	483	677	224	1,551
Total banking income	1,742	1,441	3,069	224	6,476
Operating expenses					2,781
Impairment expense					699
Net profit before tax					2,996
Corporate tax expense					889
Cash net profit after tax					2,107

	Full Year Ended 30 June 2008				
	Home Loans $M	Consumer Finance [1] $M	Retail Deposits $M	Distribution $M	Total $M
Net interest income	1,178	779	2,381	-	4,338
Other banking income	141	346	679	173	1,339
Total banking income	1,319	1,125	3,060	173	5,677
Operating expenses					2,619
Impairment expense					331
Net profit before tax					2,727
Corporate tax expense					816
Cash net profit after tax					1,911

	Half Year Ended 30 June 2009				
	Home Loans $M	Consumer Finance [1] $M	Retail Deposits $M	Distribution $M	Total $M
Net interest income	856	511	1,146	-	2,513
Other banking income	85	265	321	108	779
Total banking income	941	776	1,467	108	3,292
Operating expenses					1,430
Impairment expense					462
Net profit before tax					1,400
Corporate tax expense					412
Cash net profit after tax					988

	As at				
Major Balance Sheet Items	30/06/09 $M	31/12/08 $M	30/06/08 $M	Jun 09 vs Dec 08 %	Jun 09 vs Jun 08 %
Home loans (including securitisation)	**226,457**	200,460	186,942	13	21
Consumer finance [1]	**12,064**	11,737	11,428	3	6
Total assets	**238,521**	212,197	198,370	12	20
Home loans (net of securitisation)	**217,855**	190,381	175,266	14	24
Transaction deposits	**20,335**	20,315	18,267	-	11
Savings deposits	**55,334**	50,005	44,261	11	25
Investments and other deposits	**60,817**	62,778	55,388	(3)	10
Deposits not bearing interest	**2,858**	2,882	2,305	(1)	24
Total liabilities	**139,344**	135,980	120,221	2	16

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

Business and Private Banking

Financial Performance and Business Review

Business and Private Banking services the unique financial needs of a range of business customers, from small business to medium sized corporate and agribusiness sectors through a range of product offerings including business loans, deposits, global markets products and asset finance facilities. In addition, private banking services are provided to high net worth individuals. The Equities and Margin Lending business offers a range of investment and cash products, including online broking services to retail and wholesale customers.

Business and Private Banking achieved a cash net profit after tax of $736 million, which represents a 2% increase on the prior year. This result was impacted by a significant increase in impairment expense during the year.

The operating performance of the business was strong with total banking income increasing 9% on the prior year, driven by strong business lending and deposit volumes particularly in the first half of the year and effective margin management. Profit in the second half of the year decreased 3% on the first half largely due to a higher impairment expense.

The continued focus on improving customer service levels has been reflected in the June 2009 TNS Business Finance Monitor(1). The Group is now closer to the number one peer bank(2) in terms of business customer satisfaction ratings, with the gap contracting from 10.4% at June 2008 to 5.1% at June 2009.

Other performance highlights during the year included:

- The launch of the Group's Small Business Investment Package, announced in March 2009, including the Business Banking Support Line, a dedicated financial support service to help small business and agribusiness customers during the challenging economic conditions;
- The introduction of eVolve, a new product which provides small business customers with e-commerce functionality including virtual shop-front and online payment facilities;
- The introduction of SuperGear, a solution for self managed Super Funds wishing to invest in property;
- Continued development of our industry-leading transaction banking capability through CommBiz saw the integration of trade finance, FX and money market trading products as well as Global Cash Management functionality onto the platform. The CommBiz client base grew 20% in the year and transaction numbers grew by 39%; and
- Achievement of record asset finance volumes with new business market share increasing 7% on the prior year to 21%.

Corporate Financial Services

Corporate Financial Services income increased 11% on the prior year to $951 million. There has been significant investment in people, systems & processes to deliver better customer service, including the opening of a further three new Business Banking Centres during the year. The continued focus on assisting customers during more challenging times, through proactive contact and delivering solutions tailored to customer needs has led to improved customer satisfaction scores over the year. There has also been a strong focus on industry specialisation and advisory services to niche industries, including accounting, legal, franchising and healthcare.

Regional and Agribusiness Banking

Regional and Agribusiness Banking income has increased by 10% on the prior year to $307 million. This result has been assisted by increased volumes from interest rate hedging and commodity linked products. Regional and Agribusiness has recently expanded to include some regionally based Local Business Banking and Corporate Financial Services teams. This better aligns all business banking staff under one team in regional areas and provides a greater focus on customer service.

Local Business Banking

Local Business Banking income increased by 15% on the prior year to $613 million. The business continued embedding its distinctive support model, including a personalised, 24 hour 7 days a week support centre, and continued roll-out of Business Bankers in branches – over 80% of the branch network is supported by a designated Business Banker.

Private Bank

Private Bank income increased by 14% on the prior year to $208 million. This result has been driven by strong deposit and home lending growth, slightly offset by declining revenue from the advisory business due to the weakened market conditions.

During the year two new offices were opened to service the needs of high net worth customers. The continued focus on customer satisfaction has seen the Private Bank being recognised in the Australian Private Banking Council Awards, winning "Best Private Bank" for high net worth customers with investible assets of between $1m - $10m.

Equities and Margin Lending

Equities and Margin Lending income decreased by 3% on the prior year to $403 million, impacted by the equity market downturn and a 42% decline in margin lending balances. This has been partly offset by continued balance growth in the new integrated CommSec cash management products.

CommSec's position as market leader has been recognised by its winning major industry awards. It is the only online broker to be awarded a five star rating by CANSTAR CANNEX for both its online share trading, and margin lending products. CommSec also won the AFR/Smart Investor Blue Ribbon Award for Online Broker of the Year - Fully Featured, and key awards from Money Magazine including "Best Innovative Product" for the CommSec Cash Management offering. CommSec continues to be a global innovator in mobile technologies by winning an international Webby award for its iPhone application.

Integration of the IWL business, rebranded Core Equity Services, is progressing well, with the launch of the first phase of its new equities trading platform.

Operating Expenses

Operating expenses of $1,272 million increased by 6% on the prior year. This result was driven by increased IT costs relating to system improvements together with the full year impact of IWL Limited.

Impairment Expense

Impairment expense increased significantly on the prior year, due to the impact of the deterioration in the domestic environment on small to medium sized businesses. The growth in impairment expense includes higher individual provision charges together with some adverse migration in credit ratings across the portfolio contributing to an increase in collective provisions. In addition, provision has been made for losses arising from margin lending to clients of Storm Financial.

(1) Measured all businesses with annual turnover to $100 million (excluding agribusinesses), 12 months rolling average.

(2) Peer banks include NAB, ANZ, WBC and St George.

	Full Year Ended 30 June 2009						
	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	590	205	389	108	177	56	1,525
Other banking income	361	102	224	100	226	67	1,080
Total banking income	951	307	613	208	403	123	2,605
Operating expenses							1,272
Impairment expense							309
Net profit before tax							1,024
Corporate tax expense							288
Cash net profit after tax							736

	Full Year Ended 30 June 2008						
	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	481	174	285	89	158	64	1,251
Other banking income	375	105	249	93	259	53	1,134
Total banking income	856	279	534	182	417	117	2,385
Operating expenses							1,205
Impairment expense							167
Net profit before tax							1,013
Corporate tax expense							292
Cash net profit after tax							721

	Half Year Ended 30 June 2009						
	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	298	106	200	53	85	35	777
Other banking income	184	53	111	51	107	45	551
Total banking income	482	159	311	104	192	80	1,328
Operating expenses							645
Impairment expense							189
Net profit before tax							494
Corporate tax expense							131
Cash net profit after tax							363

	As at				
Major Balance Sheet Items	30/06/09 $M	31/12/08 $M	30/06/08 $M	Jun 09 vs Dec 08 %	Jun 09 vs Jun 08 %
Interest earning lending assets (excluding margin loans)	**55,042**	53,663	50,115	3	10
Bank acceptances of customers	**12,099**	11,594	13,513	4	(10)
Non-lending interest earning assets	**1,311**	1,150	115	14	large
Margin loans	**4,569**	5,192	7,815	(12)	(42)
Other assets (1)	**1,794**	416	2,047	large	(12)
Total assets	**74,815**	72,015	73,605	4	2
Transaction deposits	**39,379**	39,217	39,763	-	(1)
Savings deposits	**4,982**	4,369	3,088	14	61
Investment deposits	**30,243**	31,292	26,215	(3)	15
Certificates of deposits and other	**172**	114	84	51	large
Due to other financial institutions	**2,101**	443	935	large	large
Other non-interest bearing liabilities (1)	**17,922**	17,413	19,592	3	(9)
Total liabilities	**94,799**	92,848	89,677	2	6

(1) Other assets include intangible assets and Other non-interest bearing liabilities include bank acceptances.

Institutional Banking and Markets

Financial Performance and Business Review

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 risk management and transactional banking capabilities. Institutional Banking and Markets also has wholesale banking operations in London, Malta, New York, New Zealand, Singapore, Hong Kong and Japan.

Customer Satisfaction continues to be a key focus. Several successful customer orientated initiatives implemented in the year ended 30 June 2009 were recognised in the bi-annual, April 2009, East & Partners' Institutional Banking & Markets report. This report rated Institutional Banking and Markets best in the market for the third year running under the categories of "Understanding Customers' Business" and "Loyalty to the Relationship." The division also ranked ahead of its domestic peers in the other key satisfaction categories of "Understanding Customers' Industry Sector", "Relationship Management" and "Quality of People."

Institutional Banking and Markets achieved cash net profit after tax of $166 million for the year ended 30 June 2009, which represented a decrease of 78% on the prior year as a result of a significant increase in impairment expense during the year.

The underlying performance remains strong with operating income up 37% to $2,402 million. This was a positive result in a challenging market and a reflection of:

- The ability to focus on meeting customer's capital management requirements by offering a full range of capital solutions during uncertain times;
- Improved net interest margins across the loan portfolio reflecting market and risk conditions; and
- Targeted lending interest earning asset growth, achieved while maintaining credit disciplines to ensure high asset quality levels are preserved.

Institutional Banking and Markets continues to focus on productivity with the expense to income ratio improving from 34.1% for the prior year to 28.3% for the year ended 30 June 2009.

The cash net profit after tax for the half year ended 30 June 2009 was $334 million, up significantly on the prior half. The increase reflects the impact of improved margins and a lower second half impairment expense, partly offset by higher operating expenses.

Asset balances declined in the second half due to companies raising equity and deleveraging in response to the current market environment, together with the impact of the strengthening Australian dollar.

A number of key initiatives were implemented or approved during the year to further strengthen the Institutional Banking and Markets vision of being the leading provider of Total Capital Solutions. These include expansion of:

- Global distribution capabilities to position the Group as the leader in fixed income markets;
- Foreign Exchange capacity through investment in the product platform; and
- Institutional Equities division to meet the demand from major corporate clients seeking to raise equity capital, and to meet the needs of institutional investors.

Institutional Banking

Operating income increased 31% on the prior year to $1,536 million, driven primarily by effective margin management and focusing on meeting customers' overall financial services requirements, which has contributed to lending balance growth of 4% whilst maintaining high asset quality.

Markets

Markets income increased by 50% on the prior year to $866 million, primarily driven by strong growth in customer demand for hedging and trading activities in foreign exchange, interest rate and commodity markets.

This result was achieved by actively managing the portfolio whilst continuing to adopt a disciplined approach to risk management.

Operating Expenses

Operating expenses of $679 million increased 14% on the prior year. The increase was driven by depreciation charges relating to operating leases, higher staff costs, adverse foreign exchange effect on offshore activities and investment in infrastructure to support business growth.

Impairment Expense

Impairment expense increased significantly on the prior year to $1,708 million. Impairment expense during the year has been impacted by the write off of listed notes issued by ABC Learning Ltd and higher individual and collective provisions taken to cover a small number of single name exposures. In addition, the collective provision has increased in response to a number of downgrades across the portfolio as a result of the deteriorating global economy.

Impairment expense for the second half was lower than the first half. This was largely due to the ABC notes write off and provisions taken to cover a small number of single name exposures in the first half.

Corporate Tax Expense

The Corporate tax benefit for the year ended 30 June 2009 was $151 million. This was largely due to the increased domestic impairment expense which resulted in a higher proportion of profit coming from offshore jurisdictions that have lower corporate tax rates. In addition, the tax expense for the year benefitted from structured finance transactions, which are offset by an equivalent reduction in pre-tax operating income.

Institutional Banking and Markets continued

	Full Year Ended 30 June 2009		
	Institutional Banking $M	Markets $M	Total $M
Net interest income	1,020	433	1,453
Other banking income	516	433	949
Total banking income	1,536	866	2,402
Operating expenses			679
Impairment expense			1,708
Net profit before tax			15
Corporate tax expense			(151)
Cash net profit after tax			166

	Full Year Ended 30 June 2008		
	Institutional Banking $M	Markets $M	Total $M
Net interest income	846	151	997
Other banking income	330	425	755
Total banking income	1,176	576	1,752
Operating expenses			598
Impairment expense			259
Net profit before tax			895
Corporate tax expense			124
Cash net profit after tax			771

	Half Year Ended 30 June 2009		
	Institutional Banking $M	Markets $M	Total $M
Net interest income	547	216	763
Other banking income	208	269	477
Total banking income	755	485	1,240
Operating expenses			366
Impairment expense			512
Net profit before tax			362
Corporate tax expense			28
Cash net profit after tax			334

	As at				
Major Balance Sheet Items	30/06/09 $M	31/12/08 $M	30/06/08 $M	Jun 09 vs Dec 08 %	Jun 09 vs Jun 08 %
Interest earning lending assets	**67,213**	73,942	63,612	(9)	6
Bank acceptances of customers	**2,629**	3,138	4,765	(16)	(45)
Non-lending interest earning assets	**30,858**	27,524	18,695	12	65
Other assets (1)	**12,500**	23,428	10,582	(47)	18
Total assets	**113,200**	128,032	97,654	(12)	16
Certificate and other deposits	**12,725**	10,702	6,567	19	94
Investment deposits	**9,008**	6,841	3,513	32	large
Due to other financial institutions	**11,627**	15,169	15,724	(23)	(26)
Liabilities at fair value through the Income Statement	**2,598**	2,416	1,914	8	36
Debt issues	**11,376**	24,437	25,438	(53)	(55)
Loan Capital	**644**	720	581	(11)	11
Other non-interest bearing liabilities (1)	**33,863**	45,489	22,824	(26)	48
Total liabilities	**81,841**	105,774	76,561	(23)	7

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

Wealth Management

Financial Performance and Business Review

Underlying profit after tax decreased 35% on the prior year to $514 million.

The Insurance business achieved strong volume growth over the year with total Inforce Premiums up 25% to $1.6 billion at 30 June 2009.

The Funds Management businesses were impacted by sustained pressure on investment markets and while down on the prior year, market conditions showed improvements in the last quarter. Funds under Administration as at 30 June 2009 decreased 9% on the prior year to $169 billion.

Cash net profit after tax for the Wealth Management business was down 61% on the prior year to $286 million. This outcome was adversely impacted by significantly lower investment experience returns after tax, primarily due to unrealised mark to market losses from widening credit spreads on the valuation of assets backing the Guaranteed Annuities portfolio, and the impairment of listed and unlisted investments.

CFS Global Asset Management (CFS GAM)

CFS Global Asset Management provides asset management services to wholesale and institutional investors. Underlying net profit after tax of $207 million was down 50% on the prior year, impacted by the overall decline in investment markets over the year and one off gains from the sell down of seed assets in the prior year.

Funds under Management as at 30 June 2009 was $138 billion, down 10% on the prior year due to the decline in equity markets and the outflows of short-term cash mandates from institutional investors. The fall in Funds under Management compares favourably to a 24% decline in the ASX 200 and a 16% reduction in the MSCI World (AUD) indices over the year reflecting CFS GAM's diversification by asset class and geography.

Investment performance has improved relative to the market with 76% of funds outperforming benchmark over a three year period, reflecting the success of CFS GAM's research based investment philosophy.

Highlights include:

- First State Investments has consistently ranked in the top 10 for net flows in the UK reflecting the profile and performance of its suite of specialist funds;
- The property management business continues to perform well with the flagship Listed Property Funds outperforming the sector and is well positioned in a challenging economic environment; and
- The Responsible Investment team issued its first report. This report outlines activities and progress towards implementing the United Nations Principles for Responsible Investment in the business.

Cash net profit after tax was down 77% on the prior year to $93 million. This result was adversely impacted by impairment of investments in listed vehicles and other assets.

Colonial First State

Colonial First State provides product packaging, administration, distribution and advice to retail customers. Cash net profit after tax was down 54% on the prior year to $94 million.

Net operating income was down 21% on the prior year to $544 million due to lower Funds under Administration as a result of the decline in investment markets.

The FirstChoice platform performed well in a tough market with positive net flows of $2.2 billion for the year ended 30 June 2009. FirstChoice retained the number two Flagship platform position with a market share of 9.9%.

Highlights include:

- Colonial First State won the coveted awards of Best Fund Manager and Best Master Trust/Wrap Provider for FirstChoice in the 2009 Wealth Insights Service Level Survey Reports for the second consecutive year;
- Custom Solutions (previously Avanteos) awarded best full-service platform in the Investment Trends 2008 Platform report for the third consecutive year; and
- Continued development of the FirstChoice platform including the addition of cash deposit products (FirstRate Saver, FirstRate Term Deposits) plus new investment options and service enhancements.

CommInsure

CommInsure is a provider of life and general insurance. Underlying profit after tax, which excludes unrealised annuity impacts, increased 24% on the prior year to $309 million.

The life insurance business attracted strong new business volumes in both retail and wholesale lines driving 17% growth in inforce premiums to $1,132 million at 30 June 2009.

The general insurance business also experienced strong growth with Inforce Premiums up 29% to $360 million at 30 June 2009 driven by new business volumes in the motor portfolio and growth in average premiums across all lines of business.

Highlights include:

- Received the Investment Bonds, and Insurance Investment Bonds Awards, in addition to the Lifetime Annuities and Trauma Insurance Awards in the 2009 Association of Financial Advisers/Plan for Life awards; and
- Granted a coveted five-star rating from CANSTAR CANNEX on home insurance products.

Cash net profit after tax was down 16% on the prior year to $177 million. This outcome was adversely impacted by unrealised mark to market losses of $117 million after tax on the Guaranteed Annuities portfolio. Actual losses are expected to be much lower as the underlying assets in the portfolio mature and tentative signs of recovery are emerging with some first half losses starting to unwind.

St Andrew's Australia Pty Ltd

St Andrew's Australia Pty Ltd, acquired by the Group on 19 December 2008, is a domestic provider of life and general insurance and wealth management products. Cash net profit after tax of $3 million has been included in the "Other" segment and relates to the six months to 30 June 2009.

As at 30 June 2009, St Andrew's Funds under Administration of $823 million has been included in the categories of Legacy products ($164 million) and Cash Management ($659 million). Inforce Premiums of $68 million, which are classified as life insurance products, have been included as a separate category.

Operating Expenses

Total operating expenses (excluding St Andrew's) of $1,156 million decreased 4% on the prior year. Expenses have been managed in line with current market conditions while maintaining strategic investment spend.

Drivers of the expense reductions on the prior year are:

- Cost management initiatives across Wealth Management; and
- Reduced employee incentives, commensurate with lower profits.

Full Year Ended 30 June 2009	CFS GAM $M	Colonial First State $M	CommInsure $M	Other $M	Total $M
Funds management income	773	696	258	8	1,735
Insurance income	-	-	615	21	636
Total operating income	773	696	873	29	2,371
Volume expenses	134	152	183	8	477
Net operating income	639	544	690	21	1,894
Operating expenses	353	408	267	147	1,175
Net profit before tax	286	136	423	(126)	719
Corporate tax expense	79	41	114	(29)	205
Underlying profit after tax	207	95	309	(97)	514
Investment experience after tax	(114)	(1)	(132)	19	(228)
Cash net profit after tax	93	94	177	(78)	286

Full Year Ended 30 June 2008	CFS GAM $M	Colonial First State $M	CommInsure $M	Other $M	Total $M
Funds management income	1,068	884	279	2	2,233
Insurance income	-	-	557	-	557
Total operating income	1,068	884	836	2	2,790
Volume expenses	153	192	163	-	508
Net operating income	915	692	673	2	2,282
Operating expenses	369	416	321	97	1,203
Net profit before tax	546	276	352	(95)	1,079
Corporate tax expense	136	84	103	(33)	290
Underlying profit after tax	410	192	249	(62)	789
Investment experience after tax	3	14	(38)	(31)	(52)
Cash net profit after tax	413	206	211	(93)	737

Half Year Ended 30 June 2009	CFS GAM $M	Colonial First State $M	CommInsure $M	Other $M	Total $M
Funds management income	331	329	100	9	769
Insurance income	-	-	308	21	329
Total operating income	331	329	408	30	1,098
Volume expenses	60	72	94	8	234
Net operating income	271	257	314	22	864
Operating expenses	173	200	136	86	595
Net profit before tax	98	57	178	(64)	269
Corporate tax expense	31	17	50	(15)	83
Underlying profit after tax	67	40	128	(49)	186
Investment experience after tax	(62)	(6)	(12)	5	(75)
Cash net profit after tax	5	34	116	(44)	111

Wealth Management continued

Summary	Full Year Ended 30/06/09 $M	30/06/08 $M	Jun 09 vs Jun 08 %	Half Year Ended 30/06/09 $M	31/12/08 $M	Jun 09 vs Dec 08 %
Funds under administration - average	**167,677**	186,696	(10)	**160,974**	173,001	(7)
Funds under administration - spot	**169,210**	184,970	(9)	**169,210**	158,026	7
Funds under management - average	**136,604**	152,328	(10)	**130,818**	141,247	(7)
Funds under management - spot	**138,204**	152,940	(10)	**138,204**	128,594	7
Retail Net funds flows (Australian Retail)	**(1,364)**	1,888	large	**(349)**	(1,015)	66

Funds Under Management (FUM) (1)	Full Year Ended 30/06/09 $M	30/06/08 $M	Jun 09 vs Jun 08 %	Half Year Ended 30/06/09 $M	31/12/08 $M	Jun 09 vs Dec 08 %
Australian equities	**17,741**	23,502	(25)	**17,741**	16,725	6
Global equities	**35,705**	35,589	-	**35,705**	29,679	20
Cash and fixed interest	**61,395**	66,729	(8)	**61,395**	56,813	8
Property and Infrastructure (2)	**23,363**	27,120	(14)	**23,363**	25,377	(8)
Total	**138,204**	152,940	(10)	**138,204**	128,594	7

Sources of Profit from CommInsure	Full Year Ended 30/06/09 $M	30/06/08 $M	Jun 09 vs Jun 08 %	Half Year Ended 30/06/09 $M	31/12/08 $M	June 09 vs Dec 08 %
Life insurance operating margins						
Planned profit margins	**149**	145	3	**74**	75	(1)
Experience variations	**14**	12	17	**4**	10	(60)
Funds management operating margins	**156**	117	33	**58**	98	(41)
General insurance operating margins	**(10)**	(25)	60	**(8)**	(2)	large
Operating margins	**309**	249	24	**128**	181	(29)
Investment experience after tax	**(132)**	(38)	large	**(12)**	(120)	90
Cash net profit after tax	**177**	211	(16)	**116**	61	90

Annual Inforce Premiums (3)	Full Year Ended 30 June 2009 Opening Balance 30/06/08 $M	Sales/New Business $M	Lapses $M	Other (4) Movements $M	Closing Balance 30/06/09 $M
Retail life	605	205	(113)	-	697
Wholesale life	366	103	(34)	-	435
General insurance	279	136	(55)	-	360
St Andrew's	-	7	(7)	68	68
Total	1,250	451	(209)	68	1,560

Annual Inforce Premiums (3)	Full Year Ended 30 June 2008 Opening Balance 30/06/07 $M	Sales/New Business $M	Lapses $M	Other (4) Movements $M	Closing Balance 30/06/08 $M
Retail life	530	156	(81)	-	605
Wholesale life	308	91	(33)	-	366
General insurance	184	113	(39)	21	279
St Andrew's	-	-	-	-	-
Total	1,022	360	(153)	21	1,250

Annual Inforce Premiums (3)	Half Year Ended 30 June 2009 Opening Balance 31/12/08 $M	Sales/New Business $M	Lapses $M	Other (4) Movements $M	Closing Balance 30/06/09 $M
Retail life	651	108	(62)	-	697
Wholesale life	403	45	(13)	-	435
General insurance	324	64	(28)	-	360
St Andrew's	-	7	(7)	68	68
Total	1,378	224	(110)	68	1,560

(1) FUM does not include the Group's interests in the China Joint Venture, AWG plc or ENW Limited.

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

(3) Inforce premiums relate to risk business. Savings products are disclosed within Funds Management.

(4) Other movements for the current year represent balances from the acquisition of St Andrew's. Prior year represent renewals not previously included in comparatives.

Funds Under Adminstration	Opening Balance 30/06/08 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [7] $M	Closing Balance 30/06/09 $M
	Full Year Ended 30 June 2009					
FirstChoice	38,707	10,862	(8,617)	2,245	(4,997)	35,955
Custom Solutions [1]	6,257	2,176	(2,165)	11	(927)	5,341
Cash management [2]	2,576	2,121	(2,545)	(424)	707	2,859
Legacy products [2] [3]	27,500	1,666	(4,708)	(3,042)	(2,367)	22,091
Retail products [4]	75,040	16,825	(18,035)	(1,210)	(7,584)	66,246
Other retail [5]	1,366	54	(208)	(154)	(58)	1,154
Australian retail	76,406	16,879	(18,243)	(1,364)	(7,642)	67,400
Wholesale	52,376	21,457	(27,089)	(5,632)	(1,652)	45,092
Property	20,210	1,281	(2,336)	(1,055)	(433)	18,722
Other [6]	3,248	508	(165)	343	(355)	3,236
Domestically sourced	152,240	40,125	(47,833)	(7,708)	(10,082)	134,450
Internationally sourced	32,730	9,589	(8,728)	861	1,169	34,760
Total Wealth Management	184,970	49,714	(56,561)	(6,847)	(8,913)	169,210

Funds Under Adminstration	Opening Balance 30/06/07 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [7] $M	Closing Balance 30/06/08 $M
	Full Year Ended 30 June 2008					
FirstChoice	39,545	17,537	(12,610)	4,927	(5,765)	38,707
Custom Solutions [1]	5,875	2,365	(1,079)	1,286	(904)	6,257
Cash management	3,130	1,767	(2,411)	(644)	90	2,576
Legacy products [3]	34,061	2,477	(6,110)	(3,633)	(2,928)	27,500
Retail products [4]	82,611	24,146	(22,210)	1,936	(9,507)	75,040
Other retail [5]	1,577	209	(257)	(48)	(163)	1,366
Australian retail	84,188	24,355	(22,467)	1,888	(9,670)	76,406
Wholesale	34,469	37,097	(17,470)	19,627	(1,720)	52,376
Property	14,843	3,481	(1,713)	1,768	3,599	20,210
Other [6]	3,635	159	(267)	(108)	(279)	3,248
Domestically sourced	137,135	65,092	(41,917)	23,175	(8,070)	152,240
Internationally sourced	31,675	17,481	(12,042)	5,439	(4,384)	32,730
Total Wealth Management	168,810	82,573	(53,959)	28,614	(12,454)	184,970

Funds Under Adminstration	Opening Balance 31/12/08 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [7] $M	Closing Balance 30/06/09 $M
	Half Year Ended 30 June 2009					
FirstChoice	33,172	5,314	(3,812)	1,502	1,281	35,955
Custom Solutions [1]	5,727	945	(1,601)	(656)	270	5,341
Cash management [2]	2,299	1,367	(1,431)	(64)	624	2,859
Legacy products [2] [3]	22,525	805	(1,844)	(1,039)	605	22,091
Retail products [4]	63,723	8,431	(8,688)	(257)	2,780	66,246
Other retail [5]	1,252	25	(117)	(92)	(6)	1,154
Australian retail	64,975	8,456	(8,805)	(349)	2,774	67,400
Wholesale	39,663	15,344	(10,351)	4,993	436	45,092
Property	20,442	564	(1,405)	(841)	(879)	18,722
Other [6]	3,308	49	(83)	(34)	(38)	3,236
Domestically sourced	128,388	24,413	(20,644)	3,769	2,293	134,450
Internationally sourced	29,638	5,842	(3,986)	1,856	3,266	34,760
Total Wealth Management	158,026	30,255	(24,630)	5,625	5,559	169,210

(1) Avanteos has been rebranded Custom Solutions, which includes the FirstWrap product.
(2) St Andrew's FUA balances have been included as at 30 June 2009. This includes $164 million in legacy products and $659 million in cash management.
(3) Includes stand alone retail and legacy retail products.
(4) Retail products align to Plan for Life market release.
(5) Includes listed equity trusts and regular premium plans. These retail products are not reported in market share data.
(6) Includes life company assets sourced from retail investors but not attributable to a funds management product.
(7) Includes foreign exchange gains and losses from translation of internationally sourced business.

International Financial Services

Financial Performance and Business Review

International Financial Services incorporates the Group's banking operations in New Zealand, Indonesia, China, Fiji, Japan, India and Vietnam. It also includes life insurance and funds distribution activities in several of these countries.

Cash net profit after tax for the year was $470 million, a decrease of 19% on the prior year. After removing the impact of currency fluctuations, the decrease was 13% on the prior year. The lower result was due predominantly to increased impairment expense in ASB Bank which increased by $159 million to $193 million for the year.

ASB Bank

ASB Bank cash net profit after tax for the year was $332 million(1). Excluding the impact of realised gains on the hedge of New Zealand operations and currency fluctuations, profit reduced by 9% on the prior year. The result reflects the impacts of the downturn in the New Zealand economy which entered recession in early 2008. Balance sheet growth slowed, margins contracted due to higher funding costs and impairment expense increased sharply. Despite these challenging conditions, ASB Bank was able to grow revenue, mainly through a strong trading result. Expenses reduced from $542 million to $520 million as cost saving initiatives were implemented to offset the slowing revenue momentum. Key drivers of the result were:

- Home loan balances increased by 4% to NZD38 billion at 30 June 2009, with market share increasing to 23.3%. Business lending market share was stable at 8.8%, following 4% growth in balances to NZD7 billion over the prior year. Retail deposits grew by 8% to NZD30 billion at 30 June 2009. Market share for retail deposits was 21.2%;
- Trading income was strong, principally due to Treasury income derived through the management of short dated interest rate and foreign exchange risk exposures;
- Other banking income was impacted by the recovery of costs associated with customers exiting fixed rate mortgages as interest rates dropped sharply. Part of the cost of unwinding swap positions associated with these fixed rate loans was included in net interest income during the year, with the remainder to unwind over the next three years;
- Net interest margin declined by 23 basis points on the prior year due to higher wholesale funding costs and intense competition for retail deposits;
- In October 2008, the New Zealand government introduced a guarantee scheme for retail depositors of financial institutions. ASB Bank has opted into the scheme that includes payment of a fee to the New Zealand government, the cost of which is recorded in net interest income;
- Lower operating expenses which reduced from $542 million to $520 million as a result of cost saving initiatives; and
- Higher impairment expense of $193 million was driven by increased specific corporate provisions and higher collective provisions as a result of a general deterioration in loan arrears. Past due and impaired assets have increased from historic lows across all asset classes.

ASB Bank cash net profit after tax declined in the second half of the year largely due to an increase in impairment expense and slowing revenue growth.

Sovereign Insurance

The life insurance operations in New Zealand operate predominantly under the Sovereign brand.

Sovereign's cash net profit after tax for the year was $97 million(1), a slight increase on the prior year. The NZD result increased by 11% on the prior year. The main drivers of this result were:

- Market leading new business sales with Sovereign capturing 30.9% of new business sales market share to 30 June 2009 on a rolling 12 month basis;
- Growth in risk and health inforce premiums of 10% on the prior year;
- Positive claims experience in the lump sum disability class; and
- Lower persistency levels.

Sovereign pre-tax income in the current year has been impacted by a change in accounting treatment, which results in the recognition of a $10 million tax benefit under current New Zealand tax legislation within tax expense, offset by an equivalent reduction in Sovereign pre-tax income.

Other Asia Pacific Business

Focus on the Asia Pacific region has continued during the year. Significant developments in the region were:

- Indonesia: PT Bank Commonwealth established an additional seven branches during the year and consolidated two, bringing the total number of branches to 57 as at 30 June 2009.
- Vietnam: The Group's first branch in Vietnam was opened in August 2008 in Ho Chi Minh city;
- China: The shareholding in Qilu Bank (formerly Jinan City Commercial Bank) was increased to 20% in December 2008 from 11% at June 2008. The banking investments in China achieved strong profit growth during the year;
- India: In October 2008 the Group was granted a licence to open a branch in Mumbai; and
- Fiji: Net interest margin improved over the year, whilst there was limited deterioration in arrears.

Other net profit after tax decreased on the prior year due to lower investment experience returns and a higher effective tax rate.

Operating Expenses

Operating expenses increased by 2% over the prior year to $843 million. The main drivers of the expense increase were:

- Expanding the Group's presence in Asia, including branch openings in PT Bank Commonwealth in Indonesia, the branch opening in Vietnam and preparations for new branches in Shanghai and Mumbai;
- Depreciation of the Australian dollar against Asian currencies, offset by an appreciation against the NZD, partly offset by;
- Cost saving initiatives in ASB Bank.

(1) Represents Group Management view for the product segment rather than statutory view.

	Full Year Ended 30 June 2009			
	ASB	Sovereign	Other	Total
	$M	$M	$M	$M
Net interest income	737	-	111	848
Other banking income	418	-	88	506
Total banking income	1,155	-	199	1,354
Funds management income	53	-	(4)	49
Insurance income	-	219	42	261
Total operating income	1,208	219	237	1,664
Operating expenses	520	164	159	843
Impairment expense	193	-	9	202
Net profit before tax	495	55	69	619
Corporate tax expense	163	(24)	10	149
Minority interests	-	-	3	3
Underlying profit after tax	332	79	56	467
Investment experience after tax	-	18	(15)	3
Cash net profit after tax	332	97	41	470

	Full Year Ended 30 June 2008			
	ASB	Sovereign	Other	Total
	$M	$M	$M	$M
Net interest income	784	-	120	904
Other banking income	317	-	66	383
Total banking income	1,101	-	186	1,287
Funds management income	57	-	(9)	48
Insurance income	-	215	37	252
Total operating income	1,158	215	214	1,587
Operating expenses	542	150	132	824
Impairment expense	34	-	9	43
Net profit before tax	582	65	73	720
Corporate tax expense	176	(6)	(7)	163
Minority interests	-	-	2	2
Underlying profit after tax	406	71	78	555
Investment experience after tax	-	25	1	26
Cash net profit after tax	406	96	79	581

	Half Year Ended 30 June 2009			
	ASB	Sovereign	Other	Total
	$M	$M	$M	$M
Net interest income	361	-	56	417
Other banking income	206	-	53	259
Total banking income	567	-	109	676
Funds management income	25	-	(2)	23
Insurance income	-	123	19	142
Total operating income	592	123	126	841
Operating expenses	237	80	83	400
Impairment expense	136	-	6	142
Net profit before tax	219	43	37	299
Corporate tax expense	93	(6)	12	99
Minority interests	-	-	2	2
Underlying profit after tax	126	49	23	198
Investment experience after tax	-	-	(6)	(6)
Cash net profit after tax	126	49	17	192

International Financial Services continued

Major Balance Sheet Items	30/06/09 $M	31/12/08 $M	30/06/08 $M	Jun 09 vs Dec 08 %	Jun 09 vs Jun 08 %
	As at				
Home lending (including securitisation)	**30,082**	30,781	28,347	(2)	6
Assets at fair value through Income Statement	**5,977**	5,755	5,186	4	15
Other lending assets	**13,921**	14,379	12,328	(3)	13
Non-lending interest earning assets	**2,142**	2,537	1,654	(16)	30
Other assets	**5,119**	6,778	4,119	(24)	24
Total assets	**57,241**	60,230	51,634	(5)	11
Deposits [1]	**26,167**	27,711	22,810	(6)	15
Liabilities at fair value through Income Statement	**13,303**	12,722	12,592	5	6
Debt issues	**3,015**	3,944	3,556	(24)	(15)
Other liabilities	**6,374**	6,839	3,792	(7)	68
Total liabilities	**48,859**	51,216	42,750	(5)	14
Balance Sheet					
Assets					
ASB Bank	**52,429**	54,786	46,958	(4)	12
Other	**4,812**	5,444	4,676	(12)	3
Total assets	**57,241**	60,230	51,634	(5)	11
Liabilities					
ASB Bank	**45,284**	47,069	39,231	(4)	15
Other	**3,575**	4,147	3,519	(14)	2
Total liabilities	**48,859**	51,216	42,750	(5)	14

(1) Excludes deposits held in other overseas countries (30 June 2009: $18 billion, 31 December 2008: $14 billion and 30 June 2008: $7 billion).

Sources of Profit from Insurance Activities	Full Year Ended 30/06/09 $M	30/06/08 $M	Jun 09 vs Jun 08 %	Half Year Ended 30/06/09 $M	31/12/08 $M	Jun 09 vs Dec 08 %
The Margin on Services profit from ordinary activities after income tax is represented by:						
Planned profit margins	**72**	76	(5)	**36**	36	-
Experience variations	**19**	11	73	**18**	1	large
Operating margins	**91**	87	5	**54**	37	46
Investment experience after tax	**19**	41	(54)	**-**	19	large
Cash net profit after tax	**110**	128	(14)	**54**	56	(4)

New Zealand - Funds Under Administration	Full Year Ended 30/06/09 $M	30/06/08 $M	Jun 09 vs Jun 08 %	Half Year Ended 30/06/09 $M	31/12/08 $M	Jun 09 vs Dec 08 %
Opening balance	**6,335**	8,261	(23)	**6,245**	6,335	(1)
Inflows	**1,734**	2,382	(27)	**658**	1,076	(39)
Outflows	**(1,536)**	(2,905)	(47)	**(557)**	(979)	(43)
Net Flows	**198**	(523)	large	**101**	97	4
Investment income & other	**(409)**	(1,403)	(71)	**(222)**	(187)	19
Closing balance	**6,124**	6,335	(3)	**6,124**	6,245	(2)

New Zealand - Annual Inforce Premiums	Full Year Ended 30/06/09 $M	30/06/08 $M	Jun 09 vs Jun 08 %	Half Year Ended 30/06/09 $M	31/12/08 $M	Jun 09 vs Dec 08 %
Opening balance	**371**	379	(2)	**416**	371	12
Sales/New business	**57**	54	6	**25**	32	(22)
Lapses	**(19)**	(14)	36	**(10)**	(9)	11
Other movements	**6**	(48)	large	**(16)**	22	large
Closing balance	**415**	371	12	**415**	416	-

Financial Performance and Business Review

The Group acquired 100% of the share capital of Bank of Western Australia Ltd ("Bankwest") on 19 December 2008, providing the opportunity to expand the Group's business in the Western Australian and East Coast markets.

Bankwest operates in the domestic market and is focused on providing a comprehensive range of products to the business banking and retail segments.

Since acquisition, Bankwest has continued to expand its customer base and as at 30 June 2009 provided services to more than 960,000 retail customers and 26,000 business clients through its extensive network of 135 retail branches, 78 Business Banking Centres, direct and third party distribution channels, agencies and electronic, telephone and internet banking facilities.

Bankwest is a market leader in Western Australia, having a banking relationship with more than a quarter of Western Australians. Outside Western Australia, Bankwest has established itself on the East Coast as a challenger brand in Australia.

Achievements during the period include:

- Gold award winner for six products in Money Magazine's 2009 Best of the Best Awards and the winner of their 2009 Money Minder of the year award; and
- Four retail deposit and three credit card products received a five star rating from CANSTAR CANNEX.

Retail

Retail operating income during the half year benefited from solid home loan volume growth. Home lending balances of $35 billion have increased by 4% over the half, driven by the East Coast expansion, first home buyers grant stimulus and successful customer acquisition campaigns.

Lending margins have improved following repricing initiatives implemented to partly offset increased funding costs and credit risk as arrears deteriorate.

Deposit margins have improved over the half, benefiting from effective margin management and the run off of low margin term deposits. Deposit balances have been favourably impacted by the launch of innovative new products such as Smart eSaver.

Business

Business operating income during the half was strong, supported by solid asset growth and favourable margins from improved lending pricing strategies.

Business advances and business deposits increased 6% and 5% respectively during the half to 30 June 2009.

Operating Expenses

Operating expenses for the half to 30 June 2009 were $483 million. The implementation of cost management initiatives and integration strategies has resulted in an improvement in productivity over the half. The expense to income ratio as at 30 June 2009 was 63.6%.

Impairment Expense

Impairment expense for the half year to 30 June 2009 was $113 million. To strengthen asset quality, credit risk management disciplines and improved lending practices have been implemented.

	Half Year Ended
	30/06/09
	$M
Net interest income	591
Other banking income	168
Total banking income	759
Operating expenses	483
Impairment expense	113
Net profit before tax	163
Corporate tax expense	50
Cash net profit after tax	**113**

	As at		
	30/06/09	31/12/08	Jun 09 vs
Major Balance Sheet Items	$M	$M	Dec 08 %
Home lending (including securitisation)	35,048	33,685	4
Other lending assets	26,366	25,009	5
Assets at fair value through income statement (1)	48	5,776	large
Other assets (1)	6,865	1,726	large
Total assets	**68,327**	66,196	3
Transaction deposits	4,321	4,136	4
Savings deposits	10,948	9,649	13
Investment deposits	20,558	20,256	1
Certificates of deposits and other (2)	21,572	16,342	32
Debt issues	4,903	5,221	(6)
Due to other financial institutions (3)	27	4,587	large
Other liabilities	2,059	2,324	(11)
Total liabilities	**64,388**	62,515	3

(1) Assets at fair value through income statement previously held to meet liquid asset ratio requirements have been sold during the half and placed on deposit with Group Treasury. The deposit is included in other assets.

(2) Includes amounts due to group companies of $19.1 billion at June 2009 ($13.6 billion at December 2008).

(3) Deposits held with RBA in relation to Series 2008 securitisation funding repaid in January 2009.

Other

	Full Year Ended 30 June 2009		
	Corporate Centre $M	Eliminations/ Unallocated $M	Total $M
Net interest income (1)	710	(141)	569
Other banking income (1)	230	(33)	197
Total banking income	940	(174)	766
Funds management income	-	29	29
Insurance income	-	13	13
Total operating income	940	(132)	808
Operating expenses	55	-	55
Impairment expense	-	17	17
Net profit before tax	885	(149)	736
Corporate tax expense	237	(36)	201
Minority interests	-	27	27
Underlying profit after tax	648	(140)	508
Investment experience after tax	-	29	29
Cash net profit after tax	648	(111)	537

	Full Year Ended 30 June 2008		
	Corporate Centre $M	Eliminations/ Unallocated $M	Total $M
Net interest income (1)	288	(136)	152
Other banking income (1)	(12)	(22)	(34)
Total banking income	276	(158)	118
Funds management income	-	26	26
Insurance income	-	23	23
Total operating income	276	(109)	167
Operating expenses	64	-	64
Impairment expense	-	130	130
Net profit before tax	212	(239)	(27)
Corporate tax expense	74	(129)	(55)
Minority interests	-	29	29
Underlying profit after tax	138	(139)	(1)
Investment experience after tax	-	13	13
Cash net profit after tax	138	(126)	12

	Half Year Ended 30 June 2009		
	Corporate Centre $M	Eliminations/ Unallocated $M	Total $M
Net interest income (1)	461	(7)	454
Other banking income (1)	127	(93)	34
Total banking income	588	(100)	488
Funds management income	-	16	16
Insurance income	-	7	7
Total operating income	588	(77)	511
Operating expenses	61	-	61
Impairment expense	-	23	23
Net profit before tax	527	(100)	427
Corporate tax expense	153	(22)	131
Minority interests	-	12	12
Underlying profit after tax	374	(90)	284
Investment experience after tax	-	17	17
Cash net profit after tax	374	(73)	301

(1) Excludes the impact of the reclassification of net swap costs from Net interest income to Other banking income related to certain economic hedges which do not qualify for AIFRS hedge accounting (June 2009: $275 million; June 2008: $265 million; half year to 30 June 2009: $128 million).

Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Secretariat and Treasury. Cash net profit after tax increased by $510 million on the prior year, following higher Treasury income derived through the management of short dated interest rate risk exposures, early repayment fees received from customers exiting fixed rate loans (the associated swap unwind costs will be borne over the next three years) and the passing on of additional funding costs absorbed by Treasury in the first half of the prior year to the revenue generating businesses.

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

Investment Experience	Full Year Ended 30/06/09 $M	30/06/08 $M	Jun 09 vs Jun 08 %	Half Year Ended 30/06/09 $M	31/12/08 $M	Jun 09 vs Dec 08 %
Wealth Management	**(317)**	(74)	large	**(95)**	(222)	57
International Financial Services	**8**	25	(68)	**(8)**	16	large
Eliminations	**42**	32	31	**19**	23	(17)
Investment experience before tax [1]	**(267)**	(17)	large	**(84)**	(183)	54
Corporate tax expense	**(71)**	(4)	large	**(20)**	(51)	(61)
Investment experience after tax	**(196)**	(13)	large	**(64)**	(132)	52

(1) Investment experience of ($267) million before tax was impacted by unrealised mark to market losses from widening credit spreads on the valuation of assets backing the guaranteed annuities portfolio of ($166) million and the impairment of listed and unlisted investments.

Shareholder Investment Asset Mix (%)	As at 30 June 2009 Australia [1] %	New Zealand %	Asia %	Total %
Local equities	1	-	-	-
International equities	-	1	10	-
Property	14	-	30	12
Sub-total	15	1	40	12
Fixed interest	31	55	58	38
Cash	54	44	2	50
Sub-total	85	99	60	88
Total	100	100	100	100

Shareholder Investment Asset Mix ($M)	As at 30 June 2009 Australia [1] $M	New Zealand $M	Asia $M	Total $M
Local equities	10	1	-	11
International equities	-	1	9	10
Property	253	-	24	277
Sub-total	263	2	33	298
Fixed interest	573	291	47	911
Cash	969	234	1	1,204
Sub-total	1,542	525	48	2,115
Total	1,805	527	81	2,413

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

Presentation of Financial Information

Definitions

In this Annual Report, the Group presents its profit from ordinary activities after tax on a "statutory basis", which is calculated in accordance with Australian equivalents to International Financial Reporting Standards ("AIFRS").

The Group also presents its results on a "cash basis". "Cash basis" is defined by management as net profit after tax and minority interests, before the gain on acquisition of controlled entities, Bankwest integration expenses, merger related amortisation, the gain on the Visa Initial Public Offering, provisions for investment and restructuring, defined benefit superannuation plan income/expense, treasury shares valuation adjustment, unrealised gains and losses related to hedging and AIFRS volatility and other one-off expenses. Management believes "cash basis" is a meaningful measure of the Group's performance and it provides the basis for the determination of the Bank's dividends.

The Group also presents its Earnings per share on a statutory basis and on a cash basis. Earnings per share on a statutory basis is affected by the impact of the gain on acquisition of controlled entities, Bankwest integration expenses, merger related amortisation, the gain on the Visa Initial Public Offering, provisions for investment and restructuring, defined benefit superannuation plan income/expense, changes in the treasury shares valuation adjustment, unrealised gains and losses related to hedging and AIFRS volatility and other one-off expenses. "Earnings per share (cash basis)" is defined by management as "cash basis" net profit after tax as described above, divided by the weighted average of the Bank's ordinary shares outstanding over the relevant period.

"Underlying net profit after tax" refers to net profit after tax, "cash basis", before investment experience. "Underlying net profit after tax" is referred to across all businesses. The underlying profit is the result of core operating performance. Management believes it is meaningful to highlight the underlying profit in order to show performance on a comparable basis, in particular excluding the volatility of equity markets.

"Underlying" productivity ratios:

- Exclude Investment experience from funds management and life insurance income;
- Exclude policyholder tax from the funds management income and life insurance income lines; and
- Exclude the impacts of transition to AIFRS on unwinding structured transactions.

"Underlying" productivity ratios have been presented to provide what management believes to be a more relevant presentation of productivity ratios. Management believes that these adjustments enable comparison of productivity ratios from period to period to be more meaningful as it reflects the Group's core operating performance.

Risk Governance

Risk Management governance originates at Board level, and cascades through to the CEO and businesses via Group policies and delegated authorities and regular reviews of outcomes. This ensures Board level oversight and is based on a clear segregation of duties between those who originate and those who approve risk exposures. Independent review of the risk management framework is carried out by Group Audit.

The 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 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 and insurance risks assumed by the Group in the course of carrying on its business. Strategic and reputational 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.

A primary action of the Risk Committee is to construct the Group's Risk Appetite for consideration by the Board in its role of oversight of the Internal Capital Adequacy Assessment Process, which is updated on at least an annual basis.

The Committee is also responsible for agreeing and recommending for Board approval a risk management framework consistent with the agreed risk appetite.

Further information of the role and function of the Risk Committee is discussed in the Corporate Governance section of this report.

Risk Management Organisation

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

Accountability for risk management is structured by a, "Three Layers of Assurance" model as follows:

- Layer 1: Business Managers – owners of the risks within their businesses;
- Layer 2: Risk Management and Compliance – independent review and oversight of risks and their management; and
- Layer 3: Group Audit - review the risk management framework and internal controls.

This framework requires each business to manage the outcome of its risk-taking activities and benefit from the resulting risk adjusted returns. Risk management professionals deployed in each Business Unit measure risks and provide advice on what risks might be taken for better returns. These risk professionals report to the Group Chief Risk Officer, who in turn reports to the CEO and also has direct reporting requirements to the Risk Committee.

The independent risk management function undertaken by the Chief Risk Officer is managed through the Risk Management Business Unit which is comprised of risk management teams embedded in the businesses and at Group level. All employees within these risk management teams report directly through to the Chief Risk Officer.

Whilst the independent risk management function is an important component of the risk management framework, business managers remain the owners of the risks in their business and must adhere to risk policies and procedures.

Governance processes and disciplines around the Risk Appetite Framework help to protect the Group from control and other operational failures, creating transparency over risk management and strategy decisions and, in turn, promote a strong risk culture. Furthermore, governance processes and disciplines create independence of the Risk Management function from the Group's Business Units and the internal audit function, as well as encourage and protect whistle blowing actions when required.

Independent review of the risk management framework is carried out through Group Audit.

Risk Appetite Statement

The Risk Appetite of the Group represents the types and degree of risk that it is willing to accept for its shareholders. 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 is of the view that a well articulated Risk Appetite is important in giving the Group's stakeholders a clear expectation as to how the Group will operate from a risk taking perspective.

This expectation is defined by a number of principles and metrics which are aligned to the Board's risk philosophy and sets minimum standards for shareholder value allowing for capital resilience, debt rating, funding, asset/liability management, liquidity, profit volatility and risks to which the Group is intolerant.

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 the adequacy of capital and contingent capital plans into the future are also aligned with the Risk Appetite, resulting in a solid risk culture.

The Group's risk culture is to take risks that are adequately rewarded and that support its aspiration of achieving solid and sustainable growth in shareholder value at a rate equal to or above the best of the major banking groups in Australia.

Supporting this culture, the Group will:

- Operate responsibly, meet the needs of its customers, provide excellent customer service and maintain impeccable professional standards and business ethics;
- Make business decisions only after careful consideration of risk;
- Understand the risks it takes on, increasing exposure to new strategic initiatives/products 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 whilst being intolerant of regulatory and compliance breaches or risks associated with its people;
- Maintain a control environment that, within practical constraints, minimises risks; and

- Promote a culture aimed at the achievement of best practice in the recognition, assessment, management and pricing of risk.

Risk Policies and Tolerances support the Risk Appetite Statement by:

- Summarising the principles and practices to be used by the Group in managing its major risks; and
- Quantifying the financial operating limits for major risks, principally credit risk, market risk (both traded and non-traded) and operational risk.

The Group continuously benchmarks and aligns its policy framework against existing prudential and regulatory standards. Potential developments in Australian and international standards and best practice generally are considered during a review. In the past year, management have completed reviews of policies relating to Credit Risk (particularly relating to country, industry and large exposure concentration policies, as well as risk model oversight), Market Risk, Operational Risk and Compliance Risk. Liquidity and Funding Risk policy was also reviewed and the main parameter settings confirmed as being appropriate for current and forecast economic conditions.

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.

Tolerances are designed to be practical, relevant and capable of being aggregated across the Group. Some tolerances are explicitly contained in Risk Policies.

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

Principal Risk Types

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.

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

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.

Following the acquisition of Bankwest, risk policies and procedures have been aligned where appropriate. In addition, the Group is supporting Bankwest's efforts to achieve accreditation from APRA to use the Advanced Internal Ratings Based approach to determine regulatory capital for credit risk.

Further information on credit risk management and measurement is included in Note 15 to the Financial Statements.

Principal Risk Type / Governance Framework

Risk Type	Governing Policies	How Policy Supports Risk Appetite
Credit Risk including Concentration Risk	Group Credit Policy; Country Risk Policy; Aggregation Policy; Large Credit Exposure Policy; Industry Sector Concentration Policy; Securitisation Policy.	Quantitative limits/tolerances: Control Country Risk through a limits structure that captures cross-border credit risk exposures to other countries or entities based overseas; Govern the authority of management with regard to the amount of credit provided to any single counterparty after applying the aggregation policy within the Credit Risk Rated segment by term to maturity and Credit Risk Rating; Set industry limits for exposures by industry; and Govern all Securitisation activities undertaken by the Bank.
Market Risk	Group Market Risk Policy; Funds Management and Insurance Market Risk Policy.	Quantitative limits/tolerances: Traded Market Risk (Total VaR and Stress Testing limits); Non-Traded Market Risk (Market Value and Interest Rate Gap limits); Seed Trust Market Risk Limits; Residual Value Risk limits; and Investment mandates for insurance Asset and Liability Management risk.
Liquidity Risk	Group Liquidity and Funding Policy	Quantitative limits/tolerances: Liquid asset holdings under name crisis scenario; and Wholesale funding limits.
Operational and Strategic Business Risk, Reputational Risk	Operational Risk Policy and Framework, including Group Operational and Strategic Business Risk Management Policy	Management via: A suite of risk mitigating policies; Reporting and case management of 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 Statement	Management via: Underwriting standards; Retaining the right to amend premiums on risk policies; and Use of re-insurance.
Compliance Risk	Compliance Risk Policy Framework document	Management via: Minimum Group standards for compliance; Group Obligations Register and Guidance Notes that detail specific requirements and accountabilities; and Business Unit compliance frameworks.

Market Risk

Market risk is the potential of loss arising from adverse changes in interest rates, foreign exchange prices, 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 41 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 also included in Note 41 to the Financial Statements.

Operational and Strategic Business Risk

Operational risk is defined as the risk of economic loss resulting from:

- Inadequate or failed internal processes and methodologies;
- People;
- Systems and models used in making business decisions; or
- External events.

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

- 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;
- Making decisions based upon an informed risk-return analysis and appropriate standards of professional practice; and
- Achieving business growth and enhancing financial performance through efficient and effective operational processes.

Security risk is defined as threats associated with theft and fraud, information and IT security, protective security and crisis management.

The Group's security risk management framework forms part of the operational risk framework and sets out the key roles, responsibilities and processes for security risk management across the Group.

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

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

Strategic business risk is taken into account when defining business strategy and objectives. The Risk Committee receives reports on business plans, major projects and change initiatives. The Risk Committee monitors progress and reviews successes compared to plans.

Each business manager is responsible for the identification and assessment of these risks, and for maintaining appropriate internal controls. Skilled operational risk professionals embedded in the business maintain and improve the Group's operational risk framework and governance structures to support business managers through a suite of risk mitigating policies, the reporting of internal loss incidents and key risk indicators, and qualitative and quantitative assessment of risk exposures. Further governance and control oversight is provided by Group Audit.

The Group's operational risk measurement methodology combines expert assessment of individual risk exposures with internal loss data to calculate operational risk economic capital and determine potential loss.

The Group benchmarks and monitors its insurance risk transfer program for efficiency and effectiveness. This is primarily achieved through a methodology that optimises total shareholder returns and determines the most appropriate blend of economic capital coverage and insurance risk transfer.

Business Continuity

Business Continuity Management (BCM) involves the development, maintenance and testing of advance action plans to respond to threats that have the potential to impact the Group's operations. BCM ensures that business processes continue with minimal adverse impact on customers, staff, products, services and brands.

BCM constitutes an essential component of the Group's risk management process by providing a controlled response to business disruption events that could have a significant impact on the Group's critical processes and revenue streams. It includes both cost-effective responses to mitigate the impact of risk events or disasters and crisis management plans to respond to crisis events.

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.

Insurance Risk exposure arises in 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, whereas for the general insurance business variability arises mainly through weather related incidents (floods or bushfires) and similar calamities, 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 and is essential in the control of claims on an end to end basis, from underwriting to claim termination or payment, without which there is significant potential for negative financial results.

The major methods of mitigating insurance risk are:

- Sound product design and pricing, to ensure that robust procedures are in place to ensure that there are no risks which have not been priced into contracts;
- Regular review of insurance experience, to ensure 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;

Integrated Risk Management

- Claims management, where an assessment is made such that only genuinely insured claims are admitted and paid, and only paid to the insured extent; and
- Transferring a proportion of the risk carried to reinsurers.

The insurance risk management framework is subject to a process of regular review and enhancement.

Further information on the Life Insurance Business is included in Note 36 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 a key element of the Group’s integrated risk management framework. The CRMF is designed to meet the Group’s obligations under relevant financial services laws and industry standards. It incorporates a number of components including Group Standards and Guidance Notes that detail specific requirements and accountabilities. 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, overview and report on compliance to management, compliance committees and the Board.

Stress Testing Framework

Stress testing informs the Group’s view of risk, where consideration is given to potential losses related to the Group’s material risk types in a stressed environment and tested against the Group’s Risk Appetite Statement.

In addition to more standard risk measures that may be used for limit setting, regular and ad-hoc risk stress testing is also undertaken to identify and assess the risk profile of the Group. Stress testing tolerances used in combination with more traditional risk measurements help the Group understand and manage its risks.

The stress testing framework includes:

- Group-wide stress scenarios embedded in the strategic planning process, which informs and engages the Board in assessing capital adequacy under various adverse operating circumstances. These tests are conducted across risk types 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. This stress testing facilitates a more robust understanding of the Group’s risks and facilitates better management policies and predictability of capital requirements.

Stress testing also provides an input into the development of “capital contingency plans” which detail how the Group would respond to the need for increases in capital held to cover the potential future surprising outcomes.

For further detail on the Group’s assessment of capital management, refer to the section on Capital Management and Note 34 to the Financial Statements.

As mentioned above, the Group regularly carries out stress tests; it does so across its various businesses, as part of:

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

Specific risk types for which stress tests are conducted on a routine basis for business risk management purposes are outlined below.

Credit Risk

Business Units conduct credit risk stress tests on the Home Loan portfolio, as well as for secured and unsecured non-mortgage products (Credit Cards, Personal Loans, and Cheque Accounts), in conjunction with Group-wide stress tests.

Business Units also conduct stress testing of the risk rated portfolio.

Market Risk

Traded market risk stress testing is performed on a daily basis, with results reported to line and senior management. There is a daily process in place to stress test each IRRBB risk type (including repricing, yield curve, optionality and basis risks).

Stress testing is also regularly performed on non-traded equity investments as part of the Market Risk function.

Stress testing in the Wealth Management Business is part of the risk and governance framework of The Colonial Mutual Life Assurance Society Limited (CMLA). Stress testing is undertaken as part of the annual review of the CMLA Capital Management Policy.

Liquidity and Funding Risk

Formal liquidity stress testing is incorporated into the Group’s Funding and Liquidity Policy approved by the Board Risk Committee. The key tests are undertaken for a “name crisis” and a “market-systemic crisis”.

Operational Risk

Operational risk stress tests are undertaken periodically; the last was completed in June 2009.

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").

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 43 to 45.

The tangible component of the investment in the insurance and funds management operations are deducted from capital, 50% from Tier One and 50% from Tier Two.

Capital adequacy is measured by means of a risk based capital ratio. The capital ratios reflect capital (Tier One, Tier Two or Total Capital) as a percentage of total Risk Weighted Assets ("RWA"). RWA represents an allocation of risks associated with the Group's assets and other related exposures.

The Group actively manages its capital to balance the requirements of various stakeholders (regulators, rating agencies and shareholders). This is achieved by optimising the mix of capital while maintaining adequate capital ratios throughout the financial year.

The Group has a range of instruments and methodologies available to effectively manage capital including share issues and buybacks, dividend and dividend reinvestment plan policies, hybrid capital raising and dated and undated subordinated debt issues. All major capital related initiatives require approval of the Board.

The Group's capital position is monitored on a continuous basis and reported monthly to the Asset and Liability Committee of the Group. Three year capital forecasts are conducted on a quarterly basis and a detailed capital and strategy plan is presented to the Board annually.

The Group's capital ratios throughout the 2008 and 2009 Financial Years were in compliance with both APRA minimum capital adequacy requirements and the Board Approved Target.

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

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

Dividends

Banks may not pay dividends if, immediately after payment, they are unable to meet the minimum capital requirements. Banks cannot pay dividends from Retained Profits without APRA's prior approval. Under APRA guidelines, the expected dividend must be deducted from Tier One Capital.

Regulatory Changes

Basel II

The Basel Committee on Banking Supervision introduced the new Basel II risk based capital framework in June 2004. The new framework reflects advances in the management of risk since the introduction of the original Basel Accord in 1988.

The aim of Basel II is to improve the stability and soundness of the financial system by more closely linking capital requirements to risks. This is achieved by allowing banks with sophisticated risk management systems and techniques to use internal models to align the assessment of risk with the assessment of regulatory capital required.

The Basel II framework consists of three pillars:

- Pillar 1 – defines the rules for calculating the minimum regulatory capital requirements for credit, market and operational risk;
- Pillar 2 – addresses the supervisory review process including the Group's internal capital adequacy assessment process (ICAAP); and
- Pillar 3 – specifies public disclosure requirements to enable market participants to assess key pieces of information on risk exposures and processes of a banking group.

The Group was granted "advanced" Basel II accreditation by APRA on 10 December 2007.

As a result of receiving advanced Basel II accreditation, 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 effective from 1 January 2008.

APRA specifically requested Australian banks to incorporate regulatory capital for interest rate risk in the banking book (IRRBB) in their assessment of total regulatory capital from 1 July 2008. This is not a requirement under the Basel II Pillar 1 framework. The Group's capital calculation framework includes an appropriate allowance for IRRBB capital in its 2009 financial year regulatory capital calculations.

There is an agreed methodology for measuring market risk for traded assets, which remained unchanged from Basel I.

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

Active 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 Target level at all times throughout the 2009 Financial Year.

Capital Management

Capital Management (continued)

The Tier One Capital and Total Capital ratios as at 30 June 2009 were 8.07% and 10.42% respectively, and include the consolidation of Bankwest and the finalisation of the associated fair value accounting adjustments and purchase price adjustments.

Tier One Capital declined by 68 basis points (bpts) during the half year to 30 June 2009, primarily influenced by the consolidation of Bankwest, growth in Risk Weighted Assets ("RWA") and the impact of foreign exchange and other balance sheet movements. This was partially offset by profit after tax (net of dividends and Dividend Reinvestment Plan) which contributed an additional 29 bpts of Tier One Capital.

The Group's Total Capital ratio remained strong at 10.42% albeit 97 bpts down since 31 December 2008, additionally impacted by foreign exchange movements and the redemption of Lower Tier Two debt together with growth in RWA.

RWA were $289 billion at 30 June 2009, and include $43 billion associated with Bankwest. Excluding the impact of Bankwest, RWA increased $7 billion or 3% since December 2008.

Capital Initiatives

The following significant initiatives were undertaken during the Financial Year ended 30 June 2009 to actively manage the Group's capital:

Tier One Capital

- Issue of $694 million ordinary shares in October 2008 to satisfy the Dividend Reinvestment Plan ("DRP") in respect of the final dividend for 2007/08;
- Issue of $2 billion ordinary shares in October 2008, via a share placement, to fund the acquisition of Bankwest and St Andrew's (52.6 million shares at $38.00 per share);
- Issue of $2 billion ordinary shares through share placements in December 2008: $357 million at a weighted average price of $28.37 per share and a further $1.65 billion of ordinary shares at $26.00 per share;
- Issue of $405 million ordinary shares in March 2009 to satisfy the DRP in respect of the interim dividend for 2008/09; and
- Issue of $865 million ordinary shares in March 2009 with respect to the Share Purchase Plan (33.3 million shares at $26.00 per share).

The PERLS II securities ($750 million), which were redeemed in March 2009, were funded from the proceeds of the December 2008 share placement.

Tier Two Capital

- Issue of $500 million of subordinated Lower Tier Two debt in September 2008; offset by
- $500 million of subordinated Lower Tier Two debt redeemed in February 2009.

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

ASB Bank Limited

ASB Bank Limited (ASB Bank) 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 Bank operates under Basel II advanced status.

At 30 June 2009 ASB Bank had a Tier One ratio of 10.18% and a Total Capital ratio of 12.41%,

ASB Bank was in compliance with its regulatory capital requirements at all times throughout the 2009 Financial Year.

Bankwest

On 19 December 2008, the Group acquired Bank of Western Australia Limited ("Bankwest") and St Andrew's Australia Pty Ltd ("St Andrew's") for $2.2 billion (including transaction costs), funded through a $2 billion share placement.

At 31 December 2008, APRA allowed the Group to treat Bankwest as a non-consolidated subsidiary. Effective from 1 January 2009, Bankwest has been consolidated for regulatory capital purposes.

Bankwest operates as a separate ADI and is separately regulated by APRA. Bankwest operated under the existing Basel I prudential standards at 31 December 2008 and has adopted the standardised Basel II methodology effective from 1 January 2009. Bankwest is in the process of seeking advanced accreditation from APRA.

Bankwest's capital ratios, as at 30 June 2009, are in excess of both APRA minimum requirements and Board approved targeted levels. The Tier One ratio was 7.32% and Total Capital was 11.19%. Bankwest was in compliance with its regulatory capital requirements at all times during the 2009 financial year.

The St Andrew's operations, which include life insurance, general insurance and funds management businesses, are treated as non-consolidated subsidiaries for regulatory reporting purposes. The life and general insurance entities are separately regulated by APRA.

Regulatory Capital Requirements for Insurance and Funds Management Business

The Group's life insurance business in Australia is regulated by APRA. The Life Insurance Act 1995 includes a two tiered framework for the calculation of regulatory capital requirements for life insurance companies – "solvency" and "capital adequacy". The capital adequacy test for statutory funds is always equal to or greater than the solvency test [1].

There are no regulatory capital requirements for life insurance companies in New Zealand, though the directors of any company must certify its solvency under the Companies Act 1993. The Group determines the minimum capital requirements for its New Zealand life insurance business according to the professional standard, "Solvency Reserving for Life Insurers", issued by the New Zealand Society of Actuaries.

The Group's general insurance businesses are regulated by APRA under the Insurance Act 1973. The Group determines capital requirements for general insurance businesses in accordance with APRA Prudential Standards.

Fund managers in Australia are subject to, "Responsible Entity" regulation by the Australian Securities and Investment Commission ("ASIC"). The regulatory capital requirements vary depending on the type of Australian Financial Services Licence or Authorised Representatives' Licence held, but a requirement of up to $5 million of net tangible assets applies.

APRA supervises approved trustees of superannuation funds and requires them to also maintain net tangible assets of at least $5 million. These requirements are not cumulative where an entity is both an approved trustee for superannuation purposes and a responsible entity.

The Group's insurance and funds management companies held assets in excess of regulatory capital requirements at 30 June 2009. The Group's Australian and New Zealand insurance and funds management businesses held $1,036 million of assets in excess of regulatory solvency requirements at 30 June 2009 (2008: $949 million).

(1) The Shareholders' fund is subject to a separate capital requirement.

Capital Adequacy

Risk Weighted Capital Ratios	Basel II 30/06/09 %	Basel II 31/12/08 %	Group Basel II 30/06/08 %
Tier One	**8. 07**	8. 75	8. 17
Tier Two	**2. 35**	2. 64	3. 41
Capital Base	**10. 42**	11. 39	11. 58

Regulatory Capital	Basel II 30/06/09 $M	Basel II 31/12/08 $M	Group Basel II 30/06/08 $M
Tier One Capital			
Ordinary Share Capital	**21,642**	20,365	15,727
Treasury shares [1]	**278**	287	264
Ordinary Share Capital and Treasury Shares	**21,920**	20,652	15,991
Other Equity Instruments	**939**	939	939
Trust Preferred Securities 2006 [2]	**(939)**	(939)	(939)
Reserves [3]	**516**	958	1,206
Cash flow hedge reserve	**813**	675	(341)
Employee compensation reserve	**-**	32	39
Asset revaluation reserve	**(173)**	(194)	(195)
Available-for-sale investments reserve	**55**	(72)	41
Foreign currency translation reserve related to non-consolidated subsidiaries	**12**	(32)	39
Total Reserves	**1,223**	1,367	789
Retained Earnings and Current Period Profits	**7,825**	7,206	7,747
Expected dividend [4]	**(1,747)**	(1,662)	(2,029)
Estimated reinvestment under Dividend Reinvestment Plan [5]	**507**	548	609
Gain on acquisition recognised on consolidation of Bankwest [6]	**-**	(547)	-
Retained earnings AIFRS adjustment for non-consolidated subsidiaries [7]	**752**	752	752
Other	**(181)**	(77)	(65)
Net Retained Earnings	**7,156**	6,220	7,014
Minority Interest [8]	**520**	519	518
ASB Perpetual Preference Shares	**(505)**	(505)	(505)
Minority interests less ASB Perpetual Preference Shares	**15**	14	13
Total Fundamental Tier One Capital	**30,314**	28,253	23,807

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

(2) Trust Preferred Securities 2006 issued 15th March 2006 USD 700 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) Represents expected dividends required to be deducted from current period earnings.

(5) Based on reinvestment experience related to the Bank's Dividend Reinvestment Plan (DRP) as approved by APRA.

(6) APRA prescribed that the gain on acquisition recognised on the acquisition of Bankwest be excluded from capital whilst Bankwest was treated as a non-consolidated subsidiary at 31 December 2008.

(7) Represents the write back of retained earnings upon adoption of AIFRS within the non-consolidated subsidiaries. This retained earnings write back is incorporated as part of the net equity deduction of non-consolidated subsidiaries.

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

Capital Management

Capital Adequacy (continued)

	Group		
	Basel II 30/06/09 $M	Basel II 31/12/08 $M	Basel II 30/06/08 $M
Residual Tier One Capital			
Innovative Tier One Capital			
Non-cumulative preference shares [9]	**2,762**	3,621	3,396
Minority Interests [8]	**505**	505	505
Eligible loan capital	**248**	291	209
Total Innovative Tier One Capital	**3,515**	4,417	4,110
Non-Innovative Residual Tier One Capital [10]	**1,443**	1,443	1,443
Less: Residual capital in excess of prescribed limits transferred to Upper Tier Two Capital [11]	**-**	(627)	(1,359)
Total Residual Tier One Capital	**4,958**	5,233	4,194
Tier One Capital Deductions - 100%			
Goodwill [12]	**(8,572)**	(7,915)	(8,010)
Capitalised expenses	**(257)**	(137)	(110)
Capitalised computer software costs	**(673)**	(571)	(353)
Defined benefit superannuation plan surplus [13]	**(347)**	(36)	(1,075)
Deferred tax	**(257)**	(157)	(38)
	(10,106)	(8,816)	(9,586)
Tier One Capital Deductions - 50% [14]			
Equity investments in other companies and trusts [15]	**(422)**	(506)	(561)
Equity investments in non-consolidated subsidiaries (net of intangibles) [16]	**(529)**	(519)	(376)
Investment in Bankwest [17]	**-**	(1,828)	-
Expected impairment losses (before tax) in excess of eligible credit provisions (net of deferred tax) [18]	**(654)**	(605)	(587)
Other deductions	**(250)**	(264)	(100)
	(1,855)	(3,722)	(1,624)
Total Tier One Capital Deductions	**(11,961)**	(12,538)	(11,210)
Total Tier One Capital	**23,311**	20,948	16,791

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

(9) APRA approved Innovative Tier One Capital instruments (PERLS III and Trust Preferred Securities 2003 and 2006). PERLS II were redeemed in March 2009.

(10) Perpetual Exchangeable Resaleable Listed Securities (PERLS IV) of $1,465 million (less costs) issued by the Bank in July 2007 and approved by APRA as Tier One Non-Innovative Capital instruments.

(11) Residual Capital eligible for inclusion as Tier One Capital is subject to an APRA prescribed limit of 25% of Tier One capital with any excess transferred to Upper Tier Two Capital. The Group was granted transitional relief to 1 January 2010 with respect to the Innovative Capital limit of 15% of Tier One capital of $765 million. This relief is to be reduced by 20% each quarter, effective from March 2009 onwards.

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

(13) 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.

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

(15) Represents the Group's non-controlling interest in major infrastructure assets and unit trusts.

(16) 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 $1,707 million in Non-Recourse Debt issued by Colonial Finance Limited (December 2008: $1,739 million, June 2008: $1,739 million) and the Colonial Hybrid Issue $700 million (December 2008: $700 million, June 2008: $700 million).

(17) APRA approved that Bankwest to be treated as a non-consolidated subsidiary as at 31 December 2008. As a result the capital invested into Bankwest, represented by ordinary share capital and subordinated Lower Tier Two capital, was deducted from the Group's capital, 50% Tier One and 50% Tier Two. From 1 January 2009 Bankwest has been consolidated from a regulatory capital perspective and the items are eliminated.

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

Capital Adequacy (continued)

Regulatory Capital	Basel II 30/06/09 $M	Basel II 31/12/08 $M	Group Basel II 30/06/08 $M
Tier Two Capital			
Upper Tier Two Capital			
Residual capital in excess of prescribed limits transferred from Tier One Capital (1)	**-**	627	1,359
Prudential general reserve for credit losses (net of tax) (2)	**590**	-	-
Asset revaluation reserve (3)	**78**	87	88
Upper Tier Two note and bond issues	**373**	320	196
Other	**56**	42	57
Total Upper Tier Two Capital	**1,097**	1,076	1,700
Lower Tier Two Capital			
Lower Tier Two note and bond issues (4) (5)	**7,561**	8,966	6,977
Holding of own Lower Tier Two Capital	**(19)**	(11)	(40)
Total Lower Tier Two Capital	**7,542**	8,955	6,937
Tier Two Capital Deductions			
50% Deductions from Tier Two Capital (6)	**(1,855)**	(3,722)	(1,624)
Total Tier Two Capital	**6,784**	6,309	7,013
Total Capital	**30,095**	27,257	23,804

(1) Residual Capital eligible for inclusion as Tier One Capital is subject to an APRA prescribed limit of 25% of Tier One Capital with any excess transferred to Upper Tier Two Capital.

(2) Prudential general reserve for credit losses 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.

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

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

(5) 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.

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

Risk Weighted Assets	Basel II 30/06/09 $M	Basel II 31/12/08 $M	Group Basel II 30/06/08 $M
Credit Risk			
Subject to Advanced IRB approach			
Corporate	**90,389**	93,131	81,431
Sovereign	**1,713**	2,144	1,802
Bank	**8,040**	12,510	5,292
Residential mortgage	**54,841**	45,231	39,128
Qualifying revolving retail	**5,698**	5,562	6,070
Other retail	**6,336**	5,479	5,274
Impact of the regulatory scaling factor (1)	**10,021**	9,843	8,340
Total risk weighted assets subject to Advanced IRB approach	**177,038**	173,900	147,337
Specialised lending (SL) exposures subject to slotting criteria	**22,627**	26,624	21,053
Subject to Standardised approach			
Corporate	**23,018**	6,491	5,347
Sovereign	**282**	430	84
Bank	**170**	116	320
Residential mortgage	**20,576**	316	241
Other retail	**2,398**	-	-
Other	**7,517**	8,763	9,229
Total risk weighted assets subject to standardised approach	**53,961**	16,116	15,221
Securitisation	**2,724**	2,890	3,536
Equity exposures	**2,103**	1,701	293
Total risk weighted assets for credit risk exposures	**258,453**	221,231	187,440
Market risk	**3,450**	4,138	4,501
Interest rate risk in the banking book (2)	**8,944**	-	-
Operational risk	**17,989**	13,920	13,560
Total risk weighted assets (3)	**288,836**	239,289	205,501

(1) APRA requires risk weighted assets amounts that are derived from IRB risk weighted functions be multiplied by a scaling factor of 1.06.

(2) Risk Weighted Assets for Interest Rate Risk in the Banking Book was not effective until 1 July 2008 and was $ nil as at 31 December 2008.

(3) 30 June 2009 Risk Weighted Assets (RWA) include the consolidation of Bankwest which operates under the Basel II Standardised methodology. As at 31 December 2008 APRA approved for Bankwest to be treated as a non-consolidated subsidiary and as a result the RWA of Bankwest were not incorporated into the Group RWA numbers.

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 and stockbroking services. The domestic competitive landscape includes the four major banks, regional banks, building societies and credit unions, foreign entrants to the Australian market, local and global investment banks and fund managers, private equity firms, insurance companies and third party distributors.

Banking

Over the past 18 months, the global financial system has experienced considerable stress. These difficulties saw a marked rise in risk aversion around the world, impairing the normal functioning of the credit supply process and significantly increasing money market spreads. The financial crisis also saw many long standing large banks collapse or significantly reduce in size.

The crisis in the global financial system led to substantial public sector support being provided to financial institutions in a number of countries. Support for banks include increased caps on deposit insurance schemes, guarantees on wholesale funding, the injection of capital, removal of certain types of assets completely or providing insurance against losses on the assets of banks' balance sheets, and the establishment of public-private investment funds.

While the Australian and New Zealand banking industries have not been immune to this disruption, the banking industries have weathered the global financial crisis significantly better than global peers. Australia is considered to have the strongest banking industry in the world, with four of the largest 15 banks by market capitalisation and four of only eight banks that have AA credit ratings. This is also reflected in the ratings of the New Zealand subsidiaries of the big four Australian banks.

The good performance reflects several factors including Australian banks having been much more conservative and cautious in the risks undertaken in the lead up to the crisis, for example, with lending standards not easing by the same extent as in the United States. As an industry, there is relatively little exposure to financial instruments such as collateralised debt obligations (CDOs) and major banks are marginal players in low-doc and non-conforming lending. The success is also attributed to better governance and regulatory oversight systems.

Despite this ongoing performance, investors became reluctant to buy debt from the domestic market with some depositors also feeling nervous about the financial environment. In Australia and New Zealand, Governments introduced guarantees of both deposits and wholesale borrowing by banks. The Commonwealth Bank, ASB Bank and Bankwest are supportive of the Government's intention of enhancing certainty and confidence, particularly in the local banking system.

However, these schemes have not completely eased the pressure faced in the wholesale funding markets as uncertainty still remains. Looking ahead, a reduction in risk aversion is central to resolving these domestic and global concerns.

Funds Management

The long term growth outlook for retail funds remains positive, underpinned by compulsory superannuation and retirement savings. The downturn in equity markets is reducing investment returns and fund flows as well as driving changes in the competitive landscape. The simplification of superannuation legislation, including the removal of taxes on end benefits for over 60's, should support continuing growth in superannuation investment and self managed superannuation.

The search for above-market return investments has seen an increased allocation of funds to boutiques, hedge funds, private equity players and alternative asset classes. The recent uncertainties have slowed this movement with investors showing some flight from risk to quality.

Over the last decade, the corporate bond market in Australia has benefited from the growth in funds under management with many of the major Australian corporations now directly accessing capital markets domestically and around the world.

Insurance

Solid growth in the sector is expected to continue given the current levels of underinsurance and beneficial treatment of life insurance inside superannuation. The growing debt levels of households will increase the importance of life insurance and other wealth protection products. As the population ages, there will be an increased demand for products that address longevity risk. The general insurance market is mature, diversified and highly competitive. Margin pressure and other competitive activity will necessitate targeted growth strategies.

New Zealand

The Group's activities in New Zealand are conducted through ASB Group. Through its wholly owned subsidiaries, Sovereign Group and ASB Group Investments, ASB Group also competes in the New Zealand insurance and investment market.

The New Zealand banking system is characterised by strong competition. New Zealand banking activities are led by four financial services groups, owned by the big four Australian major banks. In addition, there are several financial institutions operating largely in the wholesale banking sector. As in Australia, there is strong competition with non-bank financial institutions in the areas of funds management and the provision of insurance. The New Zealand economy entered recession in early 2008. Major trends in the New Zealand market include continued margin pressure, a slowing housing market, declining net migration and the commoditisation of retail lending.

Description of Business Environment

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 below.

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. The current financial services regulatory framework is intended to facilitate innovation and promote business while at the same time ensuring consumer protection and market integrity.

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 sanctions-related decisions of the United Nations Security Council (UNSC), including the freezing of terrorist assets.

Supervisory Arrangements

The Bank and its subsidiaries Commonwealth Development Bank and 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 currently supervises ADIs by a system of off-site examination. It closely monitors the operations of banks through the collection of regular statistical returns and regular prudential consultations with each bank's management. APRA also conducts a program of specialised on-site visits to assess the adequacy of individual banks' systems for identifying, measuring and controlling risks associated with the conduct of these activities.

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 Group'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, AUD Certificates of Deposit/Bills of other banks and AUD overnight interbank loans) and other highly liquid market securities. More detailed comments on the Group's liquidity and funding risks are provided in Note 41 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 Bank's large exposures refer to Note 15 to the Financial Statements.

Description of Business Environment

Supervisory Arrangements (continued)

(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 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 Commonwealth Treasurer.

(vi) Fit & 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 have to comply with APRA's Governance prudential standard which sets out requirements for Board size and composition, independence of directors 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.

Critical Accounting Policies and Estimates

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

Critical accounting policies and estimates are set out in Note 1 (mm) to the Financial Statements.

Commitment to Sustainability

The long-term sustainability of the Group is essential for creating enduring value for shareholders and the Australian community as a whole. A commitment to sustainability is particularly important in the current economic climate. During 2009 the Group's key stakeholders — its customers, its people, its shareholders and the wider community — faced significant challenges as a result of the global financial crisis and the Group has responded with initiatives to support each of them.

Excellence in corporate governance is a fundamental aspect of corporate sustainability, and the Group continues to support a comprehensive governance framework. Details can be found in the Corporate Governance section of this report on page 53.

In recognising the importance of sustainability for business, in 2009 the Group became a member of the World Business Council for Sustainable Development, a CEO-led, global association of some 200 companies, dealing exclusively with business and sustainable development issues.

Customers

Excellence in customer service remains the Group's most important strategic priority. During 2009, the Group implemented a series of initiatives designed to improve the day-to-day customer experience. More information on those initiatives is available on page 71. As a result, the Group recorded some notable improvements in customer satisfaction:

- The Group's main financial institution (MFI) retail customer satisfaction levels, measured on a six month rolling average by Roy Morgan, improved by 2.9% during the year to 73%;
- In a challenging environment, all major banks experienced a decline in main financial institution (MFI) business customer satisfaction over the 12 months to June 2009, as measured by the TNS Business Finance Monitor. The Group experienced the smallest decline of all the major banks over this period; and
- Colonial First State's FirstChoice product platform was once again ranked number one for overall satisfaction by financial advisers in the 2009 Wealth Insights MasterTrust survey.

	2009		2008		2007	
	Score	**Rank**	**Score%**	**Rank**	**Score%**	**Rank**
Retail (1)	**73.0**	**4th**	70.1	4th	70.5	5th
Business (2)	**72.8**	**4th**	73.9	5th	60.7	5th
Wealth (3)	**84.1**	**1st**	88.2	1st	89.4	2nd

(1) Roy Morgan MFI customer satisfaction measures the proportion of MFI retail customers that are either 'Very Satisfied' or 'Fairly Satisfied'. The metric is reported as a 6-month rolling average. Ranking captures the relative position of the Group compared to the other three major banks and St George.

(2) TNS Business Finance Monitor MFI customer satisfaction measures the proportion of MFI business customers that are either 'Very Satisfied' or 'Fairly satisfied'. The metric is reported as a 12-month moving average. Ranking captures the relative position of the Group compared to the other three major banks and St George.

(3) The percentage of financial advisers giving the Colonial FirstChoice platform an overall satisfaction score of 7-10, on a scale of 1-10 where 1 is 'Poor' and 10 is 'Excellent', in the Wealth Insights MasterTrust/Wrap survey. Ranking captures the relative position of Colonial FirstChoice compared with bank peer master trusts measured in the survey, based on the percentage of advisers giving 7-10 for overall satisfaction.

Complete definitions for these metrics are available at www.commbank.com.au/sustainability.

UN Principles for Responsible Investment

The Group's insurance division, CommInsure, and its asset management division, Colonial First State Global Asset Management, are both signatories to the United Nations Principles for Responsible Investment (PRI).

Since becoming a signatory on 1 March 2007, Colonial First State Global Asset Management has embedded responsible investment principles in the investment disciplines followed by investment managers in each asset class. The business strongly believes that this approach will not only lead to more sustainable investment practices, but will also deliver improved risk-adjusted returns for its clients.

Financial literacy

During 2009, the Commonwealth Bank Foundation continued the roll-out of the StartSmart Program – a series of classroom sessions and workshops designed to help young Australians build better money management skills. In the 12 months to June 2009, over 51,000 secondary school students and their teachers booked to attend the 1,541 classroom sessions and 223 workshops delivered through StartSmart.

The Commonwealth Bank Foundation also supported financial literacy with a range of other targeted programs:

- Australian Financial Literacy Assessment, a tool for teachers to develop and assess the financial literacy of Year 9 and 10 students;
- Financial Literacy Curriculum Resource. A free resource for Australian teachers developed in partnership with the NSW Department of Education and Training and a steering committee of education representatives from across Australia; and
- Financial Literacy Grants. The Commonwealth Bank Foundation awarded 100 grants of $3,500 each to secondary schools across Australia during the year.

Responsible banking

As Australians navigated the ongoing global financial crisis the Group responded with special assistance to help customers who were experiencing financial stress.

The Group allocated extra resources to the Customer Assist team, dedicated to providing solutions to customers experiencing financial difficulties. The team took steps to ensure customers had easy access to short-term assistance options when their circumstances changed unexpectedly, including the offer of a home loan repayment holiday of up to 12 months to customers who lost their job as a result of the economic downturn.

The Group also introduced the Small Business Investment Package, offering a range of discounted solutions to small business customers, and the Emergency Assistance Package, to assist retail and business customers who were victims of the Victorian bushfires and the New South Wales and Queensland floods.

Sustainability

People

The past 12 months presented challenging times for Australian workers. In managing the potential effects of slowing business activity, the Group focused on preserving jobs while managing costs for a weaker economy.

	2009	2008	2007
Absenteeism (1)			
Average days per FTE	**5.9**	6.5	6.2
Employee Turnover			
(voluntary) % (2)	**11.37**	18.45	14.94
Employee			
Gallup Survey Grand Mean (3)	**4.37**	4.28	4.13
Safety			
Lost Time Injury Frequency Rate (LTIFR) (4)	**2.1**	3.1	3.7

(1) The 2009 figure is the annualised figure as at 31 May 2009. Absenteeism refers to sick leave, reported by domestic, permanent employees.

(2) Employee turnover refers to all voluntary exits of domestic permanent employees.

(3) The Gallup Survey Grand Mean measures employee engagement out of a possible score of five.

(4) 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. The metric captures claims relating 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 may be updated in future reports due to post-publication reporting of incidents that occurred during the year, or the subsequent acceptance or rejection of claims made in the year.

Complete definitions for these metrics are available at www.commbank.com.au/sustainability.

The Group also remains committed to retaining jobs in Australia and has recently committed to retain all its operations and call centre activities in Australia and not undertake off-shoring for at least the next three years. In addition the Group returns a significant proportion of its profit as dividends to the nearly 800,000 domestic shareholders who together own over 80% of the Group's shares.

In April 2009, the Group announced a reduction in remuneration for the Board and Senior Executives. The Remuneration Report provides further detail, page 65.

Culture and engagement

Trust and team spirit is an important strategic priority for the Group. This year the Group introduced new initiatives to improve workplace culture and gain more accurate insights into people performance.

The Group launched a refreshed set of key behaviour expectations designed to align the Group's culture more closely with its goal of being number one in customer service: Performance Driven, Accountable, Customer Focussed, and Teamwork ("PACT").

A focus on leadership, talent management and career development, combined with the economic downturn, helped to reduce turnover and absenteeism. Among other initiatives, the Group maintained the Leadership Capabilities framework, which outlines the leadership capabilities expected at different levels of management and helps staff with their development.

The Group has recorded continued improvements in the people engagement survey and is ranked in the 80th percentile worldwide (Source: Gallup), which is considered by Gallup to be best practice.

The Group is committed to creating and maintaining a diverse workforce. It recognises and values the varied perspectives, skills, and backgrounds its people bring to work. The Group continues to support its people through its diversity program.

Safety

The Group's commitment to the health, safety and wellbeing of its people continues to be demonstrated in a range of safety awareness and prevention programs. As a result, the Group has seen continued improvement in the Lost Time Injury Frequency Rate over recent years.

In 2008, the Group moved to the Federal Government's Comcare System, a single, national approach to workers compensation, injury management and occupational health and safety. The first 12 months within the Comcare scheme has allowed the Group to streamline its safety management system and implement new training programs, risk management activities and internal audit processes.

The Group also developed and implemented new safety consultation arrangements with the formation of a national Occupational Health and Safety Committee.

Community

For almost 100 years, the Group has been an active part of the Australian community, with programs and partnerships spanning from financial literacy to health, the arts, sport and social welfare. Commitment to these partnerships helps support communities and organisations to achieve outcomes that make an impact.

This year the Group was proud to receive the 2009 Australian Business Award for Community Contribution, awarded in recognition of the Group's commitment to developing financial literacy in the Australian community, through the work of the Commonwealth Bank Foundation.

Indigenous reconciliation

The Group launched its Reconciliation Action Plan (RAP) in July 2008. The RAP focuses on areas where the Group can have a positive impact on enhancing the involvement, inclusion and progression of Indigenous Australians. One year on, the Group has made real progress towards the RAP's goals of providing meaningful employment, supporting financial literacy education, offering relevant financial services, fostering enterprise development and encouraging appreciation of Australia's unique Indigenous cultures.

In May 2009, the Group piloted its Indigenous Customer Assistance Line (ICAL). The ICAL, a dedicated assistance line for remotely domiciled Indigenous customers, is the first of its kind among Australian banks. The pilot program is servicing remote communities in Far North Queensland helping to meet the unique geographical, cultural and language needs of the members of these communities.

In addition the Group expanded its Indigenous School Based Traineeship program. The program provides opportunities for Year 11 and 12 students to gain valuable work experience. The program commenced in the branch network and due to its success, was expanded to include training positions within Enterprise Services and Business and Private Banking.

The success of the School Based Traineeship program laid the foundations for the Group to develop an Aboriginal and Torres Strait Islander Employment Strategy, as part of the Group's commitment to building diversity within its workforce. The aim of the strategy is to address current barriers around employment and retention and provide ongoing training and work opportunities to Aboriginal and Torres Strait Islanders across the Group.

Community partnerships

2009 saw the establishment of two major new community partnerships, with the Bangarra Dance Theatre and Clean Up Australia Day, as well as the continued commitment to a range of existing partnerships.

The Group became Bangarra's 20th Anniversary Partner in 2009, supporting one of the Reconciliation Action Plan's goals of promoting reconciliation through an understanding and appreciation of Indigenous culture.

The new partnership with Clean Up Australia Day reinforced the Group's support for programs that provide practical solutions to environmental issues and encourage individuals to make a difference.

The Group continued its relationship with the Australian Business and Community Network (ABCN). The Group's partnership with ABCN helps to run practical mentoring programs for school students from lower socio-economic areas. These much needed school-based programs include mentoring initiatives for high school students, literacy programs for primary school students and learning partnerships with school principals.

The Group's support for the Breast Cancer Institute of Australia continued in 2009, with the sale of the Australian Women's Health Diary in Commonwealth Bank branches. Since 1995, the Group has helped to raise over $1.3 million for breast cancer research.

2009 also saw the continuation of the Group's support of sport in Australia, which includes sponsorship of the Australian One Day International Cricket Series, the Australian women's cricket team, the Commonwealth Bank Southern Stars, the Australian Country Cricket Championships, and the Imparja Cup, the national Indigenous cricket competition.

The Group celebrated 30 years as the proud major sponsor of the Australian of the Year Awards. As a key part of local Australian communities, the Group understands how valuable the contributions of everyday Australians are both locally and further afield and the importance of celebrating these great achievements.

The Group also continues to support a range of other community programs – further details are available at www.commbank.com.au/about-us.

Staff contribution

In 2009, staff continued to make a valuable contribution to their local communities and to actively participate in volunteering activities supported by the Group.

Staff also contributed through the Staff Community Fund and its fundraising activities. The Fund supports the health and wellbeing of Australian children through the Community Grants program, with grants of up to $10,000 to youth and childrens' charities. In 2009, a total of $350,245 was awarded to support grassroot projects around the country. Other initiatives supported by the Fund include the Humour Foundation's Clown Doctors program and Midnight Basketball.

Environment

A new Group Environment Policy was endorsed by the Board in October 2008, creating a framework for the responsible management of the Group's direct and indirect environmental impacts.

In conjunction with this policy, the Group has achieved some important milestones in 2009, taking steps to better measure and report carbon emissions and making real progress towards reducing the Group's overall environmental footprint.

Improving property environmental performance

In 2009, the Group continued its shift to more environmentally-friendly commercial properties. The Sydney Olympic Park precinct reached full occupation and the first phase of tenancy at Darling Park commenced. Environmental performance was a key requirement for both these premises. Work on the new Darling Walk building, which will target a 6 Star Green Star Office Design and 5 Star NABERS rating, has also commenced.

In May 2009, the listed property trust Commonwealth Property Office Fund within the Group's asset management business, Colonial First State Global Asset Management, was granted more than $2.7 million from the Australian Government's Green Building Fund to implement its Wind Array proposal at 385 Bourke Street in Melbourne. Wind turbines on top of the 41-storey tower will generate enough energy to deliver a 30 per cent improvement in energy efficiency.

In June 2009, Colonial First State Global Asset Management launched the Sustainable Property Guide in conjunction with the Department of Environment and Climate Change NSW. The Guide provides the commercial property sector with practical tools to integrate sustainability into core business activities and asset management.

Managing carbon emissions

In 2009, the Group established a carbon emissions reduction target for its Australian operations of 20 per cent by June 2013, from 2009 levels. Achievement of this target will be through initiatives in the Group's retail and commercial properties and the tool-of-trade fleet.

	2009	2008	2007
Environment			
Property and fleet carbon emissions total (tonnes CO_2-e) (1)	**169,589**	173,397	163,964

(1) Emissions relate to consumption of electricity, gas and fuel (gasoline and diesel) by domestic retail and commercial properties, the business use of domestic tool-of-trade vehicle fleets, business use of private vehicles and domestic ATMs. Due to the electricity billing cycle, 19.5 % of 2008-2009 electricity data was estimated to meet publication deadlines. The 2007 and 2008 figures previously reported have been adjusted to take into account the Group's reporting boundaries under the National Greenhouse and Energy Reporting Act 2007.

Complete definitions for these metrics are available at www.commbank.com.au/sustainability.

Reducing environmental impacts through online banking

One of the key ways in which the Group can lower its environmental impact is by raising awareness of the advantages of online banking, especially for the delivery of account statements. During the year, the Group broadened its online offering with new features including a range of online application forms in Netbank and online transaction account and credit card statements. As a result, the Group made significant paper savings, with over 1.6 million accounts now using online statements instead of paper.

Reporting

The Group is subject to the Federal Government's Energy Efficiency Opportunities Act (EEO), which provides a framework for identifying cost-effective energy savings, and the National Greenhouse and Energy Reporting Scheme (NGERS). As a result of a long history of voluntary reporting, the Group is well placed to meet the Scheme's mandatory requirements, and has recently revised its data capture and reporting systems to comply with the new legislation.

The Group also voluntarily reported its carbon emissions to the Carbon Disclosure Project in May 2009.

Future developments

Over the coming year the Group will continue to implement its sustainability program to ensure it delivers long-term, sustainable value to its customers, people, shareholders, and the community.

The Group will publish a Sustainability Report during October 2009, an important tool in communicating the Group's sustainability performance to its stakeholders.

The Sustainability Report will be available online at www.commbank.com.au/sustainability.

Introduction

This statement reflects the key aspects of the Commonwealth Bank's corporate governance framework. The Board has consistently placed great importance on the governance of the Group, which it believes is vital to its well-being. The Board has adopted a comprehensive framework of Corporate Governance Guidelines which are designed to properly balance performance and conformance and thereby allow the Group to undertake, in an effective manner, the prudent risk-taking activities which are the basis of its business. The Guidelines and the practices of the Group comply with the revised "Corporate Governance Principles and Recommendations" published in August 2007 by the Australian Securities Exchange (ASX) Limited's Corporate Governance Council.

Charter

The role and responsibilities of the Board of Directors are set out in the Board Charter. The responsibilities include:

- The corporate governance of the Group, including the establishment of Committees;
- Oversight of the business and affairs of the Group by:
  - Establishing, with management, and approving the strategies and financial objectives;
  - Approving major corporate and capital initiatives and approving capital expenditure in excess of limits delegated to management;
  - Overseeing the establishment of appropriate systems of risk management 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;
- Employment of the Chief Executive Officer; and
- Approval of the Group's major HR policies and overseeing the development strategies for senior and high performing executives.

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

The Board delegates to the Chief Executive Officer the authority to achieve the Group's objective of creating long term value for its shareholders through providing financial services to its customers and providing sustained best-in-industry performance in safety, community reputation and environmental impact.

Composition

There are currently 11 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:

Director	Board Membership	Position Title	Committee Membership: Board Performance & Renewal	Committee Membership: People & Remuneration	Committee Membership: Audit	Committee Membership: Risk
J M Schubert (1)	Non-Executive, independent	Chairman	Chairman	Member		Member
R J Norris	Executive	Chief Executive Officer				Member
J A Anderson	Non-Executive, independent					Member
R J Clairs (1)	Non-Executive, independent			Chairman		Member
C R Galbraith (1)	Non-Executive, independent		Member		Member	Member
J S Hemstritch	Non-Executive, independent			Member		Member
S C H Kay (1)	Non-Executive, independent			Member	Member	Member
F D Ryan	Non-Executive, independent				Chairman	Member
D Turner	Non-Executive, independent		Member		Member	Member
H H Young	Non-Executive, independent				Member	Chairman
A M Mohl (1)	Non-Executive, independent			Member		Member

(1) Mr Schubert, Mr Clairs, Mr Galbraith, Ms Kay and Mr Mohl were appointed as members of the Risk Committee with effect from 1 January 2009.

Corporate Governance

Constitution

The Constitution of the Bank specifies that:

- The Chief Executive Officer and any other Executive Director shall not be eligible to stand for election as Chairman of the Bank;
- The number of Directors shall not be less than nine nor more than 13 (or such lower number as the Board may from time to time determine). The Board has determined that the number of directors shall be 11; and
- At each Annual General Meeting one third of Directors (other than the Chief Executive Officer) shall retire from office and may stand for re-election.

The Board has established a policy that the term of Directors' appointments would be limited 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 Board regularly assesses the independence of each Director. For this purpose an independent Director is a Non-Executive Director whom the Board considers 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.

In addition to being required to conduct themselves in accordance with the ethical policies of the Group, Directors are required to be meticulous in their disclosure of any material contract or relationship in accordance with the Corporations Act and this disclosure extends to the interests of family companies and spouses. Directors are required to strictly adhere to the constraints on their participation and voting in relation to matters in which they may have an interest in accordance with the Corporations Act and the Group's policies.

Each Director may from time to time have personal dealings with the Group. Each Director is involved with other companies or professional firms which may from time to time have dealings with the Group. Details of offices held by Directors with other organisations are set out in the Directors' Report and on the Group's website. Full details of related party dealings are set out in 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 as referred to above;
- Where applicable, the related party dealings referrable to each Director, noting that those dealings are not material under accounting standards;
- 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; and
- That no Non-Executive Director has a material contractual relationship with the Group other than as a Director of the Bank.

Education

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

Review

The Board has in place a process for annually reviewing its performance, policies and practices. These reviews seek to identify where improvements can be made and also assess the quality and effectiveness of information made available to Directors. Every two years, this process is facilitated by an external consultant, with an internal review conducted in the intervening years. The review process includes an assessment of the performance of the Board Committees and each Director.

After consideration of the results of the performance assessment, the Board will determine its endorsement of the Directors to stand for re-election at the next Annual General Meeting.

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 Chief Executive Officer's performance and remuneration which is conducted by the Board in the absence of the Chief Executive Officer.

Selection of Directors

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

- 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 skills 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.

The Committee regularly compares the skill base and experience of existing Directors with that required for the future strategy of the Group to enable identification of attributes required in new Directors.

Executive search firms are engaged to identify potential candidates based on the identified criteria.

Candidates for appointment as Directors are considered by the Board Performance and Renewal Committee, recommended for decision by the Board and, if appointed, stand for election, in accordance with the Constitution, at the next general meeting of shareholders.

The Group has adopted a policy whereby, on appointment, a letter is provided from the Chairman to the new Director setting out the terms of appointment and relevant Board policies including 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 letter of appointment appears on the Group's website.

Policies

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

- The Board will consist of a majority of independent Non-Executive Directors and the membership of 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 Board Chairman;
- The Board will meet regularly with an agenda designed to provide adequate information about the affairs of the Group, allow the Board to guide and monitor management and assist in involvement in discussions and decisions on strategy. Matters having strategic implications are given priority on the agenda for regular Board meetings. In addition, ongoing strategy is the major focus of at least one Board meeting annually;
- The Board has an agreed policy on the basis on which Directors are entitled to obtain access to Company documents and information and to meet with management; and
- The Group has in place 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 be present when the matter is being considered and will not vote on the matter. In addition, any Director who has a conflict of interest in connection with any matter being considered by the Board or a Committee does not receive a copy of any paper dealing with the matter.

Share Trading

The restrictions imposed by law on dealings by Directors in the securities of the Group have been supplemented by the Board of Directors adopting guidelines which further limit any such dealings by Directors, their spouses, any dependent child, family Company or family trust.

The guidelines provide, that in addition to the requirement that Directors not deal in the securities of the Group or any related Company when they have or may be perceived as having relevant unpublished price-sensitive information, Directors are only permitted to deal within certain periods. These periods include between three and 30 days after the announcement of half yearly and final results and from the date of the Annual General Meeting until 14 days after the Annual General Meeting. Further, the guidelines require that Directors 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.

In addition, Group policy prohibits:

- For Directors and executives who report to the Chief Executive Officer, any hedging of publicly disclosed shareholding positions;
- For executives, any trading (including hedging) in positions prior to vesting of shares or options; and
- The use, by Directors and executives who report to the Chief Executive Officer, of investments of arrangements for margin borrowing, short selling or stock lending, in connection with the securities of the Group.

Remuneration Arrangements

Details of the governance arrangements and policies relevant to remuneration are set out in the Directors' Report - Remuneration Report.

Audit Arrangements

Audit Committee

The purpose of the Audit Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities by providing an objective non-executive review of the effectiveness of the external reporting of financial information, and the internal control environment of the Group, including obtaining an understanding of the tax and accounting risks which face the Group. The Audit Committee is also responsible for the oversight of accounting policies, professional accounting requirements, internal and external audit and APRA statutory regulatory requirements, and the appointment of the external auditor.

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

- The Audit Committee shall comprise at least three members. All members must be non-executive, independent directors and financially literate. At least one member must be a "Financial Expert" within the meaning of that term as described in the ASX Corporate Governance guidelines. The financial expert will be determined by the Board from time to time;
- The Audit Committee chairman may not 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;
- The Audit Committee will meet at least quarterly, and as required. The Audit Committee will invite the external auditor to all meetings of the Committee;
- The Audit Committee has the power to call attendees as required, including open access to management, auditors (external and internal) and the right to seek explanations and additional information;
- The Audit Committee will meet from time to time with the Group Auditor and external auditor without management or others being present;
- Similarly, 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

- The Audit Committee 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.

Non-Audit Services

The Board has in place an External Auditor Services Policy which requires the Audit Committee (or its delegate) to approve all audit and non-audit services before engaging the Auditors. The policy also prohibits the Auditors from providing certain services to the Group or its affiliates. The objective of this policy is to avoid prejudicing the independence of the Auditors.

The policy is designed to ensure that the 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 the Auditor and the Group;
- Require an indemnification from the Group to the Auditor;
- 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.

Under the policy, the Auditor shall 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;
- Actuarial services when 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; or
- Expert services for the purpose of advocating the interests of the Group.

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 Auditor to third parties in connection with the Group's financing or related activities; and
- Other services pre-approved by the Audit Committee.

Auditor

PricewaterhouseCoopers was appointed as the Auditor of the Bank at the 2007 Annual General Meeting, effective from the beginning of the 2008 financial year.

The audit partner from PricewaterhouseCoopers will attend the 2009 Annual General Meeting of the Bank and will be available to respond to shareholder audit-related questions.

The Group currently requires that the partner managing the audit for the external Auditor be changed after a period of no longer than five years.

The Chief Executive Officer is authorised to appoint and remove the Group Auditor only after consultation with the Audit Committee.

Due to SEC rules that apply to various activities that the Group continues to undertake in the United States, notwithstanding the Bank's de-registration under the Exchange Act, the Group and its Auditor must continue to comply with U.S. Auditor independence requirements.

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 Group Audit.

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".

Risk Committee

The Risk Committee oversees the Group's risk management framework, including the credit, market (including traded, IRRBB, lease residual values, non-traded equity and structural foreign exchange), liquidity and funding, operational, insurance, compliance and regulatory risks assumed by the Group in the course of carrying on its business.

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

A primary action is to help the Board formulate the Group's risk appetite for consideration by the Board in its role of oversight of the Internal Capital Adequacy Assessment Process, which is updated on at least an annual basis.

The Committee guides the setting of risk appetite for credit risks, considers the Group's credit policies and ensures that management maintains a set of credit underwriting standards designed to achieve portfolio outcomes consistent with the Group's risk/return expectations.

The Committee approves risk management policies and procedures for market, funding and liquidity risks incurred or likely to be incurred in the Group's business. It guides the setting of risk appetite for traded and non-traded market risks, including the establishment of limits for these risk exposures. The Committee reviews progress in implementing management procedures and identifying new areas of exposure relating to market, funding and liquidity risk.

The Committee guides the setting of risk appetite for operational risks, including ratification of the Group's operational risk policies for approval by the Board and reviews and informs the Board of the measurement and management of operational risk. Operational risk is a basic line management responsibility within the Group consistent with the policies established by the Committee. A range of insurance policies maintained by the Group mitigates some operational risks, with insurance risk coverage levels disclosed to the Risk Committee for comment.

The Committee oversees risk management of compliance risk through the Group's Compliance Risk Management Framework, which provides for 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 Committee is also responsible for agreeing and recommending for Board approval a risk framework consistent with the agreed risk appetite. This framework includes:

- A capital policy, determined as part of an annual Internal Capital Adequacy Assessment Process (ICAAP);
- 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 to risk concentrations.

The Committee is charged with making recommendations regarding the high-level liquidity and funding policies and strategy, at least annually. This includes the use of securitisation and Special Investment Vehicles.

In overseeing the risk framework, and through its dialogues with the risk leadership team and executive management, the Committee also monitors the health of the Group's risk culture, and reports any significant issues to the Board.

The Committee meets, at least seven times each year and at least annually with the Group Chief Risk Officer, in the absence of other management to allow the Committee to form a view on the independence of the function. The Chairman of the Risk Committee provides a report to the Board following each Risk Committee meeting.

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.

A description of the functions of the framework and the nature of the risks is set out in the Integrated Risk Management section of the Annual Report and in Notes 15 and 41 to the Financial Statements.

Board Performance and Renewal Committee

The Board Performance and Renewal Committee critically reviews, at least annually, the corporate governance procedures of the Group and the composition and effectiveness of the Commonwealth Bank of Australia Board and the Boards of the major wholly owned subsidiaries. The policy of the Board is that the Committee shall consist solely of independent Non-Executive Directors. The Chief Executive Officer attends the meeting by invitation.

In addition to its role in proposing candidates for Director appointment for consideration by the Board, the Committee reviews fees payable to Non-Executive Directors and reviews, and advises the Board in relation to Chief Executive Officer succession planning and Board renewal.

Continuous Disclosure

The Corporations Act 2001 and the ASX Listing Rules require that a Company discloses to the market matters which could be expected to have a material effect on the price or value of the Company's securities. The Group's "Guidelines for Communication between the Bank and Shareholders" sets 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 Commonwealth Bank Group to ensure that all material matters which may potentially require disclosure are promptly reported to the Chief Executive Officer, through 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 been formed to provide advice on the requirements for disclosure of 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 important for its shareholders to make informed decisions about their investment in the Group. In order for shareholders to have an understanding of the business operations and performance, the Group seeks to provide shareholders with access to quality information in a timely fashion. This will be communicated in the form of:

- Interim and final Results;
- Annual Reports;
- Shareholder newsletters;
- Annual General Meetings;
- 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 dedicated shareholder website at www.commbank.com.au is kept up to date so that shareholders can access this information at all times.

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.

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 Group's objective is to create long term value for its shareholders through providing financial services to its customers and producing sustained best-in-industry performance in safety, community, reputation and environmental impact.

The Group's vision is to be Australia's finest financial services organisation through excelling in customer service.

The values of the Group are trust, honesty and integrity. The Board carries out the legal duties of its role in accordance with the values and having appropriate regard to the interests of the Group's customers, shareholders, staff 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.

Corporate Governance

Statement of Professional Practice

The Group has adopted a code of ethics, known as a Statement of Professional Practice, which 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 programs;
- 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 staff. In addition, the Group has established insider trading guidelines for staff to ensure that unpublished price-sensitive information about the Group or any other Company is not used in an illegal manner or so that inside information could be used for personal advantage.

Our People

The Group is committed to providing fair, safe, challenging and rewarding work, recognising the importance of attracting and retaining high quality staff and consequently, being in a position to excel in customer service.

There are various policies and systems in place to enable achievement of these goals, including:

- 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.

Behaviour Issues

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

The policy has been extended to include reporting of auditing and accounting issues, which will be 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

In carrying out its role, 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 application regulations.

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

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

- The interface 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 situations of conflict of interest 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 the values of honesty and integrity.

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 2009.

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 has declared an interest.

John M Schubert, Chairman

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

Chairman: G2 Therapies Limited, Great Barrier Reef Foundation.

Director: BHP Billiton Limited, BHP Billiton Plc and Qantas Airways Limited.

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

Dr Schubert is a resident of New South Wales. Age 66.

David Turner will succeed John Schubert as Chairman in February 2010.

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

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

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

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

Chairman: Australian Bankers' Association and CommFoundation Pty Limited

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

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

Mr Norris is a resident of New South Wales. Age 60.

Sir John A Anderson, KBE

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

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

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

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

Sir John is a resident of Wellington, New Zealand. Age 64.

Reg J Clairs, AO

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

Director: David Jones Limited

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

Mr Clairs is a resident of Queensland. Age 71.

Colin R Galbraith, AM

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

Chairman: BHP Billiton Community Trust.

Director: OneSteel Limited and Australian Institute of Company Directors.

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

Mr Galbraith is a resident of Victoria. Age 61.

Jane S Hemstritch

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

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

Director: The Global Foundation and Tabcorp (Appointed 13 November 2008).

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

Ms Hemstritch is a resident of Victoria. Age 55.

Directors' Report

Carolyn H Kay

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

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

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

Ms Kay is a resident of New South Wales. Age 48.

Fergus D Ryan

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

Director: Australian Foundation Investment Company Limited, Centre for Social Impact, National Australia Day Council and Deputy Chairman for National Library of Australia.

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

Mr Ryan is a resident of Victoria. Age 66.

David J Turner

Mr Turner was appointed to the Board in August 2006 and is a member of the Risk, Audit and Board Performance and Renewal Committees.

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

Chairman: Cobham plc.

Mr Turner is a resident of the United Kingdom. Age 64.

Harrison H Young

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

Mr Young serves on the Court of Directors of the Bank of England and is a member of its Financial Stability Committee.

Chairman: Howard Florey Institute Foundation.

Deputy Chairman: The Asia Society AustralAsia and Asialink.

Director: Florey Neuroscience Institutes and Financial Services Volunteer Corps.

Trustee: The Asia Society AustralAsia.

Mr Young is a resident of Victoria. Age 64.

Andrew M Mohl

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

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

Chairman: Federal Government Export Finance and Insurance Corporation.

Director: AMP Foundation.

Other Interests: Coaching services to senior executives, member of the Advisory Council of the Australian School of Business.

Mr Mohl is a resident of New South Wales. Age 53.

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)
J M Schubert	BHP Biliton Limited	01/06/2000	
	Qantas Airways Limited	23/10/2000	
	BHP Biliton Plc	29/06/2001	
R J Clairs	David Jones Limited	22/02/1999	
	Cellnet Group Limited	01/07/2004	20/08/2007
C R Galbraith	OneSteel Limited	25/10/2000	
	GasNet Australia Group	17/12/2001	10/11/2006
J S Hemstritch	Tabcorp Holdings Ltd	13/11/2008	
S C H Kay	Brambles Industries Limited	01/06/2006	
	Symbion Health Limited	28/09/2001	02/03/2007
F D Ryan	Australian Foundation Investment Company Limited	08/08/2001	
D J Turner	Brambles Limited	21/03/2006	16/11/2007
	Cobham plc	01/12/2007	

Directors' Meetings

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

Director	No. of Meetings Held (1)	No. of Meetings Attended
J M Schubert	20	20
R J Norris	20	20
J A Anderson	20	18
R J Clairs	20	17
C R Galbraith	20	19
J S Hemstritch	20	18
S C H Kay	20	17
A M Mohl	20	19
F D Ryan	20	20
D J Turner	19	16
H H Young	19	19

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

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
J M Schubert	3	3	-	-	8	8
R J Norris	8	8	-	-	-	-
J A Anderson	8	8	-	-	-	-
R J Clairs	3	3	-	-	8	7
C R Galbraith	3	3	9	9	-	-
J S Hemstritch	8	8	-	-	8	8
S C H Kay	3	3	9	9	8	8
A M Mohl	3	3	-	-	8	8
F D Ryan	8	8	9	9	-	-
D J Turner	8	8	9	8	-	-
H H Young	8	8	9	9	-	-

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

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

Principal Activities

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

(i) Retail Banking Services

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

(ii) Institutional Banking and Markets

The Group provides Total Capital Solutions offering debt and capital markets products, risk management solutions and transactional banking to corporate and institutional clients. This segment also has wholesale banking operations in London, New York, Singapore, Hong Kong and Malta.

(iii) Business and Private Banking

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

(iv) Wealth Management

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

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

(v) International Financial Services

The Group has full service banking operations in New Zealand, Fiji, Indonesia and Vietnam. The Group conducts wholesale operations in London and Hong Kong and is represented in Japan and selected regions of China together with a representative office in India. The Group's International Financial Services segment also conducts Life Insurance operations in New Zealand, where it has the leading market share, as well as Asia and the Pacific, and conducts Funds Management business in New Zealand.

(vi) Bankwest

Bankwest offers retail and small business banking services and provides a comprehensive range of products for these clients. Bankwest is a market leader in Western Australia with more than a quarter of Western Australians having a relationship with the Bankwest.

Consolidated Profit

Consolidated net profit after income tax and minority interests for the financial year ended 30 June 2009 was $4,723 million (2008: $4,791 million).

The net operating profit for the year ended 30 June 2009 after tax and minority interests and before the gain on acquisition of controlled entities, Bankwest integration expenses, merger related amortisation, the gain on Visa Initial Public Offering, provisions for investment and restructuring, defined benefit superannuation plan expense, treasury shares valuation adjustment, hedging and AIFRS volatility and other one off expenses was $4,415 million. This is a decrease of $318 million or 7% over the year ended 30 June 2008. The results include the contribution of Bankwest and St Andrew's since the date of acquisition.

The result for the year has been impacted by a substantial increase in loan impairment expense.

Despite the challenging market environment the Group's operating performance has been solid. Operating income growth was strong, reflecting solid volume growth, improved margins and higher trading income.

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

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 115 cents per share amounting to $1,747 million. The dividend will be payable on 1 October 2009 to shareholders on the register at 5pm on 21 August 2009. Dividends paid in the year to 30 June 2009 were as follows:

- As declared in the 30 June 2008 Annual Report, a fully franked final dividend of 153 cents per share amounting to $2,029 million was paid on 1 October 2008. The payment comprised cash disbursements of $1,335 million with $694 million being reinvested by participants through the Dividend Reinvestment Plan (DRP); and
- In respect of the year to 30 June 2009, a fully franked interim dividend of 113 cents per share amounting to $1,662 million was paid on 23 March 2009. The payment comprised direct cash disbursements of $1,257 million, with $405 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 in pages 8 to 12 and in the sections for Retail Banking Services, Business and Private Banking, Institutional Banking and Markets, Wealth Management, International Financial Services, Bankwest and Other on pages 20 to 34.

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:

- Restructure of the Premium Business Services division into Business & Private Banking and Institutional Banking & Markets enabling the Group to further improve its focus on supporting and servicing these diverse customer segments;
- Free access to over 4,000 CBA and Bankwest ATMs for Group customers;
- A home loan "repayment holiday" of up to 12 months for customers who lose their jobs due to the current economic downturn and assistance packages for victims of Victorian bushfires and New South Wales and Queensland floods;
- Continued investment in Local Business Banking including a personalised 24 hour, 7 days a week support centre and continued roll-out of Business Bankers in branches; and
- On 19 December 2008, the Group acquired 100% of the share capital of Bank of Western Australia Ltd (consisting of retail and business banking), St Andrew's Australia Pty Ltd (consisting of insurance and wealth management services businesses) and HBOSA Group (Services) Pty Ltd (an internal administrative support entity) for cash consideration (including transaction costs) of $2.2 billion.

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

Events Subsequent to Balance Date

On 6 August 2009 the Group issued a 10 year EUR 1,000 million Subordinated Note with a coupon of 5.500% as part of its ongoing funding activities.

On 6 August 2009 the Group announced that effective from February 2010 the current Chairman, John Schubert, will step down and be succeeded by David Turner.

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

The Bank expects to issue around $507 million of shares in respect of the Dividend Reinvestment Plan for the final dividend for the year ended 30 June 2009.

Business Strategies and Future Developments

Acquisition of Bank of Western Australia Ltd and St Andrew's Australia Pty Ltd

On 19 December 2008 the Group acquired the businesses of Bank of Western Australia Ltd ("Bankwest") and St. Andrew's Australia Pty Ltd ("St Andrews") from the former parent HBOS Australia. The acquisition has seen the Group expand its customer base and market share in Western Australia, and broaden the range of products available to customers around Australia. The integration of these two entities is ongoing, and due for completion within three years of the acquisition date.

Accommodation Strategy

The Group is implementing a property strategy to relocate approximately 3,500 staff from the Sydney Central Business District (CBD) to Sydney Olympic Park or Parramatta by 30 June 2010. This will result in rationalisation of the existing Sydney CBD property space.

As part of the Group's accommodation strategy, staff in the CBD are being located across fewer sites, including rationalisation of certain CBD sites in line with lease expiry profiles.

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

Directors' Report

Environmental Reporting

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

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

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

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

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

Directors' Shareholdings and options

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

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

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

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

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

During the financial year and for the period to the date of this report 30,000 shares were allotted by the Bank consequent to the exercise of options granted under the EOP and ERP. Full details of the Plan are disclosed in Note 32 to the Financial Statements. No options have been allocated since the beginning of the 2002 financial year.

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

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

Directors' Interests in Contracts

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

Directors' and Officers' Indemnity

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

"19. Indemnity

19.1 Persons to whom articles 19.2 and 19.4 apply

Articles 19.2 and 19.4 apply:

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

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

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

19.2 Indemnity

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

19.3 Extent of indemnity

The indemnity in article 19.2:

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

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

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

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

The Directors, as named on pages 59 and 60 of this report, and the Secretaries of the Commonwealth Bank of Australia, being J D Hatton, and C F Collingwood are indemnified under articles 19.1, 19.2 and 19.3 as are all the senior managers of the Commonwealth Bank of Australia.

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

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

Directors' and Officers' Insurance

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

Remuneration Report

Directors' Report - Remuneration Report

Key Terms

To assist readers a number of 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. Calculated on a total cost basis and includes any Fringe Benefits tax related to Salary Packaging.
Board	The Board of Directors of the Bank.
Committee	The People & Remuneration Committee of the Board.
Earnings Per Share (EPS)	Net profit after tax divided by the weighted average number of ordinary shares outstanding during the year.
Equity Reward (Performance Units) Plan (ERPUP)	The Group's previous cash-based Equity Reward Plan (see below) replicator scheme where grants are delivered in the form of Performance Units.
Equity Reward Plan (ERP)	The Group's previous long term incentive plan.
Executive Committee	A management committee comprising the Chief Executive Officer (CEO), Group Executives and any other executives selected by the CEO.
Fixed Remuneration	Consists of Base Remuneration plus employer contributions to superannuation. For further details refer to page 70.
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 new long term incentive plan from 1 July 2009 for the CEO and Group Executives. For further details please refer to page 68.
Group Leadership Share Plan (GLSP)	The Group's long term incentive plan from for the 2008 and 2009 financial years for the CEO and Group Executives. For further details please refer to page 72.
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 three year or more period. For further details please refer to page 72. The Group's long term incentive plans include the GLSP, ERP, ERPUP and the new GLRP.
NPAT	Net profit after tax.
Options	Rights to acquire a Bank share on payment of an exercise price if relevant performance hurdles are met.
Other Executives	Those executives who are not Key Management Personnel but are amongst the "Company Executives" or "Group Executives" as defined by the Corporations Act 2001 and for whom disclosure is required in accordance with section 300A(1)(c) of the Corporations Act 2001.
Performance Rights	Rights to acquire a Bank share with no payment by the recipient if relevant performance hurdles are met.
PACC	Profit after capital charge.
Remuneration	All forms of consideration paid, payable or provided by the Group, or on behalf of the Group, in exchange for services rendered to the Group. In reading this report, the term "remuneration" means the same as the term "compensation" for the purposes of the Corporations Act 2001 and the accounting standard AASB124.
Remuneration Mix	The weighting of each component of remuneration (Fixed Remuneration, STI and LTI) for each employee group.
Reward Shares	Shares in the Bank granted under the ERP or the GLSP and subject to performance hurdles.
Salary Packaging	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. For further details please refer to page 70.
Total Remuneration	The total combination of fixed and at risk remuneration components received by an employee.
Total Shareholder Return (TSR)	Calculated by combining the reinvestment of dividends and the movement in the Bank's share price, the performance hurdle used to determine vesting of grants made under the ERP, ERPUP and GLSP.

Introduction

This remuneration report sets out the Group's remuneration framework for Key Management Personnel and Other Executives. It demonstrates the links between the performance of the Group and individual's remuneration. It discloses remuneration arrangements, equity holdings, loans and other transactions.

In this Report, in addition to the required disclosures, included is additional background to the Group's remuneration framework.

The Group is aware of shareholder and community concerns about remuneration practices within the financial services sector, especially during these uncertain economic times. Whilst these concerns have not been specifically directed at the Group, they are taken into account in the Group's remuneration framework. The Group has strengthened the focus on ensuring remuneration arrangements continue to support the delivery of the Group's strategy and help enable the delivery of sustainable value for shareholders.

Remuneration Philosophy

The Group's remuneration philosophy for all Key Management Personnel, Other Executives, and employees generally are:

- To motivate employees to work as a team to produce superior sustainable performance achieving the Group's vision;
- To be transparent and simple to understand, administer and communicate; and
- To be market-competitive.

Executive Remuneration Guiding Principles

The Board's approach to executive remuneration is underpinned by the following principles:

1. The CEO and Group Executives are rewarded with an appropriate mix of remuneration elements which are both fixed and "at risk" – referred to as "Total Remuneration". The amount of Total Remuneration is "market competitive" - predominately, measured against major banking peers, and is set in such a way that it does not put upward pressure on the market. The proportion of remuneration at risk will typically be greater at higher levels of Total Remuneration.
2. At risk remuneration will include a combination of short and long term elements. Short term elements will be aligned to the long term interests of the company and the amount is subject to a cap.

   At risk remuneration will be based on a clear definition of sustainable performance that:

   - Reflects the Group's strategic priorities;
   - Is based on both financial and non-financial measures;
   - Does not reward excessive risk taking; and
   - Is based on performance measures set at the start of the performance period.
3. Termination arrangements included in CEO and Group Executive contracts are disclosed. For all new contracts, notice periods will be 12 months or less. Unsatisfactory performance is managed appropriately and is not rewarded with generous severance payments.
4. Where the Board deems it appropriate, pro-rata incentives may be paid to terminating Group Executives and the CEO, reflecting the portion of the measurement period that the Group Executive or CEO was employed with the Group. Where the payment of a previously awarded incentive has been deferred and still subject to performance criteria which extend beyond the date of termination, then the deferred incentive will be forfeited if the performance criteria are not ultimately satisfied.
5. In recognition that the business environment changes over time and it is not always possible to anticipate these changes, the Board will continue to retain discretion to adjust remuneration outcomes to ensure consistency with the Group's Remuneration Philosophy. This discretion may be applied to either increase or decrease remuneration outcomes and will only be used when, without the application of this judgement, an inappropriate reward outcome would occur. Where this discretion is used, it is explained in the Remuneration Report.
6. Remuneration philosophy and practice will meet best practice governance and regulatory guidelines, align with the Group's strategy, and be mindful of the interests of the Group's stakeholders including shareholders, employees, customers and the community. Communication to stakeholders and participants will be clear and easy to understand.

Remuneration Governance

The People & Remuneration Committee of the Board (the Committee) consists entirely of independent Non-Executive Directors and oversees all CEO and Group Executive remuneration arrangements. The Committee operates in line with the following remuneration governance principles:

1. The Board determines the contract and remuneration of the CEO. Independent advice is obtained on the remuneration and contract terms of the CEO.
2. The Committee consists of members with diverse skills and experience that remain appropriate in a dynamic industry, including risk management. The Committee has access to independent advice as appropriate to its decision-making.
3. The Committee determines the contract and remuneration of the Heads of Business/Service units. If any employee within a business unit has the potential to earn more than the head of that unit, the potential and actual remuneration outcomes will be reviewed by the Committee; and
4. Remuneration policies and decisions impacting on the CEO, Group Executives and others required by law to be disclosed will be clearly presented in the Remuneration Report and, subject to continuous disclosure obligations. The Board will engage with major shareholders and other relevant stakeholders about the Group's remuneration philosophy and design.

The Committee currently consists of:

- R J Clairs (Chairman);
- J S Hemstritch;
- S C H Kay;
- A Mohl; and
- J M Schubert.

The Committee's activities are governed by its terms of reference, which are available on the Group's website at www.commbank.com.au/shareholder.

Directors' Report - Remuneration Report

Revised Remuneration Initiatives from 1 July 2009

The Group constantly reviews the remuneration arrangements to ensure they continue to aid the delivery of the Group's strategic objectives, reflect the changing operating environment and are in line with emerging regulatory guidelines. Following the most recent review, the Board has approved some changes to the remuneration arrangements for Key Management Personnel. In particular, the Group has reviewed the arrangements to ensure alignment with the Australian Prudential Regulation Authority's (APRA) guidelines [(1)].

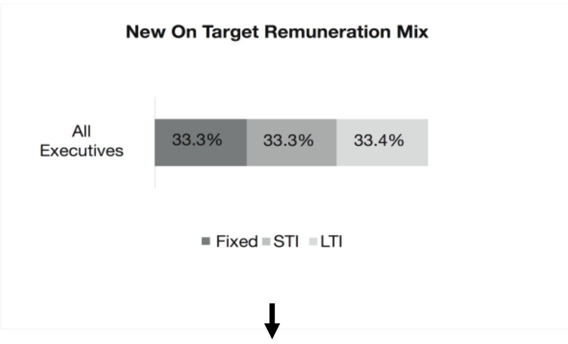
Effective from 1 July 2009, the Group is implementing the following:

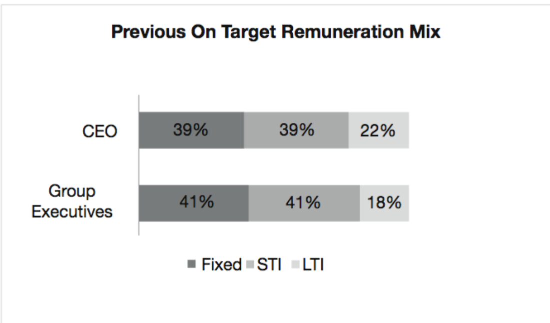
1. Director's fees and the CEO's Fixed Remuneration have been reduced by 10% and Group Executive Fixed Remuneration reduced by 5%. As the target short term incentive (STI) and long term incentive (LTI) amounts are based on Fixed Remuneration, they are also effectively reduced;
2. Termination payments for all new contracts will be capped at twelve months or less; and
3. An enhanced remuneration structure for the CEO and Group Executives (as detailed below).

Enhanced Remuneration Structure effective from 1 July 2009 for CEO and Group Executives

Remuneration Mix

From 1 July 2009 the target remuneration mix will reflect a higher relative proportion of the LTI to encourage long term shareholder value creation into the future.





Previously the Group communicated remuneration on a maximum potential basis. Under the new structure remuneration is expressed in terms of reward for on-target performance.

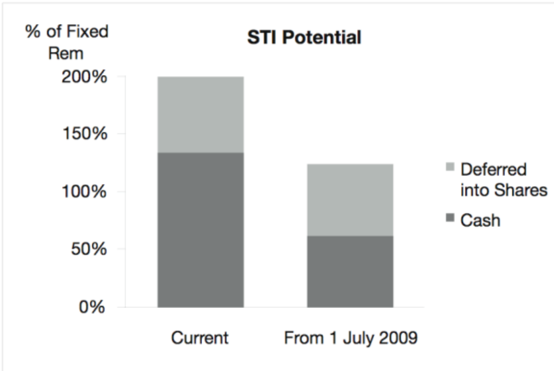
(1) The statement in this paragraph "In particular the Group has reviewed the remuneration arrangements to ensure alignment with the APRA guidelines" is not correct. The above statement should have indicated only that the Group had reviewed emerging global regulatory guidelines so that its remuneration arrangements were moving in the direction that would be required.

STI Enhancements

The maximum STI opportunity has been reduced from 200% of fixed remuneration to a target of 100%, with a maximum of 125%.

Potential STI payment levels have been reduced with 50% of STI payment deferred into shares for one year. The proportion deferred has increased and the vesting period has decreased, in recognition of the increased relative size of the LTI.

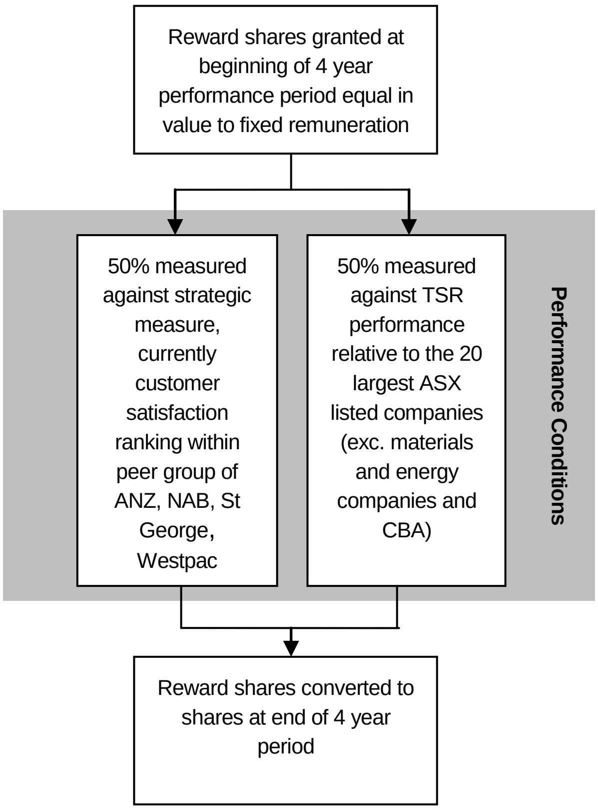
A strengthened scorecard approach will be implemented with financial and non-financial measures, including specific risk-related KPIs. Cash net profit after tax and profit after capital charge (PACC) measures will continue to generate the total value of STI that may be awarded in any financial year.



LTI Enhancements

The LTI proportion of total remuneration will be increased to encourage long term shareholder value creation. The vesting period will be extended from three to four years and separate performance measures of customer satisfaction and relative Total Shareholder Return (TSR) will apply.

The following diagram highlights the main features of the proposed LTI, the Group Leadership Reward Plan (GLRP):



Vesting Scales

As illustrated above, there are two performance measures that will combine to determine the number of reward shares that vest at the end of the four year performance period. The reward shares will be divided into two equal components, with the Group's customer satisfaction ranking determining the level of vesting for one component and the Group's relative TSR performance compared to the 20 largest ASX listed companies by market capitalisation (excluding materials and energy companies and CBA) determining the level of vesting for the other component. The peer group is determined at commencement of the performance period. The vesting scale for each performance measure is detailed below.

Relative TSR		Customer Satisfaction Ranking	
Percentile Rank	**Percentage to Vest**	**Ranking**	**Percentage to Vest**
50th – 75th	50% – 100%	1	100%
<50th	Nil	2	75%
		3	50%
		4	Nil

The Board will continue to exercise discretion when determining incentive payments, taking account of the Group's strategic initiatives and the changing operating environment to ensure the rewards reflect the CEO and Group Executives' contribution to the outcome. The Board's decisions in this regard will be fully disclosed in the annual Remuneration Report.

Performance Measures

Inclusion of a relative TSR measure aims to provide more direct alignment with shareholder outcomes, as it provides a direct comparison of relative performance and ensures the Group is rewarding for returns that are at or above the median of other similar sized organisations. This may not be the case with an absolute TSR hurdle.

The ASX20 index (excluding materials and energy companies and CBA) was chosen as the peer group as it includes the majority of the Group's financial services peers. This peer group is therefore considered to be an appropriate pool of companies to provide a benchmark of the Group's performance.

Retention of the customer satisfaction measure ensures a key platform of the Group's organisational strategy is included.

Transitional LTI Arrangements

In consideration that the new LTI plan has a four year performance period and the current LTI has a three year period, a one-off transitional LTI grant will be made in the 2010 financial year under the new LTI arrangements. The transitional grant will be in addition to the 2010 LTI grant and will be pro rated to reflect a three year vesting period. The same performance conditions as described above will apply to the transitional grant.

Directors' Report - Remuneration Report

Remuneration for the Year Ended 30 June 2009

Remuneration Mix

For the year ended 30 June 2009, the Group provided remuneration for its employees in the form of fixed, STI and LTI components.

The weighting of each of these components differs for each employee, depending on their role and seniority within the Group.

There is greater weighting on the variable components for more senior employees and employees below Group Executive level generally do not receive an LTI component.

For the financial year ended 30 June 2009, the potential remuneration mixes that generally applied for individuals in each of the following executive groups based on the maximum reward opportunity were:

Potential Remuneration Mix	Fixed	STI	Deferred STI	LTI
CEO	*27%*	*37%*	*18%*	*18%*
Group Executives	*30%*	*40%*	*20%*	*10%*
Executive General Managers	*40%*	*40%*	*20%*	
General Managers	*50%*	*33%*	*17%*	

** Percentages may alter from year to year due to changing LTI fair values*

Fixed Remuneration

Fixed Remuneration comprises base remuneration, calculated on a total cost basis including the cost of salary packaging and employer contributions to superannuation (note that salary packaging arrangements are available to employees on individual contracts and to a limited extent to some other employees).

Fixed Remuneration is generally set at the market median, facilitated by regular independent benchmarking analysis and advice.

Short Term Incentive (STI)

All permanent employees participate in some form of STI arrangement. Individual STI potentials are set at the beginning of the financial year.

The funding calculation of these rewards is based on the Group's profitability – performance against target net profit after tax and performance against the risk adjusted measure, Profit After Capital Charge (PACC). This combination of measures aims to balance short term performance with longer term shareholder value creation.

Individual performance for the CEO, Group Executives and the next two levels of management is assessed through the Group's performance management system by measuring actual results of key performance indicators (KPIs) against operating targets and behavioural standards with reference to their area of responsibility. Examples of KPIs can include measures such as safety, profitability, market share, balance growth, costs, margins, customer satisfaction, employee engagement, succession planning and strategic priorities.

These priorities and the Group's performance against them for the year ending 30 June 2009 are detailed on page 71.

The performance of the CEO and Group Executives for the year ended 30 June 2009 was measured against:

- Safety and people development measures;
- Business and financial results, with reference to market growth, competitor performance and market shares across business lines;
- Customer satisfaction levels, as measured by external providers; and
- Outcomes connected to other strategic priorities - Customer Service, Business Banking, Technology & Operational Excellence, Trust & Team Spirit and Profitable Growth.

The targets within the Group's performance management framework allow for three levels of stretch targets on each KPI. This means that the ability of the participant to access the STI potential will only occur where there have been outstanding levels of performance. Employees must achieve a minimum of "Meets Expectations" on the behaviours and compliance KPIs to trigger any STI payment.

One third of any STI awarded to the CEO, Group Executives, and the next two levels of management is deferred into the Bank's shares for three years. This longer term holding of CBA shares helps to align the interests of these executives with those of shareholders. Shares will be held in trust for three years. After the three year vesting period, the executive will receive the shares and any dividends accrued over that time. These shares are forfeited if the executive resigns or is dismissed before the shares are due to vest. In cases of retrenchment or retirement, the shares vest early.

Summary of Group Performance for the Year Ended 30 June 2009

The following table gives an overview of the Group's performance for the year ended 30 June 2009, in the context of its strategic priorities. Continuing solid results, driven by progress made on strategic priorities, has been reflected in STI payments made to these executives.

Details of the STI outcomes based on business performance are provided on page 80 of this remuneration report.

Strategic Priorities	Commentary
Customer Service	The Group's vision is "to be Australia's finest financial services organisation through excelling in customer service" and significant progress continues to be made on this strategic priority. The Group continues to invest in the front line so they are more accessible to customers, refine the product offering and introduce new and improved products, refurbish and open new branches and simplify procedures to improve responsiveness. The continued commitment to this strategic priority has seen customer satisfaction levels, as measured by Roy Morgan (1), improve over the year with the gap to the top rated peer closing from 7.8% to 3.1%. FirstChoice was rated Best Master Trust/Wrap Provider in the 2009 Wealth Insights Service Level Survey while Business and Private Banking was rated in the TNS (2) survey as the most improved business bank over the past 12 months.
Business Banking	In January 2009 the Group announced the restructure of its Premium Business Services division into Business & Private Banking and Institutional Banking & Markets. Separating these businesses will enable the Group to further improve the focus on servicing and supporting these diverse customer segments. During the year progress was made in improving the Group's competitive position in Business Banking including the launch of the Small Business Investment Package which is a dedicated financial support service to help small business and agribusiness customers during the challenging economic conditions. In addition new products were developed including eVolve which provides customers with e-commerce functionality. Institutional Banking and Markets expanded global distribution capabilities to position the Group as the leader in fixed income markets, grow foreign exchange capacity and institutional equities to meet the needs of clients.
Technology & Operational Excellence	Initiatives in this area are designed to deliver greater efficiency across the Group as well as providing competitive leverage through innovative process and systems. The Group's Core Banking Modernisation program is central to this and is progressing well. Three new customer offers have been delivered in the form of a First Home Saver Account, a new term deposit account through Colonial and a new real-time online savings product being trialled. Systems integration has been enhanced and a new technology infrastructure has been introduced to support the future banking platform. This project is designed to drive improvements in customer service and productivity, further IT efficiency savings and additional systems stability and resilience.
Trust & Team Spirit	The Group's people remain the single most important resource and they have continued to deliver outstanding results under difficult conditions. Key metrics such as employee turnover and absenteeism have continued to improve as has the Group's safety record with Lost Time Injury Frequency Rate falling yet again. The Group has recorded continued improvement in the people engagement survey and is ranked in the 80th percentile worldwide (Source: Gallup).
Profitable Growth	The Group continues to pursue a disciplined Profitable Growth strategy, with focus on targeted investment and acquisition opportunities which are "on strategy" and which offer value and longer term benefit to shareholders. During the year the Group acquired Bankwest at a very attractive price, leveraging the Group's financial strength to take advantage of a unique opportunity to expand its presence in Western Australia. The Group also secured a strategic stake in Australia's leading home loan mortgage broker – Aussie Home Loans. The Group was subsequently in a position to support Aussie's acquisition of Wizard in conjunction with acquiring a portfolio of around $2.25 billion of seasoned prime residential mortgages originated by Wizard. In December 2008, the Group elected to increase its shareholding in the Qilu Bank (formerly Jinan City Commercial Bank), from the existing 11% to 20%.

(1) Source: Roy Morgan Research MFI Customer Satisfaction is based on Australians aged 14+, Very or Fairly Satisfied, a 6 month moving average.

(2) Source: TNS Business Finance Monitor, measuring businesses with annual turnover to $100 million (excluding agribusiness).

Long Term Incentive (LTI)

The Group's LTI arrangements for grants made during the year ended 30 June 2009 are known as the Group Leadership Share Plan ("GLSP"). New grants under the Group's previous LTI plan, the Equity Reward Plan ("ERP"), have ceased.

The following table provides a summary of the LTI grants that were in operation during the year ended 30 June 2009.

Year of Grant	Performance Period	Retesting	Expiry date if unvested	Status as at 30 June 2009
Current LTI - GLSP				
2007	July 2007 to July 2010	None	1 July 2010	Unvested
2008	July 2008 to July 2011	None	1 July 2011	Unvested
Previous LTI - ERP				
2005	July 2005 to July 2008	Every 6 months to July 2010	15 July 2010	100% vested
2006	July 2006 to July 2009	Once only in July 2010	14 July 2010	70th percentile*

**The 2006 grant vested at 100% on 14 July 2009*

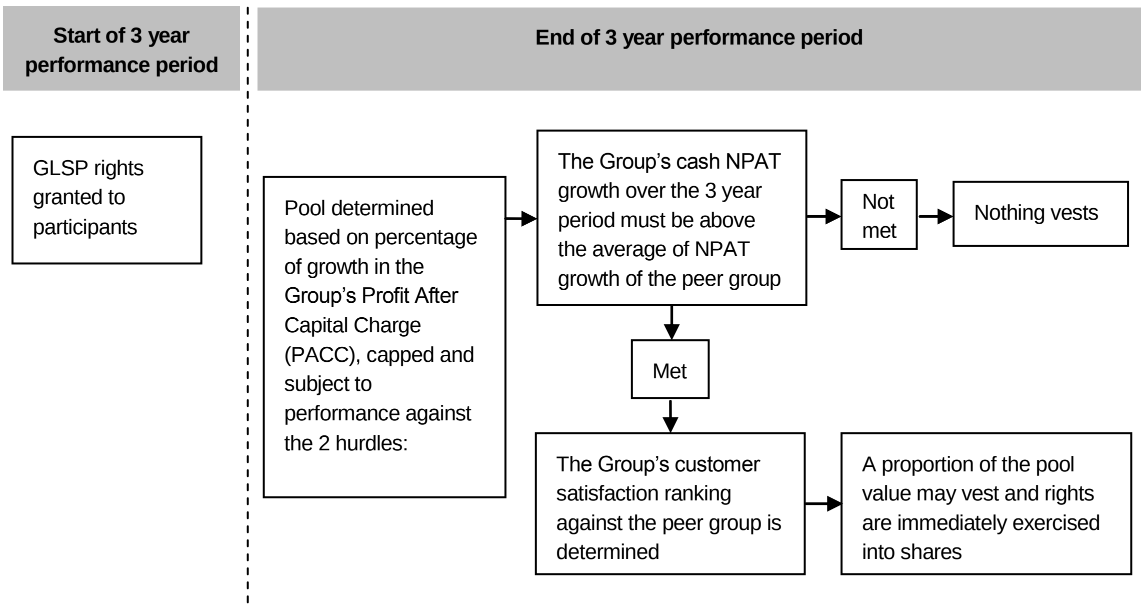
LTI Vested in the Year Ended 30 June 2009

The long term incentive that was granted under the Equity Reward Plan (ERP) in 2005 fully vested in July 2008, reflecting total shareholder returns from 14 July 2005 to 14 July 2008 that were above the 75th percentile of returns of companies within the peer group. The ability to retest was not utilised as the grant fully vested at the first measurement date.

Group Leadership Share Plan (GLSP)

The GLSP is directly linked to the Group's strategy to become number one in customer satisfaction. If this goal is reached and profit increases more than the average of the peer banks, the CEO and Group Executives (the participants) will be rewarded with a grant of Bank shares. If this goal is not met but the Group has improved its position over the vesting period, a lesser number of shares will be awarded. The risk adjusted performance measure, PACC, determines the value of the pool available to be awarded as shares at the end of the performance period.

Participation in the plan is currently limited to the CEO and other Executive Committee members. The following diagram illustrates the main features of the GLSP and how each grant operates:



Performance Conditions

The cash NPAT performance relative to peers and growth in PACC are incorporated in the GLSP to ensure the Group continues to provide above average long term financial performance for all stakeholders.

Customer satisfaction is of the highest importance to the Group's overall performance, forming the basis of its vision. Research has also shown a direct correlation between high levels of customer satisfaction and high shareholder returns.

These performance measures place the Group's profitability and customer service uppermost, and reward participants for driving long term shareholder value. The criteria are based on results which participants can directly influence and which are publicly available.

Three well established independent external surveys are used to determine the Group's customer satisfaction performance at the end of the three year performance period. These surveys have been chosen as they measure customer satisfaction across the operations of the Group as follows:

- Roy Morgan, which measures customer satisfaction across the retail bank base, including CommInsure products sold through retail bank sales channels;
- TNS Business Finance Monitor, which measures business banking customer satisfaction; and
- Wealth Insights Service Level Survey Master Trust/WRAP, which measures wealth management service performance of master trusts/wraps in Australia.

The Group's level of achievement against the customer satisfaction performance hurdle is determined by taking scores for both the Group and the peer group from the three independent external surveys and applying a ranking (detailed below).

The Board may exercise discretion to ensure the rewards resulting from the GLSP are reflective of the Group's performance over the three year period.

The vesting scale used to measure achievement of the current GLSP grants over the three year performance periods is as follows:

	2007 Grant	2008 Grant
Customer Satisfaction Group Ranking	% of Pool to Invest	
1	100	100
2	75	75
3	50	50
4	30	Nil
5	Nil	Nil
Pool – PACC Growth	2. 2%	3. 5%
Pool Cap	$34m	$36. 1m
Peer Group	ANZ, NAB, St George, Westpac	

Equity Reward Plan (ERP)

New grants under the Group's previous LTI plan, the ERP, have ceased. Selected executives in General Manager roles and above participated in this plan. The last grant from July 2006 fully vested on 14 July 2009, the first measurement date. Grants were delivered in the form of ordinary shares in the Bank that may vest in the executive in some proportion, to the extent that a performance hurdle is met.

For a limited number of executives, a cash-based ERP replicator plan was operated where grants were delivered in the form of Performance Units. This was known as the Equity Reward (Performance Unit) Plan (ERPUP).

In assessing whether the performance hurdles for each ERP or ERPUP grant have been met, the Group received independent data from Standard & Poor's which provides both the Bank's TSR growth from the commencement of each grant and that of the peer group (excluding CBA, as shown in the below table).

The Group's performance against the hurdle was then determined by ranking each company in the peer group against the Group in order of TSR growth from the commencement of each grant.

A weighting for each company in the peer group was determined by dividing the market capitalisation of the relevant company by the total market capitalisation of the peer group. The Group's percentile ranking is determined by aggregating the calculated weighting of each company ranked below the Bank.

Relative TSR was selected as the performance measure based on its link to shareholder value. Grants under the ERP and ERPUP were made annually and vesting is subject to the Group's Total Shareholder Return (TSR) performance relative to the other entities in the peer group over a three to four year period as follows:

Year of Grant	Vesting Scale	Peer Group	
2005	<50th percentile = Nil Shares	AMP	Macquarie Bank
	50th – 67th percentile = 50% - 75% of shares	ANZ Group	National Australia Bank
	68th – 75th percentile = 76% - 100% of shares	AXA	QBE insurance
		Bank of Queensland	St George (2)
2006	<51st percentile = Nil Shares	Bendigo Bank(1)	Suncorp-Metway
	51st – 75th percentile = 50% - 100% of shares	IAG	Westpac Banking Group

(1) Adelaide Bank was removed from the peer group when it was taken over by Bendigo Bank in November 2007.

(2) St George was acquired by Westpac on 18 November 2008. For the period from commencement of the vesting period up to the acquisition date St George's TSR movement was used. From the date of the acquisition their TSR moved in line with the merged entity's TSR performance.

Other LTI Style Arrangements

Certain executives in Colonial First State Global Asset Management (CFS GAM) participate in a specific cash-settled LTI style arrangement relating to that business. The purpose of this LTI style arrangement is the retention and motivation of key employees with specific and unique skill sets highly valued in the market. The decision of investors to grant an investment mandate to CFS GAM is highly dependent on their confidence in the investment capability and experience of individual fund managers. As such, the loss of these individuals from CFS GAM could put current and future mandates at risk.

During the 2009 financial year this LTI style arrangement was allocated a five year vesting period, compared to a three year vesting period for previous allocations. The vesting period was increased as performance hurdles were removed to focus more directly on the long term retention of key individuals in an increasingly volatile market. There were also limits on how much of the vested entitlement employees were eligible to redeem in any one year.

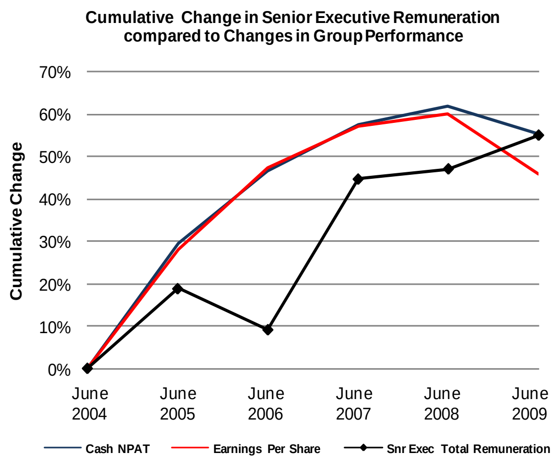
A profit share arrangement also operates in the CFS GAM business, Global Emerging Markets Asia Pacific (GEM AP) to reward and retain key employees. Each year allocations are made from a pool that reflects a percentage of profit generated by this part of the CFS GAM business. Allocations to participants are co-invested into GEM AP funds and allocations may vest after either three or five years depending upon the seniority of the individual.

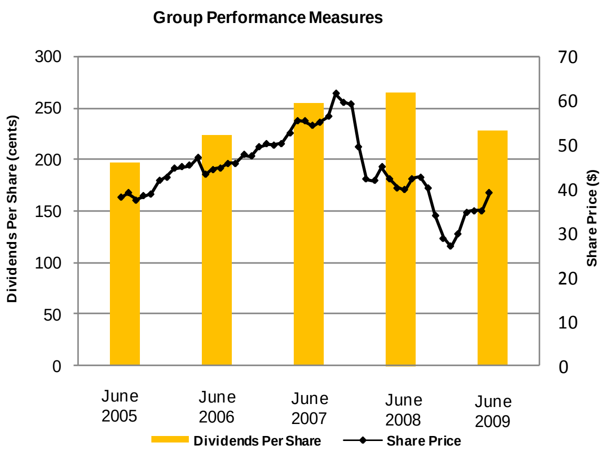
Group Long Term Performance

The objective of LTI grants during the year ended 30 June 2009 is to improve shareholder return over the long term while remunerating our CEO and Group Executives for their performance in line with the Group's remuneration philosophy.

The following graphs show the Group's long term performance measures and how they compare with changes in executive remuneration over the last 5 years.

The Board retains discretion in determining actual remuneration awarded to the CEO and Group Executives to ensure the value received is reflective of the individual's performance in achieving these results, as per our executive remuneration guiding principles described on page 67.





Directors' Remuneration

Ralph Norris (Managing Director and CEO)

Summary of Remuneration Arrangements

For the year ended 30 June 2009, Mr Norris' remuneration consisted of fixed and variable (at risk) components.

Total Potential Remuneration

Fixed Remuneration	At Risk – performance based	
	STI	LTI
27%	55%	18%

Variable Remuneration

For the year ended 30 June 2009, an STI was delivered in two components; 2/3 made as an immediate cash payment and 1/3 deferred into Bank shares for three years. Performance was measured against Key Performance Indicators. The Board has assessed Mr Norris' performance for the year and has approved a total STI payment of $2.6 million or 42% of the 200% (of Fixed Remuneration) available.

This assessment took into account the following factors:

- Business and financial results;
- The Group's customer service levels;
- Technology and operational excellence;
- The Group's core behaviours; and
- Key profitable growth initiatives

The Board also took into consideration events that have had a negative impact on the Group in finalising the CEO's STI award for 2009.

Following shareholder approval at the 2008 Annual General Meeting, an LTI was allocated in December 2008 in the form of Performance Rights under the Group Leadership Share Plan (GLSP). Vesting will occur subject to the satisfaction of the performance conditions – the Group's relative NPAT and customer satisfaction ranking against the peer group at the end of the three year performance period (refer to the GLSP on page 72).

Terms and conditions of appointment

The Board determines Mr Norris' remuneration, pursuant to the Constitution, as part of the terms and conditions of his appointment. Those terms and conditions are established in a contract of employment with Mr Norris which was effective from 22 September 2005. Remuneration is subject to review annually by the Board. Mr Norris' remuneration arrangements are detailed on page 78 and follow the executive remuneration guiding principles described on page 67.

Mr Norris' contract provides for no end date, although he may resign at any time by giving six months' notice. The Group may terminate Mr Norris' employment, in cases other than misconduct, on six months' notice. In this case, the Group will pay all Fixed Remuneration relating to the notice period, and any outstanding statutory entitlements. Any unvested STI or LTI amounts will be payable at the discretion of the Board. There is also a provision allowing Mr Norris to terminate the agreement if a material change to his status occurs, and to receive benefits as if the Group had terminated his employment.

On ceasing employment with the Group, Mr Norris is entitled to receive his statutory entitlements of accrued annual and long service leave as well as accrued superannuation benefits. This arrangement is the same for all employees.

Non-Executive Directors

Remuneration Arrangements

Remuneration for Non-Executive Directors consists of base and committee fees within a maximum of $4,000,000 per annum as approved by shareholders at the Annual General Meeting (AGM) held on 13 November 2008. The total remuneration for Non-Executive Directors is less than that approval. No component of Non-Executive Director remuneration is contingent upon performance.

On appointment to the Board, Non-Executive Directors enter into a service agreement with the Bank in the form of a letter of appointment. The letter of appointment, a copy of which appears on the Group's website, summarises the Board policies and terms, including remuneration, relevant to the office of Director. The policy of the Board is that the aggregate amount of fees should be set at a level which provides the Group with the necessary degree of flexibility to enable it to attract and retain the services of Directors of the highest calibre.

The Board Performance and Renewal Committee annually reviews the fees payable to individual Non-Executive Directors, takes into account relevant factors and, where appropriate, receives external advice on comparable remuneration. In April 2009 and in line with the salary reduction and constraints being imposed on employees in the current economic climate, it was agreed that the Directors' remuneration would be reduced by 10% with effect from 1 July 2009.

Non-Executive Directors have 20% of their annual fees applied to the mandatory on-market acquisition of shares in the Bank, under the Non-Executive Director Share Plan. In addition, Non-Executive Directors can voluntarily elect to sacrifice up to a further 80% of their fees for the acquisition of shares, or into superannuation.

The Non-Executive Directors' fee structure provides for a base fee for the Chairman and Directors. In addition, amounts are payable where Directors are members of, or chair a Committee. Details of the breakdown of each Non-Executive Directors' fees as at 30 June 2009 and the new fee structure from 1 July 2009 is detailed on page 76. The Bank also contributes to compulsory superannuation on behalf of Non-Executive Directors.

Directors' Report - Remuneration Report

Details of Components of Non-Executive Directors' Fees

		Committee Remuneration	
	Position	Fees for the year ended 30 June 2009 (1) $	Fees from 1 July 2009 (1) $
Board	Chairman	695,000	625,500
	Non-Executive Director	210,000	189,000
Audit Committee	Chairman	50,000	45,000
	Member	25,000	22,500
Risk Committee	Chairman	50,000	45,000
	Member	25,000	22,500
People & Remuneration Committee	Chairman	40,000	36,000
	Member	20,000	18,000
Board Performance & Renewal Committee	Chairman	10,000	9,000
	Member	10,000	9,000

(1) Non-Executive Directors sacrifice 20% of these fees on a mandatory basis under the Non-Executive Directors Share Plan (NEDSP).

Retirement Benefits

Under the Directors' Retirement Allowance Scheme, which was approved by shareholders at the 1997 Annual General Meeting, Directors previously accumulated a retirement benefit on a pro rata basis to a maximum of four years total emoluments after 12 years service. No benefit accrued until the Director had served three years on the Board.

In 2002, the Board decided to discontinue the Directors' Retirement Allowance Scheme without affecting the entitlements of the existing Non-Executive Directors at the time. Since that year, new Directors have not been entitled to participate in the scheme.

The entitlements of the Non-Executive Directors under the Directors' Retirement Allowance Scheme are:

Directors' Retirement Allowance Scheme

Director	Increase in Accrued Benefit in Year $	Entitlement as at 30 June 2009 $
J M Schubert	-	636,398
J A Anderson (1)	-	-
R J Clairs	-	202,989
C R Galbraith	-	159,092
J S Hemstritch (1)	-	-
S C H Kay (1)	-	-
A M Mohl (1)	-	-
F D Ryan	-	168,263
D J Turner (1)	-	-
H H Young (1)	-	-
Total	-	1,166,742

(1) Sir John Anderson, Ms Hemstritch, Ms Kay, Mr Mohl, Mr Turner and Mr Young were appointed as Directors after the closure of the scheme.

Remuneration of Key Management Personnel and Other Executives

The executives and Directors listed in the tables below include Key Management Personnel (KMP) and Other Executives during the year ended 30 June 2009. The KMP are the CEO, members of the Group's Executive Committee and all members of the Board.

The position and tenure for each of the executives and Directors listed are shown on the following table. The subsequent tables refer to these employees by surname and initials only.

Name	Position	Tenure (if not full year)
Non-Executive Directors		
J M Schubert	Chairman	
J A Anderson	Director	
R J Clairs	Director	
C R Galbraith	Director	
J S Hemstritch	Director	
S C Kay	Director	
A Mohl	Director	
F D Ryan	Director	
D J Turner	Director	
H H Young	Director	
Managing Director and CEO		
R J Norris	Managing Director and CEO	
Executives		
B J Chapman	Group Executive, Human Resources and Group Services	
D Cohen	Group General Counsel	
D P Craig	Group Executive, Financial Services	
S I Grimshaw	Group Executive, Premium Business Services	Ceased employment on 30 December 2008
M R Harte	Group Executive, Enterprise Services & Chief Information Officer	
G L Mackrell	Group Executive, International Financial Services	Ceased employment on 30 June 2009
R M McEwan	Group Executive, Retail Banking Services	
I M Narev	Group Executive, Business and Private Banking	Appointed a KMP on 27 January 2009
G A Petersen	Group Executive, Wealth Management	
I M Saines	Group Executive, Institutional Banking and Markets	Appointed a KMP on 31 December 2008
A Toevs	Group Chief Risk Officer	
Other Executives		
M Lau	Director, Greater Asia Equities (First State Investments)	
M Lazberger	Chief Executive Officer, Colonial First State Global Asset Management (CEO CFS GAM)	Commenced on 1 September 2008
S Paul	Joint Managing Partner (First State Investments)	

Directors' Report - Remuneration Report

The executives and Directors listed in the tables below include Key Management Personnel (KMP) and Other Executives during the year ended 30 June 2009. The KMP are the CEO, members of the Group's Executive Committee and all members of the Board.

Individual remuneration details for Directors for the year ended 30 June 2009 are set out below.

Remuneration of Directors

	Short Term Benefits				Post-employment Benefits	Share-based Payments					
	Cash Fixed (1) $	Cash STI payment At Risk $	STI Deferred in Shares At Risk $	Other Short Term Benefits $	Super-annuation Fixed (2) $	LTI Reward Shares At Risk $	Perform-ance Rights $	NEDSP Fixed (1) $	Termina-tion Benefits $	Other Long Term Benefits $	Total Remunera-tion $
Chairman											
J M Schubert											
2009	**589,918**	**-**	**-**	**-**	**53,093**	**-**	**-**	**147,480**	**-**	**-**	**790,491**
2008	551,342	-	-	-	52,570	-	-	137,836	-	-	741,748
Non- Executive Directors											
J A Anderson											
2009	**188,000**	**-**	**-**	**-**	**16,920**	**-**	**-**	**47,000**	**-**	**-**	**251,920**
2008	178,433	-	-	-	17,012	-	-	44,608	-	-	240,053
R J Clairs											
2009	**209,918**	**-**	**-**	**-**	**-**	**-**	**-**	**52,480**	**-**	**-**	**262,398**
2008	192,482	-	-	-	18,367	-	-	48,121	-	-	258,970
C R Galbraith											
2009	**205,918**	**-**	**-**	**-**	**18,533**	**-**	**-**	**51,480**	**-**	**-**	**275,931**
2008	188,471	-	-	-	17,983	-	-	47,118	-	-	253,572
J S Hemstritch											
2009	**204,000**	**-**	**-**	**-**	**18,360**	**-**	**-**	**51,000**	**-**	**-**	**273,360**
2008	113,980	-	-	-	90,161	-	-	46,603	-	-	250,744
S C H Kay											
2009	**213,918**	**-**	**-**	**-**	**19,253**	**-**	**-**	**53,479**	**-**	**-**	**286,650**
2008	196,493	-	-	-	18,751	-	-	49,123	-	-	264,367
A M Mohl											
2009	**129,072**	**-**	**-**	**-**	**82,299**	**-**	**-**	**48,479**	**-**	**-**	**259,850**
2008	-	-	-	-	-	-	-	-	-	-	-
F D Ryan											
2009	**228,000**	**-**	**-**	**-**	**20,520**	**-**	**-**	**57,000**	**-**	**-**	**305,520**
2008	218,542	-	-	-	20,848	-	-	54,636	-	-	294,026
D J Turner											
2009	**-**	**-**	**-**	**-**	**99,313**	**-**	**-**	**176,617**	**-**	**-**	**275,930**
2008	97,731	-	-	-	104,524	-	-	46,159	-	-	248,414
H H Young											
2009	**228,000**	**-**	**-**	**-**	**20,520**	**-**	**-**	**57,000**	**-**	**-**	**305,520**
2008	203,803	-	-	-	19,417	-	-	50,951	-	-	274,171
Non-Executive Director Total											
2009	**2,196,744**	**-**	**-**	**-**	**348,811**	**-**	**-**	**742,015**	**-**	**-**	**3,287,570**
2008	1,977,111	-	-	-	490,479	-	-	550,361	425,265	-	3,443,216
Managing Director and CEO											
R J Norris (3)											
2009	**3,253,551**	**1,733,333**	**866,667**	**-**	**100,000**	**1,237,635**	**1,936,546**	**-**	**-**	**82,020**	**9,209,752**
2008	3,122,450	1,900,000	950,000	-	100,014	1,237,635	1,280,790	-	-	72,031	8,662,920
Director Grand Totals											
2009	**5,450,295**	**1,733,333**	**866,667**	**-**	**448,811**	**1,237,635**	**1,936,546**	**742,015**	**-**	**82,020**	**12,497,322**
2008	5,099,561	1,900,000	950,000	-	590,493	1,237,635	1,280,790	550,361	425,265	72,031	12,106,136

Group totals in respect of the financial year ended 30 June 2008 do not necessarily equal the sum of amounts disclosed for individuals listed above as there are some different individuals specified as Directors in 2009.

Amounts in the table above reflect remuneration for the time the Director has been in a Key Management Personnel role i.e. pro-rating is applied relative to the date the Director commenced or ceased a Key Management Personnel role.

(1) For Non-Executive Directors, this includes that portion of base fees and committee fees paid as cash. Non-Executive Directors also salary sacrifice 20% of their fees on a mandatory basis under the Non-Executive Directors Share Plan (NEDSP). Further details on the NEDSP is contained in Note 32 to the Financial Statements.

(2) Represents company contribution to superannuation and includes any allocations made by way of salary sacrifice by Directors.

(3) Cash STI payment represents the amount of cash immediately payable in recognition of performance for the year ended 30 June 2009, with the exception of STI sacrificed to superannuation which is included under 'Superannuation'. STI deferred in shares represents the compulsory deferral of 1/3 of the STI payment for the performance year ended 30 June 2009. This amount is deferred until 1 July 2012. Generally, Mr Norris will need to be an employee of the Bank at the end of the deferral period to receive this portion. The 2008 financial year figure also represents 1/3 of STI deferred in shares. The value of LTI Performance Rights under the GLSP and Reward Shares under the ERP has been calculated using a Monte-Carlo simulation method. Details on the assumptions incorporated are set out on page 80 under Reward Shares Valuation Assumptions and Performance Rights Valuation Assumptions.

Individual remuneration details for Executives for the year ended 30 June 2009 are set out below:

Remuneration of Executives

	Short Term Benefits					Post-employment Benefits	Share-based Payments				
	Cash Fixed (1) $	Non Monetary Fixed (2) $	Cash STI payment At Risk (3) $	STI Deferred in Shares At Risk (4) $	Other Short Term Benefits (5) $	Super-annuation Fixed (6) $	Performance Rights (7) $	LTI Reward Shares At Risk (7) $	LTI Performance Units At Risk (7) $	Other Long Term Benefits (8) $	Total Remuneration $
B J Chapman											
2009	**861,370**	**13,233**	**600,000**	**300,000**	**10,357**	**50,000**	**403,956**	**133,255**	**87,861**	**20,635**	**2,480,667**
2008	807,709	13,763	666,667	333,333	263,352	49,838	263,692	133,247	110,997	18,703	2,661,301
D Cohen											
2009	**834,452**	**13,233**	**800,000**	**400,000**	**573,004**	**50,000**	**403,956**	**-**	**-**	**12,612**	**3,087,257**
2008	33,960	564	-	-	-	2,271	263,692	-	-	786	301,273
D P Craig											
2009	**1,049,649**	**13,233**	**800,000**	**400,000**	**4,711**	**79,944**	**454,521**	**177,673**	**-**	**31,175**	**3,010,906**
2008	931,854	13,763	1,000,000	500,000	100,000	86,128	301,362	177,673	-	22,094	3,132,874
S I Grimshaw (9)											
2009	**755,803**	**6,225**	**-**	**-**	**-**	**50,512**	**(376,703)**	**(25,938)**	**-**	**29,661**	**439,560**
2008	1,406,154	13,507	1,000,000	500,000	-	94,030	376,703	715,296	-	32,560	4,138,250
M R Harte											
2009	**969,041**	**13,218**	**800,000**	**400,000**	**14,058**	**50,000**	**403,956**	**111,929**	**-**	**14,449**	**2,776,651**
2008	862,067	13,653	866,667	433,333	73,756	49,352	263,692	111,929	-	19,961	2,694,410
G L Mackrell (10)											
2009	**814,051**	**13,233**	**950,000**	**-**	**-**	**177,397**	**131,349**	**(8,716)**	**925,713**	**776,968**	**3,779,995**
2008	770,205	13,763	633,333	316,667	-	173,753	301,362	534,536	-	20,178	2,763,797
R M McEwan											
2009	**1,185,722**	**13,268**	**933,333**	**466,667**	**11,492**	**100,231**	**542,317**	**-**	**220,393**	**62,670**	**3,536,093**
2008	924,144	13,653	1,000,000	500,000	101,036	93,838	376,703	-	238,692	22,094	3,270,160
I M Narev (11)											
2009	**370,006**	**5,491**	**254,820**	**127,410**	**5,445**	**24,087**	**143,334**	**-**	**-**	**7,120**	**937,713**
2008	-	-	-	-	-	-	-	-	-	-	-
G A Petersen											
2009	**1,080,395**	**12,446**	**666,667**	**333,333**	**-**	**101,026**	**516,753**	**372,781**	**-**	**86,307**	**3,169,708**
2008	1,022,877	13,763	733,333	366,667	-	50,000	339,033	400,040	-	23,685	2,949,398
I M Saines (12)											
2009	**651,383**	**3,660**	**403,280**	**201,640**	**-**	**43,298**	**143,334**	**-**	**-**	**55,459**	**1,502,054**
2008	-	-	-	-	-	-	-	-	-	-	-
A Toevs											
2009	**1,399,726**	**-**	**1,066,667**	**533,333**	**241,699**	**100,000**	**194,000**	**-**	**-**	**532,797**	**4,068,222**
2008	1,130,595	-	-	-	61,222	2,186	-	-	-	42,374	1,236,377
Total Remuneration											
2009	**9,971,598**	**107,240**	**7,274,767**	**3,162,383**	**860,766**	**826,495**	**2,960,773**	**760,984**	**1,233,967**	**1,629,853**	**28,788,826**
2008	8,375,607	104,589	5,900,000	2,950,000	599,366	635,073	2,486,239	1,993,821	349,689	202,435	23,596,819
Other Executives (13)											
M Lau											
2009	**388,734**	**-**	**344,920**	**-**	**-**	**36,382**	**-**	**-**	**4,505,748**	**-**	**5,275,784**
2008	-	-	-	-	-	-	-	-	-	-	-
M J Lazberger (14)											
2009	**615,611**	**9,335**	**498,000**	**249,000**	**1,000,000**	**41,679**	**-**	**-**	**1,750,000**	**1,743,674**	**5,907,299**
2008	-	-	-	-	-	-	-	-	-	-	-
S Paul											
2009	**528,854**	**-**	**482,579**	**-**	**-**	**93,122**	**-**	**-**	**4,707,603**	**-**	**5,812,158**
2008	-	-	-	-	-	-	-	-	-	-	-
Total Remuneration of Executives											
2009	**11,504,797**	**116,575**	**8,600,266**	**3,411,383**	**1,860,766**	**997,678**	**2,960,773**	**760,984**	**12,197,318**	**3,373,527**	**45,784,067**
2008	9,398,484	118,352	7,366,666	2,950,000	599,366	685,073	2,486,239	2,206,541	653,846	226,120	26,690,687

Grand totals in respect of the financial year ended 30 June 2008 do not necessarily equal the sum of amounts disclosed for individuals listed above as there are different individuals specified as Executives in 2009.

Amounts in the table above reflect remuneration for the time the Executive has been in a Key Management Personnel role i.e. pro-rating is applied relative to the date the Executive commenced or ceased a Key Management Personnel role.

(1) Reflects the amounts paid in the year ended 30 June 2009 and is calculated on a total cost basis. Included may be annual leave accruals and salary sacrifice amounts with the exception of salary sacrifice superannuation which is included under 'Superannuation'.

(2) Represents the cost of car parking (including FBT).

(3) Cash STI payment represents the amount of cash immediately payable to an Executive in recognition of performance for the year ended 30 June 2009, with the exception of STI sacrificed to superannuation which is included under 'Superannuation'.

(4) STI deferred in Shares represents the compulsory deferral of 1/3 of STI payments for Executives for performance to the year ended 30 June 2009. These amounts are deferred until 1 July 2012. Generally, the Executive will need to be an employee of the Group at the end of the deferral period to receive this portion.

(5) All Other Short Term Benefits payable that are not covered above. Includes sign on arrangements for Mr Cohen, Mr Toevs and Mr Lazberger.

(6) Represents company contribution to superannuation and includes any allocations made by way of salary sacrifice by Executives.

(7) The 'fair value' of LTI performance rights under the GLSP and ERP has been calculated using a Monte-Carlo simulation method, incorporating the assumptions below:

Reward Share Valuation Assumptions

Purchase Date	Fair Value	Exercise Price	Risk Free Rate	Assumption Term	Dividend Yield	Volatility
22-Sep-04	$16.72	$0.00	5.48%	59 mths	Nil	15.00%
5-Nov-04	$19.72	$0.00	5.61%	57 mths	Nil	15.00%
23-Nov-05	$24.51	$0.00	5.65%	56 mths	Nil	15.00%
3-Nov-06	$30.62	$0.00	5.44%	47 mths	Nil	30.00%

Performance Rights Valuation Assumptions

12-Oct-07	$53.50	$0.00	4.70%	33mths	6.75%	30.00%
3-Dec-08	$26.20	$0.00	4.70%	31mths	6.75%	30.00%

- The Reward Shares assessment has been made as at purchase date for the 2004 and 2005 ERP grants and 30 June 2009 for the 2006 ERP grant based on the expected future TSR performance of the Bank and each member of its peer group. The annualised equivalent of the 'fair value' in respect of the number of shares for each grant has been amortised on a straight line basis over the term of the grant.
- The Performance Rights assessment under the GLSP has been made at 30 June 2009 based on the expected future NPAT growth (using TSR) and customer satisfaction outcomes of the Group and each member of the peer group. The annualised equivalent of the 'fair value' in respect of the number of performance rights for the grant is the basis for management's decision to determine the amount to be amortised on a straight line basis over the term of the grant.
- For the GLSP, the final allocation pool can only be determined at the end of the performance period. As each participant's allocation is based on the proportion of the pool that may vest, the above assumptions have been used to determine the maximum number of performance rights that may vest. Each participant has been granted their allocated percentage of the pool based on the above valuation assumptions.

(8) All other benefits payable that are not covered above. For Mr Mackrell this includes long service leave termination benefits. For Mr Toevs and Mr Lazberger, this reflects retention arrangements which they will forfeit if they resign or are dismissed, including for poor performance before the vesting date.

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

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

(11) Mr Narev was appointed a KMP on 27 January 2009. Remuneration disclosed relates to the portion of the year he was a KMP.

(12) Mr Saines was appointed a KMP on 31 December 2008. Remuneration disclosed relates to the portion of the year he was a KMP.

(13) Messrs Lau, Lazberger and Paul, who are not Key Management Personnel, and Messrs Mackrell and Toevs are the five executives who received the highest remuneration for the year ended 30 June 2009 as defined in the Section 300A of the Corporations Act 2001.

(14) Mr Lazberger commenced employment on 1 September 2008.

STI Allocations to Executives for the Year Ended 30 June 2009

	Portion Paid	Percentage Forfeited %	Portion Deferred (1)	Minimum Total Value (2) $	Maximum Total Value (3) $	Percentage of Maximum Opportunity Paid %
Directors						
R J Norris	2/3	-	1/3	1,733,333	2,600,000	42
Executives						
B J Chapman	2/3	-	1/3	600,000	900,000	53
D Cohen	2/3	-	1/3	800,000	1,200,000	73
D P Craig	2/3	-	1/3	800,000	1,200,000	57
S I Grimshaw (4)	-	100	-	-	-	n/a
M R Harte	2/3	-	1/3	800,000	1,200,000	63
G L Mackrell	100%	-	-	950,000	950,000	51
R M McEwan	2/3	-	1/3	933,333	1,400,000	58
I M Narev (5)	2/3	-	1/3	254,820	382,230	64
G A Petersen	2/3	-	1/3	666,667	1,000,000	45
I M Saines (6)	2/3		1/3	403,280	604,920	63
A Toevs	2/3	-	1/3	1,066,667	1,600,000	57
Other Executives						
M Lau	100%	-	-	344,920	344,920	95
M J Lazberger (7)	2/3	-	1/3	498,000	747,000	60
S Paul	100%	-	-	482,579	482,579	99

(1) Used to acquire shares in the Bank that will generally vest on 1 July 2012 subject to not being forfeited due to resignation or misconduct including misrepresentation of performance outcomes. Will generally vest early in circumstances of retrenchment, retirement or death.

(2) For those executives with a minimum total value greater than zero, this reflects the 2/3 component of the STI payment which is immediately payable determined by actual performance over the year ended 30 June 2009. Executives generally do not receive an STI payment unless their individual performance is at least meeting expectations.

(3) Includes value of shares purchased at commencement of vesting period for the deferred portion.

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

(5) Mr Narev was appointed a KMP on 27 January 2009. Reflects pro-rated portion for service during the year as a KMP.

(6) Mr Saines was appointed a KMP on 31 December 2008. Reflects pro-rated portion for service during the year as a KMP.

(7) Mr Lazberger commenced on 1 September 2008.

LTI Allocations to Executives for the Year Ended 30 June 2009

	Percentage Paid %	Percentage Forfeited %	Percentage Deferred (1) %	Current Allocation (Percentage of Pool) (2)	Minimum Total Value $	Maximum Total Value (3) $000s
Directors						
R J Norris	-	-	100	32.02	-	11,560
Executives						
B J Chapman	-	-	100	6.75	-	2,437
D Cohen	-	-	100	6.75	-	2,437
D P Craig	-	-	100	7.50	-	2,708
S I Grimshaw (4)	-	100	-	-	-	-
M R Harte	-	-	100	6.75	-	2,437
G L Mackrell (5)	-	67	100	2.87	-	1,036
R M McEwan	-	-	100	8.60	-	3,105
I M Narev (6)	-	-	100	4.30	-	1,552
G A Petersen	-	-	100	8.60	-	3,105
I M Saines (7)			100	4.30		1,552
A Toevs	-	-	100	5.82	-	2,101
Other Executives						
M Lau (3)	-	-	100	n/a	-	5,661
M J Lazberger (3)	-	-	100	n/a	-	1,750
S Paul (3)	-	-	100	n/a	-	5,444

(1) Will vest in July 2011 under the GLSP subject to the performance conditions and the performance hurdle being met (see page 73).

(2) Each participant's allocated percentage of the proportion of the pool that may vest (capped at $36.1million). See page 73.

(3) Equals the participant's allocated percentage of the maximum pool that may vest – $36.1 million, except for Messrs Lau, Lazberger and Paul who participate in cash settled LTI style arrangements that are specific to Colonial First State Global Asset Management (CFS GAM). Allocations under this arrangement vest depending on the CFS GAM net profit before tax growth rate over three to five years (See page 74). To receive the maximum the performance hurdles must be achieved at the maximum level.

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

(5) Mr Mackrell ceased employment on 30 June 2009. The allocation reflects a pro rata value (of his original allocation) as his exit was due to retirement. Vesting remains subject to performance conditions being met as per footnote 1 above.

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

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

Termination Arrangements of Key Management Personnel and Other Executives

The Group's executive contracts provide for the following termination arrangements for KMP and Other Executives:

Name	Contract Type	Notice	Severance (1)
B J Chapman	Permanent	6 months	6 months
D Cohen	Permanent	6 months	6 months
D P Craig	Permanent	6 months	6 months
S I Grimshaw (2)	Permanent	3 months	12 months
M R Harte	Permanent	4 weeks	6 months
G L Mackrell (3)	Permanent	4 weeks	6 months
R M McEwan	Permanent	6 months	6 months
I M Narev	Permanent	6 months	6 months
G A Petersen	Permanent	6 months	6 months
I M Saines	Permanent	6 months	6 months
A Toevs	2 year fixed term with the option to extend to a maximum of 3 years.	Not Applicable	If terminated in first two years, the greater of $5,000,000 or remuneration for remainder of term
Other Executives			
M Lau	Permanent	9 months	9 months
M J Lazberger (4)	Permanent	3 months	3 months
S Paul	Permanent	6 months	6 months

(1) Severance applies where termination is initiated by the Group, other than for misconduct or unsatisfactory performance.

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

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

(4) Mr Lazberger commenced on 1 September 2008.

Upon ceasing employment with the Group, executives are entitled to receive their statutory entitlements of accrued annual and long service leave, as well as accrued superannuation benefits.

Executives who cease employment with the Group during a given performance year (i.e. 1 July to 30 June) will generally not receive an STI payment for that year except in the circumstances of retrenchment, retirement or death.

Deferred cash or shares from previous STI awards are usually forfeited where the executive resigns or is dismissed. In circumstances of retrenchment, retirement or death any cash will generally be paid and unvested shares will generally vest immediately. LTI grants are generally forfeited where the executive resigns or is dismissed. In circumstances of retrenchment, retirement or death, the executive or their estate may, at Board discretion, retain their full or pro-rata grant of LTI. Vesting of any LTI retained by the executive will still be subject to the performance hurdle relevant to that grant.

Equity Holdings of Key Management Personnel and Other Executives

Shareholdings

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

Shares awarded under the Equity Reward Plan and the mandatory components of the Equity Participation Plan are registered in the name of the Trustee of the employee share plan trust. For further details of the Non-Executive Directors' Share Plan, previous Equity Reward Plan, previous Executive Option Plan and Equity Participation Plan refer to Note 32 to the Financial Statements.

Share trading policy

The Group has guidelines restricting the dealings of Directors and certain executives in Bank securities. In particular, they are prohibited from hedging and from using instruments or arrangements for margin borrowing, short selling or stock lending in relation to unvested securities of the Bank or of any other member of the Group.

Directors and executives are reminded of the share trading policy each six months and are required to complete an annual declaration confirming their compliance with the policy.

Details of shareholdings of Key Management Personnel and Other Executives (or close family or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of the aforementioned hold significant voting power) are as follows:

Shares Held by Directors

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

(1) Reward shares represents shares granted under the Equity Reward Plan (ERP) and are subject to a performance hurdle. These shares fully vested on 14 July 2009. See page 73 for further details on the ERP. Deferred shares represent one third of the 2007/2008 payment deferred into shares for these years.

(2) Represents shares acquired under NEDSP on 28 August 2008 and 20 February 2009 by mandatory sacrifice of fees. All shares acquired through NEDSP are subject to a 10 year trading restriction (shares will be tradeable earlier if the Director leaves the Board). See Note 32 to the Financial Statements for further details on the NEDSP.

(3) Reward Shares become ordinary shares upon vesting.

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

(5) Mr Mohl commenced on 1 July 2008.

Shares Held by Executives

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

(1) Reward Shares represents shares granted under the Equity Reward Plan (ERP) and are subject to a performance hurdle. These shares fully vested on 14 July 2009. See page 73 for further details on the ERP. Deferred shares represents one third of the 2007/08 STI payment deferred into shares for three years, except for Mr Lazberger where deferred shares represents shares granted as part of his commencement arrangements.

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

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

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

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

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

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

(8) Mr Lazberger commenced on 1 September 2008.

Directors' Report - Remuneration Report

Total Loans to Key Management Personnel and Other Executives

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

Details of Individuals with Loans above $100,000 in the reporting period are as follows:

Individual Loans above $100,000 to Key Management Personnel and Other Executives

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

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

(2) Represents the highest balance of loans outstanding at any period during the year ended 30 June 2009.

Terms and Conditions of Loans

All loans to Key Management Personnel and Other Executives (or close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of the aforementioned held significant voting power) have been provided on an arm's length commercial basis including the term of the loan, security required and the interest rate (which may be fixed or variable).

Other Transactions of Key Management Personnel and Other Executives and Related Parties

Financial Instrument Transactions

Financial instrument transactions (other than loans and shares disclosed within this report) of Key Management Personnel and Other Executives 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 Other Executives 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 and Other Executives 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, Other Executives 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.

Audit

Certain disclosures required by the Corporations Act 2001 and accounting standard AASB124 Related Party Disclosures have been made in this Remuneration Report. The entire Remuneration Report has been audited as required.

Directors' Report

Company Secretaries

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

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

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

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

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

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

Non-Audit Services

Amounts paid or payable to PricewaterhouseCoopers for non-audit services provided during the year, as set out in Note 37 to the Financial Statements are as follows:

	2009 $'000
Regulatory audits, reviews, attestations and assurances for Group entities – Australia	**707**
Regulatory audits, reviews, attestations and assurances for Group entities – Offshore	**96**
APRA reporting (including the tripartite review)	**277**
Financial and other audits, reviews, attestations and assurances for Group entities - Australia	**1,128**
Financial and other audits, reviews, attestations and assurances for Group entities – Offshore	**197**
Agreed upon procedures and comfort letters in respect of financing, debt raising and related activities	**387**
Taxation services	**2,721**
Controls review and related work	**600**
Other	**1,024**
Total (1)	**7,137**

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

Audit Services

Amounts paid or payable for audit services to PricewaterhouseCoopers totalled $16,929,000.

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

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

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

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

- The operation of the External 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 of audit fees.

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

Auditor's Declaration of Independence

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

Incorporation of Additional Material

This report incorporates the Chairman's Statement (pages 2 to 4), Highlights (pages 8 to 12), Analysis sections for Retail Banking Services (pages 20 to 21), Business and Private Banking (pages 22 to 23), Institutional Banking and Markets (pages 24 to 25), Wealth Management (pages 26 to 29), International Financial Services (pages 30 to 32), Bankwest (page 33) and Shareholding Information (pages 227 to 229) sections of this Annual report.

Signed in accordance with a resolution of the Directors.

J M Schubert

Chairman

12 August 2009

R J Norris

Managing Director and Chief Executive Officer

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

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

Auditor's Independence Declaration

As lead auditor for the audit of Commonwealth Bank of Australia for the year ended 30 June 2009, 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 Commonwealth Bank of Australia and the entities it controlled during the period.

RChowdry

Rahoul Chowdry
Partner

Sydney
12 August 2009

PricewaterhouseCoopers

PricewaterhouseCoopers

Liability limited by a scheme approved under Professional Standards Legislation

Five Year Financial Summary

	2009 $M	2008 $M	2007 $M	2006 $M	2005 $M
Income Statement					
Net interest income	**10,186** (1)	7,907	7,036	6,514	6,026
Other operating income	**6,632**	6,434	6,161	5,613	5,076
Total operating income	**16,818**	14,341	13,197	12,127	11,102
Impairment expense	**3,048**	930	434	398	322
Operating expenses:					
Comparable business	**7,765**	7,021	6,427	5,994	5,719
Initiatives including Which new Bank	**-**	-	-	-	150
Total operating expenses	**7,765**	7,021	6,427	5,994	5,869
Operating profit before goodwill amortisation, appraisal value uplift and income tax expense	**6,005**	6,390	6,336	5,735	4,911
Corporate tax expense	**(1,560)**	(1,626)	(1,782)	(1,618)	(1,409)
Minority interests	**(30)**	(31)	(27)	(31)	(10)
Net profit after income tax ("cash basis")	**4,415**	4,733	4,527	4,086	3,492
Defined benefit superannuation plan (expense)/income	**(10)**	9	5	(25)	(53)
Treasury shares valuation adjustment	**(28)**	60	(75)	(100)	(39)
Hedging and AIFRS volatility	**(245)**	(42)	13	(33)	-
Visa Initial Public Offering	**-**	295	-	-	-
Investment and restructuring	**-**	(264)	-	-	-
One-off expenses	**(23)**	-	-	-	-
Acquisition-related items:					
Gain on acquisition of controlled entities	**612**	-	-	-	-
Bankwest integration	**(78)**	-	-	-	-
Merger related amortisation	**80**	-	-	-	-
Net profit after income tax attributable to Equity holders of the Bank	**4,723**	4,791	4,470	3,928	3,400
Contributions to profit (after tax)					
Retail Banking Services	**2,107**	1,911	1,766	1,576	n/a
Business and Private Banking (2)	**736**	721	n/a	n/a	n/a
Institutional Banking and Markets (2)	**166**	771	1,445	1,138	n/a
Wealth Management	**514**	789	548	441	n/a
International Financial Services	**467**	555	461	442	n/a
Other	**508**	(1)	211	278	n/a
Net profit after income tax excluding Bankwest ("underlying basis")	**4,498**	4,746	4,431	3,875	n/a
Bankwest	**113**	n/a	n/a	n/a	n/a
Net profit after income tax ("underlying basis")	**4,611**	4,746	4,431	3,875	3,420
Investment experience	**(196)**	(13)	96	66	177
Which new Bank	**-**	-	-	-	(105)
Profit on sale of the Hong Kong Insurance Business	**-**	-	-	145	-
Net profit after income tax ("cash basis")	**4,415**	4,733	4,527	4,086	3,492
Defined benefit superannuation plan (expense)/income	**(10)**	9	5	(25)	(53)
Treasury shares valuation adjustment	**(28)**	60	(75)	(100)	(39)
Hedging and AIFRS volatility	**(245)**	(42)	13	(33)	-
Visa Initial Public Offering gain	**-**	295	-	-	-
Investment and restructuring	**-**	(264)	-	-	-
One-off expenses	**(23)**	-	-	-	-
Acquisition-related items:					
Gain on acquisition of controlled entities	**612**	-	-	-	-
Bankwest integration	**(78)**	-	-	-	-
Merger related amortisation	**80**	-	-	-	-
Net profit after income tax	**4,723**	4,791	4,470	3,928	3,400
Balance Sheet					
Loans, bills discounted and other receivables	**466,631**	361,282	315,465	273,525	243,232
Total assets	**620,372**	487,572	440,157	382,850	351,662
Deposits and other public borrowings	**368,721**	263,706	219,068	187,576	182,912
Total liabilities	**588,930**	461,435	415,713	361,507	329,019
Shareholders' equity	**31,442**	26,137	24,444	21,343	22,643
Net tangible assets	**20,738**	16,422	15,158	12,087	10,938
Risk weighted assets	**288,836**	205,501	245,347	216,438	189,559
Average interest earning assets	**481,248**	385,667	332,492	289,416	260,085
Average interest bearing liabilities	**453,458**	362,249	311,236	269,718	240,974
Assets (on Balance Sheet)					
Australia	**528,354**	410,225	360,188	318,578	294,513
New Zealand	**59,606**	54,312	55,160	43,318	41,383
Other	**32,412**	23,035	24,809	20,954	15,766
Total assets	**620,372**	487,572	440,157	382,850	351,662

(1) Excludes non cash interest earnings from Bankwest.

(2) Premium Business Services was split into Business and Private Banking and Institutional Banking and Markets in February 2009.

Five Year Financial Summary

	2009 $M	2008 $M	2007 $M	2006 $M	2005 $M
Shareholder Summary					
Dividend per share – fully franked (cents)	**228**	266	256	224	197
Dividend cover – statutory (times)	**1. 3**	1. 3	1. 3	1. 4	1. 3
Dividend cover – cash (times)	**1. 3**	1. 3	1. 3	1. 4	1. 3
Dividend cover – underlying (times)	**1. 3**	1. 3	1. 3	1. 3	1. 3
Earnings per share (cents)					
Basic					
Statutory	**328.5**	363. 0	344. 7	308. 2	259. 6
Cash basis	**305.6**	356. 9	347. 1	318. 5	264. 8
Underlying basis	**319.3**	357. 9	339. 6	302. 0	259. 2
Fully diluted					
Statutory	**313.4**	348. 7	339. 7	303. 1	255. 3
Cash basis	**292.4**	343. 1	342. 1	312. 9	260. 5
Underlying basis	**305.0**	344. 0	335. 0	297. 1	255. 0
Dividend payout ratio (%)					
Statutory	**73. 1**	74. 1	75. 2	73. 3	77. 0
Cash basis	**78. 2**	75. 0	74. 2	70. 5	74. 9
Underlying basis	**74. 9**	74. 8	75. 8	74. 3	76. 5
Net tangible assets per share ($)	**13. 7**	12. 4	11. 7	9. 4	8. 5
Weighted average number of shares (statutory basic)	**1,420**	1,307	1,281	1,275	1,260
Weighted average number of shares (statutory fully diluted)	**1,548**	1,424	1,344	1,329	1,316
Weighted average number of shares (cash basic)	**1,426**	1,313	1,289	1,283	1,269
Weighted average number of shares (cash fully diluted)	**1,554**	1,430	1,351	1,338	1,325
Number of Shareholders	**776,283**	741,072	696,118	698,552	704,906
Share prices for the year ($)					
Trading high	**46. 69**	62. 16	56. 16	47. 41	38. 52
Trading low	**24. 03**	37. 02	42. 98	36. 62	28. 79
End (closing price)	**39. 00**	40. 17	55. 25	44. 41	37. 95
Performance Ratios (%)					
Return on average Shareholders' equity					
Statutory	**16. 8**	19. 8	20. 7	20. 4	18. 2
Cash basis	**15. 8**	20. 4	21. 7	21. 5	18. 8
Underlying basis	**16. 5**	20. 4	21. 2	20. 4	18. 4
Return on average total assets					
Statutory	**0. 9**	1. 0	1. 1	1. 1	1. 0
Cash basis	**0. 8**	1. 0	1. 1	1. 1	1. 1
Underlying basis	**0. 8**	1. 0	1. 1	1. 1	1. 0
Capital adequacy – Tier One	**8. 07**	8. 17	7. 14	7. 56	7. 46
Capital adequacy – Tier Two	**2. 35**	3. 41	3. 41	3. 10	3. 21
Capital adequacy – Deductions	**-**	-	(0. 79)	(1. 00)	(0. 92)
Capital adequacy – Total	**10. 42**	11. 58	9. 76	9. 66	9. 75
Net interest margin	**2. 10**	2. 02	2. 08	2. 22	2. 29
Other Information (numbers)					
Full-time equivalent employees	**44,218**	39,621	37,873	36,664	35,313
Branches/services centres (Australia)	**1,142**	1,009	1,010	1,005	1,006
Agencies (Australia)	**3,859**	3,814	3,833	3,836	3,864
ATMs (Australia)	**4,075**	3,301	3,242	3,191	3,154
EFTPOS terminals	**167,025**	187,377	171,138	157,350	137,240
Productivity					
Total net operating income per full-time (equivalent) employee ($)	**380,320**	361,955	348,454	330,760	314,388
Employee expense/Total operating income (%)	**23. 7**	25. 5	24. 5	23. 3	24. 1
Total operating expenses/Total operating income (%)	**46. 2**	49. 0	48. 7	49. 4	52. 9

Financial Statements

Income Statements

For the year ended 30 June 2009

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

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

		Group		
		2009	2008	2007
	Note	Cents per share		
Earnings per share:				
Basic	7	**328.5**	363. 0	344. 7
Fully diluted	7	**313.4**	348. 7	339. 7
Dividends per share attributable to shareholders of the Bank:				
Ordinary shares	6	**228**	266	256
Trust preferred securities (TPS)		**8,142**	6,850	7,821

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

Financial Statements

Balance Sheets

As at 30 June 2009

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

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

Statements of Recognised Income and Expense

For the year ended 30 June 2009

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

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

Financial Statements

Statements of Cash Flows (1)

For the year ended 30 June 2009

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

(1) It should be noted that the Group does not use these accounting Statements of Cash Flows in the internal management of its liquidity positions.

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

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

Statements of Cash Flows [1]

For the year ended 30 June 2009

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

(1) It should be noted that the Group does not use these accounting Statements of Cash Flows in the internal management of its liquidity positions.

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

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

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

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

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

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

(i) Retail Banking Services

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

(ii) Business and Private Banking

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

(iii) Institutional Banking and Markets

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

(iv) Wealth Management

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

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

(v) International Financial Services

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

(vi) Bankwest

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

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

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

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

(a) Bases of accounting

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

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

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

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

(b) Basis of preparation

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

The Financial Report is presented in Australian dollars.

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

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

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

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

Note 1 Accounting Policies (continued)

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

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

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

Notes to the Financial Statements

Note 1 Accounting Policies (continued)

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

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

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

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

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

(c) Consolidation

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

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

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

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

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

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

(d) Revenue recognition

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

Interest income

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

Lending fees

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

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

Fees and commissions

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

Note 1 Accounting Policies (continued)

Other income

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

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

(e) Foreign currency translations

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

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

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

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

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

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

(f) Cash and liquid assets

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

(g) Receivables from other financial institutions

Receivables from other financial institutions include loans, deposits with regulatory authorities and settlement account balances due from other banks. They are measured at amortised cost similar to loans and other receivables, refer Note 1 (l). Interest is recognised in the Income Statement using the effective interest method.

(h) Financial instruments

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

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

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

The Group has no held to maturity investments.

Offsetting financial instruments

The Group offsets financial assets and liabilities where there is a legally enforceable right to set off, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derecognition of financial assets

Financial assets are derecognised either when sold, or when the rights to receive cash flows from the financial assets have expired or have been transferred, or when the Group has transferred substantially all the risks and rewards of ownership. In transactions where substantially all the risks and rewards are neither retained nor transferred, the Group derecognises assets when control is no longer retained, or when control is retained the assets are recognised to the extent of the Group's continuing involvement.

(i) Assets at fair value through Income Statement

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

These assets are recognised on trade date at fair value with transaction costs including brokerage, commissions and fees expensed through the Income Statement. Subsequent changes in fair value are recognised in other operating income. Dividends earned are recorded in other operating income. Interest earned is recorded within net interest earnings using the effective interest method.

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

Assets classified at fair value through Income Statement are further classified into three subcategories: Trading, Insurance and Other.

Trading

Trading assets are short and long term public, bank and other debt securities and equities that are acquired and held for trading purposes. Subsequent to initial recognition, where an active market exists fair value is measured using quoted market bid prices. In a trading portfolio with offsetting risk positions, quoted mid prices, where available, are used to measure fair value.

Note 1 Accounting Policies (continued)

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

Insurance

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

Other

Other investments include financial assets which the Group has designated as at fair value through Income Statement at inception to eliminate an accounting mismatch. Subsequent to initial recognition, where an active market exists fair value is measured using quoted market prices. Quoted mid prices, where available, are used to measure fair value in a portfolio with offsetting risk positions.

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

(j) Available-for-sale investments

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

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

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

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

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

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

(k) Repurchase agreements

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

Liability accounts are used to record the obligation to repurchase and disclosed as Deposits. Securities held under reverse repurchase agreements are recorded within Cash and liquid assets.

(l) Loans, bills discounted and other receivables

Loans, bills discounted and other receivables include financial assets with fixed and determinable payments that are not quoted in an active market, which are measured at amortised cost, and bills discounted, which are measured at fair value.

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

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

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

Non-Performing Facilities

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

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

Restructured Facilities

When the original contractual terms of facilities (primarily loans) are modified, the accounts become classified as restructured. Such accounts continue to accrue interest as long as the facility is performing in accordance with the restructured terms. If performance is not maintained, or collection of interest and/or principal is no longer probable, the account will be returned to the non-performing classification. Facilities are generally kept as non-performing until they are returned to a performing basis.

Assets Acquired Through Securities Enforcement

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

Impairment of loans, bills discounted and other receivables

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

(m) Leasing

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

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

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

Note 1 Accounting Policies (continued)

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

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

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

(n) Provisions for impairment

Financial assets

Financial assets, excluding Derivative assets and Assets at fair value through Income Statement, are reviewed at each Balance Sheet date to determine whether there is objective evidence of impairment.

A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the Balance Sheet date ("a loss event") and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

If any such indication exists, the asset's carrying amount is written down to the asset's estimated recoverable amount.

Loans, bills discounted and other receivables

The Group assesses at each balance date whether there is any objective evidence of impairment.

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

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

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

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

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

(a) Non-Performing:

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

(b) Restructured Facilities:

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

(c) Assets Acquired through Security Enforcement:

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

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

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

Available-for-sale investments

When a decline in the fair value of an Available-for-sale investment has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss is removed from equity and recognised in the Income Statement. If in a subsequent period the amount of an impairment loss for an available-for-sale debt security decreases and the decrease can be linked objectively to an event occurring after the impairment event, the impairment is reversed through the Income Statement. However, impairment losses on available-for-sale equity securities are not reversed through the Income Statement while the asset is still recognised.

Goodwill and other non-financial assets

Goodwill balances and intangible assets with an indefinite useful life are assessed for impairment at each reporting date or more regularly where an indication of impairment exists. Refer to Note 1 (t) Intangibles for more details on goodwill and intangibles impairment testing. If any such indication exists, the asset's carrying amount is written down to the asset's estimated recoverable amount and the loss is recognised in the Income Statement in the period in which it occurs.

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

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

A previously recognised impairment loss (except for goodwill) is reversed if there has been a change in the estimates used to determine the recoverable amount. However, the reversal is not to an amount higher than the carrying amount that would have been determined, net of amortisation or depreciation, if no impairment loss had been recognised in prior years.

Note 1 Accounting Policies (continued)

Off-balance sheet items

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

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

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

(o) Bank acceptances of customers

The exposure arising from the acceptance of bills of exchange that are sold into the market is recognised as a liability. An asset of equal value is raised to reflect the offsetting claim against the drawer of the bill. Bank acceptances generate fee income that is recognised in the Income Statement when earned.

(p) Shares in and loans to controlled entities

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

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

(q) Investment property

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

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

(r) Assets classified as held for sale

Assets are classified as held for sale when their carrying amounts will be recovered principally through sale within 12 months. They are measured at the lower of carrying amount and fair value less costs to sell unless the nature of the assets requires they be measured in line with another accounting standard. Where this is the case the asset's measurement basis is separately outlined.

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

(s) Property, plant and equipment

The Group measures its property assets (land and buildings) on a fair value measurement basis using independent market valuations.

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

Equipment is measured at cost less accumulated depreciation and provision for impairment, if any. Depreciation is calculated principally on a category basis at rates applicable to each category's useful life using the straight-line method and treated as an operating expense charged to the Income Statement.

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

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

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

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

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

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

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

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

(t) Intangibles

Goodwill

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

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

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

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

Note 1 Accounting Policies (continued)

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

Computer software costs

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

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

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

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

Any impairment loss is recognised when incurred.

Software maintenance costs are expensed as incurred.

Core Deposits

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

Brand names

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

Other Intangibles

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

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

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

(u) Other assets

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

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

(v) Deposits from customers

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

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

(w) Payables to other financial institutions

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

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

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

(x) Liabilities at fair value through Income Statement

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

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

(y) Income taxes

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

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

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

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

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

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

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

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

Note 1 Accounting Policies (continued)

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

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

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

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

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

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

(z) Employee benefits

Annual leave

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

Long service leave

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

Other employee benefits

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

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

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

Defined benefit superannuation plans

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

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

Actuarial gains and losses related to defined benefit superannuation plans are directly recorded in Retained Profits. The net surpluses or deficits that arise within defined benefit superannuation plans are recognised and disclosed separately in Other assets or Bills payable and other liabilities.

Defined contribution superannuation plans

The Group sponsors a number of defined contribution superannuation plans. Certain plans permit employees to make contributions and earn matching or other contributions from the Group. The Group recognises contributions due in respect of the accounting period in the Income Statement. Any contributions unpaid at the Balance Sheet date are included as a liability.

(aa) Provisions

Provision for dividends

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

Provisions for restructuring

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

Provision for self-insurance

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

(bb) Debt issues

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

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

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

Where the Group has designated debt instruments at fair value through Income Statement, the changes in fair value are recognised in the Income Statement. Refer to Note 1 (x) Liabilities at fair value through Income Statement.

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

Hedging

The Group hedges interest rate and foreign currency risk on certain debt issues. When hedge accounting is applied to fixed rate debt issues, the carrying values are adjusted for changes in fair value related to the hedged risks rather than carried at amortised cost. Refer to Note 1 (ff) Derivative financial instruments.

Note 1 Accounting Policies (continued)

(cc) Bills payable and other liabilities

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

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

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

(dd) Loan capital

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

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

(ee) Shareholders' equity

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

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

The movement between the acquisition and reissue price of Treasury Shares remains within shareholders' equity.

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

The Capital Reserve is derived from capital profits (refer to Note 1 (s) Property, Plant and Equipment) and is available for dividend payments.

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

(ff) Derivative financial instruments

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

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

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

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

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

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

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

Swaps

Interest rate swap receipts and payments are recognised within net interest income using the effective interest method as interest of the designated hedged item or class of items being hedged over the term for which the swap is effective as a hedge, whereas revaluation gains and losses are recognised within other operating income.

Similarly with cross currency swaps, interest rate receipts and payments are recognised on the same basis as for interest rate swaps. In addition, the initial principal flows are revalued to fair value at the current market exchange rate with revaluation gains and losses recognised in the Income Statement against revaluation losses and gains of the underlying hedged item or class of items.

Derivative financial instruments utilised for hedging relationships

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

Fair value hedges

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

Cash flow hedges

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

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

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

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

Note 1 Accounting Policies (continued)

Net Investment Hedges

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

Embedded derivatives

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

(gg) Commitments to extend credit, letters of credit, guarantees, warranties and indemnities issued

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

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

Financial guarantee contracts are initially recognised at fair value.

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

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

(hh) Life and general insurance business

Life Insurance business

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

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

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

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

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

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

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

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

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

Reinsurance contracts entered into are recognised on a gross basis.

Premiums and claims

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

(i) Life insurance contracts

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

(ii) Investment contracts

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

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

Life insurance liabilities and profit

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

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

Note 1 Accounting Policies (continued)

Participating policies

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

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

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

Life insurance contract acquisition costs

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

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

Life investment contract acquisition costs

Acquisition costs for investment contracts include the variable costs of acquiring new business. However, the deferral of investment contract acquisition costs is limited by the application of AASB 118 to the extent that only incremental transaction costs (for example commissions and volume bonuses) are deferred. The investment contract liability calculated in accordance with AASB 139 is no less than the contract surrender value.

Managed fund units on issue – held by minority unitholders

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

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

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

General Insurance Business

Premium revenue

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

Unearned Premium Liability

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

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

Reinsurance

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

Claims expense

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

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

Acquisition costs

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

(ii) Asset securitisation

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

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

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

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

Notes to the Financial Statements

Note 1 Accounting Policies (continued)

(jj) Fiduciary activities

The Bank and designated controlled entities act as Responsible Entity, Trustee and/or Manager for a number of wholesale, superannuation and investment funds, trusts and approved deposit funds.

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

(kk) Comparative figures

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

(ll) Roundings

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

(mm) Critical accounting policies and estimates

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

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

Provisions for impairment

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

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

Individually assessed provisions

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

Individually assessed provisions are made against individual facilities in the credit risk rated managed segment where a loss of $10,000 or more is expected. The provisions are established based primarily on estimates of the realisable (fair) value of collateral taken and are measured as the difference between a financial asset's carrying amount and the present value of the expected future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short term balances are not discounted.

Collective provision

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

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

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

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

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

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

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

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

Life insurance policyholder liabilities

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

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

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

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

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

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

Additional information on the accounting policy is set out in Note 1 (hh) Life and General Insurance Business, and Note 36 Life Insurance Business details the key actuarial assumptions.

Consolidation of special purpose entities

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

Note 2 Profit

Profit before income tax has been determined as follows:

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

Note 2 Profit (continued)

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

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

Note 3 Income from Ordinary Activities

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

Note 4 Average Balances and Related Interest

The following table lists the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate for each of the years ended 30 June 2009, 30 June 2008 and 30 June 2007. Averages used were predominantly daily averages. Interest is accounted for based on product yield, while all trading gains and losses are disclosed as Trading income within Other operating income.

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

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

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

The official cash rate in Australia decreased by 425 basis points during the year while rates in New Zealand decreased by a total of 575 basis points.

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

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

(2) Used for calculating net interest margin.

Note 4 Average Balances and Related Interest (continued)

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

Notes to the Financial Statements

Note 4 Average Balances and Related Interest (continued)

Average Interest Bearing Liabilities, Loan Capital and Interest Expense	2009 Average Balance $M	2009 Interest $M	2009 Average Rate %	2008 Average Balance $M	2008 Interest $M	2008 Average Rate %	2007 Average Balance $M	2007 Interest $M	2007 Average Rate %
Time deposits									
Australia (1)	**133,587**	**8,398**	**6. 3**	92,297	5,985	6. 5	67,186	4,107	6. 1
Overseas	**30,249**	**1,625**	**5. 4**	21,364	1,353	6. 3	18,406	1,018	5. 5
Savings deposits									
Australia (1)	**69,775**	**1,574**	**2. 3**	46,472	1,468	3. 2	40,930	1,016	2. 5
Overseas	**6,132**	**289**	**4. 7**	4,759	324	6. 8	4,703	313	6. 7
Other demand deposits									
Australia (1)	**74,928**	**2,256**	**3. 0**	71,525	2,947	4. 1	62,401	2,314	3. 7
Overseas	**4,347**	**213**	**4. 9**	4,501	316	7. 0	3,563	227	6. 4
Payables due to other financial institutions									
Australia	**4,974**	**160**	**3. 2**	5,748	290	5. 0	2,628	153	5. 8
Overseas	**13,871**	**349**	**2. 5**	13,658	699	5. 1	9,724	521	5. 4
Liabilities at fair value through Income Statement									
Australia	**3,831**	**159**	**4. 2**	3,124	197	6. 3	3,881	292	7. 5
Overseas	**13,595**	**862**	**6. 3**	11,893	932	7. 8	11,312	795	7. 0
Debt issues									
Australia (1)	**64,309**	**3,624**	**5. 6**	57,440	4,234	7. 4	57,403	3,537	6. 2
Overseas	**20,763**	**417**	**2. 0**	16,929	822	4. 9	18,835	1,075	5. 7
Loan capital									
Australia (1)	**9,455**	**507**	**5. 4**	8,781	566	6. 4	8,357	410	4. 9
Overseas	**3,642**	**202**	**5. 5**	3,758	226	6. 0	1,907	154	8. 1
Intragroup borrowings									
Australia	**12,023**	**158**	**1. 3**	8,144	295	3. 6	8,199	404	4. 9
Overseas	**-**	**-**	**-**	-	-	-	-	-	-
Average interest bearing liabilities and loan capital and interest expense including intragroup	**465,481**	**20,793**	**4. 5**	370,393	20,654	5. 6	319,435	16,336	5. 1
Intragroup eliminations	**(12,023)**	**(158)**	**1. 3**	(8,144)	(295)	3. 6	(8,199)	(404)	4. 9
Total average interest bearing liabilities and loan capital and interest expense	**453,458**	**20,635**	**4. 6**	362,249	20,359	5. 6	311,236	15,932	5. 1
Securitisation debt issues	**12,842**	**684**	**5. 3**	14,005	968	6. 9	13,861	894	6. 4

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

Average Non-Interest Bearing Liabilities	2009 Average Balance $M	2008 Average Balance $M	2007 Average Balance $M
Deposits not bearing interest			
Australia	**5,940**	6,132	5,896
Overseas	**1,438**	1,545	1,473
Liabilities on bank acceptances			
Australia	**16,983**	19,735	18,779
Overseas	**-**	-	-
Insurance policy liabilities			
Australia	**16,510**	19,185	20,100
Overseas	**1,766**	2,296	2,344
Other liabilities			
Australia	**42,939**	18,538	8,439
Overseas	**6,163**	6,647	7,399
Total average non-interest bearing liabilities	**91,739**	74,078	64,430
Total average liabilities and loan capital	**558,039**	450,332	389,527
Shareholders' equity	**29,189**	25,406	22,758
Total average liabilities, loan capital and Shareholders' equity	**587,228**	475,738	412,285
Total average liabilities and loan capital applicable to overseas operations (%)	**18.3**	19.4	20.5

Note 4 Average Balances and Related Interest (continued)

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

Geographical analysis of key categories

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

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

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

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

Notes to the Financial Statements

Note 4 Average Balances and Related Interest (continued)

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

Note 4 Average Balances and Related Interest (continued)

Changes in Net Interest Income: Volume and Rate Analysis

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

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

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

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

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

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

Notes to the Financial Statements

Note 5 Income Tax Expense

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

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

(1) The Premium Business Services division was restructured into Business and Private Banking and Institutional Banking and Markets during the year. 2007 comparatives for the newly formed businesses were not available.

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

Note 5 Income Tax Expense (continued)

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

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

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

Notes to the Financial Statements

Note 5 Income Tax Expense (continued)

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

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

Potential deferred tax assets of the Group arose from:

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

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

These potential tax benefits will only be obtained if:

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

Tax Consolidation

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

Note 6 Dividends

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

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

Dividend Franking Account

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

The Bank expects that future tax payments will generate sufficient franking credits for the Bank to be able to continue to fully frank future dividend payments. These calculations have been based on the taxation law as at 30 June 2009.

Dividend History

Half Year Ended	Cents Per Share	Date Paid	Half-year Payout Ratio (1) %	Full Year Payout Ratio (1) %	DRP Price $	DRP Participation Rate (2) %
31 December 2006	107	05/04/2007	63. 8	-	50.02	37.6
30 June 2007	149	03/10/2007	86. 1	75.2	54.80	36.6
31 December 2007	113	02/04/2008	63. 4	-	39.44	33.5
30 June 2008	153	01/10/2008	84. 6	74.1	42.41	34.3
31 December 2008	113	23/03/2009	65. 3	-	28.45	24.4
30 June 2009 (3)	115	-	82. 4	73.1	-	-

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

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

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

Notes to the Financial Statements

Note 7 Earnings Per Share

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

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

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

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

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

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

Note 8 Cash and Liquid Assets

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

Note 9 Receivables Due from Other Financial Institutions

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

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

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

Note 10 Assets at Fair Value through Income Statement (1)

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

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

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

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

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

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

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

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

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

Disclosure on Asset Restriction

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

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

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

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

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

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

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

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

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

Of the above amounts $1,416 million is expected to be recovered within twelve months of the Balance Sheet date by the Group (30 June 2008: $2,308 million), and all of the above amounts are expected to be recovered within twelve months of the Balance Sheet date by the Bank.

The change in fair value of loans and receivables designated at Fair Value through Income Statement due to changes in credit risk for the Group resulted in a loss of $18 million for the year (30 June 2008: insignificant), and is insignificant for the Bank for the years ending 30 June 2008 and 30 June 2009. The cumulative change in fair value due to changes in credit risk for the Group and the Bank is consistent with the combined amounts disclosed for the period, as changes prior to 30 June 2008 did not have a material impact on the Group or the Bank.

Note 11 Derivative Assets and Liabilities

Derivative contracts

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

Derivatives transacted for hedging purposes

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

Derivatives designated and accounted for as hedging instruments

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

Fair value hedges

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

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

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

Cash flow hedges

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

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

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

Net Investment Hedges

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

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

Note 11 Derivative Assets and Liabilities (continued)

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

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

Note 11 Derivative Assets and Liabilities (continued)

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

Note 11 Derivative Assets and Liabilities (continued)

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

Note 11 Derivative Assets and Liabilities (continued)

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

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

Notes to the Financial Statements

Note 11 Derivative Assets and Liabilities (continued)

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

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

Note 12 Available-for-Sale Investments

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

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

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

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

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

Notes to the Financial Statements

Note 12 Available-for-Sale Investments (continued)

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

Maturity Distribution and Weighted Average Yield

	Group Maturity Period at 30 June 2009											
	0 to 3 months		3 to 12 months		1 to 5 years		5 to 10 years		10 or more years		Non-Maturing	Total
	$M	%	$M	%	$M	%	$M	%	$M	%	$M	$M
Australia												
Australian Public Securities:												
Local and semi-government	151	5. 84	354	6. 25	4,264	5. 91	1,985	5. 20	483	5. 37	-	7,237
Medium term notes	131	4. 66	658	5. 06	5,649	4. 20	193	5. 21	-	-	-	6,631
Floating rate notes	-	-	100	3. 81	50	3. 81	45	3. 81	132	3. 81	-	327
Mortgage backed securities	-	-	-	-	-	-	-	-	1,384	3. 68	-	1,384
Other securities and equity investments	64	3. 91	-	-	8	0. 01	-	-	4	3. 00	247	323
Total Australia	346	-	1,112	-	9,971	-	2,223	-	2,003	-	247	15,902
Overseas												
Government securities	161	9. 55	325	2. 57	196	3. 87	-	-	-	-	-	682
Certificates of deposit	885	1. 00	274	0. 71	-	-	536	4. 00	-	-	-	1,695
Eurobonds	1,021	0. 56	1,725	0. 65	25	5. 50	-	-	-	-	-	2,771
Medium term notes	41	1. 56	72	3. 61	-	-	-	-	-	-	-	113
Floating rate notes	6	1. 98	146	1. 06	69	2. 33	-	-	-	-	-	221
Other securities and equity investments	35	1. 98	58	3. 25	-	-	-	-	-	-	27	120
Total Overseas	2,149	-	2,600	-	290	-	536	-	-	-	27	5,602
Total available-for-sale investments	2,495	-	3,712	-	10,261	-	2,759	-	2,003	-	274	21,504

Additional Disclosure

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

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

Note 12 Available-for-Sale Investments (continued)

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

Maturity Distribution and Weighted Average Yield

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

Notes to the Financial Statements

Note 13 Loans, Bills Discounted and Other Receivables

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

(1) The Group has entered into securitisation transactions on residential mortgage loans that do not qualify for derecognition. The Group is entitled to any residual income of the securitisation program after all payments due to investors and costs of the program have been met, to this extent the Group retains credit and liquidity risk. In addition, derivatives return the interest rate and foreign currency risk to the Group. The carrying value of assets that did not qualify for derecognition for the Group were $12,568 million (2008: $11,676 million) and for the Bank were $8,083 million (2008: $10,359 million). The carrying value of liabilities associated with non-derecognised assets for the Group were $11,724 million (2008: $9,762 million) and for the Bank were $8,083 million (2008: $10,359 million).

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

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

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

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

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

Interest Rate Sensitivity of Lending

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

Notes to the Financial Statements

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

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

Interest Rate Sensitivity of Lending

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

Note 14 Provisions for Impairment

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

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

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

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

	Group			Bank	
	2009	2008	2007	2009	2008
	%	%	%	%	%
Provision Ratios (1)					
Collective provision as a % of gross loans and acceptances	**0.66**	0.38	0.34	**0.56**	0.41
Collective provision as a % of risk weighted assets - Basel II	**1.12**	0.71	n/a	**n/a**	n/a
Individually assessed provisions for impairment as a % of gross impaired assets	**41.1**	40.8	23.8	**40.8**	40.1
Total provisions for impairment losses as a % of gross loans and acceptances	**1.01**	0.46	0.37	**0.83**	0.47

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

Note 14 Provisions for Impairment (continued)

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

Individually Assessed Provisions for Impairment by Industry Category

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

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

Note 14 Provisions for Impairment (continued)

Loan Impairments Written Off by Industry Category

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

Notes to the Financial Statements

Note 14 Provisions for Impairment (continued)

Loan Impairments Recovered by Industry Category

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

Note 15 Credit Risk Management

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

Credit risk is the potential of loss arising from failure for a debtor or counterparty to meet their contractual obligations. It arises primarily from lending activities, the provision of guarantees including letters of credit and commitments to lend, investments in bonds and notes, financial markets transactions, securitisations and other associated activities. In the insurance business, credit risk arises from investment in bonds and notes, loans, and from reliance on reinsurance.

Credit Risk Management Principles and Portfolio Standards

The Risk Committee of the Board operates under a Charter by which it oversees the Group's credit risk management policies and portfolio standards. These are designed to achieve portfolio outcomes that are consistent with the Group's risk/return expectations. The Committee meets at least quarterly, and more often if required.

The Group has clearly defined credit policies for the approval and management of credit risk. Formal credit standards apply to all credit risks, with specific portfolio standards applying to all major lending areas. These incorporate income/repayment capacity, acceptable terms and security and loan documentation tests.

The Group uses a Risk Committee approved diversified portfolio approach for the management of credit risk concentrations comprised of the following:

- A large credit exposures policy, which sets limits for aggregate exposures to individual, commercial and industrial client groups;
- An industry concentrations policy that defines a system of limits for exposures by industry; and
- A system of country limits for managing geographic exposures.

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

The Group assesses the integrity and ability of debtors or counterparties to meet their contracted financial obligations for repayment. Collateral security, in the form of real estate or a floating charge over assets, is generally taken for business credit except for major government, bank and corporate counterparties of externally risk rated and strong financial standing. Longer term consumer finance (e.g. housing loans) is generally secured against real estate while short term revolving consumer credit is generally not secured by formal collateral.

While the Group applies policies, standards and procedures in governing the credit process, the management of credit risk also relies on the application of judgement and the exercise of good faith and due care of relevant staff within their delegated authority.

A centralised exposure management system is used to record all significant credit risks borne by the Group. The credit risk portfolio has two major segments:

(i) Retail

This segment has sub-segments covering housing loan, credit card, personal loan facilities, some leasing products and most secured commercial lending up to $1 million.

Auto-decisioning for the approval of credit risk exposures is used for eligible business and consumer applications. Auto-decisioning uses a scorecard approach whereby the performance of historical applications is supplemented by information from a credit reference bureau and/or from the Group's existing knowledge of a customer's behaviour.

Where the loan application doesn't meet scorecard Auto-decisioning requirements then these may be referred to manual decisioning.

After loan origination, these portfolios are managed using behavioural scoring systems and on a delinquency band approach (e.g. actions taken when loan payments are greater than 30 days past due differ from actions when payments are greater than 60 days past due) and are reviewed by the relevant business credit support unit. Commercial lending up to $1 million is reviewed as part of the Group's quality assurance process and overview is provided by the independent Portfolio Quality Assurance unit. Facilities in the Retail segment become classified for remedial management by centralised units based on delinquency band.

(ii) Credit Risk Rated

This segment comprises commercial exposures, including bank and government exposures. Each exposure with commercial content exceeding $50,000 is assigned an internal Credit Risk Rating (CRR). The CRR is normally assessed by reference to a matrix where the likelihood of default (PD) and the amount of loss in the event of default (LGD) combine to determine a CRR grade commensurate with expected loss (EL).

For credit risk exposures greater than $2 million or decisioned outside of the scorecard approach, a PD calculator or Expert Judgement is used.

Expert Judgement is used where the complexity of the transaction and/or the debtor is such that it is inappropriate to rely completely on a statistical model. Ratings by Moody's or Standard and Poor's may be used as inputs into the Expert Judgement assessment.

The CRR is designed to:

- Aid in assessing changes to the client quality of the Group's credit portfolio;
- Influence decisions on approval, management and pricing of individual credit facilities; and
- Provide the basis for reporting details of the Group's credit portfolio to the Australian Prudential Regulatory Authority.

CRR exposures are generally reviewed on an individual basis, at least annually, although small transactions may be managed on a behavioural basis after their initial rating at origination.

CRR fall within the following categories:

- "Pass" – Internal CRR of 1-6, or if not individually credit risk rated, less than 30 days past due. These credit facilities qualify for approval of new or increased exposure on normal commercial terms; and
- "Troublesome or Impaired Assets (TIAs)" - Internal CRR of 7-9 or, if not individually credit risk rated, 30 days or more past due. These credit facilities are not eligible for new or increased exposure unless it will protect or improve the Group's position by maximising recovery prospects or to facilitate rehabilitation. Where a client is in default but the facility is well secured then the facility may be classed as troublesome but not impaired. Where a client's facility is not well secured and a loss is expected, then a facility is impaired. Facilities that have been restructured are also classified as a sub-set of impaired.

Note 15 Credit Risk Management (continued)

Default usually consists of one or more of the following:

- A contractual payment is overdue by 90 days or more;
- An approved overdraft limit has been exceeded for 90 days or more;
- A credit officer becomes aware that the client will not be able to meet future repayments or service alternative acceptable repayment arrangements e.g. the client has been declared bankrupt;
- A credit officer has determined that full recovery of both principal and interest is unlikely. This may be the case even if all the terms of the client's credit facilities are currently being met; and
- A credit obligation is sold at a material credit related economic loss.

The Portfolio Quality Assurance unit, part of Group Audit, reviews credit portfolios and receives reports covering business unit compliance with policies, portfolio standards, application of credit risk ratings and other key practices and policies on a regular basis. The Portfolio Quality Assurance unit reports its findings to the Board Audit and Risk Committees as appropriate.

Credit Risk Measurement

The measurement of credit risk uses analytical tools to calculate both (i) expected and (ii) unexpected loss probabilities for the credit portfolio. The use of analytical tools is governed by a Credit Rating Governance Committee that reviews and endorses the use of the tools prior to their implementation to ensure they are sufficiently predictive of risk.

(i) Expected Loss

The Expected Loss (EL) is the product of:

- Probability of Default (PD);
- Exposure at Default (EAD); and
- Loss Given Default (LGD).

For Credit Risk Rated facilities, EL is allocated within CRR bands. All ratings are reviewed at least annually or as specified by the Group Chief Risk Officer.

The PD, expressed as a percentage, is the estimate of the probability that a client will default within the next twelve months. It reflects a client's ability to generate sufficient cash flows into the future to meet the terms of all its credit obligations with the Group. When assessing a client's PD, all relevant and material information is considered. The same PD is applied to all credit facilities provided to a client.

EAD, expressed as a percentage of the facility limit, is the proportion of a facility that may be outstanding in the event of default. For committed facilities such as fully drawn loans and advances this will generally be the higher of the limit or outstanding balance. For uncommitted facilities this will generally be the outstanding balance only.

LGD, expressed as a percentage, is the estimated proportion of a facility likely to be lost in the event of default. LGD is impacted by:

- Type and level of any collateral held;
- Liquidity and volatility of collateral; and
- Carrying costs (effectively the costs of providing a facility that is not generating an interest return) and management expenses (realisation costs).

Various factors are considered when calculating PD, EAD and LGD. Considerations include the potential for default by a borrower due to economic, management, industry and other risks and the mitigating benefits of any collateral.

Where it is considered appropriate, the Group has policies and procedures in place setting out the circumstances where acceptable and appropriate collateral is to be taken to mitigate credit risk, including valuation parameters, review frequency and independence of valuation. In some instances, such as certain types of consumer loans (e.g. credit cards), a client's facilities may not be secured by formal collateral.

Main collateral types include:

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

(ii) Unexpected Loss

In addition to expected loss, a more stressed loss amount is calculated. This unexpected loss estimate directly affects the calculation of regulatory and internal economic capital requirements (for information relating to Regulatory and Economic Capital refer to the section on Capital Management and Note 34 Capital Adequacy).

In addition to the credit risk management processes used to manage exposures to credit risk in the credit portfolio, the internal ratings process also assists management in assessing impairment and provisioning of financial assets (refer Note 16).

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

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

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

Note 15 Credit Risk Management (continued)

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

Group
At 30 June 2008

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

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

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

Note 15 Credit Risk Management (continued)

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

Bank
At 30 June 2009

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

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

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

Note 15 Credit Risk Management (continued)

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

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

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

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

Note 15 Credit Risk Management (continued)

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

Large Exposures

Concentrations of exposure to any debtor or counterparty group are controlled by a large credit exposure policy, which defines a graduated limit framework that restricts credit limits based on the internally assessed riskiness of the client. All exposures outside the policy require approval by the Executive Risk Committee.

The following table shows the aggregated number of the Group's Corporate and Industrial counterparty exposures (including direct and contingent exposures) which individually were greater than 5% of the Group's capital resources (Tier One and Tier Two capital):

	Group 2009	Group 2008	Group 2007
	Number	**Number**	**Number**
5% to less than 10% of the Group's capital resources	**1**	1	-
10% to less than 15% of the Group's capital resources	**-**	-	-

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

The Group restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of Balance Sheet assets and liabilities as transactions are usually settled on a gross basis.

However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. As at 30 June 2009, master netting arrangements reduced the credit risk of the Group by approximately $10.7 billion (2008: $6.5 billion).

Derivative financial instruments expose the Group to credit risk where there is a positive fair value current. In the case of credit derivatives, the Group is also exposed to or protected from the risk of default of the underlying entity referenced by the derivative. For further information regarding derivatives see Notes 11, 41 and 48.

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

Note 16 Asset Quality

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

Provisions for impairment of financial assets are raised where there is objective evidence of impairment and at an amount adequate to cover assessed credit related losses. Credit Risk Rated portfolios are assessed at least at each Balance Sheet date for objective evidence that the financial asset or portfolio of assets is impaired.

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

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

Note 16 Asset Quality (continued)

The segmentation of Loans for the retail and risk-rated portfolios into investment, pass and weak (including default grades) excluding those past due or impaired, is based on the mapping of Probability of Default (PD) to Standard and Poor's ratings, reflecting a client's ability to meet their credit obligations. In particular, retail PD pools have been aligned to the Group's risk-rated PD grades which are consistent with rating agency views of credit quality segmentation.

Investment grade is representative of lower assessed default probabilities with other classifications reflecting progressively higher default risk. No consideration is given to Loss Given Default (LGD), the impact of any recoveries or the potential benefit of mortgage insurance.

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

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

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

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

Note 16 Asset Quality (continued)

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

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

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

Note 16 Asset Quality (continued)

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

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

(1) Collateral held against past due Housing Loans receivables comprises residential and other real estate with an estimated fair value of at least the amounts shown. Other Personal receivables are generally unsecured. It has not been practicable to determine the fair value of collateral held against past due Asset Financing and Other Commercial/ Industrial receivables.

(2) Personal loans, credit cards and other personal financing balances are generally unsecured and written off at 180 days past due unless agreements have been made with the debtor. If they are not written off, they are classified as impaired.

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

(1) Collateral held against past due Housing Loans receivables comprises residential and other real estate with an estimated fair value of at least the amounts shown. Other Personal receivables are generally unsecured. It has not been practicable to determine the fair value of collateral held against past due Asset Financing and Other Commercial/ Industrial receivables.

(2) Personal loans, credit cards and other personal financing balances are generally unsecured and written off at 180 days past due unless agreements have been made with the debtor. If they are not written off, they are classified as impaired.

Notes to the Financial Statements

Note 16 Asset Quality (continued)

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

(1) Collateral held against past due Housing Loans receivables comprises residential and other real estate with an estimated fair value of at least the amounts shown. Other Personal receivables are generally unsecured. It has not been practicable to determine the fair value of collateral held against past due Asset Financing and Other Commercial/ Industrial receivables.

(2) Personal loans, credit cards and other personal financing balances are generally unsecured and written off at 180 days past due unless agreements have been made with the debtor. If they are not written off, they are classified as impaired.

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

(1) Collateral held against past due Housing Loans receivables comprises residential and other real estate with an estimated fair value of at least the amounts shown. Other Personal receivables are generally unsecured. It has not been practicable to determine the fair value of collateral held against past due Asset Financing and Other Commercial/ Industrial receivables.

(2) Personal loans, credit cards and other personal financing balances are generally unsecured and written off at 180 days past due unless agreements have been made with the debtor. If they are not written off, they are classified as impaired.

Note 16 Asset Quality (continued)

Financial assets individually assessed as impaired

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

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

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

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

Note 16 Asset Quality (continued)

Impaired Assets by classification

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

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

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

Non-Performing Facilities:

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

Restructured Facilities:

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

Assets Acquired through Security Enforcement:

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

The Group does not manage credit risk based solely on arrears categorisation, but also uses Credit Risk Rating principles as described in Note 15, Credit Risk Management.

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

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

Note 16 Asset Quality (continued)

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

Movement in Impaired Asset Balances

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

Impaired Assets by Industry and Status

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

Notes to the Financial Statements

Note 16 Asset Quality (continued)

Impaired Assets by Industry and Status

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

Note 17 Shares in and Loans to Controlled Entities

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

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

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

Note 18 Property, Plant and Equipment

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

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

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

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

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

Note 18 Property, Plant and Equipment (continued)

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

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

Note 19 Intangible Assets

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

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

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

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

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

Notes to the Financial Statements

Note 19 Intangible Assets (continued)

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

Segment Allocation of Goodwill

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

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

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

Impairment Tests for Goodwill and Intangible Assets with Indefinite Lives

To assess whether goodwill is impaired, the carrying amount of a cash generating unit is compared to the recoverable amount, determined based on net selling price less costs to sell, using an earnings multiple applicable to that type of business, or actuarial assessment.

Key Assumptions Used in Selling Price less Cost to Sell Calculations

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

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

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

Note 20 Other Assets

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

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

Note 21 Assets Held for Sale

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

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

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

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

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

Note 22 Deposits and Other Public Borrowings

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

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

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

Note 22 Deposits and Other Public Borrowings (continued)

Maturity Distribution of Certificates of Deposit and Time Deposits

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

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

Note 23 Payables due to Other Financial Institutions

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

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

Note 24 Liabilities at Fair Value through Income Statement

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

(1) Designated at Fair Value through Income Statement at inception as they are managed by the Group on a fair value basis. Designating these liabilities at Fair Value through Income Statement has also eliminated an accounting mismatch created by measuring assets and liabilities on a different basis.

Of the above amounts, trading liabilities are expected to be settled within twelve months of the Balance Sheet date for the Group and the Bank. The majority of the other amounts are expected to be settled within twelve months of the Balance Sheet date for the Group and after twelve months of the Balance sheet date for the Bank.

The change in fair value for those liabilities designated as Fair Value through Income Statement due to credit risk for the Group is a $4 million loss (2008: $22 million gain) and for the Bank is a $3 million gain (2008: $15 million gain), which has been calculated by determining the changes in credit spread implicit in the fair value of the instruments issued. The cumulative change in fair value due to changes in credit risk for the Group and the Bank is consistent with the combined amounts disclosed for the period, as changes prior to 30 June 2008 did not have a material impact on the Group or the Bank.

The amount that would be contractually required to be paid at maturity to the holders of the financial liabilities designated at Fair Value through Income Statement for the Group is a $46 million decrement (2008: $267 million increment) and for the Bank is a $21 million decrement (2008: nil).

Note 25 Income Tax Liability

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

Note 26 Other Provisions

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

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

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

Note 26 Other Provisions (continued)

Provision Commentary

Restructuring costs

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

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

General Insurance Claims

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

Self Insurance and Non-Lending Losses

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

Note 27 Debt Issues

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

The Bank's debt issues include a Euro Medium Term Note program under which it may issue notes up to an aggregate amount outstanding of USD 70 billion. The Bank also has a U.S. Medium Term Note program under which it may issue notes up to an aggregate amount outstanding of USD 15 billion. Notes issued under debt programs are both fixed and variable rate. Interest rate risk associated with the notes is incorporated within the Bank's interest rate risk framework.

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

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

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

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

Note 27 Debt Issues (continued)

Short Term Borrowings

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

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

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

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

Exchange Rates Utilised (End of day, Sydney time)	Currency	As At 30 June 2009	As At 30 June 2008
AUD 1.00 =	USD	**0.81287**	0.96560
	EUR	**0.57551**	0.61127
	GBP	**0.48616**	0.48410
	JPY	**77.64500**	102.07000
	NZD	**1.24300**	1.26310
	HKD	**6.29993**	7.53230
	CAD	**0.93665**	0.97340
	CHF	**0.87773**	0.98210
	ILS	**3.18646**	3.22980
	SGD	**1.17621**	1.31450

Note 27 Debt Issues (continued)

Guarantee Arrangements

Commonwealth Bank of Australia

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

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

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

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

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

Guarantee under the Commonwealth Bank Sale Act

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

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

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

New South Wales legislation provides, in general terms, for a guarantee by the NSW Government of all funding liabilities and off-balance sheet products (other than demand deposits) incurred or issued prior to 31 December 1997 by the State Bank of New South Wales (SBNSW) until maturity and a guarantee for demand deposits accepted by SBNSW up to 31 December 1997. Other obligations incurred before 31 December 1994 are also guaranteed to their maturity. On 4 June 2001 Commonwealth Bank of Australia became the successor in law to SBNSW pursuant to the Financial Sector Transfer of Business Act 1999. The NSW Government guarantee of the liabilities and products as described above continues unchanged by the succession.

Guarantee under the Bank of Western Australia Act

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

Note 28 Managed Funds Units on Issue

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

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

Note 29 Bills Payable and Other Liabilities

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

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

Note 30 Loan Capital (1)

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

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

Note 30 Loan Capital (continued)

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

Outstanding notes at 30 June 2009 were:

Undated:	USD 37.5 million

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

Outstanding notes at 30 June 2009 were:

Due February 2011:	USD 64 million

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

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

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

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

- A relevant event of default (discussed below) occurs in respect of a note issue and the Trustee of the relevant notes gives notice to the Bank that the notes are immediately due and payable;
- The most recent audited annual Financial Statements of the Group show a loss (as defined in the Agreements);
- The Bank does not declare a dividend in respect of its ordinary shares;
- The Bank, if required by the Commonwealth of Australia and subject to the agreement of the APRA, exercises its option to redeem a note issue; or
- In respect of Undated FRNs which have been exchanged to Dated FRNs, the Dated FRNs mature.

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

The relevant events of default differ depending on the relevant Agreement. In summary, they cover events such as failure of the Bank to meet its monetary obligation in respect of the relevant notes; the insolvency of the Bank; any law being passed to dissolve the Bank or the Bank ceasing to carry on general Banking business in Australia; and the Commonwealth of Australia ceasing to guarantee the relevant notes. In relation to Dated FRNs which have matured to date, the Bank and the Commonwealth agreed to amend the relevant Agreement to reflect that the Commonwealth of Australia was not called upon to subscribe for fully paid ordinary shares up to an amount equal to the principal value of the maturing FRNs.

(5) **TPS 2003**

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

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

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

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

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

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

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

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

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

Note 30 Loan Capital (continued)

The Bank's New Zealand branch may redeem the convertible notes for cash: before 30 June 2015, in whole, but not in part, and only if the specified changes in tax law or other tax-related events, the specified changes in U.S. investment Company law and, changes in the "Tier One" regulatory capital treatment of the convertible notes, or certain corporate transactions involving a takeover bid or a scheme of arrangement in relation to a takeover described in this offering memorandum occur; and at any time on or after 30 June 2015. The Bank's New Zealand branch must first obtain the approval of APRA to redeem the convertible notes for cash.

CBA guarantees:

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

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

Trust preferred securities have limited voting rights.

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

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

(6) PERLS II Redemption

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

(7) PERLS III

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

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

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

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

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

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

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

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

PERLS III will automatically exchange for Bank Ordinary Shares if:

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

Note 30 Loan Capital (continued)

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

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

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

(8) PERLS IV

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

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

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

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

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

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

PERLS IV are expected to be exchanged for cash or converted into ordinary shares of the Bank on 31 October 2012. However, exchange may not occur if certain conditions are not met. On 31 October 2012;

- The Bank may arrange a resale by requiring all Holders to sell their PERLS IV to a third party for $200 (the face value);
- If the Bank does not arrange a resale, an Assignment Event will occur and PERLS IV will convert into a variable number of ordinary shares of the Bank subject to some conditions relating to the ordinary share price at the time;
- If these conversion conditions are not satisfied on that date, then the conversion date moves to the next distribution payment date on which they are satisfied; and
- In certain circumstances, where the conversion conditions are not satisfied, the Bank may (subject to APRA's prior approval) elect to repurchase all PERLS IV for $200 each.

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

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

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

If a change of control event occurs, Holders will receive cash for all of their PERLS IV (subject to APRA's approval).

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

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

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

(9) TPS 2006

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

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

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

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

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

Note 30 Loan Capital (continued)

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

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

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

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

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

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

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

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

- CBA NZ Subsidiary if CBA NZ Subsidiary does not pay when due, interest on the subordinated notes or certain other amounts payable under the subordinated notes to CBA Capital Trust II in accordance with their terms;
- The Bank if it does not perform its obligations under the trust guarantee; and
- CBA NZ Branch or the Bank if CBA NZ Branch does not perform its obligations under the subordinated notes guarantee or under the CBA NZ Branch notes.

The Bank will guarantee the trust preferred securities:

- Cash distributions on the trust preferred securities by CBA Capital Trust II to holders of trust preferred securities on distribution payment dates, to the extent CBA Capital Trust II has funds available for distribution;
- The cash redemption amount due to holders of trust preferred securities if CBA Capital Trust II is obligated to redeem the trust preferred securities for cash, to the extent CBA Capital Trust II has funds available for distribution;
- The delivery of CBA preference shares or qualifying Tier One securities to holders of trust preferred securities if CBA Capital Trust II is obligated to redeem the trust preferred securities for CBA preference shares or qualifying Tier One securities, to the extent CBA Capital Trust II has or is entitled to receive such securities available for distribution; and
- The payment of the liquidation amount of the trust preferred securities if CBA Capital Trust II is liquidated, to the extent that CBA Capital Trust II has funds available for distribution.

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

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

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

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

Subject to APRA's prior approval, prior to the occurrence of an Assignment Event that applies to all of the subordinated notes, the Bank may pay an optional dividend on the CBA preference shares if CBA NZ Subsidiary or CBA NZ Branch, as guarantor, has failed to pay in full interest on the subordinated notes or the Bank has failed to pay in full dividends on the CBA preference shares on any interest payment date and/or dividend payment date.

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

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

Note 30 Loan Capital (continued)

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

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

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

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

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

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

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

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

(10) AUD denominated Tier Two Loan Capital issuances

- AUD 275 million extendible floating rate note issued December 1989, due December 2014;

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

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

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

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

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

Note 30 Loan Capital (continued)

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

(11) USD denominated Tier Two Loan Capital issuances

- USD 300 million subordinated notes, issued June 2000, due June 2010;
- USD 350 million subordinated fixed rate note, issued June 2003, due June 2018;
- USD 500 million subordinated EMTN issued June 2004 (USD 250 million) and August 2004 (USD 250 million), due August 2014;
- USD 100 million subordinated EMTN, issued March 2005, due March 2025. Partial redemption of USD 39.5 million in September 2005;
- USD 200 million subordinated notes, issued June 2006, due July 2016;
- USD 300 million subordinated floating rate notes, issued September 2006, due September 2016; and
- USD 650 million subordinated floating rate notes, issued December 2007, due December 2016.

(12) JPY denominated Tier Two Loan Capital issuances

- JPY 20 billion perpetual subordinated EMTN, issued February 1999;
- JPY 30 billion subordinated EMTN, issued October 1995 due October 2015;
- JPY 10 billion subordinated EMTN, issued May 2004, due May 2034;
- JPY 10 billion subordinated notes, issued November 2005, due November 2015;
- JPY 5 billion subordinated loan, issued March 2006, due March 2018; and
- JPY 9 billion perpetual subordinated notes, issued May 1996.

(13) GBP denominated Tier Two Loan Capital issuances

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

(14) Other currencies Tier Two Loan Capital issuances

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

Note 31 Detailed Statements of Changes in Equity

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

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

Note 31 Detailed Statements of Changes in Equity (continued)

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

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

Note 31 Detailed Statements of Changes in Equity (continued)

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

Cash Flow Hedges – Deferred Gains/(Losses)

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

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

Note 32 Share Capital

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

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

Terms and Conditions of Ordinary Share Capital

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

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

Other Equity Instruments	Group 2009 $M	Group 2008 $M	Bank 2009 $M	Bank 2008 $M
Other equity instruments issued and paid up	**939**	939	**1,895**	1,895
	Shares	**Shares**	**Shares**	**Shares**
	700,000	700,000	**1,400,000**	1,400,000

Trust Preferred Securities 2006

On 15 March 2006 the Bank issued USD 700 million ($947 million) of trust preferred securities into the U.S. capital markets. These securities offer a non-cumulative fixed rate of distribution of 6.024% per annum payable semi-annually.

These securities qualify as Tier One Capital of the Bank. A related instrument was issued by the Bank to a subsidiary for $956 million and eliminates on consolidation.

Note 32 Share Capital (continued)

Dividends

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

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

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

Dividends paid since the end of the previous financial year:

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

Dividend Reinvestment Plan

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

Record date

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

Ex-dividend Date

The ex-dividend date was 17 August 2009.

Employee Share Plans

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

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

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

Changes Since 2008

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

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

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

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

Employee Share Acquisition Plan ("ESAP")

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

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

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

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

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

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

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

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

Note 32 Share Capital (continued)

Equity Participation Plan ("EPP")

The EPP comprises a voluntary and a mandatory component.

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 32 Share Capital (continued)

Group Leadership Share Plan (GLSP)

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

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

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

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

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

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

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

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

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

The GLSP will provide reward shares to the participants if and when grants vest. The number of reward shares to vest will be determined by the value of the pool that vests at the end of the performance period and the share price at the end of the relevant performance period. As the GLSP commenced on 1 July 2007, no reward shares have yet been delivered.

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

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

Equity Reward Plan (ERP)

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

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

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

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

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

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

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

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

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

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

Note 32 Share Capital (continued)

Equity Reward Plan (ERP) (continued)

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

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

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

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

Options – Details of Movements

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

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

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

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

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

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

Reward Shares – Details of Movements

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

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

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

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

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

Non-Executive Directors Share Plan (NEDSP)

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

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

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

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

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

Period	Total Fees Sacrified	Participants	Shares Purchased	Average Purchase Price
1 January to 30 June 2009	$360,287	10	12,249	$29.41
1 July to 31 December 2008	$374,970	9	8,964	$41.84

Note 32 Share Capital (continued)

Executive Option Plan (EOP)

This plan was discontinued in 2000/01.

Under the EOP, the Bank granted options to purchase fully paid ordinary shares to those key executives who, being able by virtue of their responsibility, experience and skill to influence the generation of shareholder wealth, were declared by the Board of Directors to be eligible to participate in the Plan. Non-Executive Directors were not eligible to participate in the Plan.

Options cannot be exercised before each respective exercise period and the ability to exercise is conditional on the Group achieving a prescribed performance hurdle. The option plan did not grant rights to the option holders to participate in a share issue of any other body corporate.

The performance hurdle is the same TSR comparator hurdle as outlined above for the Equity Reward Plan (ERP) grants prior to 2002/03.

The EOP was discontinued in 2000/2001 and no options have been granted under the plan since the last grant in September 2000. The performance hurdles for the August 1999 grant and the September 2000 grant were met in 2004.

Under the Group's EOP and ERP an option holder generally has no right to participate in any new issue of securities of the Group or of a related body corporate as a result of holding the option. The only exception is when there is a pro rata issue of shares to the Group's Shareholders by way of a bonus issue involving capitalisation (other than in place of dividends or by way of dividend reinvestment). In this case an option holder is entitled to receive additional shares upon exercise of the options of the number of bonus shares that the option holder would have received if the options had been exercised and shares issued prior to the bonus issue.

Details of movements in EOP options are as follows:

Options – Details of Movements

	July 2008 - June 2009	July 2007 - June 2008
Year of Grant	**2000 (3)**	**2000 (3)**
Exercise price (1) (2)	26.97	26.97
Held by participants at the start of the year (no.)	24,400	36,900
Granted during the year (no.)	-	-
Exercised during the year (no.)	-	(12,500)
Lapsed during the year (no.)	-	-
Outstanding at the end of year (no.)	24,400	24,400
Total consideration paid due to exercises to date of report (4)	-	$ 337,125

(1) The Exercise Price is the market value at the commencement date. Market value is defined as the weighted average of the prices at which shares were traded on the ASX during the one week period before the commencement date. This is the average exercise price.

(2) The premium adjustment (based on the actual difference between the dividend and bond yields at the date of vesting) was nil.

(3) Performance hurdle was satisfied on 31 March 2004 and options may be exercised up to 13 September 2010.

(4) No amount is unpaid in respect of the shares issued upon exercise of options during the above period.

Note 33 Minority Interests

	Group	
	2009	**2008**
	$M	**$M**
Controlled entities:		
Share capital (1)	**520**	518
Total minority interests	**520**	518

(1) Comprises predominantly New Zealand Perpetual Preference Shares - $505 million. On 10 December 2002, ASB Capital Limited, a New Zealand subsidiary, issued NZD 200 million (AUD 182 million) of perpetual preference shares. Such shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly and are non-cumulative. On 22 December 2004, ASB Capital No.2 Ltd, a New Zealand subsidiary, issued NZD 350 million (AUD 323 million) of perpetual preference shares. Such shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly and are non-cumulative.

Note 34 Capital Adequacy

Regulatory Capital

The Bank is an Authorised Deposit-taking Institution ("ADI") and is subject to regulation by APRA under the authority of the Banking Act 1959. APRA has set minimum regulatory capital requirements for banks that are consistent with the International Convergence of Capital Measurement and Capital Standards: A Revised Framework ("Basel II") issued by the Basel Committee on Banking Supervision. These requirements define what is acceptable as capital and provide methods of measuring the risks incurred by the Bank.

The regulatory capital requirements are measured for the Extended Licence Entity Group (known as "Level One" comprising the Bank and APRA approved subsidiaries) and for the Bank and all of its banking subsidiaries (known as "Level Two" or the "Group").

All entities which are consolidated for accounting purposes are included within the Group capital adequacy calculations except for:

- The insurance and funds management operations; and
- The entities through which securitisation of Bank assets are conducted.

Regulatory capital is divided into Tier One and Tier Two Capital. Tier One Capital primarily consists of Shareholders' Equity plus other capital instruments acceptable to APRA, less goodwill and other prescribed deductions. Tier Two Capital is comprised primarily of hybrid and debt instruments acceptable to APRA less any prescribed deductions. Total Capital is the aggregate of Tier One and Tier Two Capital.

The tangible component of the investment in the insurance and funds management operations are deducted from capital, 50% from Tier One and 50% from Tier Two.

Capital adequacy is measured by means of a risk based capital ratio. The capital ratios reflect capital (Tier One, Tier Two or Total Capital) as a percentage of total Risk Weighted Assets ("RWA"). RWA represents an allocation of risks associated with the Group's assets and other related exposures.

The Group actively manages its capital to balance the requirements of various stakeholders (regulators, rating agencies and shareholders). This is achieved by optimising the mix of capital while maintaining adequate capital ratios throughout the financial year.

The Group has a range of instruments and methodologies available to effectively manage capital including share issues and buybacks, dividend and dividend reinvestment plan policies, hybrid capital raising and dated and undated subordinated debt issues. All major capital related initiatives require approval of the Board.

The Group's capital position is monitored on a continuous basis and reported monthly to the Asset and Liability Committee of the Group. Three year capital forecasts are conducted on a quarterly basis and a detailed capital and strategy plan is presented to the Board annually.

The Group's capital ratios throughout the 2008 and 2009 financial years were in compliance with both APRA minimum capital adequacy requirements and the Board Approved Target Ranges.

The Group's Tier One target range was formally amended by the Board in February 2009 from a range of 6.5 to 7.0% to above 7.0%.

The Bank is required to inform APRA immediately of any breach or potential breach of its minimum capital adequacy requirements, including details of remedial action taken or planned to be taken.

Economic Capital

The Group uses an "Economic Capital" model to drive delivery of "shareholder-value-added" ("SVA") results. Measures are applied to link the cost of the Group's physical capital to the profit required from different business segments. This in turn facilitates:

- Pricing of products based on appropriate charges for use of capital; and
- Internal measurement of performance on a risk adjusted basis.

Economic Capital provides an estimate of capital required to cover the financial impact of unlikely events, at a level of confidence consistent with the Board's target debt rating. As such, the level of Economic Capital and physical capital is aligned to the Board's overall risk appetite.

The Group calculates Economic Capital in accordance with the following key principles:

- Consistent application to all material risk types and businesses across the Group;
- Measurement of potential financial impacts over a time period reflecting elimination of the risk under assumed adverse conditions;
- Use of a confidence level aligned with the Group's target debt rating; and
- Aggregation of Economic Capital by individual risk type.

Economic Capital provides a tool for evaluating which of the Group's products and businesses provide the best return relative to the credit, market, operational, strategic business, insurance and other risks taken in achieving that return. These risk types are defined in the Basel II Capital Framework, and influence the level of capital held by the Group.

SVA is maximised through the use of two measures of risk-adjusted performance – known as Profit After Capital Charge (PACC) and Return on Target Equity (ROTE) – which are used internally to measure business performance. These measures of profit and return reflect the amount of Economic Capital used in achieving these outcomes.

Business Unit segments are required to achieve minimum returns on their allocated risk-based capital equal to a uniform "Cost of Capital" which is set from time to time based on market conditions.

The development of Economic Capital measures and the use of risk adjusted return metrics within Business Unit segments is an evolving area both within the Group and across the industry.

Note 35 Financial Reporting by Segments

The principal activities of the Group are carried out in the business segments shown below. These segments are based on the types of products and services provided to customers.

The primary sources of revenue are interest and fee income (Retail Banking Services, Institutional Banking and Markets, Business and Private Banking, International Financial Services and Bankwest) and insurance premium and funds management income (Wealth Management). Revenues and expenses occurring between segments are subject to transfer pricing arrangements. All intra-group profits are eliminated on consolidation.

Business Segment Information	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Management	International Financial Services	Bankwest	Other	Group Year Ended 30 June 2009 Total
Income Statement	$M	$M	$M	$M	$M	$M	$M	$M
Interest income	14,859	3,144	4,713	-	4,041	2,053	2,709	31,519
Insurance premium and related revenue	-	-	-	1,259	392	-	-	1,651
Other income	1,551	752	1,278	2,236 (1)	507	192	(253)	6,263
Total revenue	16,410	3,896	5,991	3,495	4,940	2,245	2,456	39,433
Equity accounted earnings	6	3	-	41	91	-	-	141
Revenue from external customers	16,290	4,283	5,537	3,515	4,781	2,124	2,762	39,292
Revenue from other operating segments	114	(390)	454	(61)	68	121	(306)	-
Interest expense	5,769	2,616	1,835	-	3,109	1,347	6,542	21,218
Segment result before income tax	2,996	1,024	(17) (1)	170	613 (1)	189	1,474 (1)	6,449
Income tax expense	(889)	(288)	160	88	(174)	(67)	(526)	(1,696)
Segment result after income tax	2,107	736	143	258	439	122	948	4,753
Minority interests	-	-	-	-	(3)	-	(27)	(30)
Segment result after income tax and minority interests	2,107	736	143	258	436	122	921	4,723
Less: Non-Cash items (2)	-	-	(23)	(28)	(34)	9	384	308
Net profit after tax ("cash basis") (2)	2,107	736	166	286	470	113	537	4,415
Additional Information								
Intangible asset amortisation	8	44	7	1	22	49	45	176
Impairment expense	699	309	1,708	-	202	113	17	3,048
Depreciation	11	24	38	5	41	19	164	302
Defined benefit superannuation expense	-	-	-	-	-	-	14	14
Gain on acquisition	-	-	-	-	-	-	983	983
Bankwest integration	-	-	-	-	-	76	36	112
Other	23	9	36	9	5	1	52	135
Balance Sheet								
Total assets	237,862	74,815	113,200	22,706	57,241	68,327	46,221	620,372
Acquisition of property, plant and equipment, intangibles and other non–current assets	5	1	615	21	53	36	1,333	2,064
Investments in associates	71	15	3	640	318	-	-	1,047
Total liabilities	141,324	94,799	81,841	19,714	48,859	64,388	138,005	588,930

(1) Includes impairment losses for Wealth Management; $177 million, Institutional Banking and Markets $11 million, International Financial Services $11 million, Other $20 million.

(2) Business segments are managed on the basis of Net profit after income tax ("cash basis") which is defined by management as net profit after tax and minority interests, before the gain on acquisition of controlled entities, merger related amortisation, integration expenses, the gain on Visa Initial Public Offering, provisions for investment and restructuring, defined benefit superannuation plan (income)/expense, treasury shares valuation adjustment, other one-off expenses and unrealised gains and losses related to hedging and AIFRS volatility. Management use "cash basis" to assess performance and it provides the basis for the determination of the Bank's dividends.

Note 35 Financial Reporting by Segments (continued)

Business Segment Information	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Management	International Financial Services	Bankwest	Other	Total
								Group Year Ended 30 June 2008
Income Statement	$M	$M	$M	$M	$M	$M	$M	$M
Interest income	14,549	3,219	5,975	-	4,061	-	1,430	29,234
Insurance premium and related revenue	-	-	-	994	379	-	-	1,373
Other income	1,339	863	1,027	2,763	458	-	(3)	6,447
Total revenue	15,888	4,082	7,002	3,757	4,898	-	1,427	37,054
Equity accounted earnings	-	-	-	60	32	-	-	92
Revenue from external customers	15,810	4,374	6,222	3,747	4,796	-	2,013	36,962
Revenue from other operating segments	78	(292)	780	(50)	70	-	(586)	-
Interest expense	5,306	2,980	3,765	-	3,092	-	6,184	21,327
Segment result before income tax	2,687	974	909	991	767	-	(73)	6,255
Income tax expense	(805)	(280)	(128)	(194)	(177)	-	151	(1,433)
Segment result after income tax	1,882	694	781	797	590	-	78	4,822
Minority interests	-	-	-	-	(2)	-	(29)	(31)
Segment result after income tax and minority interests	1,882	694	781	797	588	-	49	4,791
Less: Non-Cash items [(1)]	(29)	(27)	10	60	7	-	37	58
Net profit after tax ("cash basis") [(1)]	1,911	721	771	737	581	-	12	4,733
Additional Information								
Intangible asset amortisation	19	49	4	-	12	-	19	103
Impairment expense	331	167	259	-	43	-	130	930
Depreciation	10	27	18	4	39	-	127	225
Defined benefit superannuation expense/(income)	-	-	-	-	-	-	(14)	(14)
Investment and restructuring	41	22	-	-	14	-	300	377
Other	28	10	4	10	6	-	32	90
Balance Sheet								
Total assets	199,106	73,605	97,654	23,892	51,634	-	41,681	487,572
Acquisition of property, plant and equipment, intangibles and other non–current assets	15	420	127	8	71	-	321	962
Investments in associates	-	15	2	724	165	-	-	906
Total liabilities	122,349	89,677	76,561	20,609	42,750	-	109,489	461,435

(1) Business segments are managed on the basis of Net profit after income tax ("cash basis") which is defined by management as net profit after tax and minority interests, before the gain on Visa Initial Public Offering, Provisions for investment and restructuring, defined benefit superannuation plan (income)/expense, treasury shares valuation adjustment and unrealised gains and losses related to hedging and AIFRS volatility. Management use "cash basis" to assess performance as it provides the basis for the determination of the Bank's dividends.

Notes to the Financial Statements

Note 35 Financial Reporting by Segment (continued)

Geographical Information	Group Year Ended 30 June					
	2009		2008		2007	
Financial Performance & Position	$M	%	$M	%	$M	%
Revenue						
Australia	**32,498**	**82.4**	29,131	78.6	26,350	79.5
New Zealand	**4,904**	**12.4**	4,922	13.3	4,517	13.6
Other locations (1)	**2,031**	**5.2**	3,001	8.1	2,302	6.9
	39,433	**100.0**	37,054	100.0	33,169	100.0
Non-Current Assets						
Australia	**11,909**	**89.8**	9,929	87.7	9,260	85.0
New Zealand	**1,005**	**7.6**	1,129	10.0	1,133	10.4
Other locations (1)	**343**	**2.6**	265	2.3	496	4.6
	13,257	**100.0**	11,323	100.0	10,889	100.0

(1) Other locations were: United Kingdom, United States of America, Japan, Singapore, Malta, Hong Kong, Grand Cayman, Fiji, Indonesia, China and Vietnam.

The geographical information represents the location in which the transaction was booked.

Note 36 Life Insurance Business

The following information is provided to disclose the statutory life insurance business transactions contained in the Group Financial Statements and the underlying methods and assumptions used in their calculations.

All financial assets within the life statutory funds have been determined to support either life insurance or life investment contracts. Also refer to Note 1 (hh). The insurance segment result is prepared on a business segment basis, refer to Note 35.

	Life Insurance Contracts		Life Investment Contracts		Group	
	2009	2008	2009	2008	2009	2008
Summarised Income Statement	$M	$M	$M	$M	$M	$M
Premium income and related revenue	**1,629**	1,412	**248**	292	**1,877**	1,704
Outward reinsurance premiums expense	**(271)**	(234)	**-**	-	**(271)**	(234)
Claims expense	**(992)**	(865)	**(21)**	(1)	**(1,013)**	(866)
Reinsurance recoveries	**207**	173	**-**	-	**207**	173
Investment revenue (excluding investments in subsidiaries):						
Equity securities	**(257)**	(246)	**(984)**	(852)	**(1,241)**	(1,098)
Debt securities	**177**	227	**474**	419	**651**	646
Property	**(150)**	(37)	**(197)**	(108)	**(347)**	(145)
Other	**(27)**	81	**(96)**	(102)	**(123)**	(21)
Decrease in net contract liabilities	**410**	198	**686**	574	**1,096**	772
Operating income	**726**	709	**110**	222	**836**	931
Acquisition expenses	**254**	190	**11**	21	**265**	211
Maintenance expenses	**247**	240	**97**	138	**344**	378
Management expenses	**21**	14	**21**	7	**42**	21
Other expense	**1**	39	**-**	53	**1**	92
Net profit before income tax	**203**	226	**(19)**	3	**184**	229
Income tax (benefit)/expense attributable to operating profit	**29**	(13)	**(139)**	(48)	**(110)**	(61)
Net profit after income tax	**174**	239	**120**	51	**294**	290

Note 36 Life Insurance Business (continued)

	Life Insurance Contracts 2009 $M	Life Insurance Contracts 2008 $M	Life Investment Contracts 2009 $M	Life Investment Contracts 2008 $M	Group 2009 $M	Group 2008 $M
Sources of Life Insurance Net Profit						
The net profit after income tax is represented by:						
Emergence of planned profit margins	**169**	190	**97**	98	**266**	288
Difference between actual and planned experience	**(47)**	2	**(11)**	(57)	**(58)**	(55)
Effects of changes to underlying assumptions	**7**	3	**-**	-	**7**	3
Reversal of previously recognised losses or loss recognition on groups of related products	**11**	-	**-**	-	**11**	-
Investment earnings on assets in excess of policyholder liabilities	**25**	25	**9**	10	**34**	35
Other movements	**9**	19	**25**	-	**34**	19
Net profit after income tax	**174**	239	**120**	51	**294**	290
Life insurance premiums received and receivable	**1,738**	1,328	**954**	1,336	**2,692**	2,664
Life insurance claims paid and payable	**1,085**	939	**2,269**	2,929	**3,354**	3,868

The disclosure of the components of operating profit after income tax expense are required to be separated between policyholders' and shareholders' interests. As policyholder profits are an expense of the Group and not attributable to shareholders, no such disclosure is required.

Reconciliation of Movements in Policy Liabilities	Life Insurance Contracts 2009 $M	Life Insurance Contracts 2008 $M	Life Investment Contracts 2009 $M	Life Investment Contracts 2008 $M	Group 2009 $M	Group 2008 $M
Contract policy liabilities						
Gross policy liabilities opening balance	**4,122**	4,801	**14,373**	16,970	**18,495**	21,771
Acquisition of controlled entities	**39**	-	**164**	-	**203**	-
Movement in policy liabilities reflected in the Income Statement	**(338)**	(198)	**(686)**	(574)	**(1,024)**	(772)
Contract contributions recognised in policy liabilities	**16**	7	**706**	1,050	**722**	1,057
Contract withdrawals recognised in policy liabilities	**(91)**	(131)	**(2,248)**	(2,940)	**(2,339)**	(3,071)
Non-cash movements	**(27)**	(216)	**-**	10	**(27)**	(206)
FX translation adjustment	**7**	(141)	**19**	(143)	**26**	(284)
Gross policy liabilities closing balance	**3,728**	4,122	**12,328**	14,373	**16,056**	18,495
Liabilities ceded under reinsurance						
Opening balance	**(145)**	(158)	**-**	-	**(145)**	(158)
Acquisition of controlled entities	**(2)**	-	**-**	-	**(2)**	-
(Decrease)/ increase in reinsurance assets	**(72)**	13	**-**	-	**(72)**	13
Closing balance	**(219)**	(145)	**-**	-	**(219)**	(145)
Net policy liabilities at 30 June						
Expected to be realised within 12 months	**535**	504	**2,031**	2,352	**2,566**	2,856
Expected to be realised in more than 12 months	**2,974**	3,473	**10,297**	12,021	**13,271**	15,494
Total net insurance policy liabilities	**3,509**	3,977	**12,328**	14,373	**15,837**	18,350

Note 37 Remuneration of Auditors

	Group		Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
a) Audit services				
PricewaterhouseCoopers Australian firm	**12,459**	9,711	**7,861**	7,111
Related practice of PricewaterhouseCoopers Australian firm	**4,470**	4,330	**711**	571
Total remuneration for audit services	**16,929**	14,041	**8,572**	7,682
b) Non-audit services				
Audit related services				
PricewaterhouseCoopers Australian firm	**3,742**	3,066	**2,878**	2,544
Related practice of PricewaterhouseCoopers Australian firm	**428**	695	**235**	28
Total remuneration for audit related services	**4,170**	3,761	**3,113**	2,572
Taxation services				
PricewaterhouseCoopers Australian firm	**1,375**	909	**1,375**	909
Related practice of PricewaterhouseCoopers Australian firm	**1,346**	1,102	**318**	440
Total remuneration for tax related services	**2,721**	2,011	**1,693**	1,349
Advisory				
PricewaterhouseCoopers Australian firm	**80**	-	**80**	-
Related practice of PricewaterhouseCoopers Australian firm	**166**	123	**88**	38
Total remuneration for advisory services	**246**	123	**168**	38
Total remuneration for non-audit services	**7,137**	5,895	**4,974**	3,959
Total remuneration for audit and non-audit services (1)	**24,066**	19,936	**13,546**	11,641

(1) An additional amount of $7,132,535 was paid to PricewaterhouseCoopers (2008: $5,877,085) by way of fees for entities not consolidated into the Financial Statements. Of this amount $6,065,331 (2008: $4,527,545) relates to statutory audits.

The Audit Committee has considered the non-audit services provided by PricewaterhouseCoopers and is satisfied that the services and the level of fees are compatible with maintaining auditors' independence. All such services were approved by the Audit Committee in accordance with pre-approved policies and procedures.

Audit related fees principally include assurance and attestation reviews of the Group's U.S. disclosures for U.S. investors, services in relation to regulatory requirements, acquisition accounting advice as well as reviews of internal control systems and financial or regulatory information.

All other fees principally include taxation and advisory services. Advisory services were both small in number and fee and related to training of employees in new accounting standards and attendance at a number of risk governance meetings.

Note 38 Commitments for Capital Expenditure Not Provided for

	Group		Bank	
	2009	2008	2009	2008
	$M	$M	$M	$M
Not later than one year	**18**	45	**16**	41
Total commitments for capital expenditure not provided for	**18**	45	**16**	41

Note 39 Lease Commitments – Property, Plant and Equipment

	Group 2009 $M	Group 2008 $M	Bank 2009 $M	Bank 2008 $M
Commitments in respect of non-cancellable operating lease agreements due:				
Not later than one year	**376**	347	**341**	314
Later than one year but not later than five years	**954**	850	**868**	756
Later than five years	**375**	419	**347**	357
Total lease commitments - property, plant and equipment	**1,705**	1,616	**1,556**	1,427

	Group 2009 $M	Group 2008 $M
Group's share of lease commitments of associated entities due:		
Not later than one year	**3**	2
Later than one year but not later than five years	**6**	3
Later than five years	**9**	2
Total lease commitments - property, plant and equipment	**18**	7

Lease Arrangements

Leases entered into by the Group are for the purpose of accommodating the business needs. Leases may be over retail, commercial, industrial and residential premises and reflect the needs of the occupying business and market conditions. All leases are negotiated using either internal or external professional property resources acting for the Group.

Rental payments are determined in terms of relevant lease requirements, usually reflecting market rentals.

The Group as lessee has no purchase options over premises occupied. In a small number of cases, the Group as lessee has a right of first refusal if the premises are to be sold.

There are no restrictions imposed on the Group's lease of space other than those forming part of the negotiated lease arrangements for each specific premise.

Note 40 Contingent Liabilities, Assets and Commitments

The Group is involved in a range of transactions that give rise to contingent and/or future liabilities which are distinct from transactions and other events that result in the recognition of liabilities. These transactions meet the financing requirements of customers and include endorsed bills of exchange, letters of credit, guarantees and commitments to provide credit. For further details on these items refer Note 1 (gg).

These transactions combine varying levels of credit, interest rate, foreign exchange and liquidity risk. In accordance with Bank policy, exposure to any of these transactions is not carried at a level that would have a material adverse effect on the financial condition of the Bank and its controlled entities.

Details of contingent liabilities and off-balance sheet business are:

				Group
		Face Value		Credit Equivalent
	2009	2008	2009	2008
	$M	$M	$M	$M
Credit risk related instruments [1]				
Guarantees	**3,641**	2,802	**3,641**	2,802
Standby letters of credit	**206**	142	**206**	142
Bill endorsements	**537**	61	**538**	61
Documentary letters of credit	**43**	53	**43**	53
Performance related contingents	**1,994**	1,870	**1,951**	1,870
Commitments to provide credit	**117,887**	97,304	**100,798**	83,499
Other commitments	**401**	8,846	**265**	672
Total credit risk related instruments	**124,709**	111,078	**107,442**	89,099

(1) Differences between 2009 and 2008 credit equivalent amounts relate to adopting Basel II advanced internal ratings based approach for credit risk (previously calculated in accordance with Basel I). See below for more detail.

Guarantees represent unconditional undertakings by the Group to support the obligations of its customers to third parties.

Standby letters of credit are undertakings by the Group to pay, against production of documents, an obligation in the event of a default by a customer.

Bill endorsements relate to bills of exchange that have been endorsed by the Group and represent liabilities in the event of default by the acceptor and the drawer of the bill.

Documentary letters of credit represent an undertaking to pay or accept drafts drawn by an overseas supplier of goods against production of documents in the event of payment default by a customer.

Performance related contingents involve undertakings by the Group to pay third parties if a customer fails to fulfil a contractual non-monetary obligation.

Commitments to provide credit include all obligations on the part of the Group to provide credit facilities. These credit facilities are both fixed and variable.

Fixed rate or fixed spread commitments extended to customers that allow net settlement of the change in the value of the commitment are written options and are recorded at fair value (Refer to Note 11 Derivative Assets and Liabilities).

Other commitments include the Group's obligations under sale and repurchase agreements, outright forward purchases and forward deposits and underwriting facilities. Other commitments also include obligations not otherwise disclosed above to extend credit, that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense. In addition commitments to purchase or sell loans are included in other commitments.

The transactions are categorised and credit equivalents calculated under APRA guidelines for the risk based measurement of capital adequacy. The credit equivalent amounts are a measure of the potential loss to the Group in the event of non-performance by the counterparty.

Under the Basel II advanced internal ratings approach for credit risk, the credit equivalent amount is the face value of the transaction, on the basis that at default the exposure is the amount fully advanced. Only where approved by APRA may an exposure less than the fully advanced amount be used as the credit equivalent exposure.

As the potential loss depends on counterparty performance, the Group utilises the same credit policies and assessment criteria for off-balance sheet business as for on-balance sheet business and if deemed necessary, collateral is obtained based on management's credit evaluation of the counterparty. If an event has occurred that gives rise to a present obligation and it is probable a loss will eventuate then provisions are raised.

Contingent Assets

The credit risk related contingent liabilities of $124,709 million (2008: $111,078 million) detailed above also represent contingent assets of the Group, which may in the normal course convert to loans and other assets of the Group.

Note 40 Contingent Liabilities, Assets and Commitments (continued)

Fiduciary Activities

The Group and its associated entities conduct investment management and other fiduciary activities as responsible entity, trustee, custodian or manager for numerous investment funds and trusts, including superannuation and approved deposit funds, wholesale and retail trusts. The amounts of funds concerned that are not reported in the Group's Balance Sheet are as follows:

	2009 $M	2008 $M
Funds Under Administration		
Australia	**118,050**	133,980
United Kingdom	**22,759**	20,632
New Zealand	**8,667**	8,959
Asia	**10,451**	10,389
Total	**159,927**	173,960

Litigation

Neither the Bank nor any of its controlled entities are engaged in any litigation or claim which is likely to have a materially adverse effect on the business, financial condition or operating results of the Bank or any of its controlled entities. Where some loss is probable and can be reliably estimated an appropriate provision has been made.

Certain entities within the Group act as responsible entity or trustee of virtually all managed investment schemes ("schemes"), wholesale and retail trusts ("trusts") managed by the Group in Australia, the United Kingdom and New Zealand. The above Funds Under Administration do not include on balance sheet investments and policyholder liabilities held in the statutory funds of the life insurance business (refer to Note 10) where an entity within the Group may act as a trustee. Where entities within the Group act as responsible entity of managed investment schemes, obligations may exist under the relevant constitutions whereby upon request from a scheme member, the responsible entity has an obligation to redeem units from the assets of those schemes. Liabilities are incurred by these entities in their capacity as responsible entity or trustee. Rights of Indemnity are held against the schemes and trusts whose assets exceeded their liabilities at 30 June 2009. The Bank does not provide a general guarantee of the performance or obligations of its subsidiaries.

Long Term Contracts

In April 2009, the Bank entered into an agreement with Telstra Corporation Ltd for the provision of telecommunications services. The term of the agreement is ten years.

In 2009 the Bank entered into an Agreement for Lease with Lend Lease Development and Australian Prime Property Fund for Darling Walk, a new building in the Sydney CBD comprising over 50,000m^2 of commercial accommodation located above a retail podium. It is currently under construction and will accommodate around 4,900 of the Group's employees from early 2012.

In April 2009 the Group entered into an Agreement to Lease for 12 years (with options to extend) on completion of Raine Square, a new 21 level office tower in Perth that will provide almost 40,000m^2 of office accommodation above 3 levels of retail space. Once complete it will accommodate over 3,500 of the Group's Perth based employees. Bankwest has also exercised an extension option on existing premises from November 2009.

In April 2008, the Bank signed agreements with SAP Australia Pty Limited and Accenture Australia Limited for its Core Banking Modernisation program.

In December 2007, the Bank entered into separate agreements with each of Tata Consultancy Services Ltd, HCL Technologies Ltd and IBM Australia Ltd for the provision of application software related services. As part of entering into these contracts, the Bank terminated certain parts of the previous long term agreement with EDS (Australia) Pty Ltd relating to application software services. The remaining parts of the contract with EDS (Australia) Pty Ltd - related to mainframe, midrange, end user technology and cards-related services - continue until 2012.

In November 2007, the Bank signed a lease agreement with a term of 12 years with DPT Operator Pty Ltd and DPPT Operator Pty Ltd for accommodating approximately 5,000 of the Group's employees at Darling Park Tower 1 at 201 Sussex Street in the Sydney CBD.

In July 2006, the Bank entered into a lease agreement with Colonial First State Property Limited as trustee for both the Site 6 Homebush Bay Trust, and for the Site 7 Homebush Bay Trust relating to the provision of accommodation. The development is a campus style multi-building facility at Sydney Olympic Park to accommodate around 3,500 employees. The average lease term is 12 years.

In 2005, the Bank entered into lease agreements for a fully refurbished existing building at 150 George Street Parramatta, with Perpetual Nominees Limited (as a custodian for the Colonial First State Commercial Property Trust) and a newly constructed building at 101 George Street Parramatta, with Commonwealth Custodial Services Limited, relating to the provision of accommodation. Both buildings have an average lease term of 10 years.

Failure to Settle Risk

The Bank is subject to a credit risk exposure in the event that another financial institution fails to settle for its payments clearing activities, in accordance with the regulations and procedures of the following clearing systems of the Australian Payments Clearing Association Limited: The Australian Paper Clearing System, The Bulk Electronic Clearing System, The Consumer Electronic Clearing System and the High Value Clearing System (only if operating in "fallback mode"). This credit risk exposure is unquantifiable in advance, but is well understood, and is extinguished upon settlement at 9am each business day.

Service Agreements

The maximum contingent liability for termination benefits in respect of service agreements with the Chief Executive Officer and other Group Key Management Personnel at 30 June 2009 was $12.2 million (2008: $13.6 million).

Note 40 Contingent Liabilities, Assets and Commitments (continued)

Collateral

The Group has entered into a range of transactions with counterparties which require lodgement of collateral subject to agreed market valuation movement thresholds. Where these thresholds are exceeded, the Group may be required to either pledge assets to, or be entitled to receive pledged assets from, the counterparty to secure these transactions. The assets pledged or received are primarily in the form of cash and bonds.

The Group has the right to sell, repledge, or otherwise use collateral received from the pledgor, including any equity or right of redemption by the pledgor.

	Group		Bank	
	2009	2008	2009	2008
Collateral held	$M	$M	$M	$M
Cash	**1,497**	1,055	**1,463**	1,031
Assets at fair value through Income Statement	**1,734**	2,532	**1,733**	2,017
Collateral held	**3,231**	3,587	**3,196**	3,048

No securities have been repledged.

The Group has secured liabilities of $5,650 million (2008: $4,143 million). The table below sets out the assets pledged to secure these liabilities.

	Group		Bank	
	2009	2008	2009	2008
Assets pledged	$M	$M	$M	$M
Cash	**7,175**	40	**6,248**	40
Assets at fair value through Income Statement [(1)]	**6,330**	2,035	**2,170**	2,027
Assets pledged	**13,505**	2,075	**8,418**	2,067
Thereof can be repledged or resold by counterparty	**2,086**	1,435	**2,086**	1,427

(1) These balances include assets sold under repurchase agreements. The liabilities related to these repurchase agreements are disclosed in Note 22 Deposits and Other Public Borrowings.

Note 41 Market Risk Management

On 10 December 2007, the Group was one of the first banks in the world to be accredited to use the advanced internal ratings-based approach (AIRB) for credit risk and the advanced measurement approach (AMA) for operational risk for the purposes of assessing risk weighted assets and regulatory capital.

APRA gave approval to the Group to use an internal model approach for assessing capital required for Interest Rate Risk in the Banking Book (IRRBB) on 30 June 2008 (Note that Australia is the only country where the prudential banking regulator requires regulatory capital be held for IRRBB).

The measurement of market risk for traded assets remains unchanged from the original Basel I approach.

Detail is provided about the Group's risk management in the Integrated Risk Management section of this report and Note 15, Credit Risk Management. Further detail on the Group's assessment of regulatory capital required under the new Basel II framework is discussed in Note 34, Capital Adequacy.

Market Risk

For the purposes of market risk management, the Group makes a distinction between traded and non-traded market risks. Traded market risks arise from the Group's trading book activities within the Institutional Banking and Markets business.

Key non-traded market risks include IRRBB and non-traded equity risk on the Group's Balance Sheet. Other non-traded market risks are liquidity risk, funding risk, structural foreign exchange risk arising from capital investments in offshore operations, market risk arising from the insurance business and residual value risk. These risks are considered separately below.

Market Risk Measurement

The Group uses Value-at-Risk (VaR) as one of the measures of traded and non-traded market risk. VaR measures potential loss using historically observed market volatility and correlation between different markets. The VaR measured for traded market risk uses two years of daily market movements. The VaR measure for non-traded banking book market risk is based on six years of daily market movement history.

VaR is modelled at a 97.5% confidence level over a 1-day holding period for trading book positions and over a 20-day holding period for IRRBB, insurance business market risk and non-traded equity risk.

Because VaR is not an estimate of the maximum economic loss that the Group could experience from an extreme market event, management also uses stress testing to measure the potential for economic loss at significantly higher confidence levels than 97.5%. Management then uses these results in decisions made to manage the economic impact on market risk positions.

The following table provides a summary of VaR, where applicable, for all market risks across the Group.

Total Market Risk VaR (1-day 97.5% confidence) (1) (3)	Average VaR June 2009 $M	Average VaR Dec 2008 $M	Average VaR June 2008 $M	Average VaR Dec 2007 $M
Traded Market Risk	**10.30**	10. 20	10. 85	9. 12
Non-Traded Interest Rate Risk	**18.10**	16. 30	28. 50	15. 65
Structural FX Risk (2)	**n/a**	n/a	n/a	n/a
Non-Traded Equity Price Risk (2)	**44.00**	42. 00	29. 00	38. 00
Non-Traded Insurance Market Risk	**7.10**	15. 40	9. 30	8. 45
Residual Value Risk (2)	**n/a**	n/a	n/a	n/a
Defined Benefit Superannuation Risk (2)	**n/a**	n/a	n/a	n/a

(1) Average VaR calculated for each six month period.

(2) Certain types of risk exposure are not suitable for VaR measurement.

(3) The risk on these exposures has been represented in this table using a 1 day holding period. In practice however, these 'non-traded' exposures are managed to a longer expected holding period.

Traded Market Risk

The Group trades and distributes financial markets products and provides risk management services to clients on a global basis.

The objectives of the Group's financial markets activities are to:

- Provide risk management products and services to customers;
- Efficiently assist in managing the Group's own market risks; and
- Conduct profitable trading within a controlled framework, leveraging off the Group's market presence and expertise.

The Group maintains access to markets by quoting bid and offer prices with other market makers and carries an inventory of treasury, capital market and risk management instruments, including a broad range of securities and derivatives.

The Group is a participant in major markets across foreign exchange and interest rate products, debt, equity and commodities products as required to provide treasury, capital markets and risk management services to institutional, corporate, middle market and retail customers.

Income is earned from spreads achieved through market making and from taking market risk. Trading positions are valued at fair value and taken to profit and loss on a mark to market basis. Market liquidity risk is controlled by concentrating trading activity in highly liquid markets.

Trading assets at fair value through Income Statement are detailed in Note 10. Trading liabilities at fair value through Income Statement are in Note 24. Note 2 details the income contribution of trading activities to the income of the Group. Traded market risk is managed under a clearly defined risk appetite within the market risk policy and limit structure approved by the Risk Committee of the Board. Risk is monitored by an independent Market Risk Management function.

Note 41 Market Risk Management (continued)

The following table provides a summary of VaR for the trading book of the Group. The VaR for ASB and Bankwest is shown separately; all other data relates to the Group and is split by risk type.

Traded Market Risk VaR (1-day 97.5% confidence) [1]	Average VaR June 2009 $M	Average VaR Dec 2008 $M	Average VaR June 2008 $M	Average VaR Dec 2007 $M
Interest rate risk	**4.70**	4.10	3.88	3.92
Exchange rate risk	**3.20**	2.00	1.34	0.99
Implied volatility risk	**2.10**	1.40	1.04	0.86
Equities risk	**0.90**	1.00	0.45	0.35
Commodities risk	**0.90**	0.80	0.92	0.74
Credit Spread Risk	**2.60**	3.10	4.65	4.00
Diversification benefit	**(6.70)**	(5.80)	(5.62)	(4.80)
Total general market risk	**7.70**	6.60	6.66	6.06
Undiversified Risk	**1.40**	2.10	3.08	2.33
ASB Bank	**1.10**	1.30	1.11	0.73
Bankwest [2]	**0.10**	0.20	-	-
Total	**10.30**	10.20	10.85	9.12

(1) Average VaR calculated for each six month period.

(2) Bankwest has been included from 31 December 2008.

Non-Traded Market Risk

Non-traded market risk activities are governed by the Group market risk framework approved by the Risk Committee of the Board. Implementation of the policy, procedures and limits for the Group is the responsibility of the Group Executive of the associated Business Unit with senior management oversight by the Group's Asset and Liability Committee. Independent management of the non-traded market risk activities of offshore banking subsidiaries is delegated to the CEO of each entity with oversight by the local Asset and Liability Committee.

Interest Rate Risk in the Banking Book

Interest rate risk in the Group's Balance Sheet is the risk of adverse changes in expected net interest earnings in current and future years from changes in interest rates on mismatched assets and liabilities in the banking book. The objective is to manage interest rate risk to achieve stable and sustainable net interest earnings in the long term.

The Group measures and manages Balance Sheet interest rate risk in two ways:

(a) Next 12 months' earnings

The risk to net interest earnings over the next 12 months from changes in interest rates is measured on a monthly basis. Risk is measured assuming an instantaneous 100 basis point parallel movement in interest rates across the yield curve.

Potential variations in net interest earnings are measured using a simulation model that takes into account the projected change in Balance Sheet asset and liability levels and mix. Assets and liabilities with pricing directly based on market rates are repriced based on the full extent of the rate shock that is applied. Risk on the other assets and liabilities (those priced at the discretion of the Group) are measured by taking into account both the manner in which the products have repriced in the past as well as the expected change in price based on the current competitive market environment.

The figures in the following table represent the potential unfavourable change to the Group's net interest earnings during the year based on a 100 basis point parallel rate shock (increase) and the expected unfavourable net change in price of assets and liabilities held for purposes other than trading.

Net Interest Earnings at Risk		30/6/09 $M	31/12/08 $M	30/6/08 $M	31/12/07 $M
Average monthly exposure	AUD	**151.4**	161.1	28.1	45.0
	NZD	**11.0**	19.9	15.6	6.9
High monthly exposure	AUD	**214.1**	209.9	70.0	57.5
	NZD	**19.2**	29.0	24.3	12.9
Low monthly exposure	AUD	**86.5**	91.1	0.4	29.0
	NZD	**4.8**	12.3	3.9	3.1

(b) Economic Value

A 20-day 97.5% VaR measure is used to capture the economic impact of adverse changes in interest rates on all banking book assets and liabilities. This analysis measures the potential change in the net present value of cash flows of assets and liabilities. Cash flows for fixed rate products are included on a contractual basis, after adjustment for forecast prepayment activities. Cash flows for products repriced at the discretion of the Group are based on the expected repricing characteristics of those products.

The figures in the following table represent the net present value of the expected change in the Group's future earnings in all future periods for the remaining term of all existing assets and liabilities.

Non-Traded Interest Rate VaR (20 day 97.5% confidence) [1]	Average VaR June 2009 $M	Average VaR Dec 2008 $M	Average VaR June 2008 $M	Average VaR Dec 2007 $M
AUD Interest rate risk	**81.2**	72.8	123.6	65.8
NZD Interest rate risk [2]	**0.7**	1.1	3.8	4.2

(1) VaR is only for entities that have material risk exposure.

(2) ASB data (expressed in NZD) is for the month end date.

Structural Foreign Exchange Risk

Foreign exchange risk is the risk to earnings and value caused by a change in foreign exchange rates. Structural, Balance Sheet, foreign exchange risk is managed in accordance with principles approved by the Risk Committee of the Board. Hedging strategies are based on the source of the funds and the expected life of the investments. The Group principally hedges Balance Sheet foreign exchange risks except for those associated with long term capital investments in offshore branches and subsidiaries. The Group's only significant structural foreign exchange exposure occurs due to the Group's capitalisation of ASB.

Note 41 Market Risk Management (continued)

Non-traded Equity Price Risk

The Group retains non-traded equity risk through strategic investments and business development activities in divisions including Institutional Banking & Markets, International Financial Services and Wealth Management. This activity is subject to governance arrangements approved by the Risk Committee of the Board, and is monitored on a centralised basis within the Market Risk Management function. On an indicative basis a 20-day 97.5% VaR measure is as follows:

Non-Traded Equity VaR (20 day 97.5% confidence)	June 2009 $M	Dec 2008 $M	June 2009 $M	Dec 2007 $M
VaR	171.0	168. 0	115. 0	155. 0
Notional Amount	1,404.0	1,437. 0	1,588. 0	2,267. 0

Market Risk in Insurance Businesses

Although still modest in the broader Group context, a significant component of non-traded market risk activities result from the holding of assets related to the Life Insurance Businesses. There are two main sources of market risk in these Businesses – market risk arising from guarantees made to policyholders and market risk arising from the investment of Shareholders' capital.

A second order market risk also arises for the Group from assets held for investment linked policies. On this type of contract the policyholder takes the risk of falls in the market value of the assets. However, falls in market value also impact funds under management and reduce the fee income collected for this class of business.

Guarantee (to Policyholders)

All financial assets within the Life Insurance statutory funds directly support either the Group's life insurance or life investment contracts. Market risk arises for the Group on contracts where the liabilities to policyholders are guaranteed by the Group. The Group manages this risk by the monthly monitoring and rebalancing of assets to contract liabilities. However, for some contracts the ability to match asset characteristics with policy obligations is constrained by a number of factors including regulatory constraints, the lack of suitable investments as well as by the nature of the policy liabilities themselves. Wherever possible within regulatory constraints, the Group segregates policyholders' funds from Shareholders' funds and sets investment mandates that are appropriate for each.

Shareholders' Capital

A portion of financial assets held within the Insurance Business, both within the Statutory Funds and in the Shareholder Funds of the Life insurance company represents shareholder (Group) capital. Market risk also arises for the Group on the investment of this capital. As at 30 June 2009, Shareholders' funds in the Australian Life Insurance Businesses are invested 80% in income assets (cash and fixed interest) and 20% in growth assets (shares and property).

A 20-day 97.5% VaR measure is used to capture the non-traded market risk exposures in the table below.

Non-Traded VaR in Australian life insurance business (20 day 97.5% confidence)	Average VaR June 2009 $M	Average VaR Dec 2008 $M	Average VaR June 2008 $M	Average VaR Dec 2007 $M
Shareholder Funds	23.4	28. 2	25. 7	22. 3
Guarantees (to Policyholders) (2)	42.8	40. 5	19. 2	14. 8

(1) VaR in relation to the investment of shareholder funds.

(2) VaR in relation to product portfolios where the Group has a guaranteed liability to policyholders.

Further information on the life insurance business can be found in Note 36, Life Insurance Business.

Residual Value Risk

The Group takes residual value risk on assets such as industrial and mining equipment, rail, aircraft, marine technology, healthcare and other equipment. A residual value guarantee exposes the business to the movement in second hand asset prices. The residual value risk within the Group is controlled through a risk management framework approved by the Risk Committee of the Board. The framework includes asset, geographic and maturity concentration limits and stress testing which is performed by the independent Market Risk Management function.

Note 41 Market Risk Management (continued)

The following table represents the Group's contractual interest rate sensitivity for repricing mismatches as at 30 June 2009 and corresponding weighted average effective interest rates. The net mismatch represents the net value of assets, liabilities and off-balance sheet instruments that may be repriced in the time periods shown.

All assets and liabilities are shown according to contractual repricing dates. Options are shown in the mismatch report using the delta equivalents of the option face values.

Interest Rate Risk Sensitivity	Repricing Period at 30 June 2009								
	Balance Sheet Total $M	0 to 1 month $M	1 to 3 months $M	3 to 6 months $M	6 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Interest Bearing $M	Weighted Average Rate %
Australia									
Assets									
Cash and liquid assets	5,509	4,711	23	-	-	-	-	775	1.74
Receivables due from other financial institutions	8,590	7,954	504	-	15	-	-	117	1.26
Assets at fair value through Income Statement:									
Trading	20,202	19,852	295	-	33	16	2	4	3.01
Insurance	15,569	77	256	25	6	79	85	15,041	4.78
Other	90	61	23	5	-	1	-	-	4.05
Derivative assets	22,173	-	-	-	-	-	-	22,173	-
Available-for-sale investments	15,902	4,763	3,000	119	385	4,760	2,604	271	4.93
Loans, bills discounted and other receivables	406,638	325,585	15,139	8,636	13,243	43,400	3,687	(3,052)	5.03
Bank acceptances of customers	14,727	-	-	-	-	-	-	14,727	-
Property, plant and equipment	2,269	-	-	-	-	-	-	2,269	-
Investment in associates	1,047	-	-	-	-	-	-	1,047	-
Intangible assets	8,641	-	-	-	-	-	-	8,641	-
Deferred tax assets	1,526	-	-	-	-	-	-	1,526	-
Other assets	5,101	-	-	-	-	-	-	5,101	-
Assets held for sale	370	-	-	-	-	-	131	239	10.00
Total assets	528,354	363,003	19,240	8,785	13,682	48,256	6,509	68,879	(3)
Liabilities									
Deposits and other public borrowings	324,842	228,856	50,372	20,486	6,631	11,343	19	7,135	4.05
Payables due to other financial institutions	5,981	5,970	4	-	7	-	-	-	1.12
Liabilities at fair value through Income Statement	3,531	2,569	98	39	96	490	239	-	2.57
Derivative liabilities	26,430	-	-	-	-	-	-	26,430	-
Bank acceptances	14,727	-	-	-	-	-	-	14,727	-
Current tax liabilities	767	-	-	-	-	-	-	767	-
Other provisions	1,215	-	-	-	-	-	-	1,215	-
Insurance policy liabilities (1)	14,457	-	-	-	-	-	-	14,457	
Debt issues	77,994	17,096	19,218	3,772	3,798	31,984	2,126	-	2.47
Managed funds units on issue	914	-	-	-	-	-	-	914	-
Bills payable and other liabilities	8,163	-	-	-	-	-	-	8,163	-
	479,021	254,491	69,692	24,297	10,532	43,817	2,384	73,808	
Loan capital	9,441	3,579	2,788	-	572	1,414	1,088	-	3.50
Total liabilities	488,462	258,070	72,480	24,297	11,104	45,231	3,472	73,808	(3)
Shareholders' equity									
Share capital and other equity	28,612	-	-	-	-	-	-	28,612	-
Minority interests	-	-	-	-	-	-	-	-	-
Total Shareholders' equity	28,612	-	-	-	-	-	-	28,612	
Derivatives	(2)	(43,355)	(8,862)	(11,473)	26,580	38,479	(1,369)	-	(3)
Net mismatch	(2)	61,578	(62,102)	(26,985)	29,158	41,504	1,668	(33,541)	(3)
Cumulative mismatch	(2)	61,578	(524)	(27,509)	1,649	43,153	44,821	11,280	(3)

(1) Technically, the insurance policy liabilities are not interest bearing, but the amount of the liability may change in line with changes in interest rates, particularly with investment linked policies.

(2) No Balance Sheet amount applicable.

(3) No rate applicable.

Note 41 Market Risk Management (continued)

Interest Rate Risk Sensitivity — Repricing Period at 30 June 2009

	Balance Sheet Total $M	0 to 1 month $M	1 to 3 months $M	3 to 6 months $M	6 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Interest Bearing $M	Weighted Average Rate %
Overseas									
Assets									
Cash and liquid assets	5,831	5,446	241	7	20	-	-	117	0.72
Receivables due from other financial institutions	5,831	3,406	1,674	713	24	8	-	6	1.15
Assets at fair value through Income Statement:									
Trading	5,199	784	2,010	1,377	52	865	105	6	4.10
Insurance	1,691	767	9	132	3	19	-	761	3.74
Other	1,587	1,186	146	7	7	241	-	-	2.34
Derivative assets	4,185	-	-	-	-	-	-	4,185	-
Available-for-sale investments	5,602	786	1,380	1,557	1,026	290	536	27	1.59
Loans, bills discounted and other receivables	59,993	22,996	10,025	6,859	5,469	14,010	806	(172)	6.01
Bank acceptances of customers	1	-	-	-	-	-	-	1	-
Property, plant and equipment	203	-	-	-	-	-	-	203	-
Intangible assets	604	-	-	-	-	-	-	604	-
Deferred tax assets	127	-	-	-	-	-	-	127	-
Other assets	969	-	-	-	-	-	-	969	-
Assets held for sale	195	-	50	-	-	-	-	145	10.00
Total assets	92,018	35,371	15,535	10,652	6,601	15,433	1,447	6,979	(3)
Liabilities									
Deposits and other public borrowings	43,879	22,373	7,748	6,368	4,080	1,809	20	1,481	1.02
Payables due to other financial institutions	9,128	6,514	1,758	733	123	-	-	-	0.72
Liabilities at fair value through Income Statement	13,065	4,204	4,779	2,155	831	1,075	21	-	1.82
Derivative liabilities	5,704	-	-	-	-	-	-	5,704	-
Bank acceptances	1	-	-	-	-	-	-	1	-
Current tax liabilities	116	-	-	-	-	-	-	116	-
Deferred tax liabilities	168	-	-	-	-	-	-	168	-
Other provisions	28	-	-	-	-	-	-	28	-
Insurance policy liabilities (1)	1,599	-	-	-	-	-	-	1,599	
Debt issues	23,825	4,927	15,590	2,160	115	680	353	-	1.08
Bills payable and other liabilities	357	-	-	-	-	-	-	357	-
	97,870	38,018	29,875	11,416	5,149	3,564	394	9,454	-
Loan capital	2,598	2,127	-	-	-	465	6	-	5.09
Total liabilities	100,468	40,145	29,875	11,416	5,149	4,029	400	9,454	(3)
Shareholders' equity									
Share capital and other equity	2,310	-	-	-	-	-	-	2,310	-
Minority interests	520	-	-	-	-	-	-	520	-
Total Shareholders' equity	2,830	-	-	-	-	-	-	2,830	
Derivatives	(2)	(3,105)	4,927	4,870	(259)	(7,934)	1,501	-	(3)
Net mismatch	(2)	(7,879)	(9,413)	4,106	1,193	3,470	2,548	(5,305)	(3)
Cumulative mismatch	(2)	(7,879)	(17,292)	(13,186)	(11,993)	(8,523)	(5,975)	(11,280)	(3)

(1) Technically, the insurance policy liabilities are not interest bearing, but the amount of the liability may change in line with changes in interest rates, particularly with investment linked policies.

(2) No Balance Sheet amount applicable.

(3) No rate applicable.

Notes to the Financial Statements

Note 41 Market Risk Management (continued)

Interest Rate Risk Sensitivity	Repricing Period at 30 June 2008								
	Balance Sheet Total $M	0 to 1 month $M	1 to 3 months $M	3 to 6 months $M	6 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Interest Bearing $M	Weighted Average Rate %
Australia									
Assets									
Cash and liquid assets	4,841	4,042	-	-	-	-	-	799	6.74
Receivables due from other financial institutions	4,880	4,097	461	91	-	-	-	231	3.90
Assets at fair value through Income Statement:									
Trading	18,457	18,210	70	-	37	112	28	-	7.81
Insurance	18,676	1,503	1,301	42	465	2,961	2,769	9,635	7.86
Other	295	274	-	-	-	21	-	-	7.98
Derivative assets	16,339	-	-	-	-	-	-	16,339	-
Available-for-sale investments	7,164	2,131	466	412	-	3,584	251	320	8.85
Loans, bills discounted and other receivables	305,475	215,054	14,716	7,660	15,069	50,434	3,801	(1,259)	7.83
Bank acceptances of customers	18,278	-	-	-	-	-	-	18,278	-
Property, plant and equipment	1,449	-	-	-	-	-	-	1,449	-
Investment in associates	906	-	-	-	-	-	-	906	-
Intangible assets	7,618	-	-	-	-	-	-	7,618	-
Deferred tax assets	33	-	-	-	-	-	-	33	-
Other assets	5,402	-	-	-	-	-	-	5,402	-
Assets held for sale	412	-	-	-	-	-	140	272	10.00
Total assets	410,225	245,311	17,014	8,205	15,571	57,112	6,989	60,023	(3)
Liabilities									
Deposits and other public borrowings	233,934	162,993	38,687	15,268	7,817	3,005	22	6,142	6.81
Payables due to other financial institutions	4,390	4,146	240	-	4	-	-	-	5.33
Liabilities at fair value through Income Statement	2,915	1,871	15	18	56	698	257	-	6.86
Derivative liabilities	16,893	-	-	-	-	-	-	16,893	-
Bank acceptances	18,278	-	-	-	-	-	-	18,278	-
Current tax liabilities	696	-	-	-	-	-	-	696	-
Other provisions	1,129	-	-	-	-	-	-	1,129	-
Insurance policy liabilities (1)	16,594	-	-	-	-	-	-	16,594	-
Debt issues	67,119	22,722	12,559	4,266	5,195	20,969	1,408	-	5.92
Managed funds units on issue	1,109	-	-	-	-	-	-	1,109	-
Bills payable and other liabilities	6,532	-	-	-	-	-	-	6,532	-
	369,589	191,732	51,501	19,552	13,072	24,672	1,687	67,373	
Loan capital	9,085	2,261	3,970	-	300	1,385	1,169	-	5.95
Total liabilities	378,674	193,993	55,471	19,552	13,372	26,057	2,856	67,373	(3)
Shareholders' equity									
Share capital and other equity	24,542	-	-	-	-	-	-	24,542	-
Minority interests	1	-	-	-	-	-	-	1	-
Total Shareholders' equity	24,543	-	-	-	-	-	-	24,543	
Derivatives	(2)	(22,559)	(4,501)	7,999	17,976	2,251	(1,166)	-	(3)
Net mismatch	(2)	28,759	(42,958)	(3,348)	20,175	33,306	2,967	(31,893)	(3)
Cumulative mismatch	(2)	28,759	(14,199)	(17,547)	2,628	35,934	38,901	7,008	(3)

(1) Technically, the insurance policy liabilities are not interest bearing, but the amount of the liability may change in line with changes in interest rates, particularly with investment linked policies.

(2) No Balance Sheet amount applicable.

(3) No rate applicable.

Note 41 Market Risk Management (continued)

Interest Rate Risk Sensitivity	Repricing Period at 30 June 2008								
	Balance Sheet Total $M	0 to 1 month $M	1 to 3 months $M	3 to 6 months $M	6 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Interest Bearing $M	Weighted Average Rate %
Overseas									
Assets									
Cash and liquid assets	2,895	2,764	40	-	3	-	-	88	4.19
Receivables due from other financial institutions	2,104	1,249	467	216	47	-	-	125	3.55
Assets at fair value through Income Statement:									
Trading	3,219	569	1,676	166	5	667	134	2	7.80
Insurance	1,974	644	12	17	5	25	167	1,104	3.41
Other	2,971	1,079	793	87	291	701	-	20	5.28
Derivative assets	1,893	-	-	-	-	-	-	1,893	-
Available-for-sale investments	4,324	1,061	165	1,269	1,226	567	3	33	4.34
Loans, bills discounted and other receivables	55,807	15,312	7,485	5,655	6,610	19,667	1,165	(87)	8.16
Property, plant and equipment	191	-	-	-	-	-	-	191	-
Intangible assets	640	-	-	-	-	-	-	640	-
Deferred tax assets	43	-	-	-	-	-	-	43	-
Other assets	1,090	-	-	-	-	-	-	1,090	-
Assets held for sale	196	-	-	-	-	-	51	145	10.00
Total assets	77,347	22,678	10,638	7,410	8,187	21,627	1,520	5,287	(3)
Liabilities									
Deposits and other public borrowings	29,772	16,057	5,713	3,353	2,487	676	18	1,468	5.85
Payables due to other financial institutions	13,282	11,226	1,740	315	1	-	-	-	3.00
Liabilities at fair value through Income	12,611	1,635	4,218	2,768	1,262	2,712	16	-	6.34
Derivative liabilities	2,648	-	-	-	-	-	-	2,648	-
Current tax liabilities	72	-	-	-	-	-	-	72	-
Deferred tax liabilities	266	-	-	-	-	-	-	266	-
Other provisions	45	-	-	-	-	-	-	45	-
Insurance policy liabilities (1)	1,901	-	-	-	-	-	-	1,901	-
Debt issues	18,698	6,436	9,723	1,031	858	498	152	-	3.69
Bills payable and other liabilities	992	-	-	-	-	-	-	992	-
	80,287	35,354	21,394	7,467	4,608	3,886	186	7,392	
Loan capital	2,474	1,442	-	-	-	455	577	-	7.98
Total liabilities	82,761	36,796	21,394	7,467	4,608	4,341	763	7,392	(3)
Shareholders' equity									
Share capital and other equity	1,077	-	-	-	-	-	-	1,077	-
Minority interests	517	-	-	-	-	-	-	517	-
Total Shareholders' equity	1,594	-	-	-	-	-	-	1,594	
Derivatives	(2)	2,662	13,353	(1,604)	(599)	(13,543)	(269)	-	(3)
Net mismatch	(2)	(11,456)	2,597	(1,661)	2,980	3,743	488	(3,699)	(3)
Cumulative mismatch	(2)	(11,456)	(8,859)	(10,520)	(7,540)	(3,797)	(3,309)	(7,008)	(3)

(1) Technically, the insurance policy liabilities are not interest bearing, but the amount of the liability may change in line with changes in interest rates, particularly with investment linked policies.

(2) No Balance Sheet amount applicable.

(3) No rate applicable.

Note 41 Market Risk Management (continued)

Liquidity and Funding Risk

Overview

Balance Sheet liquidity risk is the risk of being unable to meet financial obligations as they fall due. The Group manages liquidity requirements by currency and by geographical location of its operations. Subsidiaries are also included in the Group's liquidity policy framework.

Funding risk is the risk of over-reliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds. The funding requirements are integrated into the Group's liquidity and funding policy with its aim to ensure the Group has a stable diversified funding base without over-reliance on any one market sector.

The Group's liquidity and funding policies are designed to ensure it will meet its obligations as and when they fall due, by ensuring it is able to borrow funds on an unsecured basis, or has sufficient quality assets to borrow against on a secured basis, or has sufficient quality liquid assets to sell to raise immediate funds without adversely affecting the Group's net asset value.

The Group's funding policies and risk management framework complement the Group's liquidity policies by ensuring an optimal liability structure to finance the Group's businesses. The long term stability and security of the Group's funding is also designed to protect its liquidity position in the event of a crisis specific to the Group.

The Group's liquidity policies are designed to ensure it maintains sufficient cash balances and liquid asset holdings to meet its obligations to customers, in both ordinary market conditions and during periods of extreme stress. These policies are intended to protect the value of the Group's operations during periods of unfavourable market conditions, such as have been experienced since August 2007.

The Group's funding policies are designed to achieve diversified sources of funding by product, term, maturity date, investor type, investor location, jurisdiction, currency and concentration, on a cost-effective basis. This objective applies to the Group's wholesale and retail funding activities. The Group's retail funding base formed approximately 58% of its total funding requirements as at 30 June 2009 (June 2008: 57%).

The Risk Management Framework for Liquidity and Funding

The Group's liquidity and funding policies are approved by the Board and agreed with the Australian Prudential Regulation Authority ("APRA"). The Group has an Asset and Liability Committee whose charter includes reviewing the management of assets and liabilities, reviewing liquidity and funding policies and strategies, as well as regularly monitoring compliance with those policies across the Group. The Group Treasury division manages the Group's liquidity and funding positions in accordance with the Group's liquidity policy, including monitoring and satisfying the liquidity needs of the Group and its subsidiaries.

Larger domestic subsidiaries, such as CBFC Limited and subsidiaries within the Colonial Group, also apply their own liquidity and funding methods to address their specific needs.

The Group's New Zealand banking subsidiary, ASB Bank Limited ("ASB"), manages its own domestic liquidity and funding needs in accordance with its own liquidity policies and the policies of the Group. ASB's liquidity policy is also overseen by the Reserve Bank of New Zealand.

The Group also has relatively small banking subsidiaries in Indonesia and Fiji that manage their liquidity and funding on a similar basis.

The Group's Financial Services and Risk Management divisions provide prudential oversight of the Group's liquidity and funding risk and manage the Group's relationship with prudential regulators.

Liquidity and Funding Policies and Management

The Group's liquidity and funding policies provide that:

- Balance sheet assets that cannot be liquidated quickly are funded with deposits or term borrowings that meet minimum maturity requirements with appropriate liquidity buffers;
- Short and long term wholesale funding limits are established and reviewed regularly based on surveys and analysis of market capacity;
- A minimum level of assets are retained in highly liquid form;
- The level of liquid assets complies with crisis scenario assumptions related to "worst case" wholesale and retail market conditions; is adequate to meet known funding obligations over certain timeframes and are allocated across Australian dollar and foreign currency denominated securities in accordance with specific calculations;
- Certain levels of liquid assets are held to provide for the risk of the Group's committed but un-drawn lending obligations being drawn by customers, as calculated based on draw down estimates and forecasts; and
- The Group maintains certain levels of liquid assets categories within its liquid assets portfolio. The first category includes negotiable certificates of deposit of Australian banks, bank bills, Commonwealth of Australia Government and Australian state and semi-government bonds and supra-national bonds eligible for repurchase by the Reserve Bank of Australia ("RBA") at any time. The second category is AAA and A-1+ rated Australian residential mortgage backed securities that meet certain minimum requirements.

At 30 June 2009 around 100% of the Group's Australian dollar liquid assets qualified for repurchase by the RBA at any time.

The Group's key liquidity tools include:

- A liquidity management model similar to a "cash flow ladder" or "maturity gap analysis", that allows forecasting of liquidity needs on a daily basis;
- An additional liquidity management model that implements the agreed prudential liquidity policies. This model is calibrated with a series of "worst case" liquidity crisis scenarios, incorporating both systemic and "name" crisis assumptions, such that the Group will have sufficient liquid assets available to ensure it meets all of its obligations as and when they fall due;
- The RBA's repurchase agreement facilities provide the Group with the ability to borrow funds on a secured basis, even when normal funding markets are unavailable; and
- The Group's various short term funding programmes are supplemented by the Interbank Deposit Agreement between the four major Australian banks. This agreement is similar to a standby liquidity facility that allows the Group to access funding in various crisis circumstances.

Note 41 Market Risk Management (continued)

Liquidity and Funding Risk (continued)

The Group's key funding tools include:

- Its consumer, small business and institutional deposit base;
- Its consumer retail funding base includes a wide range of retail transaction accounts, investment accounts, term deposits and retirement style accounts for individual consumers; and
- Its wholesale international and domestic funding programmes which includes its: Australian dollar Negotiable Certificates of Deposit programme; Transferable Certificate of Deposit programme; Australian dollar bank bill programme; Australian, U.S. and Euro Commercial Paper programmes; U.S. Extendible Notes programme; Australian dollar domestic borrowing programme; U.S. Medium Term Note Programme; Euro Medium Term Note Programme and its Medallion "Regulation AB" securitisation programme.

The chart below illustrates the liquidity profile of the Group's outstanding wholesale debt liabilities at 30 June 2009, broken down by type of debt instrument and maturity.

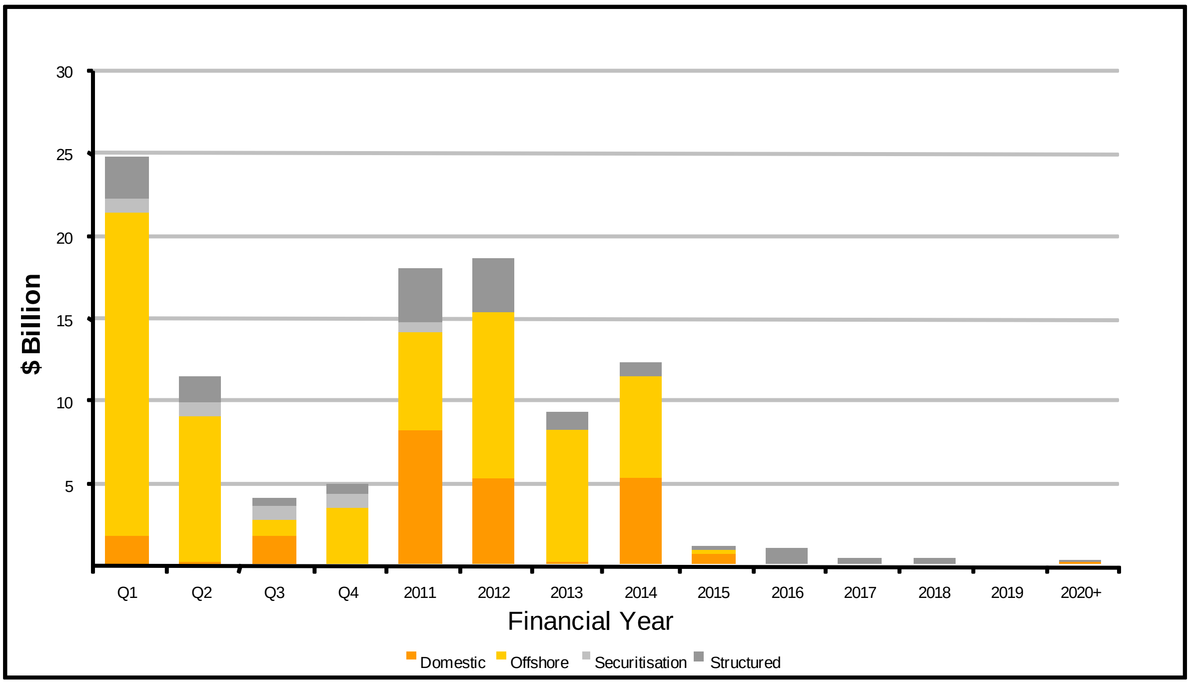
Recent Market Environment

Although the cost of liquidity and funding has increased significantly since July 2007 due to unfavourable market conditions, the Group's liquidity and funding policies have remained unchanged throughout this period, as they have proven to be effective during the recent global financial crisis. Nonetheless, the Group plans on thoroughly reviewing its liquidity policies and practices after new guidance is provided by APRA, which is expected later this year.

The Group has managed its liquidity to avoid concentrations such as dependence on single sources of funding and has taken advantage of its diversified funding base and significant funding capacity in the global unsecured debt markets.

Since October 2008, the Reserve Bank of Australia (RBA) and the Reserve Bank of New Zealand (RBNZ) have accepted internal residential mortgage-backed securities (RMBS) and asset-backed commercial paper (ABCP) as collateral in their repurchase operations. This has allowed the Group to borrow funds from the RBA and the RBNZ using RMBS created by securitising a portion of its prime residential mortgage portfolio. At 30 June 2009 the Group has $43 billon of formally securitised home loans which could provide additional funding from the RBA and the RBNZ.

Details of the Group's regulatory capital position and capital management activities are disclosed in Note 34 Capital Adequacy.



Note 41 Market Risk Management (continued)

Maturity Analysis of Monetary Liabilities

Amounts shown in the tables below are based on contractual undiscounted cash flows for the remaining contractual maturities.

Group Maturity Period at 30 June 2009	At Call $M	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Specified $M	Total $M
Liabilities							
Deposits and other public borrowings (1)	183,878	117,673	50,013	20,642	143	-	372,349
Payables due to other financial institutions	1,582	12,347	1,203	-	-	-	15,132
Liabilities at fair value through Income Statement	-	8,915	3,694	3,082	1,564	-	17,255
Derivative liabilities (2) (3)	-	33,687	2,018	3,967	2,765	-	42,437
Bank acceptances	-	14,444	284	-	-	-	14,728
Insurance policy liabilities	-	-	-	-	-	16,056	16,056
Debt issues and loan capital	-	24,695	18,754	62,030	27,513	-	132,992
Managed funds units on issue	-	-	-	-	-	914	914
Other monetary liabilities	1,094	3,020	1,620	127	-	444	6,305
Total monetary liabilities	186,554	214,781	77,586	89,848	31,985	17,414	618,168
Guarantees	-	197	328	2,486	490	141	3,642
Loan commitments	-	271	18,833	35,256	26,649	36,879	117,888
Other commitments	-	65	413	2,549	85	72	3,184
Total off balance sheet items	-	533	19,574	40,291	27,224	37,092	124,714
Total monetary liabilities and off balance sheet items	186,554	215,314	97,160	130,139	59,209	54,506	742,882

(1) Includes substantial "core" deposits that are contractually at call customer savings and cheque accounts. Historical experience is that such accounts provide a stable source of long term funding for the Bank. Also refer to Interest Rate Risk Sensitivity table.

(2) Gross payable amounts on cross currency swaps have been reported in derivative liabilities. The Group has corresponding receivables on these cross currency swaps that have not been reported, in accordance with the requirements of AASB 7 Financial Instruments Disclosures. The terms of the cross currency swap agreements entered into by the Group allow for net settlement in the event of certain specific circumstances including default of the counterparties.

(3) All trading derivatives are included in the 0 to 3 months maturity band.

Group Maturity Period at 30 June 2008	At Call $M	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Specified $M	Total $M
Liabilities							
Deposits and other public borrowings (1)	135,763	76,884	50,896	4,537	62	-	268,142
Payables due to other financial institutions	1,893	15,436	419	-	-	-	17,748
Liabilities at fair value through Income Statement	-	7,990	4,271	2,834	1,984	-	17,079
Derivative liabilities (2) (3)	-	16,909	159	3,746	2,927	-	23,741
Bank acceptances	-	18,041	237	-	-	-	18,278
Insurance policy liabilities	-	-	-	-	-	18,495	18,495
Debt issues and loan capital	-	24,008	16,794	43,924	33,533	-	118,259
Managed funds units on issue	-	-	-	-	-	1,109	1,109
Other monetary liabilities	747	2,170	1,199	506	-	542	5,164
Total monetary liabilities	138,403	161,438	73,975	55,547	38,506	20,146	488,015
Guarantees	-	-	88	2,295	419	-	2,802
Loan commitments	-	-	11,980	36,463	21,290	27,571	97,304
Other commitments	-	-	2,238	7,741	994	-	10,973
Total off balance sheet items	-	-	14,306	46,499	22,703	27,571	111,079
Total monetary liabilities and off balance sheet items	138,403	161,438	88,281	102,046	61,209	47,717	599,094

(1) Includes substantial "core" deposits that are contractually at call customer savings and cheque accounts. Historical experience is that such accounts provide a stable source of long term funding for the Bank. Also refer to Interest Rate Risk Sensitivity table.

(2) Gross payable amounts on cross currency swaps have been reported in derivative liabilities. The Group has corresponding receivables on these cross currency swaps that have not been reported, in accordance with the requirements of AASB 7 Financial Instruments Disclosures. The terms of the cross currency swap agreements entered into by the Group allow for net settlement in the event of certain specific circumstances including default of the counterparties.

(3) All trading derivatives are included in the 0 to 3 months maturity band.

Note 41 Market Risk Management (continued)

Maturity Analysis of Monetary Liabilities

Amounts shown in the tables below are based on contractual undiscounted cash flows for the remaining contractual maturities.

	At Call	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Not Specified	Total
	Bank						
	Maturity Period at 30 June 2009						
	$M	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Liabilities							
Deposits and other public borrowings (1)	144,011	103,808	41,737	18,615	130	-	308,301
Payables due to other financial institutions	1,485	12,277	1,203	-	-	-	14,965
Liabilities at fair value through Income Statement	-	116	269	2,033	1,703	-	4,121
Derivative liabilities (2) (3)	-	29,511	559	992	2,745	-	33,807
Bank acceptances	-	14,442	284	-	-	-	14,726
Debt issues and loan capital	-	5,568	13,106	45,307	25,207	-	89,188
Due to controlled entities	-	50,871	17,266	12,471	476	-	81,084
Other monetary liabilities	3,301	1,758	1,429	18	-	210	6,716
Total monetary liabilities	148,797	218,351	75,853	79,436	30,261	210	552,908
Guarantees	-	-	117	2,266	428	-	2,811
Loan commitments	-	-	15,439	32,349	22,489	31,776	102,053
Other commitments	-	-	246	2,317	83	-	2,646
Total off balance sheet items	-	-	15,802	36,932	23,000	31,776	107,510
Total monetary liabilities and off balance sheet items	148,797	218,351	91,655	116,368	53,261	31,986	660,418

(1) Includes substantial "core" deposits that are contractually at call customer savings and cheque accounts. Historical experience is that such accounts provide a stable source of long term funding for the Bank. Also refer to Interest Rate Risk Sensitivity table.

(2) Gross payable amounts on cross currency swaps have been reported in derivative liabilities. The Group has corresponding receivables on these cross currency swaps that have not been reported, in accordance with the requirements of AASB 7 Financial Instruments Disclosures. The terms of the cross currency swap agreements entered into by the Group allow for net settlement in the event of certain specific circumstances including default of the counterparties.

(3) All trading derivatives are included in the 0 to 3 months maturity band.

	At Call	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Not Specified	Total
	Bank						
	Maturity Period at 30 June 2008						
	$M	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Liabilities							
Deposits and other public borrowings (1)	126,725	72,993	41,533	3,126	62	-	244,439
Payables due to other financial institutions	1,845	15,436	419	-	-	-	17,700
Liabilities at fair value through Income Statement	-	221	176	1,912	1,975	-	4,284
Derivative liabilities (2) (3)	-	17,243	150	3,708	2,927	-	24,028
Bank acceptances	-	18,041	237	-	-	-	18,278
Debt issues and loan capital	-	8,718	11,650	33,688	34,224	-	88,280
Due to controlled entities	-	25,981	7,642	23,366	1,508	-	58,497
Other monetary liabilities	48	2,513	1,055	407	-	256	4,279
Total monetary liabilities	128,618	161,146	62,862	66,207	40,696	256	459,785
Guarantees	-	-	116	3,036	555	-	3,707
Loan commitments	-	-	11,188	34,052	19,882	25,748	90,870
Other commitments	-	-	2,204	7,623	979	-	10,806
Total off balance sheet items	-	-	13,508	44,711	21,416	25,748	105,383
Total monetary liabilities and off balance sheet items	128,618	161,146	76,370	110,918	62,112	26,004	565,168

(1) Includes substantial "core" deposits that are contractually at call customer savings and cheque accounts. Historical experience is that such accounts provide a stable source of long term funding for the Bank. Also refer to Interest Rate Risk Sensitivity table.

(2) Gross payable amounts on cross currency swaps have been reported in derivative liabilities. The Group has corresponding receivables on these cross currency swaps that have not been reported, in accordance with the requirements of AASB 7 Financial Instruments Disclosures. The terms of the cross currency swap agreements entered into by the Group allow for net settlement in the event of certain specific circumstances including default of the counterparties.

(3) All trading derivatives are included in the 0 to 3 months maturity band.

Notes to the Financial Statements

Note 42 Retirement Benefit Obligations

Name of Plan	Type	Form of Benefit	Date of Last Actuarial Assessment of the Fund
Officers' Superannuation Fund ("OSF")	Defined Benefits [(1)] and Accumulation	Indexed pension and lump sum	30 June 2006 [(2)]
Commonwealth Bank of Australia (UK) Staff Benefits Scheme ("CBA(UK)SBS")	Defined Benefits [(1)] and Accumulation	Indexed pension and lump sum	30 June 2007

(1) The defined benefit formulae are generally comprised of final superannuation salary, or final average superannuation salary, and service.

(2) An actuarial assessment of the OSF at 30 June 2009 is currently in progress.

Contributions

Entities of the Group contribute to the plans listed in the above table in accordance with the Trust Deeds following the receipt of actuarial advice.

With the exception of contributions corresponding to salary sacrifice benefits, the Bank ceased contributions to the OSF from 8 July 1994. Further, the Bank ceased contributions to the OSF relating to salary sacrifice benefits from 1 July 1997.

An actuarial assessment of the OSF, as at 30 June 2006, was completed during the year ended 30 June 2007. In line with the actuarial advice contained in the assessment, the Bank does not intend to make contributions to the OSF until further consideration of the next actuarial assessment of the OSF as at 30 June 2009.

An actuarial assessment of the OSF at 30 June 2009 is currently in progress.

An actuarial assessment of the CBA(UK)SBS, as at 30 June 2007 confirmed a deficit of GBP 25 million (AUD 51 million at the 30 June 2009 exchange rate). Following from this assessment, the Bank agreed to contribute at the fund actuary's recommended contribution rates. These rates included amounts to finance future accruals of defined benefits (contributions estimated at AUD 3.7 million per annum at the 30 June 2009 exchange rate) and additional contributions of GBP 3.2 million per annum (AUD 6.7 million per annum at the 30 June 2009 exchange rate) payable over 10 years to finance the fund deficit.

Note 42 Retirement Benefit Obligations (continued)

Defined Benefit Superannuation Plans

The amounts reported in the Balance Sheet are reconciled as follows:

	OSF		CBA(UK)SBS		Total	
	2009	2008	2009	2008	2009	2008
	$M	$M	$M	$M	$M	$M
Present value of funded obligations	**(3,118)**	(2,892)	**(394)**	(386)	**(3,512)**	(3,278)
Fair value of plan assets	**3,613**	4,428	**308**	321	**3,921**	4,749
Total pension assets as at 30 June	**495**	1,536	**(86)**	(65)	**409**	1,471
Present value of unfunded obligations	**-**	-	**-**	-	**-**	-
Unrecognised past service cost	**-**	-	**-**	-	**-**	-
Unrecognised actuarial gains/(losses)	**-**	-	**-**	-	**-**	-
Asset/(liability) in Balance Sheet as at 30 June	**495**	1,536	**(86)**	(65)	**409**	1,471
Amounts in the Balance Sheet:						
Liabilities (Note 29)	**-**	-	**(86)**	(65)	**(86)**	(65)
Assets (Note 20)	**495**	1,536	**-**	-	**495**	1,536
Net asset	**495**	1,536	**(86)**	(65)	**409**	1,471
The amounts recognised in the Income Statement are as follows:						
Current service cost	**(24)**	(26)	**(3)**	(3)	**(27)**	(29)
Interest cost	**(184)**	(194)	**(24)**	(20)	**(208)**	(214)
Expected return on plan assets	**372**	400	**21**	20	**393**	420
Past service cost	**-**	-	**-**	-	**-**	-
Employer financed benefits within Accumulation Division	**(172)**	(163)	**-**	-	**(172)**	(163)
Gains/(losses) on curtailment and settlements	**-**	-	**-**	-	**-**	-
Actuarial gains/(losses) recognised in Income Statement	**-**	-	**-**	-	**-**	-
Total included in defined benefit superannuation plan expense	**(8)**	17	**(6)**	(3)	**(14)**	14
Actuarial return on plan assets	**(457)**	(120)	**(5)**	(1)	**(462)**	(121)
Changes in the present value of the defined benefit obligation are as follows:						
Opening defined benefit obligation	**(2,892)**	(3,094)	**(386)**	(401)	**(3,278)**	(3,495)
Current service cost	**(20)**	(24)	**(3)**	(3)	**(23)**	(27)
Interest cost	**(184)**	(194)	**(24)**	(20)	**(208)**	(214)
Member contributions	**(13)**	(13)	**-**	-	**(13)**	(13)
Actuarial gains/(losses)	**(204)**	226	**2**	(26)	**(202)**	200
(Losses)/gains on curtailments	**-**	-	**-**	-	**-**	-
Liabilities extinguished on settlements	**-**	-	**-**	-	**-**	-
Liabilities assumed in a business combination	**-**	-	**-**	-	**-**	-
Benefits paid	**195**	207	**15**	14	**210**	221
Exchange differences on foreign plans	**-**	-	**2**	50	**2**	50
Closing defined benefit obligation	**(3,118)**	(2,892)	**(394)**	(386)	**(3,512)**	(3,278)
Changes in the fair value of plan assets are as follows:						
Opening fair value of plan assets	**4,428**	4,907	**321**	372	**4,749**	5,279
Expected return	**372**	400	**21**	20	**393**	420
Experience (losses)/gains	**(829)**	(520)	**(26)**	(21)	**(855)**	(541)
Assets distributed on settlements	**-**	-	**-**	-	**-**	-
Total contributions	**13**	13	**10**	10	**23**	23
Assets acquired in a business combination	**-**	-	**-**	-	**-**	-
Exchange differences on foreign plans	**-**	-	**(3)**	(46)	**(3)**	(46)
Benefits and expenses paid	**(199)**	(209)	**(15)**	(14)	**(214)**	(223)
Employer financed benefits within Accumulation Division	**(172)**	(163)	**-**	-	**(172)**	(163)
Closing fair value of plan assets	**3,613**	4,428	**308**	321	**3,921**	4,749

Notes to the Financial Statements

Note 42 Retirement Benefit Obligations (continued)

Defined Benefit Superannuation Plans (continued)

	OSF		CBA(UK)SBS		Total	
	2009	2008	2009	2008	2009	2008
	$M	$M	$M	$M	$M	$M
Experience (losses)/gains on plan liabilities	(120)	134	2	6	(118)	140
Experience (losses)/gains on plan assets	(829)	(520)	(26)	(21)	(855)	(541)
Gains/(losses) from changes in actuarial assumptions	(84)	92	-	(32)	(84)	60
Total net actuarial (losses)/gains	(1,033)	(294)	(24)	(47)	(1,057)	(341)

Actuarial gains and losses represent experience adjustments on plan assets and liabilities as well as adjustments arising from changes in actuarial assumptions. Total net actuarial losses recognised in equity from commencement of AIFRS (1 July 2005) to 30 June 2009 were $107 million.

	OSF		CBA(UK)SBS	
	2009	2008	2009	2008
Economic Assumptions	%	%	%	%
The above calculations were based on the following assumptions:				
Discount rate at 30 June (gross of tax)	5.50	6.50	6.10	6.20
Expected return on plan assets at 30 June	8.00	8.75	6.60	6.50
Expected rate salary increases at 30 June (per annum) (1)	3.90	4.50	4.70	4.90

(1) For the OSF, additional age related allowances were made for the expected salary increases from future promotions. At 30 June 2008 and 30 June 2009, these assumptions were broadly between 1.6% and 2.6% per annum for full-time employees and 1.0% per annum for part time employees.

The return on asset assumption for the OSF is determined as the weighted average of the long term expected returns of each asset class where the weighting is the benchmark asset allocations of the assets backing the defined benefit risks. The long term expected returns of each asset class are determined following receipt of actuarial advice. The discount rate (gross of tax) assumption for the OSF is based on the yield on 10 year Australian Commonwealth Government securities.

In addition to financial assumptions, the mortality assumptions for pensioners can materially impact the defined benefit obligations. These assumptions are age related and allowances are made for future improvement in mortality. The expected life expectancies for pensioners are set out below:

	OSF		CBA(UK)SBS	
	2009	2008	2009	2008
Expected Life Expectancies for Pensioners	Years	Years	Years	Years
Male pensioners currently aged 60	28.8	30.4	26.8	26.8
Male pensioners currently aged 65	23.9	25.6	22.0	22.0
Female pensioners currently aged 60	33.9	33.8	29.7	29.7
Female pensioners currently aged 65	28.8	28.7	24.9	24.9

Further, the proportion of the retiring members of the main OSF defined benefit division electing to take pensions instead of lump sums may materially impact the defined benefit obligations.

Of these retiring members 34% were assumed to take pension benefits, increasing to 50% by 2020.

Australian and UK legislation requires that superannuation (pension) benefits be provided through trusts. These trusts (including their investments) are managed by trustees who are legally independent of the employer. The investment objective of the OSF (the Bank's major superannuation (pension) plan) is "to maximise the long term rate of return subject to net returns over rolling five year periods exceeding the growth in Average Weekly Ordinary Time Earnings 80% of the time".

To meet this investment objective, the OSF Trustee invests a large part of the OSF's assets in growth assets, such as shares and property. These assets have historically earned higher rates of return than other assets, but they also carry higher risks, especially in the short term. To manage these risks, the Trustee has adopted a strategy of spreading the OSF's investments over a number of asset classes and investment managers.

As at 30 June 2009, the benchmark asset allocations and actual asset allocations for the assets backing the defined benefit portion of the OSF are as follows:

	Benchmark Allocation	Actual Allocation
Asset Allocations	%	%
Australian Equities	27.5	24.6
Overseas Equities	21.0	14.5
Real Estate	12.0	18.5
Fixed Interest Securities	25.5	29.0
Cash	5.0	4.8
Other (1)	9.0	8.6

(1) These are assets which are not included in the traditional asset classes of equities, fixed interest securities, real estate and cash. They include infrastructure investments as well as high yield and emerging market debt.

The value of the OSF's equity holding in the Group as at 30 June 2009 was $72 million (2008: $77 million). Amounts on deposit with the Bank at 30 June 2009 totalled $22 million (2008: $26 million). Other financial instruments with the Group at 30 June 2009 totalled $13 million (2008: $13 million).

Note 43 Controlled Entities

Entity Name	Extent of Beneficial Interest if not 100%	Incorporated in
Australia		
(a) Banking		
Commonwealth Bank of Australia		Australia
Controlled Entities:		
CBFC Limited		Australia
CBCL Australia Limited		Australia
Commonwealth Securities Limited		Australia
Homepath Pty Limited		Australia
Sparad (No. 24) Pty Limited		Australia
Colonial Finance Limited		Australia
PERLS III Trust		Australia
Loft No.1 Pty Limited		Australia
Loft No.2 Pty Limited		Australia
Loft No.3 Pty Limited		Australia
Medallion Trust Series 2003-1G		Australia
Medallion Trust Series 2004-1G		Australia
Medallion Trust Series 2005-1G		Australia
Medallion Trust Series 2005-2G		Australia
Medallion Trust Series 2006-1G		Australia
Medallion Trust Series 2007-1G		Australia
Medallion Trust Series 2008-1R		Australia
SHIELD Series 50		Australia
GT Operating No.2 Pty Limited		Australia
GT Operating No.4 Pty Limited		Australia
GT Funding No.6 Ltd Partnership		Australia
Securitisation Advisory Services Pty Ltd		Australia
MIS Funding No.1 Pty Limited		Australia
IWL Limited		Australia
IWL Broking Solutions Limited		Australia
CBFC Leasing Pty Limited		Australia
Christmas Break Pty Limited		Australia
JDV Limited		Australia
Bank of Western Australia Limited		Australia
BWA Group Services Pty Limited		Australia
Swan Trust Series 2006-1E		Australia
Swan Trust Series 2007-1E		Australia
Swan Trust Series 2008-1D		Australia
CBA USD Investments Partnership		Australia
Australian Investment Exchange Ltd		Australia

Notes to the Financial Statements

Note 43 Controlled Entities (continued)

Entity Name	Extent of Beneficial Interest if not 100%	Incorporated in
(b) Insurance and Funds Management		
Commonwealth Insurance Limited		Australia
Colonial Holding Company Limited		Australia
Commonwealth Insurance Holdings Limited		Australia
Commonwealth Managed Investments Limited		Australia
Colonial First State Group Limited		Australia
Colonial First State Investments Limited		Australia
Avanteos Pty Limited		Australia
Avanteos Investments Ltd		Australia
Colonial First State Property Limited		Australia
Colonial First State Property Retail Trust		Australia
Colonial First State Property Management Trust		Australia
Commonwealth International Holdings Pty Limited		Australia
The Colonial Mutual Life Assurance Society Limited		Australia
Jacques Martin Administration and Consulting Pty Limited		Australia
Jacques Martin Pty Limited		Australia
Commonwealth Financial Planning Limited		Australia
Capital 121 Pty Limited		Australia
Financial Wisdom Limited		Australia
First State Investment Managers (Asia) Limited		Australia
Colonial First State Asset Management (Australia) Limited		Australia
CFS Managed Property Limited		Australia
St Andrew's Australia Pty Limited		Australia

Note 43 Controlled Entities (continued)

Entity Name	Extent of Beneficial Interest if not 100%	Incorporated in
New Zealand		
(a) Banking		
ASB Holdings Limited		New Zealand
ASB Bank Limited		New Zealand
CBA Funding (NZ) Limited		New Zealand
ASB Capital Limited		New Zealand
ASB Capital No.2 Limited		New Zealand
CBA NZ Holding Limited		New Zealand
CBA USD Funding Limited		New Zealand
Medallion Trust (New Zealand) Series 2009-1R		New Zealand
(b) Insurance and Funds Management		
ASB Group (Life) Limited		New Zealand
Sovereign Group Limited		New Zealand
Sovereign Limited		New Zealand
Colonial First State Investments (NZ) Limited		New Zealand
Kiwi Income Properties Limited		New Zealand
Kiwi Property Management Limited		New Zealand
Other Overseas		
(a) Banking		
CBA Asia Limited		Singapore
CTB Australia Limited		Hong Kong
PT Bank Commonwealth	97%	Indonesia
National Bank of Fiji Limited		Fiji
CBA (Delaware) Finance Incorporated		Delaware USA
CBA Capital Trust 1		Delaware USA
CBA Funding Trust 1		Delaware USA
CBA Capital Trust II		Delaware USA
CBA (Europe) Finance Limited		United Kingdom
Pontoon (Funding) PLC		United Kingdom
Burdekin Investments Limited		Cayman Islands
Pavilion & Park Limited		United Kingdom
Newport Limited		Malta
CommInternational Limited		Malta
CommCapital S.a.r.l		Luxembourg
CommBank Europe Limited		Malta
CommBank Management Consulting (Asia) Co Ltd		Hong Kong
CommTrading Limited		Malta
Watermark Limited		Hong Kong
D Compartment ABI Lux Co		Luxembourg
(b) Insurance and Funds Management		
Colonial First State (UK) Holdings Limited		United Kingdom
Colonial Fiji Life (Fiji) Limited		Fiji
First State (Hong Kong) LLC		United States
First State Investment Holdings (Singapore) Ltd		Singapore
Indonesian Life Insurance Company	80%	Indonesia
FS Investments (Bermuda) Ltd		Bermuda

Non-operating and minor operating controlled entities and investment vehicles holding policyholder assets are excluded from the above list.

Note 44 Investments in Associated Entities and Joint Ventures

	Group					
	2009 $M	2008 $M	Extent of Ownership Interest %	Principal Activities	Country of Incorporation	Balance Date
Acadian Asset Management (Australia) Limited	**2**	2	50	Investment Management	Australia	30-Jun
CMG CH China Funds Management Limited	**1**	1	50	Investment Management	Australia	31-Mar
Equion Health (Barts) Limited	**-**	1	50	Financial Services	United Kingdom	31-Dec
Equigroup Pty Limited	**15**	15	50	Leasing	Australia	30-Jun
China Life CMG Life Assurance Company Limited	**11**	11	49	Life Insurance	China	31-Dec
First State Cinda Fund Management Company Limited	**14**	13	46	Funds Management	China	31-Dec
Healthcare Support (Newcastle) Limited	**2**	1	40	Financial Services	United Kingdom	31-Dec
Aussie Home Loans Pty Limited	**71**	-	33	Mortgage Broking	Australia	30-Jun
International Private Equity Real Estate Fund	**5**	5	33	Funds Management	Australia	30-Jun
AMTD Group Company Limited	**1**	1	30	Financial Services	Virgin Islands	31-Dec
452 Capital Pty Limited	**30**	44	30	Investment Management	Australia	30-Jun
Qilu Bank Co. Ltd.	**112**	-	20	Commercial Banking	China	31-Dec
Bank of Hangzhou Co. Ltd.	**205**	164	19.9	Commercial Banking	China	31-Dec
FS Media Works Fund 1, LP	**22**	-	11	Investment Fund	United Kingdom	31-Dec
CFS Retail Property Trust (1)	**438**	438	8.9	Funds Management	Australia	30-Jun
Commonwealth Property Office Fund (2)	**118**	209	6.8	Funds Management	Australia	30-Jun
Sandalwood Pty Ltd	**-**	1	-	Property Management	Singapore	31-Dec
Total	**1,047**	906				

(1) The value for CFS Retail Property Trust based on published quoted prices as at 30 June 2009 is $363 million (2008: $407 million).

(2) The value for Commonwealth Property Office Fund based on published quoted prices as at 30 June 2009 is $104 million (2008: $196 million). During the 2009 financial year an impairment loss of $91 million was recognised in Funds management and investment contracts income-other for the Group and net gain/(loss) on Other non-trading instruments for the Bank.

	Group	
	2009 $M	2008 $M
Share of Associates' profits/(losses)		
Operating profits/(losses) before income tax	**144**	98
Income tax expense	**(3)**	(6)
Operating profits/(losses) after income tax	**141**	92
Carrying amount of investments in associated entities	**1,047**	906

Note 44 Investments in Associated Entities and Joint Ventures (continued)

	Group	
	2009	2008
	$M	$M
Financial Information of Associates		
Assets	**47,972**	25,610
Liabilities	**38,583**	17,967
Revenues	**2,454**	2,213
Expenses	**1,708**	1,436

	Group	
	2009	2008
	$M	$M
Financial Information of Joint Ventures		
Assets	**354**	359
Liabilities	**298**	63
Revenues	**157**	231
Expenses	**159**	78

Note 45 Director and Executive Disclosures

Details of the Directors' and Specified Executives' remuneration, interests in long term incentive plans, shares, options and loans are included in the Remuneration Report of the Directors' Report. The Company has applied the exemption under AASB 124 Related Party Disclosures which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their Annual Financial Reports. These remuneration disclosures are provided in the Remuneration Report of the Directors' Report on pages 65 to 85 and are designated as audited.

	Group		Bank	
	2009	2008	2009	2008
Key Management Personnel Compensation	$M	$M	$M	$M
Short Term Benefits	**34**	28	**34**	28
Post-employment Benefits	**2**	1	**2**	1
Share-based Payments	**20**	9	**20**	9
Termination benefits	**-**	1	**-**	1
Long term benefits	**3**	-	**3**	-
	59	39	**59**	39

Note 46 Related Party Disclosures

The Group is controlled by the Commonwealth Bank of Australia, the ultimate parent, which is incorporated in Australia.

A number of banking transactions are entered into with related parties in the normal course of business.

These include loans, deposits and foreign currency transactions, upon which some fees and commissions may be earned. The table below indicates the values of such transactions for the financial year ended 30 June 2009.

	For the Year Ended and as at 30 June 2009		
	Associates	Joint Ventures	Total
Group	$M	$M	$M
Interest and dividend income	**68**	**7**	**75**
Interest expense	**3**	**-**	**3**
Fees and commissions for services provided	**117**	**15**	**132**
Fees and commissions for services received	**189**	**-**	**189**
Loans, bills discounted and equity contributions	**373**	**28**	**401**
Other assets	**91**	**10**	**101**
Deposits	**74**	**-**	**74**
Derivative liabilities	**4**	**-**	**4**
Other liabilities	**-**	**7**	**7**

	For the Year Ended and as at 30 June 2008		
	Associates	Joint Ventures	Total
Group	$M	$M	$M
Interest and dividend income	86	6	92
Interest expense	3	-	3
Fees and commissions for services provided	87	10	97
Fees and commissions for services received	74	-	74
Loans, bills discounted and equity contributions	111	387	498
Other assets	31	8	39
Deposits	31	-	31
Derivative liabilities	283	-	283
Other liabilities	1	6	7

Note 46 Related Party Disclosures (continued)

Bank	Subsidiaries	Associates	Joint Ventures	Total
	For the Year Ended and as at 30 June 2009			
	$M	$M	$M	$M
Interest and dividend income	4,075	62	6	4,143
Interest expense	3,627	2	-	3,629
Fees and commissions for services provided	601	-	12	613
Fees and commissions for services received	359	188	-	547
Available-for-sale securities	39,832	-	-	39,832
Loans, bills discounted and equity contributions	54,808	372	-	55,180
Derivative assets	188	-	-	188
Other assets	459	24	9	492
Deposits	82,008	65	-	82,073
Derivative liabilities	202	4	-	206
Debt issues and loan capital	3,006	-	-	3,006
Other liabilities	2,287	-	4	2,291

Bank	Subsidiaries	Associates	Joint Ventures	Total
	For the Year Ended and as at 30 June 2008			
	$M	$M	$M	$M
Interest and dividend income	3,110	76	6	3,192
Interest expense	2,974	2	-	2,976
Fees and commissions for services provided	755	5	9	769
Fees and commissions for services received	333	72	-	405
Available-for-sale securities	16,380	-	-	16,380
Loans, bills discounted and equity contributions	37,472	110	380	37,962
Derivative assets	1,724	-	-	1,724
Other assets	1,884	-	8	1,892
Deposits	54,711	31	-	54,742
Derivative liabilities	528	283	-	811
Debt issues and loan capital	3,501	-	-	3,501
Other liabilities	1,221	1	6	1,228

Details of controlled entities are disclosed in Note 43.

The Bank's aggregate investment in and loans to controlled entities are disclosed in Note 17.

Amounts due to controlled entities are disclosed in the Balance Sheet of the Bank.

Details of amounts paid to or received from related parties, in the form of dividends or interest, are set out in Note 2.

All transactions between Group entities are eliminated on consolidation.

Note 46 Related Party Disclosures (continued)

Equity Holdings of Key Management Personnel

Shareholdings

All shares were acquired by Directors on normal terms and conditions or through the Non-Executive Directors' Share Plan.

Shares awarded under the Equity Reward Plan and the mandatory component of the Equity Participation Plan are registered in the name of the Trustee. For further details of the Non-Executive Directors' Share Plan, previous Equity Reward Plan, previous Executive Option Plan and Equity Participation Plan refer to Note 32 Share Capital.

Details of shareholdings of Key Management Personnel (or close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of the aforementioned hold significant voting power) are as follows:

Shares held by Directors

Name	Class (1)	Balance 1 July 2008	Acquired/ Granted as Remuneration (2)	Reward Shares Vested (3)	Net Change other (4)	Balance 30 June 2009
Directors						
J M Schubert	Ordinary	27,308	4,214	-	1,261	**32,783**
R J Norris	Ordinary	10,000	-	-	100,713	**110,713**
	Reward Shares	191,238	-	(100,328)	-	**90,910**
	Deferred Shares	-	22,707	-	-	**22,707**
J A Anderson	Ordinary	11,565	1,366	-	1,219	**14,150**
R J Clairs	Ordinary	18,900	1,453	-	-	**20,353**
C R Galbraith	Ordinary	13,054	1,424	-	856	**15,334**
J S Hemstritch	Ordinary	16,491	1,482	-	3,385	**21,358**
S C H Kay	Ordinary	9,037	1,482	-	-	**10,519**
A Mohl (5)	Ordinary	-	788	-	8,500	**9,288**
F D Ryan	Ordinary	15,342	1,657	-	385	**17,384**
D J Turner	Ordinary	1,241	5,691	-	2,000	**8,932**
H Young	Ordinary	21,997	1,656	-	1,631	**25,284**
Total For Directors	**Ordinary**	144,935	21,213	-	119,950	**286,098**
	Reward Shares	191,238	-	(100,328)	-	**90,910**
	Deferred Shares	-	22,707	-	-	**22,707**

(1) For Non-Executive Directors, represents shares acquired under NEDSP on 20 August 2007 and 4 March 2008 by mandatory sacrifice of fees. All shares acquired through NEDSP are subject to a 10 year trading restriction (shares will be tradeable earlier if the Director leaves the Board). For Mr Norris this represents Reward Shares granted under the ERP subject to performance hurdles. For the ERP, the first possible date for meeting the performance hurdle is 14 July 2009 with the last possible date for vesting being 14 July 2010. See Note 32 to the Financial Statements for further details on the NEDSP and ERP.

(2) Represents shares acquired under NEDSP on 20 August 2008 and 4 March 2009 by mandatory sacrifice of fees. All shares acquired through NEDSP are subject to a 10 year trading restriction (shares will be tradeable earlier if the Director leaves the Board). See Note 32 to the Financial Statements for further details on the NEDSP.

(3) Reward Shares become ordinary shares upon vesting.

(4) "Net Change Other" incorporates changes resulting from purchases and sales during the year.

(5) Mr Mohl commenced on 1 July 2008.

Note 46 Related Party Disclosures (continued)

Shares held by Key Management Personnel

Name	Class (1)	Balance 1 July 2008	Acquired/Granted as Remuneration	On Exercise of Options	Reward Shares Vested (2)	Net Change other (3)	Balance 30 June 2009
Executives							
B J Chapman	Ordinary	450	-	-	-	1,121	**1,571**
	Reward Shares	17,046	-	-	-	-	**17,046**
	Deferred Shares	-	7,968	-	-	-	**7,968**
D Cohen	Ordinary	-	13,781	-	-	-	**13,781**
	Reward Shares	-	-	-	-	-	**-**
	Deferred Shares	-	-	-	-	-	**-**
D P Craig	Ordinary	6,000	-	-	-	6,385	**12,385**
	Reward Shares	22,728	-	-	-	-	**22,728**
	Deferred Shares	-	11,951	-	-	-	**11,951**
S I Grimshaw (4)	Ordinary	29,999	-	-	-	-	**29,999**
	Reward Shares	67,640	-	-	(35,140)	(32,500)	**-**
	Deferred Shares	-	11,951	-	-	(11,951)	**-**
M R Harte	Ordinary	-	-	-	-	-	**-**
	Reward Shares	14,318	-	-	-	-	**14,318**
	Deferred Shares	-	10,358	-	-	-	**10,358**
G L Mackrell (5)	Ordinary	42,196	-	-	-	7,455	**49,651**
	Reward Shares	51,888	-	-	(27,570)	(24,318)	**-**
	Deferred Shares	-	7,569	-	(7,569)	-	**-**
R M McEwan	Ordinary	-	-	-	-	-	**-**
	Reward Shares	-	-	-	-	-	**-**
	Deferred Shares	-	11,951	-	-	-	**11,951**
I M Narev (6)	Ordinary	-	-	-	-	-	**-**
	Reward Shares	1,137	-	-	-	-	**1,137**
	Deferred Shares	6,610	5,976	-	-	-	**12,586**
G A Petersen	Ordinary	13,365	-	-	-	22,879	**36,244**
	Reward Shares	45,280	-	-	(20,280)	-	**25,000**
	Deferred Shares	-	8,765	-	-	-	**8,765**
I M Saines (7)	Ordinary	8,563	-	-	-	5,661	**14,224**
	Reward Shares	10,000	-	-	(5,000)	-	**5,000**
	Deferred Shares	12,653	13,943	-	-	-	**26,596**
A Toevs	Ordinary	-	-	-	-	9,000	**9,000**
	Reward Shares	-	-	-	-	-	**-**
	Deferred Shares	37,784	-	-	-	-	**37,784**
Other Executives		-	-	-	-	-	**-**
M Lau	Ordinary	-	-	-	-	-	**-**
	Reward Shares	-	-	-	-	-	**-**
	Deferred Shares	-	-	-	-	-	**-**
M Lazberger (8)	Ordinary	-	-	-	-	-	**-**
	Reward Shares	-	-	-	-	-	**-**
	Deferred Shares	-	93,852	-	-	-	**93,852**
S Paul	Ordinary	-	-	-	-	-	**-**
	Reward Shares	-	-	-	-	-	**-**
	Deferred Shares	-	-	-	-	-	**-**
Total for Key	**Ordinary**	**100,573**	**13,781**	**-**	**-**	**52,501**	**166,855**
Management	**Reward Shares**	**230,037**	**-**	**-**	**(87,990)**	**(56,818)**	**85,229**
Personnel	**Deferred Shares**	**57,047**	**184,284**	**-**	**(7,569)**	**(11,951)**	**221,811**

(1) Reward Shares represents shares granted under the Equity Reward Plan (ERP) and are subject to a performance hurdle. The last possible date for vesting is 14 July 2010. See Note 32 to the Financial Statements for further details on the ERP. Deferred shares represents one third of the 2007/08 STI payment deferred into shares for three years, except for Mr Lazberger where deferred shares represents shares granted as part of his commencement arrangements.

(2) Reward Shares and Deferred Shares become ordinary shares upon vesting.

(3) "Net Change Other" incorporates changes resulting from purchases, sales and forfeitures during the year.

(4) Mr Grimshaw ceased employment on 30 December 2008.

(5) Mr Mackrell ceased employment on 30 June 2009.

(6) Mr Narev was appointed a KMP on 27 January 2009.

(7) Mr Saines was appointed a KMP on 31 December 2008.

(8) Mr Lazberger commenced on 1 September 2008.

Notes to the Financial Statements

Note 46 Related Party Disclosures (continued)

Loans to Key Management Personnel

All loans to Key Management Personnel (or close family members or entities controlled, jointly controlled or significantly influenced by them or any entity over which any of the aforementioned hold significant voting power) have been provided on an arms-length commercial basis including the term of the loan, security required and the interest rate (which may be fixed or variable).

Total Loans to Key Management Personnel

	Year Ended 30 June	Balance 1 July $000s	Interest Charged $000s	Interest Not Charged $000s	Write-off $000s	Balance 30 June $000s	Number in Group at 30 June
Directors							
	2009	**2,840**	**211**	**-**	**-**	**1,991**	**1**
	2008	3,648	258	-	-	2,795	1
Executives							
	2009	**11,359**	**667**	**-**	**-**	**8,462**	**10**
	2008	6,103	781	-	-	12,369	9
Total for key Management Personnel	**2009**	**14,199**	**878**	**-**	**-**	**10,453**	**11**
	2008	9,751	1,039	-	-	15,164	10
Other Executives							
	2009	**-**	**-**	**-**	**-**	**-**	**-**
	2008	1,442	68	-	-	1,335	1
Total							
	2009	**14,199**	**878**	**-**	**-**	**10,453**	**11**
	2008	11,193	1,107	-	-	16,499	11

Individual Loans above $100,000 to Key Management Personnel

	Balance 1 July 2008 $000s	Interest Charged $000s	Interest Not Charged $000s	Write-off $000s	Balance 30 June 2009 $000s	Highest Balance in Period $000s
Directors						
R J Norris (1)	2,840	211	-	-	1,991	2,771
Executives						
B J Chapman	2,667	148	-	-	2,230	2,726
D Cohen	941	59	-	-	601	941
D P Craig	233	16	-	-	11	228
M R Harte	3,394	217	-	-	3,024	3,442
G L Mackrell	647	8	-	-	-	805
R M McEwan (1)	977	125	-	-	1,560	2,967
I M Narev	754	40	-	-	472	754
G A Petersen	976	15	-	-	2	930
I M Saines	721	39	-	-	562	1,201
Total for Key Management Personnel	**14,150**	**878**	**-**	**-**	**10,453**	**16,765**
Other Executives						
Total for Other Executives	**-**	**-**	**-**	**-**	**-**	**-**
Total for Key Management Personnel & Other Executives	**14,150**	**878**	**-**	**-**	**10,453**	**16,765**

(1) Balance declared in NZD for Mr Norris, Ms Chapman and Mr McEwan. Exchange rates are taken from Forex as at 30 June 2009 for interest charged, 30 June 2009 balances and highest balance in period. The exchange rate as at 30 June 2008 has been used for the 1 July 2008 balances. Highest in period appears lower than opening balance due to the application of exchange rates.

Note 47 Notes to the Statements of Cash Flows

Note 47(a) Reconciliation of Net Profit after Income Tax to Net Cash provided by/(used in) Operating Activities

	Year Ended 30 June				
	Group			Bank	
	2009	2008	2007	2009	2008
	$M	$M	$M	$M	$M
Net profit after income tax	**4,753**	4,822	4,497	**3,086**	4,358
Net decrease/(increase) in interest receivable	**301**	187	(745)	**516**	(174)
(Decrease)/increase in interest payable	**(54)**	449	362	**(587)**	451
Net decrease/(increase) in assets at fair value through Income Statement (excluding life insurance)	**690**	196	(7,272)	**568**	1,324
Net (gain)/loss on sale of investments	**(1)**	(1)	-	**(1)**	1
Net (increase) in derivative assets	**(7,789)**	(5,459)	(3,068)	**(6,279)**	(5,654)
Net loss on sale of property, plant and equipment	**11**	15	16	**9**	14
Net (gain) on sale of Visa Initial Public Offering	**-**	(127)	-	**-**	(111)
Equity accounting profit	**(141)**	(92)	(34)	**-**	-
Gain on acquisition of controlled entities	**(983)**	-	-	**-**	-
Impairment expense	**3,048**	930	434	**2,703**	902
Investment impairment expense	**-**	-	-	**110**	-
Depreciation and amortisation (including asset write downs)	**519**	423	270	**306**	330
Increase/(decrease) in liabilities at fair value through Income Statement (excluding life insurance)	**661**	(884)	5,799	**405**	(2,286)
Increase in derivative liabilities	**13,361**	4,622	5,860	**10,700**	4,149
Increase in other provisions	**60**	296	57	**6**	250
Increase/(decrease) in income taxes payable	**521**	29	297	**440**	(111)
(Decrease)/increase in deferred income taxes payable	**(355)**	(643)	175	**21**	(72)
(Increase)/decrease in deferred tax assets	**(967)**	178	(272)	**(1,255)**	(97)
Decrease/(increase) in accrued fees/reimbursements receivable	**41**	(153)	(163)	**173**	193
Increase/(decrease) in accrued fees and other items payable	**178**	(575)	386	**575**	(1,011)
(Decrease)/increase in life insurance contract policy liabilities	**(1,025)**	184	(1,460)	**-**	(10)
(Decrease)/increase in cash flow hedge reserve	**(1,651)**	(150)	547	**(1,068)**	106
Dividend received from controlled entities	**-**	-	-	**(820)**	(1,636)
Changes in operating assets and liabilities arising from cash flow movements	**(9,802)**	(6,124)	(560)	**(19,446)**	(11,062)
Other	**100**	(198)	515	**33**	(149)
Net cash provided by/(used in) operating activities	**1,476**	(2,075)	5,641	**(9,805)**	(10,295)

Note 47(b) Reconciliation of Cash

For the purposes of the Statements of Cash Flows, cash includes cash, money at short call, at call deposits with other financial institutions and settlement account balances with other banks.

	Year Ended 30 June				
	Group			Bank	
	2009	2008	2007	2009	2008
	$M	$M	$M	$M	$M
Notes, coins and cash at banks	**3,755**	2,476	4,557	**2,198**	1,344
Other short term liquid assets	**3,128**	1,309	967	**3,031**	1,118
Receivables due from other financial institutions – at call (1)	**1,889**	3,357	4,607	**5,962**	2,672
Payables due to other financial institutions – at call (1)	**(6,586)**	(4,877)	(6,047)	**(7,755)**	(4,797)
Cash and cash equivalents at end of year	**2,186**	2,265	4,084	**3,436**	337

(1) At call includes certain receivables and payables due from and to financial institutions within three months.

Note 47(c) Disposal of Controlled Entities

	Group		
	2009	2008	2007
	$M	$M	$M
Fair value of net tangible assets disposed			
Other assets	**-**	1	-
Profit on sale	**-**	1	-
Cash consideration received	**-**	2	-
Less cash and cash equivalents disposed	**-**	-	-
Net cash inflow on disposal	**-**	2	-

Notes to the Financial Statements

Note 47 Notes to the Statements of Cash Flows (continued)

Note 47(d) Non-cash Financing and Investing Activities

			Group
	2009	2008	2007
	$M	$M	$M
Shares issued under the Dividend Reinvestment Plan	**1,099**	1,109	818

Note 47(e) Controlled Entities

On 19 December 2008, the Group acquired 100% of the share capital of Bank of Western Australia Ltd (consisting of retail and business banking), St Andrew's Australia Pty Ltd (consisting of insurance and wealth management services businesses) and HBOSA Group (Services) Pty Ltd (an internal administrative support entity) for cash consideration (including transaction costs) of $2.2 billion. These businesses collectively represent the retail and business operations of HBOSA.

During the 2008 financial year, on 26 July 2007, PT Commonwealth Bank acquired 83% of Arta Niaga Kencana (ANK) Bank in Indonesia. The merger was completed on 31 December 2007 and thereafter the Group owned 97% of the merged entities. On 27 November 2007, the Group completed the 100% acquisition of IWL Limited, an online broking business. These acquisitions were considered individually immaterial to the group.

The assets and liabilities arising from the acquisitions, are as follows:

	As at time of acquisition					
	Carrying value	Fair Value	Carrying value	Fair Value	Carrying value	Fair Value
	2009	2009	2008	2008	2007	2007
	$M	$M	$M	$M	$M	$M
Assets acquired						
Cash and liquid assets	**422**	**422**	24	24	-	-
Receivables due from other financial institutions	**283**	**283**	-	-	-	-
Assets at fair value through Income Statement:						
Trading	**5,907**	**5,907**	-	-	-	-
Insurance	**212**	**212**	-	-	4	4
Derivative assets	**1,014**	**1,014**	-	-	-	-
Available-for-sale investments	**3**	**3**	112	112	-	-
Loans, bills discounted and other receivables	**58,153**	**57,351**	241	241	-	-
Property, plant and equipment	**177**	**225**	-	-	-	-
Intangible assets	**98**	**806**	4	64	-	-
Deferred tax assets	**255**	**610**	-	-	-	-
Other assets	**289**	**288**	11	11	-	-
Total assets	**66,813**	**67,121**	392	452	4	4
Liabilities acquired						
Deposits and other public borrowings	**50,401**	**50,677**	202	202	-	-
Payables due to other financial institutions	**4,673**	**4,673**	130	130	-	-
Liabilities at fair value through Income Statement	**250**	**250**	-	-	-	-
Derivative liabilities	**512**	**512**	-	-	-	-
Deferred tax liabilities	**54**	**258**	-	-	-	-
Other provisions	**84**	**84**	-	-	-	-
Insurance policy liabilities	**202**	**202**	-	-	-	-
Debt issues	**5,221**	**5,221**	-	-	-	-
Bills payable and other liabilities	**357**	**357**	11	30	-	-
Loan capital	**1,211**	**1,211**	-	-	-	-
Total liabilities	**62,965**	**63,445**	343	362	-	-
Net assets	**3,848**	**3,676**	49	90	4	4
Preference share placement	**-**	**(530)**	-	-	-	-
Goodwill	**-**	**-**	50	316	-	3
Gain on acquisition	**-**	**(983)**	-	-	-	-
Provision for remaining consideration	**-**	**-**	-	-	-	-
Cash consideration paid (including transaction costs)	**-**	**2,163**	-	406	-	7
Less: Cash and cash equivalents acquired	**-**	**422**	-	24	-	-
Net consideration paid	**-**	**1,741**	-	382	-	7
Less: Non-cash consideration	**-**	**-**	-	141	-	-
Net cash outflow on acquisition	**-**	**1,741**	-	241	-	7

Note 47 Notes to the Statements of Cash Flows (continued)

	2009	2008	2007
Details of equity instruments issued as part of business combinations			
Number of equity instruments issued	-	2,327,431	-
Fair value of equity issued ($)	-	140,952,360	-

The gain on acquisition has arisen after the Group's reassessment of the fair value of the acquired entities' identifiable assets, liabilities and contingent liabilities and the cost of the acquisition, and has been recognised in the Group's statutory net profit in the current period.

Note 47(f) Financing Facilities

Standby funding lines are considered immaterial.

Note 48 Disclosures about Fair Value of Financial Instruments

48(a) Fair Value of Financial Assets and Financial Liabilities

These amounts represent estimates of the fair values of the Group's financial assets and financial liabilities at Balance Sheet date based on the following valuation methods and assumptions. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted market prices are used to determine fair value where an active market (such as a recognised stock exchange) exists, as it is the best evidence of the fair value of a financial instrument (level one). Quoted market prices are not, however, available for a significant number of the financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no quoted market price is available, the fair values presented in the following tables have been estimated using present value or other valuation techniques based on market conditions existing at Balance Sheet dates. These valuation techniques rely on market observable inputs wherever possible (level two), or in a limited number of instances, rely on inputs which are reasonable assumptions based on market conditions at balance date (level three).

While the fair value amounts are designed to represent estimates at which these instruments could be exchanged in a current transaction between willing parties, many of the Group's financial instruments lack an available trading market as characterised by willing parties engaging in an exchange transaction.

In addition, it is the Bank's intent to hold most of its financial instruments to maturity and therefore it is not probable that the fair values shown would be realised in a current transaction.

The estimated fair values disclosed do not reflect the value of assets and liabilities that are not considered financial instruments. In addition, the value of long term relationships with depositors (core deposit intangibles) and other customers (credit card intangibles) are not reflected. The value of these items is considered significant.

Because of the wide range of valuation techniques and the numerous estimates that must be made, it may be difficult to make reasonable comparisons of the Bank's fair value information with that of other financial institutions. It is important that the many uncertainties discussed above be considered when using the estimated fair value disclosures and to realise that because of these uncertainties, the aggregate fair value amount should in no way be construed as representative of the underlying value of the Commonwealth Bank of Australia.

Notes to the Financial Statements

Note 48 Disclosures about Fair Value of Financial Instruments (continued)

48(a) Fair Value of Financial Assets and Financial Liabilities (continued)

				Group
		2009		2008
	Carrying Value $M	Fair Value $M	Carrying Value $M	Fair Value $M
Assets				
Cash and liquid assets	**11,340**	**11,340**	7,736	7,736
Receivables due from other financial institutions	**14,421**	**14,421**	6,984	6,984
Assets at fair value through Income Statement:				
Trading	**25,401**	**25,401**	21,676	21,676
Insurance	**17,260**	**17,260**	20,650	20,650
Other	**1,677**	**1,677**	3,266	3,266
Derivative assets	**26,358**	**26,358**	18,232	18,232
Available-for-sale investments	**21,504**	**21,504**	11,488	11,488
Loans, bills discounted and other receivables	**466,631**	**467,774**	361,282	357,618
Bank acceptances of customers	**14,728**	**14,728**	18,278	18,278
Other assets	**5,895**	**5,895**	6,694	6,694
Liabilities				
Deposits and other public borrowings	**368,721**	**368,668**	263,706	262,832
Payables due to other financial institutions	**15,109**	**15,109**	17,672	17,672
Liabilities at fair value through Income Statement	**16,596**	**16,596**	15,526	15,526
Derivative liabilities	**32,134**	**32,134**	19,541	19,541
Bank acceptances	**14,728**	**14,728**	18,278	18,278
Insurance policy liabilities	**16,056**	**16,056**	18,495	18,495
Debt issues	**101,819**	**102,231**	85,817	84,979
Managed funds units on issue	**914**	**914**	1,109	1,109
Bills payable and other liabilities	**6,046**	**6,046**	5,724	5,724
Loan capital	**12,039**	**11,900**	11,559	11,724

				Bank
		2009		2008
	Carrying Value $M	Fair Value $M	Carrying Value $M	Fair Value $M
Assets				
Cash and liquid assets	**9,684**	**9,684**	7,282	7,282
Receivables due from other financial institutions	**13,986**	**13,986**	6,731	6,731
Assets at fair value through Income Statement:				
Trading	**20,988**	**20,988**	19,168	19,168
Other	**60**	**60**	274	274
Derivative assets	**25,536**	**25,536**	19,287	19,287
Available-for-sale investments	**60,659**	**60,659**	27,067	27,067
Loans, bills discounted and other receivables	**353,408**	**354,061**	309,714	306,655
Bank acceptances of customers	**14,726**	**14,726**	18,278	18,278
Loans to controlled entities	**33,352**	**33,394**	13,796	13,833
Other assets	**4,090**	**4,090**	5,473	5,473
Liabilities				
Deposits and other public borrowings	**305,170**	**304,886**	240,871	239,996
Payables due to other financial institutions	**14,942**	**14,942**	17,625	17,625
Liabilities at fair value through Income Statement	**3,485**	**3,485**	2,930	2,930
Derivative liabilities	**29,442**	**29,442**	19,367	19,367
Bank acceptances	**14,726**	**14,726**	18,278	18,278
Due to controlled entities	**81,084**	**80,646**	54,119	54,171
Debt issues	**62,894**	**63,675**	55,778	54,802
Bills payable and other liabilities	**3,947**	**3,947**	4,121	4,121
Loan capital	**12,174**	**11,626**	11,620	11,822

Note 48 Disclosures about Fair Value of Financial Instruments (continued)

48(a) Fair Value of Financial Assets and Financial Liabilities (continued)

Group	Fair Value at 30 June 2009 Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Assets				
Assets at fair value through Income Statement:				
Trading	3,720	21,564	117	**25,401**
Insurance	16,164	1,096	-	**17,260**
Other	-	1,677	-	**1,677**
Derivative assets	44	26,313	1	**26,358**
Available-for-sale investments	775	20,728	1	**21,504**
Total assets	20,703	71,378	119	**92,200**
Liabilities				
Liabilities at fair value through Income Statement	1,048	15,548	-	**16,596**
Derivative liabilities	26	32,101	7	**32,134**
Life investment contracts	12,328	-	-	**12,328**
Total liabilities	13,402	47,649	7	**61,058**

Bank	Fair Value at 30 June 2009 Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Assets				
Assets at fair value through Income Statement:				
Trading	1,830	19,150	8	**20,988**
Other	-	60	-	**60**
Derivative assets	43	25,492	1	**25,536**
Available-for-sale investments	274	60,385	-	**60,659**
Total assets	2,147	105,087	9	**107,243**
Liabilities				
Liabilities at fair value through Income Statement	1,048	2,437	-	**3,485**
Derivative liabilities	25	29,410	7	**29,442**
Total liabilities	1,073	31,847	7	**32,927**

The fair value estimates were determined by the following methodologies and assumptions:

Liquid assets and Bank acceptances of customers

The carrying values of cash and liquid assets, receivables from other financial institutions and bank acceptances of customers approximate their fair value as they are short term in nature or are receivable on demand.

Receivables due from other financial institutions also includes statutory deposits with central banks. The fair value is assumed to be equal to the carrying value as the Group is only able to continue as a going concern with the maintenance of these deposits.

Assets at Fair Value through Income Statement

Assets at fair value through Income Statement are carried at fair value determined using quoted market prices or valuation techniques including discounted cash flow models using market observable and non-market observable inputs. Discount rates have been adjusted for changes in customer credit ratings, where appropriate.

Available-for-sale investments

Assets available-for-sale are measured at fair value determined using quoted market prices. For shares in companies, the estimated fair values are estimated based on market price inputs.

Loans, bills discounted and other receivables

The carrying value of loans, bills discounted and other receivables is net of accumulated collective and individually assessed provisions for impairment. Customers credit worthiness is regularly reviewed in line with the Group's credit policies and where necessary, pricing is adjusted in accordance with individual credit contracts.

For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of fair value. The fair value for fixed rate loans was calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio future principal and interest cash flows), based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio plus an add-on of the average credit margin of the existing portfolio, adjusted for changes in customer credit ratings, where appropriate.

The fair value of impaired loans was calculated by discounting estimated future cash flows using the loan's original effective interest rate.

Note 48 Disclosures about Fair Value of Financial Instruments (continued)

48(a) Fair Value of Financial Assets and Financial Liabilities (continued)

Retirement benefit surplus

The fair value of the retirement benefit surplus is the carrying value at Balance Sheet date determined using a present value calculation based on assumptions that are outlined in Note 42.

All other financial assets

Included in this category are interest and fees receivable, unrealised income, and investments in associates of $1,047 million (2008: $906 million), where the carrying amount is considered to be a reasonable estimate of fair value. Other financial assets are net of goodwill and other intangibles, future income tax benefits and prepayments/unamortised payments, as these do not constitute financial instruments.

Deposits and other public borrowings

The carrying value of non-interest bearing, call and variable rate deposits, and fixed rate deposits repricing within six months, approximate their value as they are short term in nature or are payable on demand. Discounted cash flow models based upon deposit type and related maturity, were used to calculate the fair value of other term deposits.

Short term liabilities

The carrying value of payables to other financial institutions and bank acceptances approximate their fair value as they are short term in nature and reprice frequently.

Debt issues and loan capital

The fair values of debt issues and loan capital were calculated using quoted market prices at Balance Sheet date. For those debt issues where quoted market prices were not available, discounted cash flow and option pricing models were used, utilising a yield curve appropriate to the expected remaining maturity of the instrument and adjusted for any change in the Group's applicable credit rating.

Liabilities at Fair Value through Income Statement

Liabilities at Fair Value through Income Statement are carried at fair value determined using quoted market prices, or valuation techniques including discounted cash flow models using market observable inputs. Discount rates have been adjusted for any changes in the Group's applicable credit rating.

Derivative Assets and Liabilities

The fair value of trading and hedging derivative contracts, were obtained from quoted market prices, discounted cash flow models or option pricing models that used market based and non-market based inputs.

The fair value of these instruments is disclosed in Note 11.

Life Insurance Policy Holder Liabilities

Life insurance policyholder liabilities are measured on a net present value basis using assumptions outlined in Note 36. This treatment is in accordance with AASB 1038: Life Insurance Business.

All other financial liabilities

This category includes interest payable and unrealised expenses payable for which the carrying amount is considered to be a reasonable estimate of net fair value. For liabilities that are long term, fair values have been estimated using the rates currently offered for similar liabilities with remaining maturities. Other provisions including provision for dividend, income tax liability and unamortised receipts are not considered financial instruments.

Commitments to extend credit, letters of credit, guarantees, warranties and indemnities issued

The fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risk and attract fees in line with market prices for similar arrangements. They are not presently sold or traded. The items generally do not involve cash payments other than in the event of default. The fee pricing is set as part of the broader customer credit process and reflects the probability of default. The fair value may be represented by the present value of fees expected to be received, less associated costs, however the overall level of fees involved is not material.

48(b) The Impact of Fair Values Calculated Using Non-market Observable Assumptions

The Group's exposure to financial instruments measured at fair value based in full or in part on non-market observable inputs is restricted to a small number of financial instruments which comprise an insignificant component of the portfolios to which they belong, such that any change in the assumptions used to value the instruments to a reasonably possible alternative do not have a material effect on the portfolio balance, the Group's or the Bank's results.

Note 49 Acquisition of Controlled Entities

On 19 December 2008, the Group acquired 100% of the share capital of Bank of Western Australia Ltd (consisting of retail and business banking), St Andrew's Australia Pty Ltd (consisting of insurance and wealth management services businesses) and HBOSA Group (Services) Pty Ltd (an internal administrative support entity) for cash consideration (including transaction costs) of $2.2 billion. These businesses collectively represent the retail and business operations in HBOSA.

Details of the purchase consideration and the gain arising on acquisition are as follows:

Purchase consideration	$M
Cash paid	2,126
Direct costs relating to the acquisition	37
Total purchase consideration	2,163
Fair value of net identifiable assets acquired (see below)	3,676
Less: Preference share placement	(530)
Gain on acquisition before tax	**983**

The gain on acquisition has arisen after the Group's reassessment of the fair value of the acquired entities' identifiable assets, liabilities and contingent liabilities and the cost of the acquisition, and has been recognised in the Group's statutory net profit in the current period.

The assets and liabilities arising from the acquisition, reported in aggregate for the acquired entities, are as follows:

	Pre-acquisition carrying amount $M	Recognised values on acquisition $M
Cash and liquid assets	422	422
Receivables due from other financial institutions	283	283
Assets at fair value through Income Statement:		
Trading	5,907	5,907
Insurance	212	212
Derivative assets	1,014	1,014
Available-for-sale investments	3	3
Loans, bills discounted and other receivables	58,153	57,351
Property, plant and equipment	177	225
Intangible assets	98	806
Deferred tax assets	255	610
Other assets	289	288
Total assets	66,813	67,121
Deposits and other public borrowings	50,401	50,677
Payables due to other financial institutions	4,673	4,673
Liabilities at fair value through Income Statement	250	250
Derivative liabilities	512	512
Deferred tax liabilities	54	258
Other provisions	84	84
Insurance policy liabilities	202	202
Debt issues	5,221	5,221
Bills payable and other liabilities	357	357
Loan capital	1,211	1,211
Total liabilities	62,965	63,445
Net assets	3,848	3,676
Outflow of cash to to acquire business, net of cash acquired:		
Cash consideration	n/a	2,126
Direct costs relating to acquisition	n/a	37
Cash and cash equivalents in subsidiaries acquired	n/a	(422)
Cash outflow on acquisition	n/a	1,741

During the period 19 December 2008 to 30 June 2009, these operations contributed $113 million to the consolidated net profit after tax ("cash basis") and a net profit after tax of $42 million to the consolidated statutory net profit after tax for the year.

If the acquisition had occurred on 1 July 2008 the contribution to the Group's revenue would have been $1,561 million for the year and contribution to the Group's net profit after tax would have been a net loss after tax of $184 million for the year ended 30 June 2009. This pro-forma financial information uses data for the twelve month period ended 30 June 2009 and represents the historical operating results reported in accordance with the Group's accounting policies.

Directors' Declaration

In accordance with a resolution of the Directors of the Commonwealth Bank of Australia the Directors declare that:

(a) the Financial Statements and notes thereto of the Bank and the Group, and the additional disclosures included in the Directors' Report designated as audited, comply with Accounting Standards and in their opinion are in accordance with the Corporations Act 2001;

(b) the Financial Statements and notes thereto give a true and fair view of the Bank's and the Group's financial position as at 30 June 2009 and of their performance for the year ended on that date;

(c) in the opinion of the Directors, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable; and

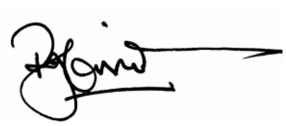
(d) the Directors have been given the declarations required under Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the Directors.

J M Schubert

Chairman

12 August 2009



R J Norris

Managing Director and Chief Executive Officer

12 August 2009

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Independent auditor's report to the members of Commonwealth Bank of Australia

Report on the financial report

We have audited the accompanying financial report of Commonwealth Bank of Australia (the company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Commonwealth Bank of Australia and the Group. 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 company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 (a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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.

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independent auditor's report to the members of Commonwealth Bank of Australia (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

(a) the financial report of Commonwealth Bank of Australia is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 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 65 to 85 of the directors' report for the year ended 30 June 2009. The directors of the company 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 Commonwealth Bank of Australia for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Commonwealth Bank of Australia (the company) for the year ended 30 June 2009 included on Commonwealth Bank of Australia web site. The company's directors are responsible for the integrity of the Commonwealth Bank of Australia web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Rahoul Chowdry

Partner

12 August 2009

Top 20 Holders of Fully Paid Ordinary Shares as at 7 August 2009

Rank	Name of Holder	Number of Shares	%
1	HSBC Custody Nominees (Australia) Limited	189,963,801	12.51
2	J P Morgan Nominees Australia Limited	138,182,800	9.10
3	National Nominees Limited	112,749,746	7.42
4	Citicorp Nominees Pty Limited	68,433,483	4.51
5	ANZ Nominees Limited	32,829,942	2.16
6	RBC Dexia Investor Services Australia Nominees Pty Limited	29,510,379	1.94
7	Cogent Nominees Pty Limited	28,469,865	1.87
8	AMP Life Limited	15,458,492	1.02
9	Queensland Investment Corporation	14,024,010	0.92
10	Australian Foundation Investment Company Limited	8,472,900	0.56
11	UBS Wealth Management Australia Nominees Pty Ltd	7,992,690	0.53
12	Bond Street Custodians Limited	6,043,420	0.40
13	CS Fourth Nominees Pty Ltd	4,314,210	0.28
14	Perpetual Trustee Co Limited (Hunter)	3,694,509	0.24
15	Australian Reward Investment Alliance	3,272,767	0.22
16	Invia Custodian Pty Limited	2,474,822	0.16
17	Woodross Nominees Pty Ltd	2,275,309	0.15
18	Argo Investments Limited	2,198,306	0.14
19	Milton Corporation Limited	2,134,303	0.14
20	Suncorp Custodian Services Pty Ltd	1,822,681	0.12

The top 20 shareholders hold 674,318,435 shares which is equal to 44.39% 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): 7 August 2009

Range	Number of Shareholders	Percentage Shareholders	Number of Shares	Percentage Issued Capital
1 – 1,000	575,469	74.00	194,482,212	12.80
1,001 – 5,000	178,983	23.01	365,211,015	24.05
5,001 – 10,000	16,217	2.09	111,139,953	7.32
10,001 – 100,000	6,797	0.87	127,859,853	8.42
100,001 and over	253	0.03	720,108,036	47.41
Total	777,719	100.00	1,518,801,069	100.00
Less than marketable parcel of $500	14,030	1.80	72,165	0.01

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 7 August 2009

Rank	Name of Holder	Number of Shares	%
1	RBC Dexia Investor Services Australia Nominees Pty Limited	199,147	3.41
2	J P Morgan Nominees Australia Limited	156,821	2.69
3	AMP Life Limited	155,309	2.66
4	UBS Wealth Management Australia Nominees Pty Ltd	147,974	2.54
5	National Nominees Limited	78,015	1.34
6	Mr Walter Lawton and Mrs Jan Rynette Lawton	75,482	1.29
7	Citicorp Nominees Pty Limited	68,517	1.17
8	ANZ Executors & Trustee Company Limited	59,780	1.02
9	The Australian National University Investment Section	51,282	0.88
10	Mr John Stuart Walker & Mr Ralph Lane	50,000	0.86
11	Catholic Education Office Diocese of Parramatta	49,750	0.85
12	Questor Financial Services Limited	45,672	0.78
13	Truckmate (Australia) Pty Limited	35,000	0.60
14	ANZ Nominees Limited	34,954	0.60
15	Bond Street Custodians Limited	33,974	0.58
16	Kerlon Pty Ltd	30,000	0.51
17	Sandhurst Trustees Ltd	29,087	0.50
18	Equity Trustees Limited	25,128	0.43
19	Mifare Pty Limited	25,000	0.43
20	UCA Cash Management Fund Limited	25,000	0.43

The top 20 PERLS III shareholders hold 1,375,892 shares which is equal to 23.57% 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): 7 August 2009

Range	Number of Shareholders	Percentage Shareholders	Number of Shares	Percentage Issued Capital
1 – 1,000	17,419	96.68	2,916,938	50.01
1,001 – 5,000	520	2.89	1,037,129	17.78
5,001 – 10,000	40	0.22	312,896	5.37
10,001 – 100,000	35	0.19	943,703	16.18
100,001 and over	4	0.02	621,615	10.66
Total	18,018	100.00	5,832,281	100.00
Less than marketable parcel of $500	21	0.12	40	0.01

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 227 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 7 August 2009

Rank	Name of Holder	Number of Shares	%
1	AMP Life Limited	358,360	4.89
2	J P Morgan Nominees Australia Limited	289,485	3.95
3	UBS Wealth Management Australia Nominees Pty Limited	170,791	2.33
4	RBC Dexia Investor Services Australia Nominees Pty Limited	167,142	2.28
5	Citicorp Nominees Pty Limited	157,271	2.15
6	Questor Financial Services Limited	128,499	1.75
7	National Nominees Limited	105,314	1.44
8	Cogent Nominees Pty Limited	93,252	1.27
9	Invia Custodian Pty Limited	82,977	1.13
10	UCA Cash Management Fund Limited	71,567	0.98
11	ANZ Nominees Limited	61,497	0.84
12	Avanteos Investments Limited	51,938	0.71
13	Eastcote Pty Ltd	50,000	0.68
14	Bond Street Custodians Limited	38,561	0.53
15	Australian Executor Trustees	37,942	0.52
16	The Australian National University Investment Section	30,000	0.41
17	Bournda Downs Pty Limited	25,525	0.35
18	Count Financial Limited	25,250	0.34
19	Catholic Education Office Diocese of Parramatta	25,000	0.34
20	HSBC Custody Nominees (Australia) Limited	24,214	0.33

The top 20 PERLS IV shareholders hold 1,994,585 shares which is equal to 27.22% 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): 7 August 2009

Range	Number of Shareholders	Percentage Shareholders	Number of Shares	Percentage Issued Capital
1 – 1,000	14,789	94.69	3,235,761	44.17
1,001 – 5,000	740	4.74	1,602,671	21.88
5,001 – 10,000	50	0.32	414,193	5.66
10,001 – 100,000	33	0.21	934,730	12.76
100,001 and over	6	0.04	1,137,645	15.53
Total	15,618	100.00	7,325,000	100.00
Less than marketable parcel of $500	2	0.01	3	0.01

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.

Further more 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 227.

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.

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 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 227 for the Bank's ordinary shares and page 228 for the preference shares.

International Representation

Australia
Head Office
Commonwealth Bank of Australia
48 Martin Place,
Sydney NSW 1155
Telephone: (61 2) 9378 2000

New Zealand
ASB Bank Limited
Level 28 ASB Bank Centre
135 Albert Street, Auckland
Telephone: (64 9) 377 8930
Facsimile: (64 9) 358 3511
Managing Director
Charles Pink

Sovereign Group Limited
33-45 Hurstmere Road
Takapuna, Auckland
Telephone: (64 9) 487 9000
Facsimile: (64 9) 486 1913
Managing Director
Jon Raby (Acting)

Asia Pacific
Fiji Islands
Colonial Fiji
Colonial Life Limited
Level 12, Suva Central
Telephone: (67 9) 3214 400
Facsimile: (67 9) 3303 448
Managing Director
Laurie Mellsop

China
CBA Representative Office
2909 China World Towers 1
1 Jian Guo Men Wai Avenue
Beijing 100004
Telephone: (86 10) 6505 5350
Facsimile: (86 10) 6505 5354
China Chief Representative
Paul Au

CommFinance
Level 7
Zhong Ya Building
458 Wulumugi (N) Road
Shanghai
Telephone: (86 21) 6249 9659
Facsimile: (86 21) 6249 9682
Chief Executive Officer
Guo-Xiong Jiang

China Life – CMG Asia Life Assurance Co Ltd
21st Floor
China Insurance Building
166 Lujiazui Dong Road
Shanghai 200120
Telephone: (86 21) 5882 5245
Facsimile: (86 21) 6887 5720
General Manager
Alan Wood

CBA Representative Office
Room 4007 Bund Center
222 Yan An Road East
Shanghai 200002
Telephone: (86 21) 6335 1686
Facsimile: (86 21) 6335 1766
Shanghai Chief Representative
Guo Wei

First State Cinda Fund Management Co. Ltd.
24F China Merchants Bank Building
No 7088, Shen Nan Road
Shenzhen 518040
Telephone: (852) 2846 7555
Facsimile: (852) 2868 4742/4783
Regional Head Asia
Lindsay Mann

Hong Kong
Level 15
1501-5, Chater House
8 Connaught Road,
Central
Hong Kong
Telephone: (852) 2844 7501
Facsimile: (852) 2801 6916
Regional General Manager Asia
Stephen Poon

Hong Kong Commonwealth Bank of Australia
Room 1307-1308, Chater House
8 Connaught Road
Central
Hong Kong
Telephone: (852) 3667 8900
Facsimile: (852) 3667 8939
Executive General Manager
Peter Fancke

First State Investments (Hong Kong) Limited
Level 6, Three Exchange Square
Central
Hong Kong
Telephone: (852) 2846 7555
Facsimile: (852) 2868 4742/4783
Regional Head Asia
Lindsay Mann

India
CBA Representative Office
Suite 200, The Grand Ashok
Kumara Krupa Road
Bangalore 560001
Telephone: (91 80) 2237 4761
Fascimile: (91 80) 4112 1462
Chief Representative
Ravi Kushan

Indonesia
PT Bank Commonwealth
Level 3A, Wisma Metropolitan II
Jl. Jendral Sudirman Kav. 29-31
Jakarta 12920
Telephone: (62 21) 5296 1222
Facsimile: (62 21) 5296 2293
President Director
Nursing Nursing

PT Commonwealth Life
11/F Sentra Mulia
Jl. H.R. Rason Said, Kav X-6 No 8
Jakarta 12940
Telephone: (62 21) 250 0385
Facsimile: (62 21) 250 0389
President Director
Simon Bennett

PT First State Investments Indonesia
29th Floor, Gedung Artha Graha
Sudirman Central Business District
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190
Telephone: (62 21) 515 0088
Facsimile: (62 21) 515 0033
CEO
Hario Soeprobo

Japan
CBA Branch Office
8th Floor
Toranomon Waiko Building
5-12-1 Toranomon
Minato-ku, Tokyo 105-0001
Telephone: (81 3) 5400 7280
Facsimile: (81 3) 5400 7288
General Manager Japan
Richard Harris

Singapore
CBA Branch Office
Level 17 Millenia Tower
1 Temasek Avenue
Singapore 039192
Telephone: (65) 6349 7001
Facsimile: (65) 6224 5812
Country Head
Brian McGovern

First State Investments (Singapore)
1 Temasek Avenue
#17-01 Millenia Tower
Singapore 039192
Telephone: (65) 6538 0008
Facsimile: (65) 6538 0800
Regional Head Asia
Lindsay Mann

Vietnam
CBA Representative Office
Suite 202-203A
The Central Building
31 Hai Ba Trung, Hanoi
Telephone: (84 4) 826 9899
Facsimile: (84 4) 824 3961
Chief Representative
Hahn Nuygen

CBA HCMC Branch office
Ground Floor
Han Nam Building
65 Nguyen Du St., Dist. 1
Ho Chi Minh City
Telephone: (84) 8824 1525
Facsimilie: (84) 8824 2703
General Director
Danny Armstrong

Americas
United States of America
CBA Branch Office
Level 17, 599 Lexington Avenue
New York NY 10022
Telephone: (1 212) 848 9391
Facsimile: (1 212) 336 7772
General Manager, Americas
Ian Phillips

Europe
United Kingdom
CBA Branch Office
Senator House
85 Queen Victoria Street
London EC4V 4HA
Telephone: (44 20) 7710 3934
Facsimile: (44 20) 7329 6611
Regional General Manager Europe
Paul Orchart

First State Investments (UK) Limited
3rd Floor, 30 Cannon Street
London EC4M 6YQ
Telephone: (44 20) 7332 6500
Facsimile: (44 20) 7332 6501
Chief Executive Officer
Charles Metcalf

Edinburgh
23 St Andrew Square
Edinburgh EH2 1BB
Telephone: (44 131) 473 2200
Facsimile: (44 131) 473 2222
Managing Partners
Stuart Paul & Angus Tulloch

132 221 General Enquiries

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131 519 CommSec (Commonwealth Securities)

CommSec provides the information and tools to make smart investment easy, accessible and affordable for all Australians, by phone or Internet at www.commsec.com.au

Available from 8am to 8pm (Sydney Time), Monday to Friday, for share trading and stock market enquiries, and 8am to 8pm 7 days a week for Commsec Cash Management. A 24 hour lost and stolen card line is available 24 hours, 7 days a week.

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Existing investors can call **131 336** from 8am to 7pm (Sydney Time) Monday to Friday.

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Corporate Directory

Registered Office
Level 7, 48 Martin Place
Sydney NSW 1155
Telephone (61 2) 9378 2000
Facsimile (61 2) 9378 2400

Company Secretary
JD Hatton

Shareholder Information
www.commbank.com.au/shareholder

Share Registrar
Link Market Services Limited
Locked Bag A14
SYDNEY SOUTH NSW 1235
Telephone: (02) 8280 7199
Facsimile: (02) 9287 0303
Freecall: 1800 022 440
Internet
www.linkmarketservices.com.au
Email
cba@linkmaketservices.com.au

Telephone numbers for overseas Shareholders
New Zealand
0800 442 845
United Kingdom
0845 769 7502
Fiji
008 002 054
Other International
(61 2) 8280 7199

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Annual Report
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