Annual Report

2013

CommonwealthBank

COMMONWEALTH BANK OF AUSTRALIA | ACN 123 123 124

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Chairman's Statement

Introduction

Over the past twelve months, the global economy (outside Australia) has gradually improved, which is better than our view last year. In particular there has been some positive momentum in the United States.

There has however not been similar momentum in Europe, and the structural imbalances between North and South seem as challenging as ever.

In China there appears to have been a shift from infrastructure led growth to one driven by consumption with resultant growth prospects settling at a slightly lower level than seen in the past.

This combination of conditions has not had a positive impact on the Australian economy where notwithstanding some recent softening, the Australian dollar remains high. The outlook for continued investment in the resources sector has done little to improve consumer and corporate confidence. This in turn has meant that credit growth has remained subdued.

On the positive side however, there have been signs of a gradual improvement in demand for housing finance where falling interest rates have encouraged buyers to return to the market.

Despite the subdued environment, the Group has delivered another good result, which is a tribute to our continued execution of key strategic and operational initiatives both within Australia and to a lesser extent in our businesses overseas where our capability continues to grow.

In this low growth environment, value has been delivered by recognising the importance of enhancing the financial wellbeing of our customers, by continued investment in technology and through a relentless focus on productivity and process simplification.

In short, we have focused on quality, both in customer service and business processes. This focus will remain a priority in both the coming and future years.

The Group continues to be managed conservatively with strong capital, high levels of liquidity and robust provisioning. The Group remains well funded, which has enabled us to continue supporting our customers, some of whom are finding the current environment challenging.

Operating and Financial Results

The Group has delivered another good result despite subdued underlying credit growth.

Net profit after tax on a cash basis increased 10% on the prior year to $7,819 million. The Group delivered a strong Return on Equity (ROE) performance of 18.4%, again on a cash basis. Key elements of the result were:

- Net interest income increased 6% to $13,944 million, reflecting 4% growth in average interest earning assets and a four basis point increase in net interest margin;
- Other banking income increased by 7% to $4,221 million driven by a rebound in Markets trading income and a modest increase in lending fees;
- Funds management income increased 10% to $2,146 million, driven by a combination of factors, including a 13% increase in Funds Under Administration as investment markets improved, strong net flows into the FirstChoice and Customs Solutions Platforms and higher performance fees received by CFSGAM;
- Insurance income increased 8% to $1,034 million, driven by 16% average inforce premium growth as strong sales, and favourable claims experience in retail life was partially offset by unfavourable claims experience in wholesale life and increased lapse rates in retail life;
- Operating expenses increased 4% to $9,605 million, driven by inflation-related salary increases and higher superannuation expenses, higher occupancy and equipment expenses and an increase in information technology costs driven by system enhancements and increased software amortisation. The Group's cost to income ratio improved to 45.0% reflecting higher revenues and productivity improvements; and
- Loan impairment expense decreased 1% to $1,082 million, reflecting the gradual improvement in credit card and home loan arrears, with economic overlays maintained at existing levels.

The Group's assets increased by $35 billion over the prior year, despite subdued underlying credit growth. This was largely driven by an increase in home lending, business and corporate lending balances and higher derivative asset balances.

The Group's funding requirements were mainly generated from deposits, growing by 7% to $405 billion. Customer deposits now make up 63% of total funding.

Dividends and Capital

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

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

Further capital reforms are expected over the next twelve months and the coming years, including the introduction of the Level 3 conglomerate reforms in 2014 and the implementation of the capital conservation buffer in 2016.

The Group adopted the Basel III measurement and monitoring of regulatory capital effective from 1 January 2013, and has taken a conservative and proactive approach to capital management. This is reflected in the overall strength of the Group's capital position. The CET1 ratio (on an internationally harmonised basis) has increased by nearly 60% since the Global Financial Crisis (June 2007). The Group's 30 June 2013 internationally harmonised CET1 ratio of 11.0%, places it well above the average of its international peers and comfortably above your Board's approved target.

There has inevitably been a significant cost and investment of management time in relation to implementing increasingly complex regulatory reforms. The Group welcomes the recent announcement by the Basel Committee of Banking Supervision of a review of the Basel capital framework in order to balance risk sensitivity and ensure simplicity and comparability.

Last year, I reported that your Board had reviewed the Group's dividend policy. This revised policy included a target payout ratio of between 70% and 80% of cash earnings and a more even distribution as between the interim and final dividend. I also indicated that the Board would consider minimising the dilutive impacts of the Dividend Reinvestment Plan ("DRP") through neutralisation initiatives.

Consistent with this revised policy the Group has, this year:

- Increased the total dividend payment by 9% to $3.64, which represents a payout ratio for the year of 75.4% of cash earnings, compared with last year's ratio of 75.0%;
- Increased the interim dividend by 20% to $1.64 with the final dividend up 2% on last year's final to $2.00; and
- In light of the Group's strong capital position, neutralised the dilutive impact of the DRP through an on market share purchase for the interim dividend and intends doing the same for the final dividend payable in October 2013.

The other major capital initiative for the year was the issue, in October 2012, of $2 billion Perpetual Exchangeable Resalable Listed Securities (PERLS VI), which is a Basel III compliant, Additional Tier One Capital security. The proceeds of this issue were used, to the extent necessary, to refinance PERLS IV and otherwise to fund the Group's business. Existing holders of CBA ordinary shares and hybrid instruments were given priority in subscribing for PERLS VI.

Corporate Governance and Board Performance

The Board's Non-Executive Directors meet at least annually for an open discussion on the Board's performance and to identify where improvements can be made in Board processes. The review process includes a performance assessment of the Board Committees and each Director.

This year the Board again used an independent facilitator for its performance review, which reported on progress against last year's findings in terms of both collective challenge and individual contributions. It was a positive review, which also endorsed the current Board and Committee processes. The assessment has been considered by the Board and individual Director assessments have been diarised with Directors by the Chairman of the Board.

While there were no new Non-Executive Directors appointed to the Board this year, the Board Performance and Renewal Committee continues to look for Board candidates with the capability to contribute to thought processes relating to the business and to challenge effectively and motivate management to achieve sustained, outstanding performance in all respects.

In appointing new Non-Executive Directors, the Board Performance and Renewal Committee assesses the skills, experience and personal qualities of candidates. It also takes into consideration other attributes including diversity to ensure that any appointment decisions adequately reflect the aspirations of the Group and the environment in which it operates.

The continuing education of Non-Executive Directors is a priority, with the Board providing formal ongoing exposure to a wide range of relevant issues. This program ensures that the Board is kept up to date with developments in the industry both locally and globally. It also includes sessions with local and overseas experts in the particular fields relevant to the Group's operations.

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

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

Outlook

As I said earlier and looking back on last year's letter, it would be fair to say that the improvement in the international macro environment has been slightly better than we had anticipated. In particular, the United States economy seems to be on a much sounder footing and looks to have good positive momentum, although there are clearly still longer term structural issues to be resolved. In Europe, volatility seems to have reduced and the outlook is more positive than it was this time last year. Having said that, I still believe it will take some time before the Eurozone returns to a period of sustainable economic growth.

In China the political concerns of last year appear to have abated, although economic growth seems to be settling at a slightly lower level than previously. I have no doubt that China will continue to experience some volatility but medium to longer term economic prospects remain positive.

So, turning to the prospects for the 2014 financial year, our outlook for the global economy remains similar to six months ago. Our primary areas of economic focus are the level of confidence of Australian business and households, the impact of economic conditions in China on the demand and price for resources, the value of the Australian dollar and the resultant impact on export-sensitive parts of the Australian economy and the stability of funding markets. Indicators relating to all of these factors have been mixed over the past six months, and we expect that to remain the case in the near term. In addition, competition will remain strong in all our businesses, both from traditional financial services competitors and new technology-enabled business models.

Overall we believe that the underlying conditions for our business in the 2014 financial year will be similar to those we have experienced in the recently completed year. However, we are well positioned to meet the needs of our customers should the economy rebound more quickly than anticipated.

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

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

Finally for all the staff of the Group on whom we depend for our success, thank you.

David J Turner
Chairman
13 August 2013

Chief Executive Officer's Statement

As David Turner has noted in his Chairman's Statement, the economic environment during the 2013 financial year was mixed. Whilst many indicators around the world economy improved, others deteriorated. Market volatility was generally lower than we had seen the previous year. But in Australia, the lack of a clear global recovery, combined with doubts about the shape of the economy following a reduction in global resources receipts continued to supress confidence.

Against that backdrop, our continuing focus on our long term strategy ensured that the Group performed well during the 2013 financial year. The strategy that we announced 18 months ago, which is very similar to the one the Group has been following since 2006, has customer focus as its overarching priority. The underlying belief is that satisfied customers lead to satisfied shareholders.

During the 2013 financial year, our multi-year trend of improving customer satisfaction continued. In 2006, CBA lagged all major competitors in customer satisfaction. The gap between CBA and the leading competitor was 12.5%. The Group set a goal of not only reducing that gap, but becoming the leading major bank in retail MFI customer satisfaction as measured by the Roy Morgan survey. In January this year, we achieved that goal. And we have held that position since then. Moreover, the most recent result, June 2013, was the highest in the Group's history. When combined with leading customer satisfaction positions in our Business and Private Banking, Institutional Banking and Wealth Management businesses, this provides a strong foundation for on-going success.

Satisfied customers led to market share growth across many different parts of our retail banking business during the year, particularly in the second half. We also grew lending in our business bank considerably faster than the market. And our Wealth Management business benefited from better in-flows, as well as improved equity markets, with Funds Under Administration up $44 billion and cash NPAT up 9%. Although some of these market share gains were offset to some extent by continuing margin pressure in deposits, revenue growth overall was a robust 7%.

Our strategy of customer focus is built around four key capabilities: people, technology, productivity and strength.

Of course customer satisfaction depends first and foremost on people. I am extremely proud of the team at Commonwealth Bank. This year I have had the pleasure of visiting our teams in places as different as Albury and Edinburgh. One of the strengths of the Group is that branch managers in Albury and asset managers in Edinburgh share a passion to do their best for the benefit of our customers, and a desire to collaborate across the Group to that end. Our people remain our most important asset and this year's result is a tribute to their commitment and hard work. All of our internal measures confirm our impressions that our people are highly engaged.

Another critical part of our customer focus over many years has been our investment in technology. During the 2013 financial year, we completed our Core Banking Modernisation upgrade. This project involved approximately 1,500 people working full-time for six years. Their work has resulted in industry-leading features for customers, centred around the only true 24 hours a day, seven days a week core banking system among the major banks in Australia (and one of the few in the world for a bank of this scale). With the project now completed, we are focused on continuous innovation for the benefit of our customers. Examples of recent innovations which are directly benefiting our customers include in-branch video conferencing, Everyday Settlements, Commbiz Mobile, Kaching and our new point of sale offerings of Pi, Albert and Leo. We believe we are still only at the start of our long term effort to apply world-leading technology for the benefit of our customers.

Our systems investment is also an important enabler of our group-wide focus on productivity. Productivity will be a multi-year focus for the organisation and the initiatives we embarked on during the year have seen us make significant progress in embedding a productivity culture throughout the Group. We believe that this strategy is not about short term cost cutting, but about sustainable change. We will apply the same level of focus and discipline as we have on customer satisfaction, since the two are closely linked. Our aspiration remains making our business more customer friendly and efficient in the long term, while managing short term expenses to an appropriate level.

Through the successful execution of this program over several years, the Group will avoid short term cost cutting initiatives that damage morale and thereby undermine long term value. We have not, and will not, set targets for reduction in people numbers. Nor will we resort to offshoring of Australian jobs.

Though the most significant benefits of this focus on productivity will likely be felt in the medium term, we already saw early signs of progress in the past financial year. Our cost to income ratio improved by 100 basis points to 45.0%. And importantly, we were able to achieve this improvement while still making $1.2 billion of investments for the long term, and absorbing the significant costs of new regulation.

Our fourth capability, strength, also influenced our performance in the past year. Given the continued uncertainty in the global economy and our cautious view of the prospects for growth in the domestic economy, we retained our conservative mindset throughout the year. As at the end of the financial year, our capital and liquidity positions are as strong as they have ever been. We are well-funded with high levels of liquidity. And we have retained conservative provisioning, alongside a very strong capital position relative to both domestic and international peers. We have also maintained our discipline in lending standards. Given the strength of the Group we have ample capacity to support our customers.

Our strategy is built around the application of these four capabilities (people, technology, productivity and strength) to growth opportunities. This starts with our domestic financial services businesses, where we see an opportunity for continued growth by deepening our relationships with our customers. Our "One Commbank" initiative aims to make it easy for our customers to get the products they need, however they choose to do so. This initiative builds on our industry-leading customer reach, our customer-focused technology systems, and above all, customer-focused and collaborative people. One example of how these three areas of advantage can work together is the roll-out of video conferencing, which we now have in all our CBA branches. This makes it easier for our customers to get expert advice and access a much wider range of financial products. Again, though it is a multi-year effort, we have already seen the benefits in the 2013 financial year. We have again seen an increase in products per customer, and have retained our leadership position relative to our peers.

We also see an opportunity domestically to keep growing our Business and Institutional Banking businesses as we leverage our technology to grow our Transaction Banking business and look for new opportunities to provide our customers with innovative products and ideas. We have also continued to make small discrete investments, designed to further strengthen our domestic portfolio. In the 2013 financial year, we were pleased to have the opportunity to increase our ownership stake in Aussie Home Loans to 80%.

Outside Australia, we have a continuing appetite to apply these capabilities where we believe that we can create long term value for our shareholders. This applies particularly in the Asian region, where we continue to follow a consistent strategy of long term growth. Our retail, institutional and asset management businesses in the region generated cash NPAT in excess of $300 million during the 2013 financial year. Of particular note during the year was the opening of five new County Banks, and the approval for a Beijing branch, in China.

Given the Group's relative strength, we are still frequently asked about our intentions regarding inorganic growth outside Australia. Our position remains exactly as stated during our strategy update 18 months ago: we would only undertake an acquisition where it creates value for shareholders that they could not create for themselves through direct investment in the relevant entity. Opportunities to create such value are hard to find.

We are committed to having a positive impact on the financial wellbeing of communities. In addition to some of our higher profile partnerships, most notably Cricket Australia and the Australian of the Year Awards, we have a strong multi-year commitment to the Australian youth. During the year we delivered our financial literacy program to more than 280,000 students from primary schools through to TAFE colleges. This is the world's largest face-to-face financial literacy program of its kind and represents a significant investment by the Group in the future of young people. Our people also awarded over $2 million in grants through our Staff Community Fund, Australia's largest and longest running workplace-giving program, to more than 240 organisations that are improving the health and wellbeing of Australian youth.

The Chairman's letter makes it clear that while our long term economic view remains positive, lack of consumer and business confidence may continue to weigh on the economy in the near term. We will stick to our strategy. Management's focus over the next 12 months will be continuing our multi-year investments in the capabilities that underpin customer focus. We are setting ourselves a high bar for improving these capabilities, because we believe that by doing so we can create value for our customers and our shareholders. So during the 2014 financial year, we expect to make significant progress on our One Commbank and productivity initiatives with particular emphasis on delivering simplified and streamlined interactions with our customers, improving the capabilities of our front line staff and continuing to simplify our products and processes.

In doing so, we must ultimately be guided by our vision. During the 2013 financial year, we refreshed our vision, which is now "to secure and enhance the financial wellbeing of people, businesses, and communities". The vision is intended to remind us all of the high level of responsibility we have to more than 10 million personal and business customers, 800,000 households who own our shares directly in addition to the millions more who own our shares through super funds, and the communities in which we operate. Our goal is to ensure that each of our 50,000 employees recognises that responsibility and gives of his or her best, guided by our values of integrity, accountability, service, excellence and collaboration. The challenges of the economy, combined with the high quality of our competitors, mean that we must always strive for higher standards and improved performance if we are to maintain the strong momentum that the Group has developed over many years.

Ian M Narev
Chief Executive Officer
13 August 2013

Highlights

Group Performance Highlights

	Full Year Ended ("statutory basis")		Full Year Ended ("cash basis")			Half Year Ended ("cash basis")		
	30 Jun 13	Jun 13 vs Jun 12 %	30 Jun 13	30 Jun 12	Jun 13 vs Jun 12 %	30 Jun 13	31 Dec 12	Jun 13 vs Dec 12 %
Net profit after tax ($M)	**7,677**	8	**7,819**	7,113	10	**4,039**	3,780	7
Return on equity (%)	**18.2**	(50)bpts	**18.4**	18.6	(20)bpts	**18.8**	18.1	70 bpts
Earnings per share - basic (cents)	**477.9**	6	**485.8**	449.4	8	**250.3**	235.5	6
Dividends per share (cents)	**364**	9	**364**	334	9	**200**	164	22

Financial Performance

The Group's net profit after tax ("statutory basis") for the year ended 30 June 2013 increased 8% on the prior year to $7,677 million.

Return on equity ("statutory basis") was 18.2% and Earnings per share ("statutory basis") was 477.9 cents, an increase of 6% on the prior year.

The Management Discussion and Analysis discloses the net profit after tax on both a statutory and cash basis. The statutory basis is prepared and reviewed in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS). The cash basis is used by management to present a clear view of the Group's underlying operating results, excluding items that introduce volatility and/or one-off distortions of the Group's current period performance. These items, such as hedging and IFRS volatility, are calculated consistently year on year and do not discriminate between positive and negative adjustments. A list of items excluded from statutory profit is provided in the reconciliation of the Net profit after tax ("cash basis") on page 7 and described in greater detail on page 17.

The Group has produced another positive financial result amidst mixed economic conditions, including subdued credit growth, higher deposit funding costs, low interest rates, lower marginal costs of raising new wholesale funding and improved equity markets.

The Group continues to focus on securing long term sustainable competitive advantage through engaged staff collaborating to identify and meet more of our customers' needs. This long term focus, combined with a diversified business model and a strong risk management culture, has again generated superior returns.

Operating income growth reflected strong momentum across the Retail, Wealth and New Zealand businesses. Business banking revenue remained subdued amid strong competition for domestic deposits.

Operating expenses reflect a continued appetite to invest in technology and other growth initiatives, together with the impact of costly regulatory change and compliance initiatives, partly offset by productivity initiatives.

Loan impairment expense decreased slightly due to improved home loan and credit card arrears, partly offset by increased commercial loan charges. Asset quality remains sound with continued conservative levels of provisioning and unchanged economic overlays.

Net profit after tax ("cash basis") for the year ended 30 June 2013 increased by 10% on the prior year to $7,819 million. Cash earnings per share increased 8% to 485.8 cents per share.

Return on equity ("cash basis") for the year ended 30 June 2013 was 18.4%, a decrease of 20 basis points on the prior year, reflecting strong organic capital generation from higher retained earnings and shareholder reinvestment of the final dividend of the 2012 financial year.

Capital

The Group further strengthened its capital position under the new Basel III regulatory capital framework. As at 30 June 2013 the Basel III Common Equity Tier One (CET1) ratio as measured on a fully internationally harmonised basis was 11.0%.

This places the Group in a strong position, compares favourably to our international and domestic peers, and is well above the regulatory minimum levels.

Funding

The Group has maintained conservative balance sheet settings, with the majority of the Group's lending growth funded by growth in customer deposits. Customer deposits constitute 63% of the Group's funding base at 30 June 2013 up from 62% in the prior year.

Wholesale funding levels remained broadly stable over the past 12 months, and while the cost of issuing new long term wholesale funding has decreased, domestic deposit costs remain at elevated levels, maintaining pressure on Group margins over the year.

Dividends

The final dividend declared was $2.00 per share, bringing the total dividend for the year ended 30 June 2013 to $3.64 per share, an increase of 9% on the prior year. This represents a dividend payout ratio ("cash basis") of 75.4%.

The final dividend payment will be fully franked and paid on 3 October 2013 to owners of ordinary shares at the close of business on 23 August 2013 (record date). Shares will be quoted ex–dividend on 19 August 2013.

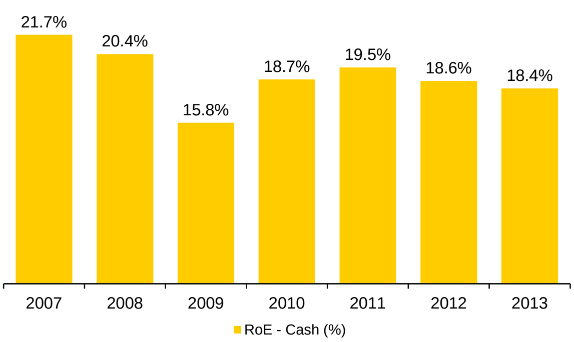
Outlook

The outlook for the global economy remains similar to six months ago. The Group's primary areas of economic focus are the level of confidence of Australian businesses and households, the impact of economic conditions in China on the demand and price for resources, the value of the Australian dollar and the resultant impact on export-sensitive parts of the domestic economy and stability of funding markets. Indicators relating to all of these factors have been mixed over the past six months, and it is expected that will remain the case in the near term. In addition, competition will remain strong across all of the Group's businesses, both from traditional financial services competitors and new technology-enabled business models. Overall, the Group believes that the underlying conditions for its business in the 2014 financial year will be similar to those experienced in the recently completed year. However, the Group is well positioned to meet the needs of its customers should the economy rebound more quickly than anticipated.

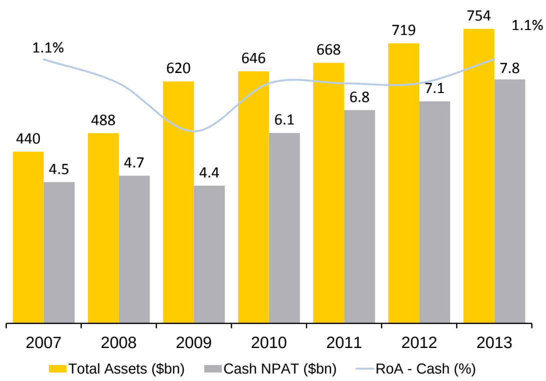
Group Performance Summary	Full Year Ended			Half Year Ended			Statutory Full Year Ended	
	30 Jun 13 $M	30 Jun 12 $M	Jun 13 vs Jun 12 %	30 Jun 13 $M	31 Dec 12 $M	Jun 13 vs Dec 12 %	30 Jun 13 $M	Jun 13 vs Jun 12 %
Net interest income	13,944	13,157	6	7,082	6,862	3	13,934	6
Other banking income	4,221	3,927	7	2,086	2,135	(2)	4,237	4
Total banking income	18,165	17,084	6	9,168	8,997	2	18,171	6
Funds management income	2,146	1,957	10	1,113	1,033	8	2,165	12
Insurance income	1,034	960	8	529	505	5	1,218	(1)
Total operating income	21,345	20,001	7	10,810	10,535	3	21,554	6
Investment experience	154	149	3	70	84	(17)	n/a	n/a
Total income	21,499	20,150	7	10,880	10,619	2	21,554	6
Operating expenses	(9,605)	(9,196)	4	(4,850)	(4,755)	2	(9,680)	4
Loan impairment expense	(1,082)	(1,089)	(1)	(466)	(616)	(24)	(1,146)	5
Net profit before tax	10,812	9,865	10	5,564	5,248	6	10,728	8
Corporate tax expense [1]	(2,977)	(2,736)	9	(1,517)	(1,460)	4	(3,035)	6
Non-controlling interests [2]	(16)	(16)	-	(8)	(8)	-	(16)	-
Net profit after tax ("cash basis")	7,819	7,113	10	4,039	3,780	7	n/a	n/a
Hedging and IFRS volatility [3]	27	124	(78)	37	(10)	large	n/a	n/a
Other non-cash items [3]	(169)	(147)	15	(60)	(109)	(45)	n/a	n/a
Net profit after tax ("statutory basis")	7,677	7,090	8	4,016	3,661	10	7,677	8
Represented by: [4]								
Retail Banking Services	3,054	2,703	13	1,548	1,506	3		
Business and Private Banking	1,488	1,513	(2)	753	735	2		
Institutional Banking and Markets	1,210	1,098	10	607	603	1		
Wealth Management	687	629	9	353	334	6		
New Zealand	635	541	17	326	309	6		
Bankwest	561	527	6	303	258	17		
IFS and Other	184	102	80	149	35	large		
Net profit after tax ("cash basis")	7,819	7,113	10	4,039	3,780	7		
Investment experience - after tax	(105)	(89)	18	(48)	(57)	(16)		
Net profit after tax ("underlying basis")	7,714	7,024	10	3,991	3,723	7		

(1) For purposes of presentation, policyholder tax expense components of corporate tax expense are shown on a net basis (30 June 2013: $112 million; 30 June 2012: $122 million; and for the half years ended 30 June 2013: $28 million and 31 December 2012: $84 million).
(2) Non-controlling interests include preference dividends paid to holders of preference shares in ASB Capital Limited and ASB Capital No.2 Limited.
(3) Refer to page 17 for details.
(4) Comparative information has been restated to reflect changes in the presentation of segment results in the current year. The changes include the reallocation of revenue, expenses and associated customer balances between segments based on where the customer relationship is managed; the allocation of residual earnings on capital across the business segments; and the impact of the Group relinquishing the banking licence held by Bankwest during October 2012.

Group Return on Equity



Group Return on Assets (1)



(1) Comparative information has been restated to conform to presentation in the current year.

Highlights

Key Performance Indicators	Full Year Ended 30 Jun 13	30 Jun 12	Jun 13 vs Jun 12 %	Half Year Ended 30 Jun 13	31 Dec 12	Jun 13 vs Dec 12 %
Group						
Statutory net profit after tax ($M)	**7,677**	7,090	8	**4,016**	3,661	10
Cash net profit after tax ($M)	**7,819**	7,113	10	**4,039**	3,780	7
Net interest margin (%)	**2. 13**	2. 09	4 bpts	**2. 17**	2. 10	7 bpts
Average interest earning assets ($M)	**653,637**	629,685	4	**657,951**	649,394	1
Average interest bearing liabilities ($M)	**609,557**	590,654	3	**613,779**	605,408	1
Funds management income to average FUA (%) [1]	**0. 94**	0. 97	(3)bpts	**0. 94**	0. 95	(1)bpt
Funds Under Administration (FUA) - average ($M) [1]	**227,780**	200,792	13	**239,948**	215,554	11
Insurance income to average inforce premiums (%) [1] [2]	**36. 5**	39. 2	(270)bpts	**36. 8**	36. 6	20 bpts
Average inforce premiums ($M) [2]	**2,834**	2,450	16	**2,898**	2,736	6
Operating expenses to total operating income (%)	**45. 0**	46. 0	(100)bpts	**44. 9**	45. 1	(20)bpts
Effective corporate tax rate (%)	**27. 5**	27. 7	(20)bpts	**27. 3**	27. 8	(50)bpts
Retail Banking Services						
Cash net profit after tax ($M) [1]	**3,054**	2,703	13	**1,548**	1,506	3
Operating expenses to total banking income (%) [1]	**38. 5**	40. 1	(160)bpts	**38. 2**	38. 9	(70)bpts
Business and Private Banking						
Cash net profit after tax ($M) [1]	**1,488**	1,513	(2)	**753**	735	2
Operating expenses to total banking income (%) [1]	**36. 1**	35. 7	40 bpts	**36. 2**	36. 1	10 bpts
Institutional Banking and Markets						
Cash net profit after tax ($M) [1]	**1,210**	1,098	10	**607**	603	1
Operating expenses to total banking income (%) [1]	**34. 2**	35. 1	(90)bpts	**35. 2**	33. 3	190 bpts
Wealth Management						
Cash net profit after tax ($M) [1]	**687**	629	9	**353**	334	6
FUA - average ($M)	**219,296**	193,277	13	**231,138**	207,437	11
Average inforce premiums ($M)	**2,068**	1,806	15	**2,118**	2,021	5
Funds management income to average FUA (%)	**0. 95**	0. 98	(3)bpts	**0. 94**	0. 95	(1)bpt
Insurance income to average inforce premiums (%)	**34. 6**	38. 3	(370)bpts	**33. 1**	36. 1	(300)bpts
Operating expenses to net operating income (%) [3]	**65. 6**	67. 1	(150)bpts	**64. 7**	66. 5	(180)bpts
New Zealand						
Cash net profit after tax ($M) [1]	**635**	541	17	**326**	309	6
FUA - average ($M) [1]	**8,484**	7,515	13	**8,810**	8,117	9
Average inforce premiums ($M)	**516**	470	10	**526**	498	6
Funds management income to average FUA (%) [1]	**0. 64**	0. 59	5 bpts	**0. 66**	0. 61	5 bpts
Insurance income to average inforce premiums (%)	**47. 9**	48. 3	(40)bpts	**51. 4**	45. 0	large
Operating expenses to total operating income (%) [1]	**46. 5**	48. 3	(180)bpts	**47. 0**	45. 9	110 bpts
Bankwest						
Cash net profit after tax ($M) [1]	**561**	527	6	**303**	258	17
Operating expenses to total banking income (%) [1]	**47. 2**	51. 0	(380)bpts	**46. 7**	47. 8	(110)bpts
Capital (Basel III)						
Common Equity Tier One (Internationally Harmonised %)	**11. 0**	9. 8	120 bpts	**11. 0**	10. 6	40 bpts
Common Equity Tier One (APRA %)	**8. 2**	7. 5	70 bpts	**8. 2**	8. 1	10 bpts

(1) Comparative information has been reclassified to conform to presentation in the current year.
(2) Includes IFS Asia.
(3) Net operating income represents total operating income less volume related expenses.

Shareholder Summary

Shareholder Summary	Full Year Ended 30 Jun 13	30 Jun 12	Jun 13 vs Jun 12 %	Half Year Ended 30 Jun 13	31 Dec 12	Jun 13 vs Dec 12 %
Dividends per share - fully franked (cents)	**364**	334	9	**200**	164	22
Dividend cover - cash (times)	**1. 3**	1. 3	-	**1. 2**	1. 4	(14)
Earnings per share (cents)						
Statutory basis - basic	**477. 9**	448. 9	6	**249. 3**	228. 6	9
Cash basis - basic	**485. 8**	449. 4	8	**250. 3**	235. 5	6
Dividend payout ratio (%)						
Statutory basis	**76. 8**	75. 2	160 bpts	**80. 7**	72. 5	large
Cash basis	**75. 4**	75. 0	40 bpts	**80. 2**	70. 2	large
Weighted average no. of shares ("statutory basis") - basic (M) [1]	**1,598**	1,570	2	**1,603**	1,593	1
Weighted average no. of shares ("cash basis") - basic (M) [1]	**1,601**	1,573	2	**1,606**	1,596	1
Return on equity ("statutory basis") (%)	**18. 2**	18. 7	(50)bpts	**18. 8**	17. 6	120 bpts
Return on equity ("cash basis") (%)	**18. 4**	18. 6	(20)bpts	**18. 8**	18. 1	70 bpts

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

Market Share [1]

Market Share [1]	As at 30 Jun 13 %	31 Dec 12 %	30 Jun 12 %	Jun 13 vs Dec 12 %	Jun 13 vs Jun 12 %
Home loans	**25. 3**	25. 1	25. 2	20 bpts	10 bpts
Credit cards - RBA [2]	**24. 3**	23. 9	23. 5	40 bpts	80 bpts
Other household lending [3]	**16. 9**	16. 5	16. 4	40 bpts	50 bpts
Household deposits	**28. 8**	28. 8	28. 9	-	(10)bpts
Retail deposits [4]	**25. 4**	25. 3	25. 4	10 bpts	-
Business lending - APRA	**19. 1**	19. 3	19. 3	(20)bpts	(20)bpts
Business lending - RBA	**17. 9**	17. 7	17. 7	20 bpts	20 bpts
Business deposits - APRA	**21. 5**	20. 6	20. 6	90 bpts	90 bpts
Asset Finance	**13. 3**	13. 3	13. 6	-	(30)bpts
Equities trading	**5. 2**	5. 4	5. 5	(20)bpts	(30)bpts
Australian Retail - administrator view [5]	**15. 5**	15. 4	15. 5	10 bpts	-
FirstChoice Platform [5]	**11. 6**	11. 6	11. 8	-	(20)bpts
Australia life insurance (total risk) [5]	**13. 1**	13. 3	13. 6	(20)bpts	(50)bpts
Australia life insurance (individual risk) [5]	**13. 0**	13. 2	13. 3	(20)bpts	(30)bpts
NZ lending for housing	**22. 3**	22. 1	21. 9	20 bpts	40 bpts
NZ retail deposits	**20. 1**	20. 2	20. 6	(10)bpts	(50)bpts
NZ lending to business	**10. 1**	9. 8	9. 0	30 bpts	110 bpts
NZ retail FUA	**17. 9**	17. 7	18. 8	20 bpts	(90)bpts
NZ annual inforce premiums	**29. 5**	29. 7	30. 3	(20)bpts	(80)bpts

(1) Prior periods have been restated in line with market updates.
(2) As at 31 May 2013.
(3) Other household lending market share includes personal loans and margin loans.
(4) In accordance with RBA guidelines, these measures include some products relating to both the retail and corporate segments.
(5) As at 31 March 2013.

Credit Ratings

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

Financial Performance and Business Review

Year Ended June 2013 versus June 2012

The Group's net profit after tax ("cash basis") increased 10% on the prior year to $7,819 million.

Earnings per share ("cash basis") increased 8% on the prior year to 485.8 cents per share, whilst return on equity ("cash basis") decreased 20 basis points on the prior year to 18.4%.

The key components of the Group result were:

- **Net interest income** increased 6% to $13,944 million, reflecting 4% growth in average interest earning assets and a four basis point increase in net interest margin;
- **Other banking income** increased 7% to $4,221 million, due to higher Markets trading income, including a favourable counterparty fair value adjustment;
- **Funds management income** increased 10% to $2,146 million, due to a 13% increase in average Funds Under Administration (FUA) from positive net flows and improved markets;
- **Insurance income** increased 8% to $1,034 million due to 16% average inforce premium growth and lower claims in retail, partly offset by higher claims in wholesale life and higher lapses in retail life;
- **Operating expenses** increased 4% to $9,605 million, driven by higher staff costs from salary increases, higher defined benefit superannuation expenses and higher IT expenses. IT costs increased due to enhancement of system capabilities and compliance with new regulatory obligations impacting the Wealth business, together with increased software amortisation driven by the Core Banking Modernisation (CBM) initiative. This was partly offset by the continued realisation of operational efficiencies from productivity initiatives; and
- **Loan impairment expense** decreased 1% to $1,082 million. Improvement in arrears in Retail Banking Services, particularly in the credit card and home loan portfolios, was partly offset by increased commercial loan impairment expense.

Half Year Ended June 2013 versus December 2012

The Group's net profit after tax ("cash basis") increased 7% on the prior half to $4,039 million.

Earnings per share ("cash basis") increased 6% on the prior half to 250.3 cents per share, whilst return on equity ("cash basis") improved 70 basis points to 18.8%.

It should be noted when comparing current half financial performance to the prior half that there are three less calendar days impacting revenue in the current half. Key points of note in the result included the following:

- **Net interest income** increased 3% to $7,082 million, reflecting a seven basis point increase in net interest margin and 1% growth in average interest earning assets;
- **Other banking income** decreased 2% to $2,086 million, due to the impact of debt buybacks;
- **Funds management income** increased 8% to $1,113 million, driven by an 11% increase in average FUA;
- **Insurance income** increased 5% to $529 million due to 6% average inforce premium growth, partly offset by unfavourable claims experience in wholesale life;
- **Operating expenses** increased 2% to $4,850 million, driven by higher IT spend on regulatory reform programs across the Group, additional system support costs and increased software amortisation driven by the CBM initiative; and
- **Loan impairment expense** decreased 24% to $466 million due to lower levels of new and increased individual provisioning and increased writebacks on the corporate and commercial portfolios. This was partly offset by the impact of increasing arrears in the unsecured portfolios in Retail Banking Services.

Net Interest Income

	Full Year Ended			Half Year Ended		
	30 Jun 13 $M	30 Jun 12 $M	Jun 13 vs Jun 12 %	30 Jun 13 $M	31 Dec 12 $M	Jun 13 vs Dec 12 %
Net interest income ("cash basis")	13,944	13,157	6	7,082	6,862	3
Average interest earning assets						
Home loans	360,319	345,544	4	365,040	355,674	3
Personal loans	21,395	20,870	3	21,761	21,036	3
Business and corporate loans	168,296	162,409	4	167,859	168,726	(1)
Total average lending interest earning assets	550,010	528,823	4	554,660	545,436	2
Non-lending interest earning assets	103,627	100,862	3	103,291	103,958	(1)
Total average interest earning assets	653,637	629,685	4	657,951	649,394	1
Net interest margin (%)	2.13	2.09	4 bpts	2.17	2.10	7 bpts

Year Ended June 2013 versus June 2012

Net interest income increased by 6% on the prior year to $13,944 million. The result was driven by growth in average interest earning assets of 4% together with a four basis point increase in net interest margin.

Average Interest Earning Assets

Average interest earning assets increased by $24 billion on the prior year to $654 billion, reflecting a $21 billion increase in average lending interest earning assets and a $3 billion increase in average non-lending interest earning assets.

Home loan average balances increased by $15 billion or 4% on the prior year to $360 billion. The growth in home loan balances was largely driven by the domestic banking businesses.

Average balances for business and corporate lending increased by $6 billion on the prior year to $168 billion driven by a combination of business banking and institutional lending.

Average non-lending interest earning assets increased $3 billion on the prior year due to higher average levels of liquid assets.

Net Interest Margin

The Group's net interest margin increased four basis points on the prior year to 2.13%. The key drivers of the movement were:

Asset pricing: Increased margin of 15 basis points, reflecting the repricing of lending portfolios in response to the increase in average funding costs associated with both wholesale and domestic deposit funding.

Funding costs: Decreased margin of 21 basis points reflecting higher wholesale funding costs of 10 basis points; an 11 basis points increase in deposits costs from ongoing strong competition and the impact of the falling cash rate environment.

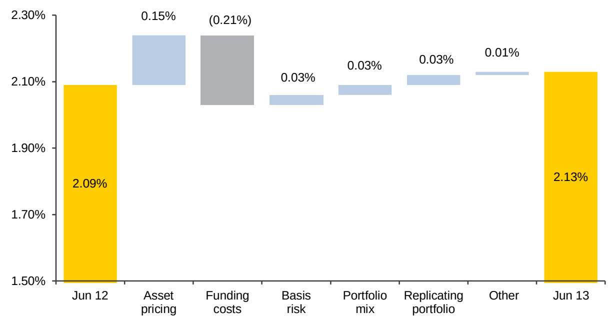
Basis risk: Basis risk arises from funding assets which are priced relative to the cash rate with liabilities priced relative to the bank bill swap rate. The margin increased by three basis points as a result of a reduction in the spread between the cash rate and the bank bill swap rate during the year.

Portfolio mix: Increased margin of one basis point from strong growth in higher margin New Zealand lending portfolios; plus favourable funding mix of two basis points.

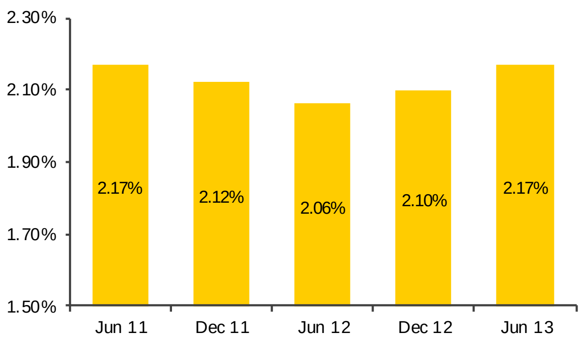
Replicating portfolio: Increased margin of three basis points as the replicating portfolio (a portfolio of financial instruments which hedge against interest rate volatility) mitigated the impact on Group earnings from the falling cash rate environment.

Other: Increased margin of one basis point, primarily driven by higher Treasury earnings.

NIM movement since June 2012



Group NIM (Half Year Ended)



Net Interest Income (continued)

Half Year Ended June 2013 versus December 2012

Net interest income increased by 3% on the prior half driven by growth in average interest earning assets of 1% together with a seven basis point improvement in net interest margin to 2.17%.

Average Interest Earning Assets

Average interest earning assets increased by $9 billion on the prior half to $658 billion, reflecting a $9 billion increase in average lending interest earning assets, partly offset by less than $1 billion decrease in average non-lending interest earning assets.

Home loan average balances increased by $9 billion or 3% on the prior half to $365 billion, primarily driven by growth in the domestic banking businesses.

Average balances for business and corporate lending decreased by $1 billion on the prior half to $168 billion driven by a decrease in domestic business banking.

Average non-lending interest earning assets decreased $1 billion on the prior half. The decrease in available-for-sale investments and liquid assets was partly offset by growth in trading assets.

Net Interest Margin

The Group's net interest margin increased seven basis points on the prior half to 2.17%. The key drivers were:

Asset pricing: Increase in margin of three basis points due to timing of the repricing of lending portfolios in response to higher funding costs.

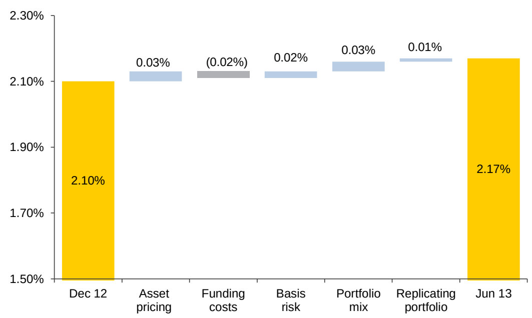
Funding costs: Decrease in margin of two basis points reflecting the higher cost of deposits as a result of strong competition and the impact of the falling cash rate environment.

Basis risk: Margin increased by two basis points as a result of a reduction in the spread between the cash rate and the bank bill swap rate during the current half.

Portfolio mix: Increased margin of two basis points reflecting favourable lending mix from growth in higher margin unsecured lending and New Zealand lending; plus favourable funding mix of one basis point.

Replicating portfolio: Increased margin of one basis point as the replicating portfolio mitigated the impact on Group earnings from the falling cash rate environment.

NIM movement since December 2012



Other Banking Income

	Full Year Ended			Half Year Ended		
	30 Jun 13 $M	30 Jun 12 $M	Jun 13 vs Jun 12 %	30 Jun 13 $M	31 Dec 12 $M	Jun 13 vs Dec 12 %
Commissions	**1,990**	1,997	-	**997**	993	-
Lending fees	**1,053**	997	6	**544**	509	7
Trading income	**863**	522	65	**420**	443	(5)
Other income	**315**	411	(23)	**125**	190	(34)
Other banking income ("cash basis")	**4,221**	3,927	7	**2,086**	2,135	(2)

Year Ended June 2013 versus June 2012

Other banking income increased 7% on the prior year to $4,221 million driven by the following revenue items:

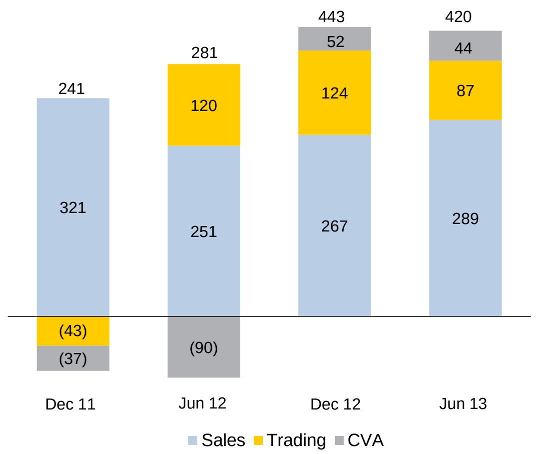
Commissions were flat on the prior year at $1,990 million. Growth in card volumes was offset by customers shifting into low fee and fee free banking products;

Lending fees increased 6% on the prior year to $1,053 million. This included growth in undrawn Institutional Lending balances leading to higher commitment fees, and volume growth in personal lending;

Trading income increased 65% on the prior year to $863 million. This was due to the Markets business performance, which included the benefit of favourable counterparty fair value adjustments due to narrowing credit spreads and higher trading income; and

Other income decreased 23% on the prior year to $315 million mainly due to timing of gains on asset sales and the impact of debt buybacks in the current year.

Other Banking Income (continued)



Half Year Ended June 2013 versus December 2012

Other banking income decreased 2% on the prior half to $2,086 million driven by the following revenue items:

Commissions were flat on the prior half at $997 million. Growth in brokerage was offset by customers shifting into low fee and fee free banking products;

Lending fees increased 7% on the prior half to $544 million, driven by higher volume in the Institutional Lending and Asset Leasing businesses;

Trading income decreased 5% on the prior half to $420 million as a result of decreased trading volumes in the Markets business; and

Other income decreased 34% on the prior half to $125 million mainly due to the impact of debt buybacks.

Funds Management Income

	Full Year Ended			Half Year Ended		
	30 Jun 13 $M	30 Jun 12 $M	Jun 13 vs Jun 12 %	30 Jun 13 $M	31 Dec 12 $M	Jun 13 vs Dec 12 %
CFS Global Asset Management (CFSGAM)	**1,010**	883	14	**529**	481	10
Colonial First State [1]	**914**	845	8	**469**	445	5
CommInsure	**153**	160	(4)	**80**	73	10
New Zealand	**54**	44	23	**29**	25	16
Other	**15**	25	(40)	**6**	9	(33)
Funds management income ("cash basis")	**2,146**	1,957	10	**1,113**	1,033	8

(1) Colonial First State incorporates the results of all financial planning businesses including Commonwealth Financial Planning.

Year Ended June 2013 versus June 2012

Funds management income increased 10% on the prior year to $2,146 million driven by:

- A 13% increase in average FUA to $228 billion, driven by strong investment performance and net flows in rising equity markets benefiting CFSGAM and Colonial First State;
- Higher performance fees in CFSGAM, with the majority of funds outperforming benchmark; partly offset by
- A three basis point decrease in the ratio of funds management income to average FUA, due to changes in mix and the contraction of legacy closed investment portfolios.

Half Year Ended June 2013 versus December 2012

Funds management income increased 8% on the prior half to $1,113 million driven by:

- An 11% increase in average FUA, driven by market momentum and strong net flows in CFSGAM and Colonial First State and favourable foreign exchange movements due to depreciation of the Australian dollar; partly offset by
- The ratio of funds management income to average FUA decreased by one basis point to 0.94%, due to portfolio mix shifts from retail to wholesale products and legacy product outflows.

Insurance Income

	Full Year Ended			Half Year Ended		
	30 Jun 13 $M	30 Jun 12 $M	Jun 13 vs Jun 12 %	30 Jun 13 $M	31 Dec 12 $M	Jun 13 vs Dec 12 %
CommInsure	716	691	4	348	368	(5)
New Zealand	247	227	9	134	113	19
IFS Asia	75	67	12	38	37	3
Other	(4)	(25)	(84)	9	(13)	large
Insurance income ("cash basis")	1,034	960	8	529	505	5

Year Ended June 2013 versus June 2012

Insurance income increased by 8% on the prior year to $1,034 million driven by:

- An increase in average inforce premiums of 16% to $2,834 million driven by strong new business sales by CommInsure, New Zealand and IFS Asia; and
- Improved CommInsure claims experience in retail life and general insurance, partly offset by unfavourable claims experience in wholesale life and increased lapse rates in retail life.

Half Year Ended June 2013 versus December 2012

Insurance income increased by 5% on the prior half to $529 million driven by:

- An increase in average inforce premiums of 6% to $2,898 million driven by new business sales particularly through Retail bank channels; and
- Improved CommInsure lapse rates in retail life partly offset by unfavourable claims experience in wholesale life.

Operating Expenses

	Full Year Ended			Half Year Ended		
	30 Jun 13 $M	30 Jun 12 $M	Jun 13 vs Jun 12 %	30 Jun 13 $M	31 Dec 12 $M	Jun 13 vs Dec 12 %
Staff expenses	5,148	4,947	4	2,584	2,564	1
Occupancy and equipment expenses	1,082	1,056	2	546	536	2
Information technology services expenses	1,299	1,159	12	672	627	7
Other expenses	2,076	2,034	2	1,048	1,028	2
Operating expenses ("cash basis")	9,605	9,196	4	4,850	4,755	2
Operating expenses to total operating income (%)	45. 0	46. 0	(100)bpts	44. 9	45. 1	(20)bpts
Banking expense to operating income (%)	40. 1	41. 1	(100)bpts	40. 1	40. 2	(10)bpts

Year Ended June 2013 versus June 2012

Operating expenses increased 4% on the prior year to $9,605 million with the realised benefit of productivity initiatives being offset by inflation, higher technology costs, variable operating costs and further investment in the business.

Staff expenses increased by 4% to $5,148 million, driven by inflation-related salary increases and higher superannuation expenses;

Occupancy and equipment expenses increased by 2% to $1,082 million, largely due to higher depreciation expenses from growth in the Asset Leasing business;

Information technology services expenses increased by 12% to $1,299 million, primarily due to system enhancement to drive new capability and satisfy regulatory obligations and increased software amortisation driven by CBM and other strategic initiatives;

Other expenses increased by 2% to $2,076 million, impacted by higher spend on regulatory change programs, partly offset by lower volume related expenses; and

Group expense to income ratio improved 100 basis points on the prior year to 45.0% reflecting higher revenues and productivity initiatives. The banking expense to income ratio also improved 100 basis points on the prior year to 40.1%.

Half Year Ended June 2013 versus December 2012

Operating expenses increased 2% on the prior half to $4,850 million.

Staff expenses increased by 1% to $2,584 million, with the increase in superannuation contributions being offset by the ongoing focus on productivity improvements;

Occupancy and equipment expenses increased by 2% to $546 million due to higher depreciation expenses on operating lease assets;

Information technology services expenses increased by 7% to $672 million, primarily due to additional system support costs and increased software amortisation driven by CBM and other strategic initiatives;

Other expenses increased by 2% to $1,048 million, impacted by higher spend on regulatory change programs and higher volume related expenses; and

Group expense to income ratio improved 20 basis points on the prior half to 44.9% reflecting higher revenues and productivity initiatives. The banking expense to income ratio improved 10 basis points on the prior half to 40.1%.

Operating Expenses (continued)

Investment Spend

	Full Year Ended			Half Year Ended		
	30 Jun 13 $M	30 Jun 12 $M	Jun 13 vs Jun 12 %	30 Jun 13 $M	31 Dec 12 $M	Jun 13 vs Dec 12 %
Expensed investment spend [(1)]	566	502	13	324	242	34
Capitalised investment spend	671	784	(14)	331	340	(3)
Investment spend	1,237	1,286	(4)	655	582	13
Comprising:						
Productivity and growth	651	586	11	366	285	28
Core Banking Modernisation (CBM)	200	368	(46)	63	137	(54)
Risk and compliance	234	188	24	126	108	17
Branch refurbishment and other	152	144	6	100	52	92
Investment spend	1,237	1,286	(4)	655	582	13

(1) Included within Operating Expense disclosure on page 14.

The Group continued to invest strongly in the business with $1,237 million incurred in the full year to 30 June 2013, a decrease of 4% on the prior year. Lower spend on the Core Banking Modernisation (CBM) initiative was partly offset by increased investment in Productivity and Growth initiatives. In addition, spend on risk and compliance projects increased as systems are implemented to assist in satisfying new regulatory obligations, including Stronger Super and Future of Financial Advice (FOFA) reforms.

During the year, the Group invested $200 million in the CBM initiative to deliver the final major scope items. Highlights for the year included:

- The successful delivery of the migration of the remaining large and complex commercial deposit and transaction accounts onto the new CBM platform; and
- The successful migration of business lending accounts to the new CBM platform, improving the business lending experience for customers and staff.

Loan Impairment Expense

	Full Year Ended			Half Year Ended		
	30 Jun 13 $M	30 Jun 12 $M	Jun 13 vs Jun 12 %	30 Jun 13 $M	31 Dec 12 $M	Jun 13 vs Dec 12 %
Retail Banking Services	533	583	(9)	287	246	17
Business and Private Banking	280	266	5	130	150	(13)
Institutional Banking and Markets	154	154	-	57	97	(41)
New Zealand	45	37	22	23	22	5
Bankwest	118	61	93	32	86	(63)
IFS and Other	(48)	(12)	large	(63)	15	large
Loan impairment expense ("cash basis")	1,082	1,089	(1)	466	616	(24)

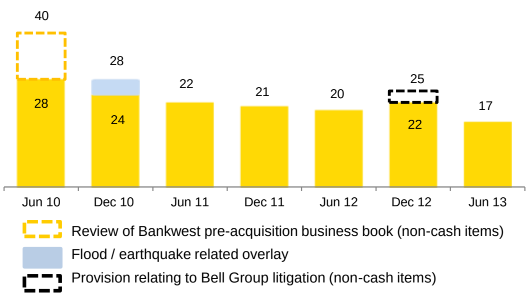
Year Ended June 2013 versus June 2012

Loan impairment expense decreased 1% on the prior year to $1,082 million. The decrease is driven by:

- Reduced loan impairment expense in Retail Banking Services following improvements in arrears rates in the credit card and home loan portfolios; partly offset by
- Increased expense in the commercial portfolios (Bankwest and Business and Private Banking).

Loan Impairment Expense (continued)

Half Year Loan Impairment Expense (Annualised) as a % of Average Gross Loans and Acceptances (bpts)



Half Year Ended June 2013 versus December 2012

Loan impairment expense decreased 24% on the prior half to $466 million mainly driven by:

- The run off of the pre-acquisition higher risk loan book in Bankwest has resulted in reduced requirements for provisions and associated overlays in the current half;
- Decreased expense in Business and Private Banking due to the non-recurrence of softening collateral values in a small number of troublesome assets experienced in the first half;
- Decreased expense in Institutional Banking and Markets following a reduction in individual provisioning requirements; partly offset by
- Increased loan impairment expense in Retail Banking Services following increased arrears in the unsecured lending portfolios.

Taxation Expense

	Full Year Ended			Half Year Ended		
	30 Jun 13 $M	30 Jun 12 $M	Jun 13 vs Jun 12 %	30 Jun 13 $M	31 Dec 12 $M	Jun 13 vs Dec 12 %
Corporate tax expense ($M)	**2,977**	2,736	9	**1,517**	1,460	4
Effective tax rate (%)	**27. 5**	27. 7	(20)bpts	**27. 3**	27. 8	(50)bpts

Year Ended June 2013 versus June 2012

Corporate tax expense for the year ended 30 June 2013 increased 9% on the prior year representing a 27.5% effective tax rate.

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

Half Year Ended June 2013 versus December 2012

Corporate tax expense for the half year ended 30 June 2013 increased 4% on the prior half representing a 27.3% effective tax rate.

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

Non-Cash Items Included in Statutory Profit

	Full Year Ended			Half Year Ended		
	30 Jun 13 $M	30 Jun 12 $M	Jun 13 vs Jun 12 %	30 Jun 13 $M	31 Dec 12 $M	Jun 13 vs Dec 12 %
Hedging and IFRS volatility	**27**	124	(78)	**37**	(10)	large
Bankwest non-cash items	**(71)**	(89)	(20)	**(38)**	(33)	15
Count Financial Limited acquisition costs	**-**	(43)	large	**-**	-	-
Treasury shares valuation adjustment	**(53)**	(15)	large	**(22)**	(31)	(29)
Bell Group litigation	**(45)**	-	large	**-**	(45)	large
Other non-cash items	**(169)**	(147)	15	**(60)**	(109)	(45)
Total non-cash items (after tax)	**(142)**	(23)	large	**(23)**	(119)	(81)

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

Hedging and IFRS volatility

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

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

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

Fair value gains or losses on all of these economic hedges are excluded from cash profit since the asymmetric recognition of the gains or losses does not affect the Group's performance over the life of the hedge. A $27 million after tax gain was recognised in statutory profit for the year ended 30 June 2013 (30 June 2012: $124 million).

Bankwest non-cash items

The acquisition of Bankwest resulted in the recognition of assets at fair value, representing certain financial instruments, core deposits and brand name totalling $463 million that are being amortised over their useful lives. This resulted in amortisation charges of $71 million after tax in the year ended 30 June 2013 (30 June 2012: $89 million after tax).

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

Count Financial Limited acquisition costs

During the prior year, the Group acquired 100% of the issued share capital of Count Financial Limited (Count), an independent, accountant-based financial advice business. As part of the acquisition, the Group incurred retention, advisory and other costs. There were no costs incurred in the year ended 30 June 2013 (30 June 2012: $43 million after tax loss).

Treasury shares valuation adjustment

Under IFRS, Commonwealth Bank of Australia shares held by the Group in the managed funds and life insurance businesses are defined as treasury shares and are held at cost. Distributions, realised and unrealised gains and losses are recognised in cash profit representing the underlying performance of the asset portfolio attributable to the wealth and life insurance businesses. These distributions, gains and losses are reversed as non-cash items for statutory reporting purposes. A $53 million after tax loss was included in statutory profit in the year ended 30 June 2013 (30 June 2012: $15 million).

Bell Group litigation

Proceedings were brought by the liquidators of the Bell Group of companies against the consortium of banks that restructured its facilities on 26 January 1990. The Supreme Court of Western Australia Court of Appeal ruling on 17 August 2012 was adverse for the consortium of banks and resulted in an additional provision being raised by the Group. This is reported as a non-cash item due to its historic and one-off nature.

Policyholder tax

Policyholder tax is included in the Wealth Management business results for statutory reporting purposes. In the year ended 30 June 2013, tax expense of $112 million (30 June 2012: $122 million tax expense), funds management income of $77 million (30 June 2012: $9 million expense) and insurance income of $35 million (30 June 2012: $131 million income) was recognised. The gross up of these items are excluded from cash profit as they do not reflect the underlying performance of the business which is measured on a net of policyholder tax basis.

Investment experience

Investment experience primarily includes the returns on shareholder capital invested in the wealth management and insurance businesses as well as the volatility generated through the economically hedged guaranteed annuity portfolio held by the Group's Wealth Management division. This item is classified separately within cash profit.

Review of Group Assets and Liabilities

Total Group Assets and Liabilities	30 Jun 13 $M	31 Dec 12 $M	30 Jun 12 $M	Jun 13 vs Dec 12 %	Jun 13 vs Jun 12 %
			As at		
Interest earning assets					
Home loans [1]	**372,840**	359,058	352,981	4	6
Personal loans	**22,013**	21,470	21,057	3	5
Business and corporate loans [1]	**172,314**	166,957	166,188	3	4
Loans, bills discounted and other receivables [2]	**567,167**	547,485	540,226	4	5
Non-lending interest earning assets	**106,060**	103,747	104,304	2	2
Total interest earning assets	**673,227**	651,232	644,530	3	4
Other assets [1] [2] [3]	**80,649**	70,972	74,329	14	9
Total assets	**753,876**	722,204	718,859	4	5
Interest bearing liabilities					
Transaction deposits [1]	**87,673**	82,913	81,104	6	8
Savings deposits [1]	**106,935**	99,585	91,279	7	17
Investment deposits	**199,397**	192,302	197,138	4	1
Other demand deposits	**54,472**	63,173	58,852	(14)	(7)
Total interest bearing deposits	**448,477**	437,973	428,373	2	5
Debt issues	**138,871**	127,439	134,429	9	3
Other interest bearing liabilities	**44,306**	40,502	38,704	9	14
Total interest bearing liabilities	**631,654**	605,914	601,506	4	5
Non-interest bearing liabilities [3]	**76,730**	72,991	75,781	5	1
Total liabilities	**708,384**	678,905	677,287	4	5

(1) The Group has realigned comparative product balances as part of changes in segment allocations to conform to presentation in the current year.
(2) Loans, bills discounted and other receivables exclude provisions for impairment which are included in Other assets.
(3) Comparative information has been restated to conform to presentation in the current year.

Year Ended June 2013 versus June 2012

Asset growth of $35 billion or 5% on the prior year was due to increased home lending, business and corporate lending and higher derivative asset balances.

The Group continued to satisfy a significant portion of its funding requirements from customer deposits. Customer deposits now represent 63% of total funding (30 June 2012: 62%).

Home loans

Home loan balances increased $20 billion to $373 billion, reflecting a 6% increase on the prior year. This outcome reflected a return to growth above system in Retail Banking Services. The Group continues to maintain its competitive position through a strong focus on delivering excellent customer service.

Personal loans

Personal loans, including credit cards and margin lending, increased 5% on the prior year to $22 billion. Strong growth in credit card and personal loan balances was driven by successful campaigns and new product offerings. This was partly offset by a decline in margin lending balances reflecting conservative investor sentiment towards equity markets.

Business and corporate loans

Business and corporate loans increased $6 billion to $172 billion, a 4% increase on the prior year. This was driven by improved momentum in institutional lending balances, together with solid growth in Business and Private Banking. This was partly offset by the continued reduction in higher risk pre-acquisition exposures in Bankwest.

Non-lending interest earning assets

Non-lending interest earning assets increased $2 billion to $106 billion, reflecting a 2% increase on the prior year. This was driven by higher liquid asset balances held as a result of balance sheet growth and prudent business settings.

Other assets

Other assets, including derivative assets, insurance assets and intangibles, increased $6 billion to $81 billion, a 9% increase on the prior year. This increase reflected higher derivative asset balances driven by volatility in foreign exchange and interest rate markets.

Interest bearing deposits

Interest bearing deposits increased $20 billion to $448 billion, a 5% increase on the prior year.

Customer preference for lower risk investments together with targeted campaigns in a highly competitive market resulted in growth of $16 billion in savings deposits, a $7 billion increase in transaction deposits and a $2 billion increase in investment deposits. This was partly offset by a $4 billion decrease in other demand deposits.

Debt issues

Debt issues increased $4 billion to $139 billion, a 3% increase on the prior year. While deposits satisfied the majority of the Group's funding requirements, strong access was maintained to both domestic and international wholesale debt markets.

Refer to page 28 for further information on debt programs and issuance for the year ended 30 June 2013.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through the income statement and amounts due to other financial institutions, increased $6 billion to $44 billion, a 14% increase on the prior year.

Non-interest bearing liabilities

Non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, increased $1 billion to $77 billion, a 1% increase on the prior year.

Review of Group Assets and Liabilities (continued)

Half Year Ended June 2013 versus December 2012

Asset growth of $32 billion or 4% on the prior half was driven by increased home lending, business and corporate lending as well as higher derivative asset balances.

Continued strong deposits growth allowed the Group to satisfy a significant portion of its funding requirements through customer deposits. Customer deposits made up 63% of total funding as at 30 June 2013 (31 December 2012: 63%).

Home loans

Home loans experienced steady growth with balances increasing by $14 billion to $373 billion, a 4% increase on the prior half. This outcome reflected a return to growth above system in Retail Banking Services. The Group has maintained its competitive position and continued profitable growth through a strong focus on customer service.

Personal loans

Personal loans, including credit cards and margin lending, increased 3% on the prior half to $22 billion. Personal loans increased and credit card growth slowed due to deleveraging trends in the broader market, while margin lending remained stable.

Business and corporate loans

Business and corporate loans increased $5 billion to $172 billion. This was largely due to solid business lending growth in both Australia and New Zealand.

Non-lending interest earning assets

Non-lending interest earning assets increased $2 billion to $106 billion**.** This was primarily due to an increase in liquid assets resulting from prudent business settings and balance sheet growth.

Other assets

Other assets, including derivative assets, insurance assets and intangibles increased 14% on the prior half to $81 billion. This increase reflected higher derivative asset balances driven by volatility in foreign exchange and interest rate markets.

Interest bearing deposits

Interest bearing deposits increased $11 billion to $448 billion, reflecting a 2% increase on the prior half.

Targeted campaigns in a highly competitive market and customer preference for more stable investments resulted in growth of $7 billion in savings deposits, a $7 billion increase in investment deposits and a $5 billion increase in transaction deposits. This was partly offset by a $9 billion decrease in other demand deposits.

Debt issues

Debt issues increased $11 billion to $139 billion, reflecting a 9% increase on the prior half.

Refer to page 28 for further information on debt programs and issuance for the half year ended 30 June 2013.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through the income statement and amounts due to other financial institutions, increased 9% on the prior half to $44 billion.

Non-interest bearing liabilities

Non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, increased 5% on the prior half to $77 billion. This was driven predominantly by foreign exchange volatility impacting derivative liabilities hedging term debt.

Loan Impairment Provisions and Credit Quality

Provisions for Impairment

	As at				
	30 Jun 13 $M	31 Dec 12 $M	30 Jun 12 $M	Jun 13 vs Dec 12 %	Jun 13 vs Jun 12 %
Provisions for impairment losses					
Collective provision	**2,858**	2,858	2,837	-	1
Individually assessed provisions	**1,628**	1,845	2,008	(12)	(19)
Total provisions for impairment losses	**4,486**	4,703	4,845	(5)	(7)
Less: Off balance sheet provisions	**(31)**	(18)	(18)	72	72
Total provisions for loan impairment	**4,455**	4,685	4,827	(5)	(8)

Year Ended June 2013 versus June 2012

Total provisions for impairment losses decreased 7% on the prior year to $4,486 million as at 30 June 2013. The movement in the level of provisioning reflects:

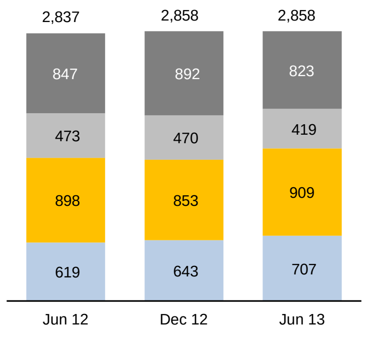
- Reduced individually assessed provisions across all portfolios as a result of the settlement and completion of a number of impaired loans;
- A reduction of Bankwest collective provisions as pre-acquisition troublesome loans continued to be refinanced, run-off or move to impaired; and
- Management overlays associated with the Bankwest higher risk loans were used or reduced; partly offset by
- Increased collective provisioning across Institutional Banking and Markets and Business and Private Banking caused by the deterioration in a small number of accounts, the softening of collateral values in a small number of troublesome assets in the first half, and the update of provisioning factors in the second half; and
- Economic overlays remain unchanged on the prior year.

Half Year Ended June 2013 versus December 2012

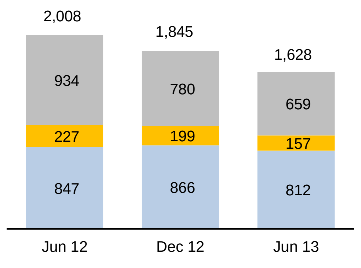
Total provisions for impairment losses decreased 5% on the prior half to $4,486 million as at 30 June 2013. The movement in the level of provisioning reflects:

- Reduced individually assessed provisions across all portfolios as a result of the settlement and completion of a number of impaired loans;
- A reduction in management overlays associated with Bankwest that were either used or reduced as they were no longer required;
- A reduction of Bankwest collective provisions as pre-acquisition troublesome loans continued to be refinanced, run-off or move to impaired; partly offset by
- Increased consumer provisions as a result of increasing retail arrears and the modest use of prior overlays; and
- Increased commercial provisions as a result of the annual review of provisioning models, which was partly offset by a reduction in management overlays.

Collective Provisions ($M)



Individually Assessed Provisions ($M)



Overlay Bankwest Consumer Commercial

Loan Impairment Provisions and Credit Quality (continued)

Credit Quality

Credit Quality Metrics	Full Year Ended			Half Year Ended		
	30 Jun 13	30 Jun 12	Jun 13 vs Jun 12 %	30 Jun 13	31 Dec 12	Jun 13 vs Dec 12 %
Gross loans and acceptances (GLAA) ($M)	**568,821**	542,097	5	**568,821**	549,216	4
Risk weighted assets (RWA) - Basel III ($M)	**329,158**	n/a	n/a	**329,158**	n/a	n/a
Risk weighted assets (RWA) - Basel 2.5 ($M)	**n/a**	302,787	n/a	**n/a**	301,611	n/a
Credit risk weighted assets - Basel III ($M)	**279,674**	n/a	n/a	**279,674**	n/a	n/a
Credit risk weighted assets - Basel 2.5 ($M)	**n/a**	261,429	n/a	**n/a**	258,467	n/a
Gross impaired assets ($M) (1)	**4,330**	4,687	(8)	**4,330**	4,480	(3)
Net impaired assets ($M) (1)	**2,571**	2,556	1	**2,571**	2,522	2
Provision Ratios						
Collective provision as a % of credit risk weighted assets - Basel III	**1. 02**	n/a	n/a	**1. 02**	n/a	n/a
Total provision as a % of credit risk weighted assets - Basel III	**1. 60**	n/a	n/a	**1. 60**	n/a	n/a
Collective provision as a % of credit risk weighted assets - Basel 2.5	**n/a**	1. 09	n/a	**n/a**	1. 11	n/a
Total provision as a % of credit risk weighted assets - Basel 2.5	**n/a**	1. 85	n/a	**n/a**	1. 82	n/a
Total provisions for impaired assets as a % of gross impaired assets (1)	**40. 62**	45. 47	(485)bpts	**40. 62**	43. 71	(309)bpts
Total provisions for impairment losses as a % of GLAA's	**0. 79**	0. 89	(10)bpts	**0. 79**	0. 86	(7)bpts
Asset quality ratios						
Gross impaired assets as a % of GLAA's (1)	**0. 76**	0. 86	(10)bpts	**0. 76**	0. 82	(6)bpts
Loans 90+ days past due but not impaired as a % of GLAA's (1)	**0. 41**	0. 53	(12)bpts	**0. 41**	0. 48	(7)bpts
Loan impairment expense ("cash basis") annualised as a % of average GLAA's	**0. 20**	0. 21	(1)bpt	**0. 17**	0. 22	(5)bpts

(1) Comparative information has been restated to conform to presentation in the current year.

Provision Ratios

Provision coverage ratios remain strong. The impaired asset portfolio remains well provisioned with provision coverage of 40.62%.

Asset Quality

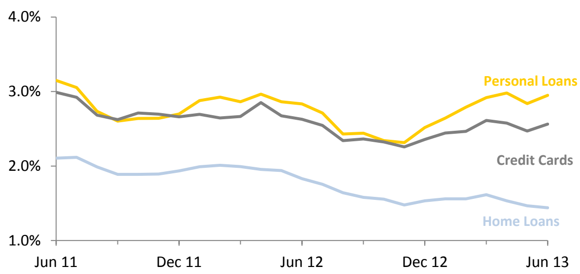
The asset quality ratios show the continued improvement in the quality of the book with both the level of impaired assets and 90 days past due loans which are not impaired continuing to reduce. The credit quality of both the retail and corporate portfolios remained sound.

Retail Portfolios – Arrears Rates (1)

Retail arrears for home loans and credit card products reduced during the current year, in part driven by reducing interest rates.

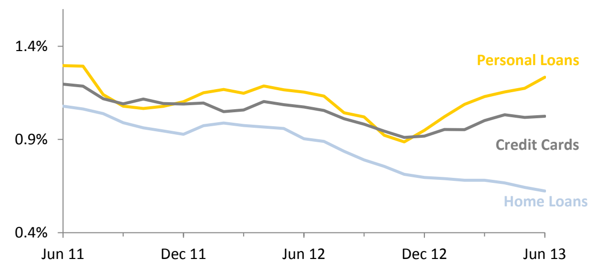
Home loan arrears reduced over the year, with 30+ day arrears decreasing from 1.83% to 1.44% and 90+ day arrears reducing from 0.90% to 0.62%. Credit card arrears also improved over the year with credit card 30+ days arrears falling from 2.63% to 2.56% and 90+ days arrears reducing from 1.07% to 1.02%. Personal loan arrears increased over the year as a result of some deterioration in the portfolio. 30+ day arrears increased from 2.83% to 2.95% and 90+ days arrears increased from 1.15% to 1.23%.

30+ Days Arrears Ratios (%) (2)



(1) Comparative information has been restated to conform to presentation in the current year.

90+ Days Arrears Ratios (%) (2)



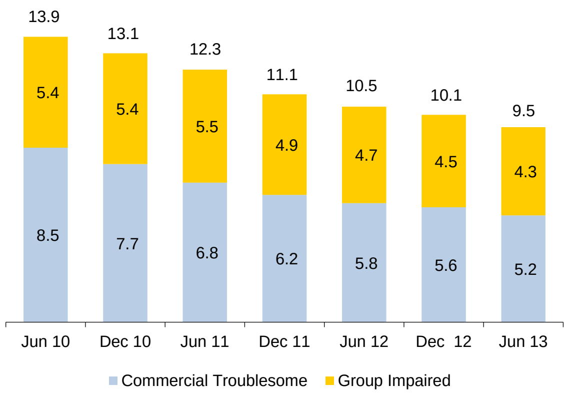
(2) Includes retail portfolios of Retail Banking Services, Bankwest and New Zealand.

Troublesome and Impaired Assets

Commercial troublesome assets reduced 10% during the year to $5.2 billion.

Gross impaired assets decreased 8% on the prior year to $4,330 million. Gross impaired assets as a proportion of gross loans and acceptances of 0.76% decreased 10 basis points on the prior year, reflecting the improving quality of the corporate portfolios.

Troublesome and Impaired Assets ($B) (1)



Capital

Basel Regulatory Framework

Background

The Group adopted the Basel III measurement and monitoring of regulatory capital effective from 1 January 2013.

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

In September 2012, the Australian Prudential Regulation Authority (APRA) published final standards relating to the implementation of the Basel III capital reforms in Australia. APRA has adopted a more conservative approach than the minimum standards published by the BCBS and a more accelerated timetable for implementation.

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

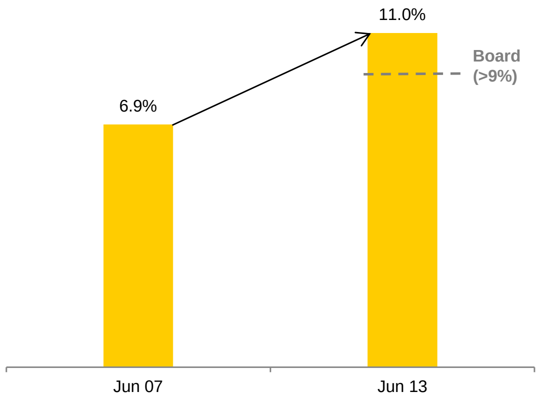
Internationally Harmonised Capital Position

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

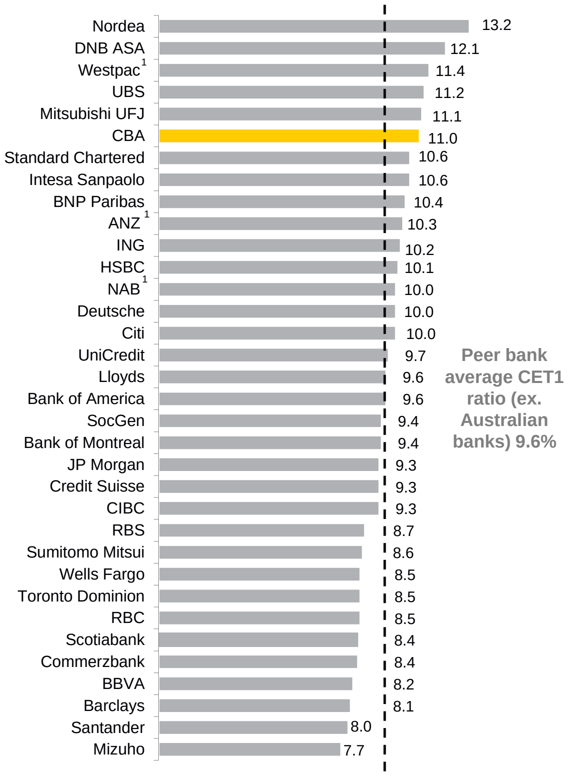
The Group's internationally harmonised CET1 ratios are calculated based on full adoption of the Basel III capital reforms, which will not come into effect until 2019 for most banks.

Adoption of a CET1 target based on internationally harmonised principles enables a more meaningful comparison of the Group's capital levels relative to its international peers. The Group is in a strong capital position with CET1 as measured on an internationally harmonised basis of 11.0% as at 30 June 2013. This is well in excess of both the prescribed minimum of 4.5% and the Board approved target.

The Group has adopted a conservative and proactive approach to capital management and this is reflected in the overall strength of its capital position. The CET1 ratio (on an internationally harmonised basis) has increased by nearly 60% since the Global Financial Crisis (June 2007).



The Group's 30 June 2013 internationally harmonised CET1 ratio of 11.0%, places it well above the average of its international peers (approximately 9.6%).



Source: Morgan Stanley - Based on last reported CET1 ratios up to 8 August 2013 assuming Basel III capital reforms fully implemented.
Peer group comprises listed commercial banks with total assets in excess of A$400 billion and who have disclosed fully implemented Basel III ratios or provided sufficient disclosure for a Morgan Stanley Equity Research estimate.

(1) Domestic peer figures as at March 2013.

APRA Capital Requirements

As at 30 June 2013 the Group has a CET1 ratio of 8.2% under APRA's prudential standard version of Basel III, well above the minimum ratio of 4.5%.

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

Deductions

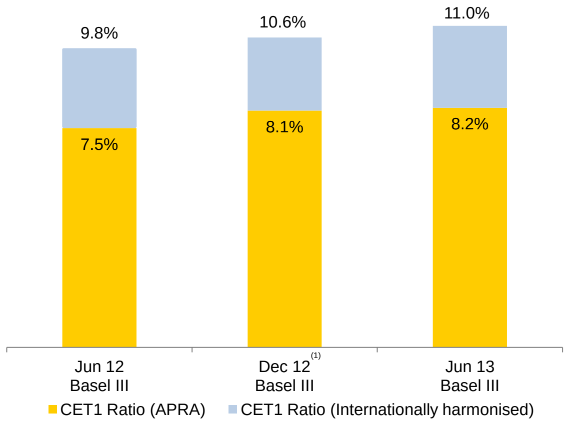
- APRA requires a full deduction to be taken against CET1 for equity investments (including investments in insurance and funds management operations) and deferred tax assets. On an internationally harmonised basis, such items are concessionally risk weighted if they fall below prescribed thresholds.

Risk Weighted Assets

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

Capital Position

The Group maintained a strong capital position with the capital ratios well in excess of regulatory minimum capital adequacy requirements and the Board Approved minimum levels at all times throughout the year ended 30 June 2013.



(1) Represents proforma Basel III capital ratios. Basel III was formally implemented on 1 January 2013.

The Group's CET1 (internationally harmonised) ratio at 30 June 2013 was 11.0%, representing a 40 basis points increase since the implementation of Basel III on 1 January 2013. This was primarily driven by capital generated from earnings and the benefit from favourable market movements. This was partially offset by the impact of the December 2012 interim dividend payment in which the dilutive impact of the DRP was neutralised.

During the financial year, the Basel III CET1 (internationally harmonised) increased by 120 basis points. The increase reflected the sustained organic capital generation across the full year combined with the benefit delivered from the Bankwest portfolio moving to advanced status in December 2012.

Under APRA's Basel III methodology, the Group's CET1 ratio at 30 June 2013 was 8.2% representing a 9% increase since June 2012.

Capital Initiatives

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

- The Dividend Reinvestment Plan (DRP) in respect of the final dividend for the 2011/2012 financial year was satisfied by the allocation of approximately $929 million of ordinary shares. The participation rate for the DRP was 29.6%;
- The DRP for the 2013 interim dividend was satisfied in full by the on market purchase of shares. The participation rate for the DRP was 22.7%; and
- In October 2012, the Group issued $2 billion Perpetual Exchangeable Resaleable Listed Securities (PERLS VI), Basel III compliant, Additional Tier One security. The proceeds of this issue were used, to the extent necessary, to refinance the maturing PERLS IV and otherwise to fund the Group's business.

Bankwest

Bankwest relinquished its Authorised Deposit-taking Institution (ADI) licence (1 October 2012) and APRA extended the Group's Advanced Internal Rating based accreditation to include Bankwest's non retail loans and residential mortgages from 31 December 2012.

Pillar 3 Disclosures

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

Other Regulatory Changes

General and Life Insurers

In October 2012, APRA completed its review of the Life and General Insurance Capital (LAGIC) regulatory standards and released the final version of all life insurance and general insurance prudential standards. Implementation of the majority of the reforms occurred on 1 January 2013.

Superannuation Funds Management

In November 2012, APRA released final prudential standards that introduce new financial requirements for registered superannuation trustees. The new requirements were implemented on 1 July 2013.

In November 2011, the Australian Securities and Investments Commission (ASIC) released new financial requirements that apply to Responsible Entities. These new requirements became effective on 1 November 2012.

Conglomerate Groups

In May 2013 APRA released a discussion paper and draft prudential standards titled "Supervision of Conglomerate Groups" focusing on the requirements of risk management and capital adequacy. APRA is extending its current prudential supervision framework to Conglomerate Groups that have material operations in more than one APRA regulated industry and/or have one or more material unregulated entities. The aims of the Level 3 proposals are to ensure that a Conglomerate Group holds adequate capital to protect the APRA regulated entities from potential contagion and other risks within the Group. APRA is expected to implement these new requirements from 1 January 2014.

Capital (continued)

The APRA Basel III capital standards came into effect on 1 January 2013. The tables below show the APRA Basel III capital adequacy calculation at 30 June 2013 together with a proforma calculation at 1 January 2013. The 30 June 2012 and 31 December 2012 capital calculations reflect the APRA Basel 2.5 capital adequacy calculations in place at that time. A number of items in the prior periods disclosures have been reclassified to allow better comparability to the new APRA Basel III methodology.

Risk Weighted Capital Ratios	APRA Basel III 30 Jun 13 %	APRA Basel III 1 Jan 13 %	APRA Basel 2.5 31 Dec 12 %	APRA Basel 2.5 30 Jun 12 %
Common Equity Tier One	**8. 2**	8. 1	8. 3	7. 8
Tier One	**10. 2**	10. 2	10. 5	10. 0
Tier Two	**1. 0**	1. 0	0. 7	1. 0
Total Capital	**11. 2**	11. 2	11. 2	11. 0

	APRA Basel III 30 Jun 13 $M	APRA Basel III 1 Jan 13 $M	APRA Basel 2.5 31 Dec 12 $M	APRA Basel 2.5 30 Jun 12 $M
Ordinary Share Capital and Treasury Shares				
Ordinary Share Capital	**26,323**	26,126	26,126	25,175
Treasury Shares (1)	**297**	301	301	323
Ordinary Share Capital and Treasury Shares	**26,620**	26,427	26,427	25,498
Reserves				
Reserves	**1,333**	1,262	1,262	1,571
Asset revaluation reserve (2)	**-**	-	(193)	(195)
Available for sale reserve (3)	**-**	-	(138)	-
Reserves related to non consolidated subsidiaries (4)	**56**	164	164	171
Total Reserves	**1,389**	1,426	1,095	1,547
Retained Earnings and Current Period Profits				
Retained earnings and current period profits	**16,360**	14,440	14,440	13,356
Expected dividends (APRA Basel II only) (5)	**-**	-	(2,639)	(3,137)
Dividend reinvestment plan (APRA Basel II only) (6)	**-**	-	-	784
Retained earnings adjustment from non consolidated subsidiaries (7)	**(345)**	(239)	(239)	(126)
Equity accounted profits (APRA Basel II only) (8)	**-**	-	(406)	(347)
Other	**-**	-	(13)	(1)
Net Retained Earnings	**16,015**	14,201	11,143	10,529
Non controlling interest				
Non controlling interest (9)	**537**	532	532	531
ASB perpetual preference shares	**(505)**	(505)	(505)	(505)
less other non controlling interests not eligible under Basel III	**(32)**	(27)	-	-
Minority Interest	**-**	-	27	26
Common Equity Tier One Capital before regulatory adjustments	**44,024**	42,054	38,692	37,600

(1) Represents shares held by the Group's life insurance operations ($130 million) and employee share scheme trusts ($167 million).
(2) Asset Revaluation Reserve eligible for inclusion in CET1 under APRA Basel III methodology.
(3) Available for Sale Reserve eligible for inclusion in CET1 under APRA Basel III methodology.
(4) Reserve balances associated with the Insurance and Funds Management entities and those entities through which securitisation of the Group's assets are conducted. These entities are classified as non-consolidated subsidiaries by APRA and are excluded from the Level 2 Regulatory Consolidated Banking Group.
(5) Dividends are only deducted from CET1 when declared under APRA Basel III methodology. Basel II required expected dividends to be deducted from capital.
(6) The Dividend Reinvestment Plan (DRP) in respect of the 31 December 2012 interim dividend was satisfied in full by an on market purchase of shares. The DRP in respect of the June 2012 final dividend was satisfied in full by the issue of shares.
(7) Cumulative current year profit and retained earnings adjustments for subsidiaries not consolidated for regulatory purposes.
(8) Primarily relates to unrealised equity accounted earnings required to be excluded under APRA Basel II methodology. Under APRA Basel III methodology these items are excluded from CET1 through the adjustment for equity investments.
(9) Non-controlling interests predominantly comprise ASB Perpetual Preference Shares of NZD550 million issued by a New Zealand subsidiary entity. These are non-redeemable and carry limited voting rights. These are classified as Additional Tier One Capital.

Capital (continued)

	APRA Basel III 30 Jun 13 $M	APRA Basel III 1 Jan 13 $M	APRA Basel 2.5 31 Dec 12 $M	APRA Basel 2.5 30 Jun 12 $M
Common Equity Tier One regulatory adjustments				
Goodwill	**(7,723)**	(7,707)	(7,707)	(7,705)
Other intangibles (excluding software) (1)	**(682)**	(705)	(828)	(876)
Capitalised costs	**(272)**	(275)	(224)	(263)
Capitalised software	**(1,923)**	(1,831)	(1,831)	(1,700)
General reserve for credit losses (2)	**(208)**	(197)	(197)	(209)
Deferred tax asset (3)	**(1,400)**	(1,234)	(393)	(548)
Cash flow hedge reserve (4)	**(368)**	(485)	(485)	(644)
Employee compensation reserve (4)	**(132)**	(90)	(90)	(136)
Deferred fee income	**59**	122	122	149
Gain due to changes in own credit risk on fair valued liabilities	**(11)**	(11)	(11)	(20)
	(12,660)	(12,413)	(11,644)	(11,952)
Deductions previously applied at 50% of Tier One under Basel II				
Equity investments (5)	**(2,738)**	(2,363)	(614)	(612)
Equity investments in non consolidated subsidiaries (6)	**(1,196)**	(1,264)	(632)	(629)
Shortfall of provisions to expected losses (7)	**(271)**	(176)	(512)	(630)
Other	**(174)**	(293)	(241)	(113)
	(4,379)	(4,096)	(1,999)	(1,984)
Common Equity Tier One regulatory adjustments	**(17,039)**	(16,509)	(13,643)	(13,936)
Common Equity Tier One	**26,985**	25,545	25,049	23,664
Additional Tier One Capital				
Basel III Complying Instruments (8)	**2,000**	2,000	1,977	-
Basel III non complying instruments net of transitional amortisation (9)	**4,720**	4,720	5,180	6,635
Excess /cap applicable under Basel II (10)	**-**	-	(426)	-
Additional Tier One Capital	**6,720**	6,720	6,731	6,635
Tier One Capital	**33,705**	32,265	31,780	30,299
Tier Two Capital				
Basel III non complying instruments net of transitional amortisation (11)	**2,901**	2,901	3,224	4,084
Holding of own Tier Two Capital	**(15)**	-	-	(20)
Prudential general reserve for credit losses (12)	**202**	177	124	595
Excess /cap applicable under Basel II (10)	**-**	-	426	-
Asset revaluation reserve (13)	**-**	-	87	88
Other	**-**	-	204	176
Tier Two Deductions (50% Tier One and Two) - Basel II only	**-**	-	(1,999)	(1,984)
Total Tier Two Capital	**3,088**	3,078	2,066	2,939
Total Capital	**36,793**	35,343	33,846	33,238

(1) Other intangibles (excluding capitalised software costs). Under APRA Basel III methodology the adjustment is net of any associated deferred tax liability.
(2) Adjustment to ensure the Group has sufficient provisions and capital to cover credit losses estimated to arise over the full life of individual facilities, as required by APRA Prudential Standard APS 220.
(3) Deferred tax assets net of deferred tax liabilities. Under Basel III this is inclusive of deferred tax asset on collective provisions.
(4) Cash flow Hedge Reserve and Employee Compensation Reserve balances are ineligible for inclusion in CET1.
(5) Represents the Group's non-controlling interest in other entities treated as 100% CET1 deduction under Basel III (Basel II 50% Tier One and Two deduction net of prescribed threshold limits and any unrealised equity accounted profit).
(6) Represents the net tangible assets within the non-consolidated subsidiaries (primarily the insurance and funds management businesses operating within the Colonial Group). The adjustment is net of $1,117 million in non-recourse debt (31 December 2012: $1,158 million, 30 June 2012: $1,214 million) and $1,000 million in Colonial Group Subordinated Notes (31 December 2012: $1,000 million, 30 June 2012: $1,000 million). The Group's insurance and funds management companies held $1,344 million of capital in excess of minimum regulatory capital requirements at 30 June 2013.
(7) Regulatory Expected Loss (pre-tax) using stressed loss given default assumptions associated with the loan portfolio in excess of eligible credit provisions (pre-tax). Under APRA Basel II the eligible credit provision was based on the after tax balance for collective provisions and general reserve for credit losses and the pre-tax balance for individually assessed provisions.
(8) Comprises PERLS VI $2 billion issued in October 2012 (issued costs reclassified to capitalised costs).
(9) Represents APRA Basel III non-compliant Additional Tier One Capital Instruments (PERLS III, PERLS V, Trust Preferred Securities (TPS) 03, TPS 06, ASB Perpetual Preference Shares, and Perpetual Exchangeable Floating Rate Note). These instruments are eligible for Basel III transitional relief.
(10) Under APRA Basel II, represents the excess of Innovative Capital above the prescribed limit of 15% of Tier One Capital transferred to Tier Two Capital. There is no equivalent limit under APRA Basel III.
(11) Includes both perpetual and term instruments subordinated to depositors and general creditors, having an original maturity of at least five years. APRA require these to be included as if they were unhedged. Term instruments are amortised 20% of the original amount during each of the last five years to maturity. These instruments are eligible for Basel III transitional relief.
(12) Represents the collective provision and general reserve for credit losses for exposures in the Group which are measured for capital purposes under the Standardised approach to credit risk.
(13) Eligible for inclusion in CET1 under APRA Basel III methodology (Basel II 45% of balance eligible for inclusion in Tier Two Capital).

Capital (continued)

Risk Weighted Assets	Basel III 30 Jun 13 $M	Basel III 1 Jan 13 [(1)] $M	Basel 2.5 31 Dec 12 $M	Basel 2.5 30 Jun 12 $M
Credit Risk				
Subject to Advanced IRB approach				
Corporate	**53,468**	52,847	51,851	49,331
SME Corporate	**30,835**	31,127	30,833	22,319
SME Retail	**4,203**	4,222	4,222	4,071
Sovereign	**3,684**	3,692	3,692	3,003
Bank	**10,328**	11,142	8,322	7,619
Residential mortgage	**66,741**	63,637	63,637	54,545
Qualifying revolving retail	**6,683**	6,460	6,460	6,703
Other retail	**11,093**	8,983	8,983	8,462
Impact of the regulatory scaling factor [(2)]	**11,222**	10,927	10,680	9,363
Total risk weighted assets subject to Advanced IRB approach	**198,257**	193,037	188,680	165,416
Specialised lending exposures subject to slotting criteria	**50,392**	48,373	48,398	36,141
Subject to Standardised approach				
Corporate	**3,684**	3,894	3,894	10,430
SME Corporate	**525**	317	317	6,580
SME Retail	**4,572**	4,728	4,728	4,836
Sovereign	**249**	203	203	107
Bank	**176**	138	138	1,243
Residential mortgage	**2,432**	2,257	2,257	25,705
Other retail	**2,224**	2,212	2,212	2,559
Other assets	**4,395**	4,124	4,124	3,240
Total risk weighted assets subject to standardised approach	**18,257**	17,873	17,873	54,700
Securitisation	**5,373**	5,290	1,119	2,833
Equity exposures	**-**	-	2,397	2,339
Credit valuation adjustment	**7,395**	7,225	-	-
Total risk weighted assets for credit risk exposures	**279,674**	271,798	258,467	261,429
Traded market risk	**5,151**	4,517	4,517	4,842
Interest rate risk in the banking book	**16,289**	10,996	10,996	9,765
Operational risk	**28,044**	27,631	27,631	26,751
Total risk weighted assets	**329,158**	314,942	301,611	302,787

(1) Basel III effective 1 January 2013 RWA including additional requirements for counterparty credit risk and changes in methodology for securitisation and equity exposures. Additional requirements for counterparty credit risk include an Asset Value Correlation (AVC) multiplier for large financial institutions and a Credit Valuation Adjustment (CVA) to address the credit worthiness of counterparties involved in mark-to-market transactions.

(2) APRA requires RWA amounts that are derived from IRB risk weight functions to be multiplied by a factor of 1.06.

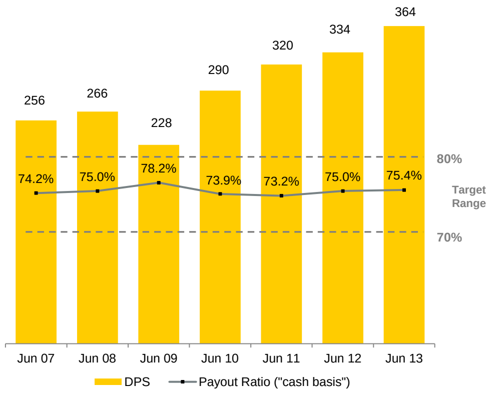
Dividends

Final Dividend for the Year Ended 30 June 2013

The final dividend declared was $2.00 per share, bringing the total dividend for the year ended 30 June 2013 to $3.64 per share. This represents a dividend payout ratio ("cash basis") of 75.4% and is 9% above the prior full year dividend.

The final dividend will be fully franked and will be paid on 3 October 2013 to owners of ordinary shares at the close of business on 23 August 2013 (record date). Shares will be quoted ex-dividend on 19 August 2013.

Full Year Dividend History (cents per share)



Dividend Reinvestment Plan (DRP)

The DRP will continue to operate but no discount will be applied to shares allocated under the plan for the final dividend. The DRP for the 2013 final dividend is anticipated to be satisfied in full by an on market purchase of shares.

Dividend Policy

The Group will seek to:

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

Liquidity

	As at				
	30 Jun 13 $M	31 Dec 12 $M	30 Jun 12 $M	Jun 13 vs Dec 12 %	Jun 13 vs Jun 12 %
Internal RMBS	57,852	57,362	57,730	1	-
Bank, NCD, Bills, RMBS, Supra, Covered Bonds	29,540	31,109	32,429	(5)	(9)
Cash, Government and Semi-Government Bonds	49,324	39,833	44,418	24	11
Liquid Assets (1)	136,716	128,304	134,577	7	2

(1) Liquids are reported net of applicable regulatory haircuts.

Year Ended June 2013 versus June 2012

The Group holds a high quality, well diversified liquid asset portfolio to prudently meet Balance Sheet liquidity needs and regulatory requirements.

Liquid assets increased $2 billion to $137 billion, a 2% increase on the prior year. The increase was driven by the growth in deposits which increased the regulatory minimum requirement.

Excluding internal Residential Mortgage Backed Securities (RMBS), the Group maintained $79 billion of liquid assets, well above the regulatory minimum requirement of $62 billion.

Half Year Ended June 2013 versus December 2012

The Group holds a high quality, well diversified liquid asset portfolio to prudently meet Balance Sheet liquidity needs and regulatory requirements.

Liquid assets increased $8 billion to $137 billion, a 7% increase on the prior half. The increase was mainly driven by the growth in deposits which increased the regulatory minimum requirement.

Excluding internal RMBS assets, the Group maintained $79 billion of liquid assets, well above the regulatory minimum requirement of $62 billion.

Funding

Group Funding (1)	30 Jun 13 $M	31 Dec 12 $M	30 Jun 12 $M	Jun 13 vs Dec 12 %	Jun 13 vs Jun 12 %
	As at				
Customer deposits	**405,377**	385,879	379,299	5	7
Short term wholesale funding	**110,595**	108,075	108,491	2	2
Long term wholesale funding - less than one year residual maturity	**29,129**	24,571	25,715	19	13
Long term wholesale funding - more than one year residual maturity (2)	**96,611**	103,031	103,638	(6)	(7)
IFRS MTM and derivative FX revaluations	**1,837**	(4,267)	(5,417)	large	large
Total wholesale funding	**238,172**	231,410	232,427	3	2
Total funding	**643,549**	617,289	611,726	4	5

(1) Shareholders' equity is excluded from this view of funding sources, other than the USD Trust Preferred Securities, which are classified as other equity instruments in the statutory Balance Sheet.

(2) Residual maturity of long term wholesale funding included in Debt issues, Loan capital and Share capital – other equity instruments, is the earlier of the next call date or final maturity.

Year Ended June 2013 versus June 2012

Customer Deposits

Customer deposits accounted for 63% of total funding at 30 June 2013, compared to 62% in the prior year. Strong deposit growth has seen the Group satisfy a significant proportion of its funding requirements from retail, business and institutional customer deposits. The remaining 37% of total funding comprised various wholesale debt issuances.

Short Term Wholesale Funding

Short term wholesale funding includes debt with an original maturity or call date of less than 12 months, and consists of Certificates of Deposit and Bank Acceptances, as well as debt issued under domestic, Euro and US Commercial paper programs by Commonwealth Bank of Australia and ASB. Short term wholesale funding accounted for 46% of total wholesale funding at 30 June 2013, down from 47% in the prior year.

Long Term Wholesale Funding

Long term wholesale funding includes debt with an original maturity or call date of greater than 12 months. Long term wholesale funding conditions improved during the year compared to the prior year as northern hemisphere central banks provided further support to their economies and banking systems. During the year, the Group issued $25 billion of long term wholesale debt transactions in multiple currencies including AUD, USD, EUR, and GBP. Given improved funding conditions, most issuances were in senior unsecured format, although the Group also used its covered bond program to provide cost, tenor and diversification benefits. The weighted average maturity (WAM) of new long term wholesale debt issued in the June 2013 year was 4.8 years. The WAM of outstanding long term wholesale debt was 3.8 years at 30 June 2013.

Long term wholesale debt (including adjustment for IFRS MTM and derivative FX revaluations) accounted for 54% of total wholesale funding at 30 June 2013, compared to 53% in the prior year.

Half Year Ended June 2013 versus December 2012

Customer Deposits

Customer deposits accounted for 63% of total funding at 30 June 2013, consistent with the prior half. Strong deposit growth has seen the Group satisfy a significant proportion of its funding requirements from retail, business and institutional customer deposits. The remaining 37% of total funding comprised various wholesale debt issuances.

Short Term Wholesale Funding

Short term wholesale funding includes debt with an original maturity or call date of less than 12 months, and consists of Certificates of Deposit and Bank Acceptances, as well as debt issued under domestic, Euro and US Commercial paper programs by Commonwealth Bank of Australia and ASB. Short term wholesale funding accounted for 46% of total wholesale funding at 30 June 2013, compared to 47% in the prior half.

Long Term Wholesale Funding

Long term wholesale debt (including adjustment for IFRS MTM and derivative FX revaluations) accounted for 54% of total wholesale funding at 30 June 2013, compared to 53% in the prior half.

For further information on Liquidity and Funding risk, please refer to Note 40.

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Sustainability

Introduction

For the Group, sustainability means building a successful business today, while creating enduring value for the Group's customers, people, shareholders and the broader community.

Examples of the value created for the Group's stakeholders during the current financial year include the following:

- The Group provided finance to more than 2 million home owners, and paid interest to more than 11 million retail savings and transaction account-holders.
- With more than 51,000 people, the Group's annual payroll expenditure was more than $5 billion.
- The Group returned 75% of its profits to more than 800,000 Australians who hold CBA shares directly, and millions more who hold them through superannuation funds.
- The Group paid more than $2.9 billion in taxes, making it Australia's fourth largest taxpayer.
- Building on a long and proud history of supporting local communities, the Group directly helped more than 200 grassroots community organisations make a positive impact on the health and wellbeing of Australian youth.
- The Group delivered financial literacy programs to more than 280,000 students. In addition, more than 230,000 students participated in School Banking.

The Group's corporate strategy reflects the importance of Environmental, Social and Governance (ESG) considerations in a rapidly changing operating environment.

In May 2013, the Group announced its new vision built around a simple objective: to excel at securing and enhancing the financial wellbeing of people, businesses and communities.

The Board-endorsed Sustainability Strategic Framework, with its five focus areas, supports this vision. The framework addresses the Group's key issues and allows it to effectively manage ESG risks and opportunities.

The Group's key initiatives under the Sustainability Strategic Framework include:

1. Sustainable Business Practices

Disciplined financial management and a focus on productivity, transparency and accountability help to ensure the long term sustainability of the Group's business.

A Strong Balance Sheet

The Group continues to take a disciplined approach to its balance sheet settings across capital, funding and liquidity, so as to deliver sustainable total shareholder returns over the long term.

The Group's ability to maintain a strong balance sheet provides shareholders and other stakeholders with the confidence that the Group can deliver the full range of financial services through the highs and lows of the economic cycle.

Focussing on Productivity

With a backdrop of increased competition and global financial uncertainty, productivity is critical to the Group's long term success. During the current financial year, the Group rolled out a number of productivity programs and initiatives that are already having a positive impact on the culture of the organisation in driving efficiencies, increasing staff engagement and ultimately delivering better outcomes for the Group's customers.

Transparent Reporting

The Group is committed to transparent and comprehensive reporting, catering to the needs of a wide range of stakeholders. This year, following feedback from a number of internal and external stakeholders, the Group is releasing an online sustainability report at the same time as the Annual Report (available at commbank.com.au/sustainability2013). This will provide stakeholders with a comprehensive view of the financial and non-financial performance of the Group.

2. Responsible Financial Services

The Group takes a responsible approach to providing financial services and products, and remains committed to customer satisfaction.

Achieving Number 1 in Customer Satisfaction

The Group's unwavering focus on customer service has helped the Group reach its goal of becoming the number one bank for customer satisfaction across all business areas, while delivering superior shareholder returns.

In January 2013, CBA was ranked first amongst the major banks on Retail MFI Customer Satisfaction for the first time since setting its goal in 2006 to be number one. Similarly, the Group has ranked equal or outright first for customer satisfaction among business clients in all four key business segments since November 2011. Colonial First State has also ranked first among platform providers since 2008, with a combined weighted average satisfaction score of 8.32 (out of 10) for FirstChoice and FirstWrap. More information can be found on page 33.

Focussing on Technology Innovation

Achieving and maintaining a leadership position in technology and innovation is a strategic and operational priority for the Group.

This financial year saw the completion of the Core Banking Modernisation program, launched in 2008. This major technological overhaul has created a foundation platform for the Group to realise its customer-centric vision and deliver innovative solutions quickly and cost-effectively.

The Group was the first major Australian bank to offer its customers real-time settlement and real-time banking — and during the current financial year, the Group has continued to transform the way Australians manage their money. Recent innovations include:

- CommBank Kaching for Facebook, Australia's first social media banking application, giving users a fast and secure payment option integrated into the platform.
- Smartsign, a service allowing customers to execute loan documents electronically anytime, from anywhere in the world, using the Group's secure online portal.
- MyWealth, an online platform allowing self-directed investors to research and invest in a range of financial products using one log in, with investment and banking services in the same convenient online destination.

Meanwhile, the Branch of the Future program has continued to improve its front-line customer interface. State-of-the-art features implemented include video conferencing facilities in branches, allowing customers to rapidly connect with specialists, even if they are located in rural and remote areas.

Taking a Responsible Approach to Lending

The Group's Risk Appetite Statement continues to govern its approach to risk. In October 2012 the Group rolled out a policy to improve the assessment of the ESG risks for financing in the natural resources sectors of Energy and Utilities, Oil and Gas and Metals and Mining.

Supporting Customers in Need

Each year the Group supports a number of customer segments with a wide range of fee-free and discounted financial services. In the current financial year, the Group has forgone more than $173 million in revenue to support low income earners and the not-for-profit sector. The Group has more than 100 dedicated staff who work on a one-on-one basis with customers who find themselves in financial difficulty following an unexpected event such as an illness or injury, a change in employment or a natural disaster.

The Group also looks to cater to specific customer segments with tailored programs. For example, the Group supports Indigenous Australians building strong and economically sustainable communities through its Community Business Finance Program. This program supports eligible Indigenous Australians who either own existing businesses or seek to start new businesses, and who need extra money to expand or invest in new equipment. The program helps them to build a repayment history, making it easier to secure mainstream finance in the future.

The Group's Community Business Finance Program aims to drive deeper engagement with the Group's customers in under-serviced communities and provide affordable banking solutions to help their local businesses grow.

This year saw a number of natural disasters impacting customers, branch staff and the community. Over the course of the financial year, the Group donated more than $600,000 to support the Tasmanian Bushfires and Queensland Flood Appeals. In addition, the Group proactively contacted all affected customers to offer a range of options to assist with their banking, insurance and general financial needs during these difficult times.

Providing Leading Banking Solutions to Not-for-Profits

The Group has a dedicated Not-for-Profit Sector Banking team focused on listening to the sector and collaborating with it to create financial tools, resources and solutions that increase the strength and sustainability of not-for-profits. The Group was the first bank in Australia to provide an account specifically for not-for-profit organisations and today the Group has more branches in more communities than any other bank. The Group's long term commitment to its communities means that today we have more not-for-profit customers than any other bank.

3. Engaged and Talented People

The Group supports its people by continuing to invest in their development and in programs designed to create a diverse, safe and rewarding workplace. In the current financial year the Group's people remained highly engaged, as shown by the Group's recent Employee Engagement score of 80%.

Building a Diverse and Inclusive Workplace

The Group is committed to providing a workplace, which reflects the diversity and richness of the communities it serves.

In October 2012, the Executive Leadership Team endorsed the 2013–14 Diversity and Inclusion Strategy, structured around three pillars:

- Inclusion and respect;
- Diversity in leadership; and
- Adaptable work practices.

Cultural diversity and ethnicity, Lesbian, Gay, Bisexual, Transgender and Intersex (LGBTI) are now part of the inclusion and respect pillar, which also continues to focus on disability. Employee networks have been established to bring these agendas closer to the Group's people and their communities.

Members of the Executive Leadership team sponsor each of the diversity and inclusion focus areas, taking proactive and visible steps to build cultural change in the organisation.

Spotlight on Gender Diversity

The Group views gender equality as an indicator of broader diversity. The Group continues to progress towards its gender diversity target: increasing the representation of women in Executive Manager roles and above to 35% by December 2014. As with any ambitious target, it becomes more challenging over time and the Group is continuing its focus on developing the Group's internal female talent pipeline to promote from within. Sustained leadership commitment and engagement through initiatives such as Male Champions of Change and Executive Sponsorship, are helping the Group progress towards its aspirations.

As at 30 June 2013, 30.3% of Executive Managers and above positions were filled by women, along with 25% of Executive Committee roles and 33% of Board positions. Across the Group there are now 59.8% women employees. In May 2013, the Group lodged its Workplace Profile report with the Workplace Gender Equality Agency. A copy of this report can be found at commbank.com.au/diversity.

Adaptable Work Practices and Training

The Group continues to invest in Human Resource systems and tools to support its People strategy, with a focus on facilitating more flexible ways of working. The new My HR Anywhere portal provides the Group's people with access to useful tools and information that help them manage their career, from any location, at any time. A secure, simple and easy HR tool, My HR Anywhere is available to everyone across the Group. In the Group's annual people and culture survey, 44.5% said that they work flexibly.

During the year, the Group also launched CAN Coaching to equip the Group's leaders with coaching skills to empower their teams and embed a positive and consistent coaching culture across the Group. CAN Coaching is currently available for Executive General Managers and General Managers. CAN Coaching for Executive Managers will commence in late 2013, and will become available more broadly over the next few years.

4. Community Contribution and Action

The Group has a proud history of supporting the communities where we live and work. By offering financial literacy programs, partnering with community organisations and supporting the Group's people in their endeavours, the Group continues to strengthen and extend its involvement, forging lasting relationships with community organisations and those they serve.

Building Financial Literacy Skills

In late 2009, the Group announced a commitment to improve the financial literacy of one million children by 2015. Since then, the Commonwealth Bank Foundation's StartSmart workshop program has had 754,242 students booked to attend a primary or secondary session.

The Foundation's latest offering, StartSmart Pathways, brings money management to life for students enrolled in TAFE, Group Training Organisations and other vocational education institutions. Since it was launched in February 2012, 3,819 sessions have been delivered across Australia.

Collaborating with Indigenous Australians to Achieve Social, Economic and Financial Inclusion

In April 2013, the Group launched its fourth Reconciliation Action Plan (RAP). The 2013 and 2014 RAP highlights the Bank's achievements over the past two years and looks ahead to the future as the Group continues to collaborate with Indigenous Australians to promote social, economic and financial inclusion. Building on the Group's recent successes and the lessons learned from past programs, the 2013 and 2014 RAP has four key areas of focus:

- Delivering outstanding and accessible customer service to the Group's Indigenous customers, regardless of location.
- Providing greater employment opportunities and career development for Indigenous people.
- Promoting Indigenous culture across the broader community, while also delivering opportunities for Group employees to engage with local communities.
- Providing greater access to educational opportunities for Indigenous youth and adults, particularly in financial literacy.

Find out more about the Group's progress and commitment to Indigenous communities at commbank.com.au/indigenous.

Empowering Support of the Community

The Group's Staff Community Fund is Australia's largest and longest running workplace-giving program. The Group matches its people contributions dollar-for-dollar. In 2013, the Fund will award $2 million to more than 200 grassroots programs focused on improving the health and wellbeing of Australian youth. In addition, the Group's branch network rallied during April and collected more than $300,000 in donations from its customers and staff to support one of the Group's key charity partners, the Clown Doctors.

The Group encourages volunteering with a range of partnerships that enable its people to participate through mentoring, team activities and skilled volunteering. In 2013, the Group continued to grow its skilled volunteering programs with new secondments in North East Arnhem Land and on the NSW Central Coast through the Jawun secondment program, as well as long term secondments with other partners, such as Reconciliation Australia. Through these programs, we continue to support the long term sustainable growth of Indigenous enterprises.

Supporting Sports, the Arts and Health in Australia

The Group is Cricket Australia's longest standing partner, having supported it for 26 years. After seven years as the naming rights sponsor of the One Day Internationals, the Group announced in May that it would be stepping up its support to become the new naming rights sponsor of the Australian Test Team and Test Series, starting with the Commonwealth Bank Ashes Series in November 2013. As well as Australia's cricketing elite, the Group supports the growth of community cricket through its Grants for Grassroots Cricket™ program, providing annual grants of cash and equipment to clubs across Australia. Over four years, this program has contributed $1.53 million to local cricket clubs.

Meanwhile, through the Group's longstanding support of Opera Australia, the Australian Chamber Orchestra and Bangarra Dance Theatre, the Group is making art more accessible to all Australians. In addition, the Group's partnership with Kaldor Public Art Projects supports ground-breaking exhibitions such as 13 Rooms shown in April 2013, showcasing the Group's commitment to innovation through art.

The Group also continues to support men's and women's health through its ongoing partnerships with the Breast Cancer Institute of Australia (BCIA) and the Prostate Cancer Foundation of Australia (PCFA). The Group has supported BCIA for more than 15 years, raising more than $3 million during this time. In September 2012 the Group organised 296 barbeque events for PCFA across the Group's banking network and raised more than $117,000 in the process.

In addition, the Group has been the major sponsor of the Australian of the Year Awards for more than 30 years, celebrating outstanding Australians and their commitment to the nation and their local communities.

5. Environmental Stewardship

As one of Australia's largest organisations, the Group recognises that its operations have direct and indirect impacts on the environment. We strive to actively manage those impacts to ensure the long term sustainability of the Group's business and environment.

Achieving the Carbon Reduction Target

In May 2009, the Group set the goal of reducing its carbon emissions by 20% from 2008–09 emission levels by June 2013 (refer to the Sustainability Scorecard on page 33 for a definition of scope). The goal represented a reduction of 34,550 tonnes of carbon dioxide equivalent (CO_2-e). The Group reached its target five months ahead of schedule in January 2013. By 30 June 2013, the Group had reduced its emissions by an additional 10,658 tonnes of CO_2-e. Over the past four years, emissions for each full time employee have also steadily declined.

A number of initiatives played a key role in achieving this target. These include:

- The Green Refresh Program, replacing inefficient lighting throughout the Group's branch network and upgrading the heating, ventilation and air conditioning (HVAC) systems in the retail and commercial buildings.
- One of Australia's most ambitious corporate property consolidations, which relocated the Group's people from 19 buildings across Sydney to three purpose-built and sustainable campuses, including the award-winning Commonwealth Bank Place in Sydney's Darling Quarter.

Supporting the Group's Clients in their Transition to a Low Carbon Economy

The Carbon Solutions Team was formed as a direct response to the effects of climate change on both the Group and its clients. The team is responsible for the development and execution of the Group's carbon markets strategy to ensure a leading position in Australia's transformation to a low carbon economy. The team specialises in areas including:

- The Government's Carbon Pricing Mechanism;
- Renewable energy projects such as solar photovoltaic systems, wind power, waste to energy systems and biomass energy;
- Energy efficiency; and
- Carbon farming solutions.

The Carbon Solution Team's strategy leverages the Group's core trading, financing and distribution capabilities to provide a range of tailored financing and risk management solutions to assist clients in the management of their carbon and renewable energy risks and opportunities.

In addition, the Group has been a major player in the renewable energy sector, with significant investments since 2004. The Group remains committed to the continued development of the renewable energy and carbon markets in the future.

The Group also trades directly in the free carbon permit market with large emission-intensive trade exposed entities, providing financing and pricing certainty for the Group's clients.

Committing for the Long Term and Changing the Way we Work

In 2012, Commonwealth Bank Place (CBP) and the Darling Quarter Precinct won a number of awards, including the prestigious Banksia Sustainability Award for the Built Environment. This award showcased CBP's world-leading environmental performance ratings, including six stars from the Green Star Office Design system and five stars from the National Australian Built Environmental Rating System (NABERS). In June 2013, CBP also received the United Nations Association of Australia Green Building Award.

CBP is the largest and most innovative commercial office development in the Sydney CBD. Integrating the commercial and public domains, CBP is a vibrant flagship campus for more than 6,000 of the Group's employees.

CBP features world class environmental design, including blackwater treatment and tri-generation technologies, as well as the world's largest Activity Based Working (ABW) space. Bankwest has since adopted the ABW concept in its new head office, Bankwest Tower in Perth, housing nearly 3,000 employees. Meanwhile, the Group's New Zealand subsidiary, Auckland Saving Bank (ASB), has embraced ABW in its new North Wharf head office development.

Further Information

Visit the microsite, commbank.com.au/sustainability2013, for more information on the Group's approach to sustainability, insights on the Group's key initiatives and achievements, and independently reviewed metrics for the 2013 financial year. The microsite covers the activities of companies wholly owned by the Group within Australia for the financial year ending 30 June 2013.

Sustainability Scorecard [1]

Customer Satisfaction	Units	2013	2012	2011
Roy Morgan Research Main Financial Institution Customer Satisfaction [2]	%	83.0	79.0	75.2
Rank		1st	2nd	4th
DBM Business Financial Services Monitor [3]		7.4	7.3	7.1
Rank		Equal 1st	Equal 1st	Equal 2nd
Wealth Insights Platform Service Level Survey [4]		8.32	7.86	7.74
Rank		1st	1st	1st
People				
Engagement				
Employee Engagement Index [5]	%	80	80	n/a
Employee Turnover (Voluntary) [6]	%	10.60	12.90	12.65
Diversity				
Women in Executive Manager and above roles [7]	%	30.3	30.9	28.2
Safety and Well-being				
Lost Time Injury Frequency Rate (LTIFR) [8]	Rate	1.7	2.7	2.5
Absenteeism [9]	Rate	6.2	6.2	6.0
Environment				
Greenhouse Gas Emissions				
Scope 1 emissions [10]	tCO_2-e	8,780	8,941	9,835
Scope 2 emissions [11]	tCO_2-e	100,997	118,047	137,948
Scope 3 emissions [12]	tCO_2-e	17,767	20,137	22,885
Financial Literacy Programs				
School Banking Students (active) [13]		233,217	191,416	140,280
StartSmart Students Booked [14]		284,834	235,735	200,081

(1) All metrics capture data from Australian domestic operations only (excluding Bankwest), unless otherwise stated.
(2) The proportion of each financial institution's MFI retail customers surveyed by Roy Morgan Research that are either 'Very Satisfied' or 'Fairly Satisfied' with their overall relationship with that financial institution on a scale of 1 to 5 where 1 is 'Very Dissatisfied' and 5 is 'Very Satisfied'. The metric is reported as a 6 month rolling average to June, based on the Australian population aged 14 and over. The ranking refers to CBA's position relative to the other three main Australian banks (Westpac, NAB and ANZ). The competitor set changed in 2011 to exclude St George. Rank adjustments have been applied historically.
(3) The average satisfaction of each financial institution's MFI business customers surveyed by DBM Business Financial Services Monitor. Respondents rate their overall relationship with that institution on a scale from 0 to 10 (0 is 'Extremely Dissatisfied', 10 is 'Extremely Satisfied'). This is reported as a 6 month rolling average as at 30 June. The ranking refers to CBA's position relative to the other three major Australian banks (Westpac, NAB, and ANZ).
(4) The Colonial First State (the platform provider) score is calculated based on the weighted average (using the FUA as at December 2012 from the plan for Life FUA subscription database) of the overall satisfaction scores of FirstChoice and FirstWrap. The ranking is calculated by comparing the score with the weighted average of other platform providers in the relevant peer set. The relevant peer set includes platforms belonging to Westpac, NAB, ANZ, AMP and Macquarie in the Wealth Insights survey. In the previous year, the satisfaction score was calculated on a straight average of FirstChoice and FirstWrap. Due to the change in calculation of the satisfaction score this year, historical results have been restated. As a result, the score and ranking for 2012 has changed from 7.69 (2nd) to 7.86 (1st). For 2011 the ranking remains unchanged, but the satisfaction result changed from 7.79 to 7.74. Prior to 2011, the results remain unchanged.
(5) The index shows the proportion of employees replying 4 or 5 to questions relating to satisfaction, retention, advocacy and pride on a scale of 1-5 (5 is 'Strongly Agree', 1 is 'Strongly Disagree'). The result captures the responses of Group employees excluding Bankwest, ASB Bank and Sovereign entities. There is no data available prior to 2012, as in 2012 the Group moved the people and culture survey administration to a new provider.
(6) Employee turnover refers to all voluntary exits of domestic, permanent employees as a percentage of the average domestic, permanent headcount paid directly by the Group (full-time, part-time, job share or on extended leave).
(7) Percentage of roles at the level of Executive Manager and above filled by women, in relation to the total domestic headcount at this level as at 30 June. Headcount captures permanent headcount (full-time, part-time, job share, on extended leave), and contractors (fixed term arrangements) paid directly by the Group.
(8) LTIFR is the reported number of occurrences of lost time arising from injury or disease that have resulted in an accepted workers compensation claim, for each million hours worked by the average number of domestic employees over the year. This relates to domestic employees only (permanent, casual and contractors paid directly by the Group). Data is complete as at 30 June for each financial year. Prior year data is updated due to late reporting incidents that occurred during the year, or the subsequent acceptance or rejection of claims made in the year. As a result, 2012 has changed from 2.1 to 2.7.
(9) Absenteeism is the annualised figure as at 31 May each year. Absenteeism refers to the average number of sick leave days (and, for CommSec employees, carers leave days) per domestic full-time equivalent (FTE).
(10) Scope 1 carbon emissions relate to the consumption of gas and fuel (gasoline and diesel) by domestic retail and commercial properties, business use of domestic tool-of-trade vehicle fleet, dedicated bus services, business use of private vehicles, and business use of hire cars.
(11) Scope 2 carbon emissions relate to the electricity use by domestic retail and commercial properties and domestic ATMs and certain residential properties. Due to the electricity billing cycle, 15% of 2013 electricity data was estimated to meet publication deadlines. Data was collected in line with NGER legislation requirements. Assets under the operational control of CFSGAM have been excluded.
(12) Scope 3 carbon emissions relate to the upstream emissions related to Scope 1 and 2 emission sources.
(13) The number of active school banking students as part of the Group's financial literacy programs. Active students are those who banked at least once during a 12 month period through a school banking school.
(14) The number of students booked to attend Commonwealth Bank Foundation's StartSmart programs. StartSmart sessions cover different topics and the same student may be booked to attend a number of sessions.

Corporate Governance

Introduction

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

Charter

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

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

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

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

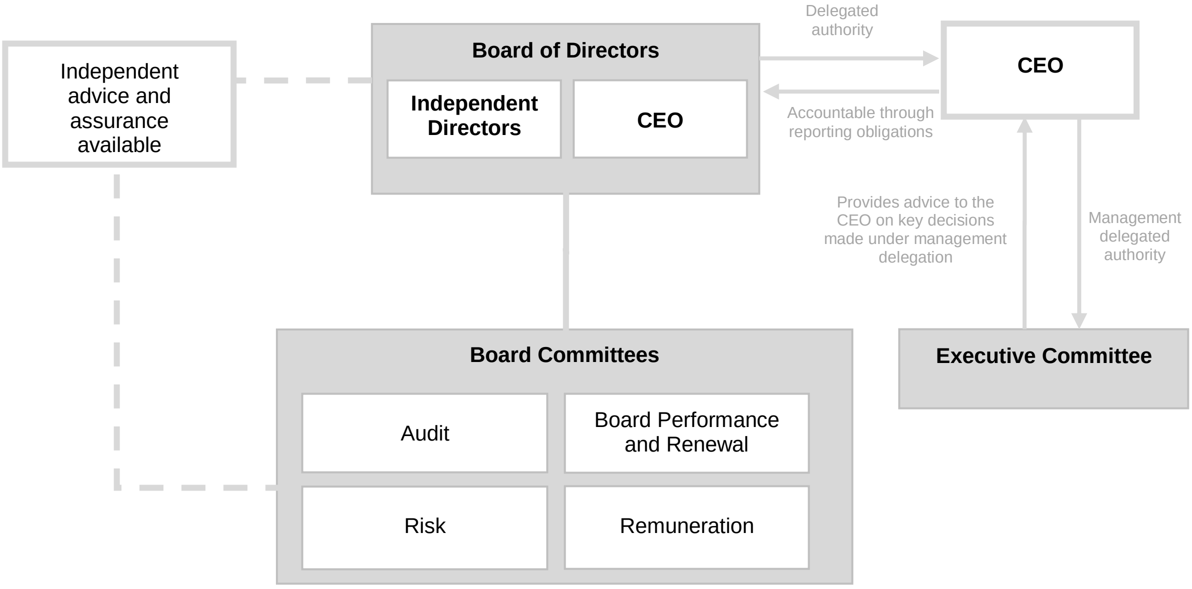
Delegation of Authority

The Board delegates to the CEO the responsibility to achieve the Group's objective of creating long term value for its shareholders in part through excelling at securing and enhancing the financial wellbeing of people, businesses and communities.

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

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

Corporate Governance Framework



Composition

There are currently nine Directors of the Bank and details of their period of office, experience, qualifications, special responsibilities and attendance at meetings are set out on pages 40 to 44 of the Directors' Report.

Membership of the Board and Committees is set out below:

	Board Membership	Position Title	Committee Membership			
Director			Board Performance and Renewal	Remuneration	Audit	Risk
David J Turner	Non-Executive, Independent	Chairman	Chairman	Member	-	Member
Ian M Narev	Executive	Chief Executive Officer	-	-	-	Member
John A Anderson	Non-Executive, Independent	-	Member	-	-	Member
Jane S Hemstritch	Non-Executive, Independent	-	-	Chairman	-	Member
Launa K Inman	Non-Executive, Independent	-	-	-	Member	Member
S Carolyn H Kay	Non-Executive, Independent	-	-	Member	Member	Member
Brian J Long	Non-Executive, Independent	-	-	-	Chairman	Member
Andrew M Mohl	Non-Executive, Independent	-	-	Member	-	Member
Harrison H Young	Non-Executive, Independent	-	Member	-	Member	Chairman
Colin R Galbraith (1)	Non-Executive, Independent	-	-	-	-	-
Fergus D Ryan (1)	Non-Executive, Independent	-	-	-	-	-

(1) Colin Galbraith and Fergus Ryan retired from the Board following the Annual General Meeting held on 30 October 2012.

Constitution

The Constitution of the Bank specifies that:

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

The policy of the Board is that Non-Executive Directors are normally expected to serve a term of six years from the date of first election by shareholders, subject to re-election by shareholders as required under the Constitution and the ASX Listing Rules. That term may be extended to nine years where, at the end of the initial six year period, the Board determines that such an extension would be a benefit to the Bank and the Director is agreeable. On an exceptional basis, the Board may annually exercise its discretion to further extend the term of a Director should circumstances deem it appropriate, subject to the total term of appointment not exceeding twelve years. The Chairman would normally be expected to serve a term of at least five years in that capacity.

Independence

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

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

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

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

Corporate Governance

Education and Review

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

Board Performance and Renewal Committee

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

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

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

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

Performance evaluations in accordance with the above processes have been undertaken during the year. Details on management performance evaluations are contained in the Remuneration Report section of the Directors' Report, on pages 47 to 64.

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

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

Selection of Directors

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

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

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

The Board Performance and Renewal Committee will assess the skills, experience and personal qualities of these candidates. It will also take into consideration other attributes including diversity to ensure that any appointment decisions adequately reflect the environment in which the Group operates. Information on the Group's diversity strategy more generally can also be found in the Sustainability section of this report on pages 30 to 33.

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

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

Policies

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

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

Ethical Standards

Conflicts of Interest

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

Share Trading

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

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

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

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

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

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

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

Remuneration Arrangements

Details of the governance arrangements and policies relevant to remuneration are set out in the Remuneration Report on pages 47 to 64.

Audit Arrangements

Audit Committee

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

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

These include:

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

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

Auditor

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

The PwC partner managing the Group's external audit will attend the 2013 AGM and be available to respond to shareholder questions relating to the external audit.

In line with current legislation, the Group requires that the partner be changed within five years of being appointed. The lead partner was changed with effect from 1 July 2012.

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

Non-Audit Services

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

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

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

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

- Bookkeeping or other services relating to accounting records or Financial Statements of the Group;
- Financial information systems design and implementation;
- Appraisal or valuation services (other than certain tax only valuation services) and fairness opinions or contribution-in-kind reports;
- Actuarial services unless approved in accordance with independence guidelines;
- Internal audit outsourcing services;
- Management functions, including acting as an employee and secondment arrangements;
- Human resources;
- Broker-dealer, investment adviser or investment banking services;

Non-Audit Services (continued)

- Legal services;
- Expert services for the purpose of advocating the interests of the Group;
- Services relating to marketing, planning or opining in favour of the tax treatment of certain transactions;
- Tax services in connection with certain types of tax transactions;
- Tax services to individuals, and any immediate family members of any individuals, in a Financial Reporting Oversight Role; and
- Certain corporate recovery and similar services.

In general terms, the permitted services are:

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

Risk Management

Risk Management governance originates at Board level, and cascades through to the CEO and businesses, via Group and Business Unit risk appetite statements, policies, delegated authorities and committee structures. This ensures Board level oversight and a clear segregation of duties between those who originate and those who approve risk exposures. Independent review of the risk management framework is carried out through GAA.

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

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

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

Risk Committee

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

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

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

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

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

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

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

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

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

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

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

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

Risk Management Framework

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

A description of the functions of the framework and the nature of the risks is set out in Notes 37 to 40 to the Financial Statements (pages 144 to 167).

Continuous Disclosure

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

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

Shareholder Communication

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

- Interim and final results;
- Annual Reports;
- Shareholder newsletters;
- AGM;
- Quarterly trading updates and Business Unit briefings where considered appropriate;
- All other price sensitive information will be released to the ASX in a timely manner;
- The Group's website at www.commbank.com.au; and
- The investor relations app, refer to page 195.

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

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

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

Ethical Policies

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

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

Statement of Professional Practice

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

- To act properly and efficiently in pursuing the objectives of the Group;
- To avoid situations which may give rise to a conflict of interest;
- To know and adhere to the Group's Equal Employment Opportunity policy and 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 the Group's people. The Group has also established the Group Securities Trading policy to ensure that unpublished price-sensitive information is not used in an illegal manner for personal advantage.

Our People

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

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

Information on the Group's diversity strategy can be found in the Sustainability section of this report on pages 30 to 33.

Behaviour Policy

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

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

Code of Conduct

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

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

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

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

Website

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

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

Directors' Report

The Directors of the Commonwealth Bank of Australia submit their report, together with the financial report of the Commonwealth Bank of Australia (the Bank) and of the Group, being the Bank and its controlled entities, for the year ended 30 June 2013.

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

David J Turner, Chairman

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

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

He was Chairman of Cobham plc from May 2008 until May 2010. He has held a number of Directorships including Whitbread plc and the Iron Trades Insurance Group and has been a member of the Quotations Committee of the London Stock Exchange.

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

Other Directorships: Ashurst Australia, O'Connell Street Associates Pty Ltd, and Great Barrier Reef Foundation.

Qualifications: Fellow of the Institute of Company Directors, Fellow of the Institute of Chartered Accountants in England and Wales.

Mr Turner is a resident of New South Wales. Age 68.

Ian M Narev, Managing Director and Chief Executive Officer

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

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

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

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

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

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

Mr Narev is a resident of New South Wales. Age 46.

Sir John A Anderson, KBE

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

In 1994, Sir John was awarded Knight Commander of the Civil Division of the Order of the British Empire, and in 2005 received the inaugural Blake Medal for "Outstanding Leadership Contributions to New Zealand". In 2012 Sir John was awarded an Honorary Doctorate of Commerce by Victoria University, Wellington.

Other Directorships: PGG Wrightson Limited (Chairman), National Property Trust Limited (Chairman), Steel & Tube Holdings Ltd (Chairman from October 2012), Turners & Growers Limited (Deputy Chairman from December 2012), and New Zealand Venture Investment Fund (Chairman) (ceased June 2013).

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

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

Jane S Hemstritch

Ms Hemstritch has been a member of the Board since 9 October 2006, and is the Chairman of the Remuneration Committee and a member of the Risk Committee.

Ms Hemstritch was Managing Director Asia Pacific for Accenture Limited from 2004 until her retirement in February 2007. In this role, Ms Hemstritch was a member of Accenture's global executive leadership team and oversaw the management of Accenture's business portfolio in Asia Pacific. Ms Hemstritch had a 24 year career with Accenture, preceded by seven years in the accounting profession.

She holds a Bachelor of Science Degree in Biochemistry and Physiology and has professional expertise in technology, communications, change management and accounting.

She also has experience across the financial services, telecommunications, government, energy and manufacturing sectors and in business expansion in Asia.

Other directorships: Lend Lease Corporation Limited, Santos Ltd, Tabcorp Holdings Ltd, and Victorian Opera Company Ltd (Chairman from February 2013).

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

Ms Hemstritch is a resident of Victoria. Age 59.

Launa K Inman

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

Ms Inman was Managing Director and Chief Executive Officer of Billabong International Limited from 14 May 2012 until 2 August 2013. Prior to this, she was Managing Director of Target Australia Pty Limited from 2005 to November 2011, and Managing Director of Officeworks from 2004 to 2005.

Other directorships: Managing Director and CEO of Billabong International Limited (ceased August 2013).

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

Ms Inman is a resident of Victoria. Age 57.

S Carolyn H Kay

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

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

Other directorships: Allens, Brambles Limited, Infrastructure NSW (Chairman of Audit and Risk Committee from April 2013), and Sydney Institute.

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

Ms Kay is a resident of New South Wales. Age 52.

Brian J Long

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

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

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

Qualifications: Fellow of the Institute of Chartered Accountants in Australia.

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

Andrew M Mohl

Mr Mohl has been a member of the Board since 1 July 2008 and is a member of the Risk Committee and the Remuneration Committee. He has over 35 years of financial services experience. Mr Mohl was Managing Director and Chief Executive Officer of AMP Limited from October 2002 until December 2007.

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

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

Other directorships: Federal Government Export Finance and Insurance Corporation (EFIC) (Chairman) and AMP Foundation (retired September 2012).

Qualifications: BEc (Hons), Monash.

Mr Mohl is a resident of New South Wales. Age 57.

Harrison H Young

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

From 2003 to 2007, Mr Young was Chairman of Morgan Stanley Australia, and from 1998 to 2003 Vice Chairman of Morgan Stanley Asia.

Prior to that, Mr Young spent two years in Beijing as Chief Executive Officer of China International Capital Corporation. From 1991 to 1994 he was a senior officer of the Federal Deposit Insurance Corporation in Washington.

Other directorships: NBN Co Limited (Chairman) (ceased March 2013), Better Place (Australia) Pty (Chairman) (ceased February 2013), Humanities 21 Inc (ceased December 2012), Bank of England (ceased May 2012), and Financial Services Volunteer Corps (ceased December 2012).

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

Mr Young is a resident of Victoria. Age 68.

Colin R Galbraith, AM (Retired 30 October 2012)

Mr Galbraith was a member of the Board from June 2000 until October 2012. He was a member of the Risk Committee, Audit Committee and Board Performance and Renewal Committee.

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

Other directorships: CARE Australia, Colonial Foundation Limited (from May 2013), BHP Billiton Community Trust (Chairman), BHP Billiton Community Limited (Chairman), Arrium Limited (previously OneSteel Limited), and Australian Institute of Company Directors (ceased November 2012).

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

Mr Galbraith is a resident of Victoria. Age 65

Fergus D Ryan, AO (Retired 30 October 2012)

Mr Ryan was a member of the Board from March 2000 until October 2012. He was a member of the Audit Committee and Risk Committee. He has extensive experience in accounting, audit, finance and risk management.

He was a senior partner of Arthur Andersen until his retirement in 1999, after 33 years with that firm, including five years as Managing Partner Australasia. Until 2002, he was Strategic Investment Co-ordinator and Major Projects Facilitator for the Commonwealth Government.

Other directorships: Australian Foundation Investment Company Limited (AFIC).

Qualifications: Fellow of the Institute of Chartered Accountants in Australia.

Mr Ryan is a resident of Victoria. Age 70.

Other Directorships

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

Director	Company	Date Appointed	Date of Ceasing (if applicable)
David Turner	Cobham plc	01/12/2007	06/05/2010
John Anderson	PGG Wrightson Ltd (NZ)	01/04/2010	
	National Property Trust NPT Limited (NZ)	01/04/2011	
	Steel & Tube Holdings Ltd (NZ)	10/11/2011	
	Turners & Growers Ltd (NZ)	03/04/2012	
Jane Hemstritch	Tabcorp Holdings Limited	13/11/2008	
	Santos Limited	16/02/2010	
	Lend Lease Corporation Limited	01/09/2011	
Launa Inman	Billabong International Limited	14/05/2012	02/08/2013
Carolyn Kay	Brambles Limited	21/08/2006	
Brian Long	Ten Network Holdings Limited	01/07/2010	
Colin Galbraith	Arrium Limited	25/10/2000	
Fergus Ryan	Australian Foundation Investments Company Limited	08/08/2001	

Directors' Meetings

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

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

(1) The number of meetings held during the time the Director was a member of the Board and was eligible to attend.
(2) Colin Galbraith and Fergus Ryan retired effective 30 October 2012.

Committee Meetings

Director	Risk Committee: No. of Meetings Held (1)	Risk Committee: No. of Meetings Attended	Audit Committee: No. of Meetings Held (1)	Audit Committee: No. of Meetings Attended	Remuneration Committee: No. of Meetings Held (1)	Remuneration Committee: No. of Meetings Attended
David Turner	9	9	-	-	8	8
Ian Narev	9	9	-	-	-	-
John Anderson	9	8	-	-	-	-
Jane Hemstritch	9	9	-	-	8	8
Launa Inman	9	9	6	6	-	-
Carolyn Kay	9	9	9	9	8	8
Brian Long	9	9	9	9	-	-
Andrew Mohl	9	9	-	-	8	8
Harrison Young	9	8	9	9	-	-
Colin Galbraith (2)	3	3	3	3	-	-
Fergus Ryan (2)	3	3	3	3	-	-

Director	Board Performance and Renewal Committee: No. of Meetings Held (1)	Board Performance and Renewal Committee: No. of Meetings Attended
David Turner	7	7
John Anderson	7	6
Harrison Young	5	5
Colin Galbraith (2)	2	2

(1) The number of meetings held during the time the Director was a member of the relevant committee.
(2) Colin Galbraith and Fergus Ryan retired effective 30 October 2012.

Principal Activities

The principal activities of the Group during the financial year ended 30 June 2013 were the provision of a broad range of banking and financial products and services to retail, small business, corporate and institutional clients.

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

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

Consolidated Profit

The Group's net profit after income tax and non-controlling interests for the year ended 30 June 2013 was $7,677 million (2012: $7,090 million).

The Group has produced another positive financial result amidst mixed economic conditions, including subdued credit growth, higher deposit funding costs, low interest rates, lower marginal costs of raising new wholesale funding and improved equity markets.

The Group continues to focus on securing long term sustainable competitive advantage through engaged staff collaborating to identify and meet more of our customers' needs. This long term focus, combined with a diversified business model and a strong risk management culture, has again generated superior returns.

Operating income growth reflected strong momentum across the Retail, Wealth and New Zealand businesses. Business banking revenue remained subdued amid strong competition for domestic deposits.

Operating expenses reflect a continued appetite to invest in technology and other growth initiatives, together with the impact of costly regulatory change and compliance initiatives, partly offset by productivity initiatives.

Loan impairment expense decreased slightly due to improved home loan and credit card arrears, partly offset by increased commercial loan charges. Asset quality remains sound with continued conservative levels of provisioning and unchanged economic overlays.

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 200 cents per share amounting to $3,224 million. The dividend will be payable on 3 October 2013 to shareholders on the register at 5pm EST on 23 August 2013.

Dividends paid in the year ended 30 June 2013 were as follows:

- In respect of the year to 30 June 2012, a fully franked final dividend of 197 cents per share amounting to $3,137 million was paid on 5 October 2012. The payment comprised direct cash disbursements of $2,207 million with $930 million being reinvested by participants through the DRP; and
- In respect of the year to 30 June 2013, a fully franked interim dividend of 164 cents per share amounting to $2,639 million was paid on 5 April 2013. The payment fully comprised direct cash disbursements. The DRP in respect of the interim dividend was satisfied in full by the on market purchase of shares.

Review of Operations

An analysis of operations for the financial year is set out in the Highlights and Group Performance Analysis sections.

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:

- Becoming the number one retail bank for customer satisfaction across all business areas, while delivering superior shareholder returns;
- "Bank of the Year" in the 2013 Money Magazine Awards;
- Completion of the Core Banking Modernisation Program, which involved the migration of 12+ million customers, offering real-time settlement and banking, and enabling industry leading functionality and innovation; and
- Continued investment in technological innovations, such as CommBank Kaching for Facebook, SmartSign, MyWealth and Branch of the Future to remain Australia's leading technology bank.

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

Events Subsequent to Balance Sheet Date

The Bank expects the DRP for the final dividend for the year ended 30 June 2013 will be satisfied in full by an on market purchase and transfer of shares of approximately $806 million.

On 24 July 2013 the Bank submitted an indicative, non-binding proposal to the Commonwealth Managed Investments Limited (CMIL) Board to internalise the management of Commonwealth Property Office Fund (CPA) and CFS Retail Property Trust Group (CFX). The proposal in relation to CFX also incorporates CFX acquiring the wholesale property funds management business and integrated retail property management and development business owned by CBA.

The Bank also submitted an indicative, non-binding proposal to the Kiwi Income Properties Limited (KIPL) Board to internalise the management of the Kiwi Income Property Trust (KIP). As at the date of this report, the financial effect of any transaction cannot be estimated.

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

Business Strategies and Future Developments

Accommodation Strategy

Following the successful completion of Activity Based Working (ABW) at Commonwealth Bank Place in Sydney last year, the Group has now completed the implementation of ABW at Bankwest Place in Perth and at North Wharf in Auckland, New Zealand.

The consolidation of the Group's Melbourne Commercial portfolio to two buildings in the Melbourne CBD has progressed with a move earlier this year to a substantially refurbished building at 357 Collins Street. The Melbourne consolidation will be complete when the workplace at 727 Collins Street near Docklands opens in the coming months.

The Group is progressively looking to accommodate its employees in either new or substantially refurbished buildings. This strategy allows the Group to provide improved working environments that are more productive for its employees, use space more efficiently and sustainably as well as support more collaborative working.

Business Strategies

Business strategies, prospects and future developments which may affect the operations of the Group in subsequent years are referred to in the Chief Executive Officer's Statement.

In the opinion of the Directors, disclosure of any further information on likely strategic developments would be unreasonably prejudicial to the interests of the Group.

Environmental Reporting

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

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

As required by the EEO Act, the Group lodged its second five year energy efficiency assessment plan with the Federal Government in December 2012. The Group will continue to report to the Federal Government every three years as well as release a public report annually, covering all preceding years' assessment outcomes.

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

Directors' Shareholdings and Options

Particulars of shares held by Directors and the Chief Executive Officer in the Commonwealth Bank or in a related body corporate are set out in the Financial Statements that accompany this report.

Directors' Shareholdings and Options (continued)

No options have previously been granted to the Directors or Chief Executive Officer.

Options Outstanding

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

Directors' Interests in Contracts

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

Directors' and Officers' Indemnity

The Directors, as named on pages 40 to 42 of this report, and the Secretaries of the Bank, being named on page 65 of this report, are indemnified pursuant to the Constitution of Commonwealth Bank of Australia (the Constitution), as are all senior managers of the Bank.

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

An Indemnity Deed Poll has been executed by the Bank, consistent with the Constitution and to the extent permitted by law, in favour of each:

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

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

Directors' and Officers' Insurance

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

Rounding and Presentation of Amounts

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

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

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

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

Message from the Remuneration Committee Chairman

Dear Shareholder,

The Group has continued to remain competitive in the 2013 financial year, delivering value to our customers, shareholders, employees and the community. Both financial and non-financial performance were positive.

The Group has continued to demonstrate its commitment to building a vibrant customer focused culture and in 2013 achieved its goal of becoming the number one major bank for customer satisfaction across all main business areas. The Group has also made noteworthy progress against its goals in other priority areas of technology, strength, productivity and people, alongside above target financial performance. The delivery of this good performance has been the result of the hard work and dedication of the Group's people.

There were no increases to Non-Executive Directors' fees in 2013. However, changes were made to the Non-Executive Director fee structure to accommodate legislated superannuation increases whilst supporting more effective management of fee costs.

The Group's remuneration frameworks are designed to attract and retain key executive talent, recognise the individual contributions of the Group's people, and motivate them to achieve strong performance aligned to our business strategy, whilst discouraging excessive risk taking.

The Committee completed a comprehensive review of the Group's executive remuneration framework in the 2013 financial year. Following this review, a mandatory shareholding policy will be introduced from the 2014 financial year for the Chief Executive Officer and Group Executives. No other changes were made as the review confirmed that the Group's current remuneration framework is well aligned with its business strategy and achieves good alignment between the remuneration interests of the Group's employees and the interests of its shareholders.

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

Jane Hemstritch
Committee Chairman
13 August 2013

2013 Remuneration and Performance Highlights

Completed a comprehensive review of executive remuneration framework	▪ Following this review a mandatory shareholding policy will be introduced from the 2014 financial year that requires the CEO and Group Executives to accumulate CBA shares over a five year period to the value of 300% of fixed remuneration for the CEO and 200% of fixed remuneration for Group Executives. ▪ No other changes were made to the current executive remuneration structure as the review confirmed it is well aligned with the Group's strategy.
Short term incentives reflect positive 2013 performance	▪ 2013 financial and non-financial performance were positive. ▪ Against this background, the average short term incentive payment for the CEO and Group Executives was 121% of their short term incentive targets.
Long term incentive performance hurdles met	▪ The vesting outcome of the long term incentive awarded in the 2010 financial year reflected TSR performance over four years at the 100th percentile of the peer group, and improvement in customer satisfaction to rank first against the major banks and close behind St.George. ▪ This performance resulted in 87.5% of the award vesting to those executives who participated in the plan.
Fixed fee model for Non-Executive Directors	▪ The Non-Executive Directors fee structure changed from base fees plus superannuation to a fixed fee model (inclusive of superannuation). ▪ This change was made to accommodate legislated superannuation increases whilst supporting more effective management of fee costs.

2013 Remuneration Report

This Remuneration Report details the approach to remuneration frameworks, outcomes and performance, for the Commonwealth Bank of Australia (CBA) and its Key Management Personnel (KMP) for the year ended 30 June 2013.

In the 2013 financial year, KMP included the Non-Executive Directors, CEO and Group Executives listed in the table below. The table also includes movements during 2013. The key changes to the Executive team included:

- Robert Jesudason was appointed to the role of Group Executive, Group Strategic Development effective 1 July 2012;
- Ross McEwan resigned from the role of Group Executive, Retail Banking Services effective 13 July 2012; and
- Matthew Comyn was appointed to the role of Group Executive, Retail Banking Services from 10 August 2012.

Name	Position	Term as KMP
Non-Executive Directors		
David Turner	Chairman	Full Year
John Anderson	Director	Full Year
Jane Hemstritch	Director	Full Year
Launa Inman	Director	Full Year
Carolyn Kay	Director	Full Year
Brian Long	Director	Full Year
Andrew Mohl	Director	Full Year
Harrison Young	Director	Full Year
Former Non-Executive Directors		
Colin Galbraith	Director (retired on 30 October 2012)	Part Year
Fergus Ryan	Director (retired on 30 October 2012)	Part Year
Managing Director and CEO		
Ian Narev	Managing Director and CEO	Full Year
Group Executives		
Simon Blair	Group Executive, International Financial Services	Full Year
David Cohen	Group General Counsel and Group Executive, Group Corporate Affairs	Full Year
Matthew Comyn	Group Executive, Retail Banking Services (from 10 August 2012)	Part Year
David Craig	Group Executive, Financial Services and Chief Financial Officer	Full Year
Michael Harte	Group Executive, Enterprise Services and Chief Information Officer	Full Year
Robert Jesudason	Group Executive, Group Strategic Development	Full Year
Melanie Laing	Group Executive, Human Resources	Full Year
Grahame Petersen	Group Executive, Business and Private Banking	Full Year
Ian Saines	Group Executive, Institutional Banking and Markets	Full Year
Annabel Spring	Group Executive, Wealth Management	Full Year
Alden Toevs	Group Chief Risk Officer	Full Year
Former Executive		
Ross McEwan	Group Executive, Retail Banking Services (resigned on 13 July 2012)	Part Year

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

1. Remuneration Governance

1.1 Remuneration Committee

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

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

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

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

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

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

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

- Changes to the Committee's Charter, so that people-related matters are now part of the Board's direct accountabilities. The Committee now focuses on Remuneration matters only;
- The appointment of Matthew Comyn in the role of Group Executive, Retail Banking Services following the resignation of Ross McEwan in July 2012;
- Ongoing communications with APRA emphasising the strong risk management embedded in remuneration frameworks;
- A comprehensive review of the existing executive remuneration framework to ensure it is market competitive and aligns with the Group's remuneration principles and philosophy;
- The implementation of a mandatory Shareholding Policy for the CEO and Group Executives (effective from 2014);
- The annual review of our Group Remuneration Policy in December 2012, and a subsequent review in May 2013 to incorporate APRA's governance requirements for all regulated subsidiaries of the Group;
- Changing the Non-Executive Directors' fee structure from base fees plus superannuation to a fixed fee model (inclusive of superannuation), to accommodate legislated superannuation increases whilst supporting more effective management of fee costs;
- Continued monitoring of regulatory and legislative changes, both locally and offshore, ensuring our policies and practices remain compliant; and
- Continued focus on embedding a remuneration framework that is appropriate for our different businesses with transparency in design, strong governance and risk oversight.

Our Independent Remuneration Consultant

The Committee obtains executive remuneration information directly from its external independent remuneration consultant Ernst & Young (EY).

Throughout 2013, the main information received from the Committee's remuneration consultant related to:

- Regulatory reforms;
- Current market practices; and
- Material to support the Committee's complete review of existing remuneration arrangements of the CEO and Group Executives.

EY provides information to assist the Committee in making remuneration decisions. EY has not made any remuneration decisions or recommendations during the 2013 financial year. The Committee is solely responsible for making decisions within the terms of its Charter.

1.2 Our Remuneration Philosophy

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

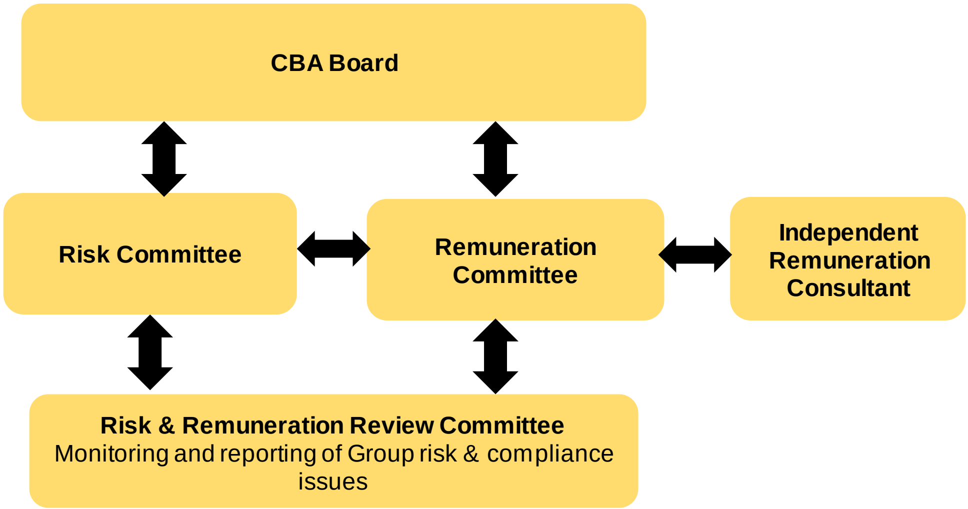
- Provide target remuneration which is market competitive, without putting upward pressure on the market;
- Align rewards with shareholder interests and our business strategy;
- Articulate clearly to Executives the link between individual and Group performance, and individual reward;
- Reward superior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

1.3 Remuneration and Risk Management

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

- Takes note of any material risk issues impacting remuneration, with issues raised by the Committee provided to the Board's Risk Committee for noting;
- Considers issues and recommendations raised by the Risk and Remuneration Review Committee, a management committee that monitors material risk and compliance issues throughout the year;
- May impose adjustments to remuneration outcomes of Executives before or after awards are made, subject to Board approval; and
- Works closely with the Board's Risk Committee to ensure that any risks associated with remuneration arrangements are managed within the Group's risk management framework.

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



1.4 Non-Executive Directors Remuneration

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

The Board Performance and Renewal Committee reviews the Non-Executive Directors fee schedule annually and examines fee levels against the market. No fee increases were awarded during the 2013 financial year.

Following the retirement of Colin Galbraith and Fergus Ryan on 30 October 2012, the following changes to Committee composition were made:

- Launa Inman was appointed as a member of the Audit Committee, effective 30 October 2012; and
- Harrison Young was appointed as a member of the Board Performance and Renewal Committee, effective 30 October 2012.

For the period from 1 July 2012 to 31 December 2012, Non-Executive Directors received base fees plus statutory superannuation contributions of 9% of their fees, capped at the maximum superannuation contributions base as prescribed under Superannuation Guarantee legislation.

From 1 January 2013, the Non-Executive Directors fee structure changed from base fees plus superannuation to a fixed fee model (inclusive of superannuation). The change in the Non-Executive Directors fee structure was made to accommodate legislated superannuation increases whilst supporting more effective management of fee costs.

The following table outlines the Non-Executive Directors fees for the main Board and the Committees as at 30 June 2013:

	Position	Fees (1) ($)
Board	Chairman	849,800
	Non-Executive Director	236,400
Audit Committee	Chairman	56,300
	Member	28,100
Risk Committee	Chairman	56,300
	Member	28,100
Remuneration Committee	Chairman	56,300
	Member	28,100
Board Performance & Renewal Committee	Chairman	11,300
	Member	11,300

(1) Fees are inclusive of base fees and superannuation. The Chairman does not receive separate Committee fees.

Non-Executive Directors are required to hold 5,000 or more CBA shares. For those Non-Executive Directors who have holdings below this threshold, 20% of their after-tax base fees is used to purchase CBA shares until a holding of 5,000 shares has been reached.

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

The Directors' Retirement Allowance Scheme, approved by shareholders at the 1997 AGM, was discontinued in 2002, which froze entitlements for participants at that time and was closed to new participants. Retiring allowances of $159,092 and $168,263 were paid to Colin Galbraith and Fergus Ryan respectively, following their retirement from the Board on 30 October 2012. There are no longer any Non-Executive Directors with a retiring allowance.

The statutory table on page 60 provides the individual remuneration expense for each Non-Executive Director in relation to the 2013 performance year.

2. Remuneration Framework

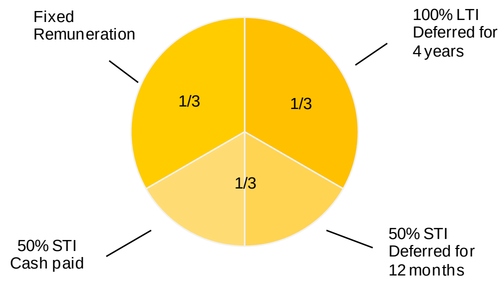
The remuneration arrangements of our CEO and Group Executives are made up of both fixed and at risk remuneration. This is composed of the following three elements:

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

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

2.1 Total Target Remuneration

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



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

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

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

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

2.2 Fixed Remuneration

- Fixed remuneration is made up of base remuneration and superannuation. Base remuneration includes cash salary and any salary sacrifice items;
- Superannuation contributions are capped at the relevant concessional contribution limit;
- The Board determines an appropriate level of fixed remuneration for the CEO and Group Executives, with recommendations from the Committee; and
- Fixed remuneration is reviewed annually, following the end of the 30 June performance year. For the 2013 financial year there were no fixed remuneration increases for Executives.

2.3 Short Term Incentive

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

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

2.4 Long Term Incentive

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

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

3. Linking Remuneration to Performance

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

3.1 2013 Short Term Performance

The table below provides an overview of performance for the year ended 30 June 2013 against key financial and non-financial performance measures. These measures are used to determine the individual STI outcomes of Executives, and are managed through a balanced scorecard approach. Financial objectives have a substantial weighting, and non-financial objectives vary by role. Executives managing business units typically have a 50% weighting on financial outcomes, while Executives managing support functions have a typical weighting of 30%.

Performance	2013 Key Achievements
Customer Focus	*Continue to build a vibrant customer focused culture.* The Group's continued commitment to its customer focused culture resulted in the Group becoming the number one major bank for customer satisfaction across all business areas. Specifically: ▪ For Retail Banking, in January 2013 the Bank achieved its number one rank among the major banks in Retail Main Financial Institution (MFI) Customer Satisfaction[(1)] for the first time since setting its goal to be number one in 2006. Since then CBA has continued to lead the major banks and achieved several record high scores. ▪ In Business Banking, CBA has maintained outright or equal first position in customer satisfaction [(1)] in all four business segments among the four major banks for the entire financial year. CBA continues to hold first position in the DBM Business Financial Services Monitor (BFSM, June 2013). ▪ Wealth Management's platforms achieved a combined rating of first for adviser satisfaction among the four major banks and other key competitors. ▪ In Institutional Banking, CBA continues to perform strongly. The DBM Business Financial Services Monitor has ranked CBA outright or equal first in Institutional Banking MFI customer satisfaction[(1)] for the past 12 months.
Strength	*Maintain a strong, flexible Balance Sheet.* ▪ The Group maintained a strong capital position with capital ratios well in excess of regulatory minimum capital requirements and the Board approved minimum levels at all times throughout the year ended 30 June 2013. ▪ The group preserved its well-diversified funding base including: – Customer deposits accounting for 63% of total funding at 30 June 2013 (2012: 62%); and – Short term wholesale funding accounted for 46% of total wholesale funding at 30 June 2013, down from 47% in the prior year. ▪ The Group continues to hold a high quality, well diversified liquid asset portfolio of $137 billion at 30 June 2013 (2012: $135 billion), to prudently meet Balance Sheet liquidity needs and regulatory requirements. ▪ The Group continues to manage growth by assessing opportunities that will generate sustainable returns for the long term, demonstrated in the current financial year by: – The acquisition of an additional 47% stake in Aussie Home Loans Pty Limited; and – Growth in existing loan portfolios, while maintaining conservative provisioning coverage ratios.
Productivity	*Continuous and ongoing focus on eliminating waste, whilst making things simpler and easier for the Group's customers and staff.* ▪ To build capability to drive gains in long term productivity, the Group has completed training for a significant proportion of staff, commenced embedding a set of productivity habits across the Group, launched a program to develop internal productivity practitioners and employed global expertise. ▪ Productivity outcomes and behaviours have been embedded in reward and recognition systems together with the Group's leadership capability framework. ▪ Projects have been executed across most business units delivering financial and customer benefits, and the transfer of productivity capability.
Technology	*Technology programs designed to enhance the customer experience through more innovative systems and processes, and improve efficiency levels.* ▪ This financial year, the Group reached a significant milestone with the completion of its market-leading Core Banking Modernisation program, with more than 12 million customers now experiencing the benefits of a real-time banking platform. ▪ The Group continued evolving digital banking experiences, by developing applications that leverage real-time capability and streamline customer interfaces. Recent innovations include: – CommBank Kaching for Facebook, Australia's first social media banking application, giving users a fast and secure payment option integrated into the platform; – Smartsign allows customers to execute loan documents electronically anytime, from anywhere in the world, using the Group's secure online portal; and – MyWealth, an online platform that allows self-directed investors to research and invest in a range of financial products using one login, with investment and banking services in the same convenient online destination. ▪ In addition, the Branch of the Future program has continued to improve customer experience within the branch network. State-of-the-art features implemented include video conferencing facilities in branches,

	allowing customers to rapidly connect with specialists, even if they are located in rural and remote areas.
People	***Develop a long term people focus.*** ▪ In the current financial year the Group's people remained highly engaged, as shown by the Group's recent employee engagement score of 80%. ▪ In October 2012, the Group launched a new approach to inclusion focussing on "you can be you". Cultural diversity and ethnicity, Lesbian, Gay, Bisexual, Transgender and Intersex (LGBTI), and disability are now part of the Group's diversity and inclusion strategy. ▪ Gender diversity is a key Group objective. The Group set a public target to increase the representation of women in leadership roles from 26.6% in December 2009 to 35% by December 2014. Progress is ongoing with 30.3% of women in executive roles as at 30 June 2013. ▪ The Group also continued to invest in its leadership development, talent and succession programs. ▪ The Group remains committed to not offshoring jobs.

(1) Customer satisfaction is measured by three separate surveys. For the Retail bank, this is measured by Roy Morgan Research. Roy Morgan Research Main Financial Institution (MFI) Retail Customer Satisfaction measures percentage of the Australian population 14+, % "Very Satisfied" or "Fairly Satisfied" with their relationship with that MFI, based on a 6-month rolling average to June 2013. CBA excludes Bankwest. For business banking, this is measured by DBM Consultants Main Financial Institution (MFI) Business Customer Satisfaction. Satisfaction average with relationship with that MFI, 6-month rolling average to June 2013. For Wealth Management, customer satisfaction is measured by the Wealth Insights 2013 Service Level Report, Platforms. This survey measures satisfaction with the service of master trusts/wraps in Australia, by financial advisers. It includes Colonial First State's FirstChoice and FirstWrap platforms. For Institutional Banking, customer satisfaction is measured by DBM Business Financial Services Monitor (June 2013) six month rolling average of MFI satisfaction ratings of Australian businesses. Institutional banking includes businesses with turnover of $100 million and above.

Risk is also a key factor in accounting for short term performance. Firstly, we use PACC, a risk-adjusted measure, as one of our primary measures of financial performance. It takes into account not just the profit achieved, but also considers the risk to capital that was taken to achieve it. Secondly, Executives are required to comply with the relevant Group or Business Unit Risk Appetite Statement. STI awards are adjusted downwards where material risk issues occur. Thirdly, risk is also managed through the compulsory 50% deferral of the CEO and Group Executives' STI outcomes for a period of 12 months and delivery of one-third of their total target remuneration after a 4 year period.

Under the Group's Remuneration Policy, the Board has discretion to make adjustments to deferred remuneration in various circumstances. Adjustments can include partial reductions or complete forfeiture of deferred STI awards.

3.2 Long Term Performance

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

Overview of Unvested Long Term Incentive Awards at the end of the 2013 Financial Year

Performance Period Ends	Equity Plan	Performance Hurdles
30 June 2014 30 June 2015 30 June 2016	Group Leadership Reward Plan (GLRP)	Each reward is split and tested: ▪ 75% TSR relative to peer group ▪ 25% Customer Satisfaction ranking relative to peer group

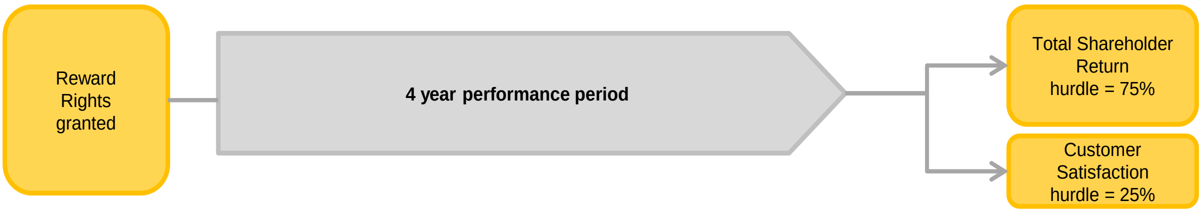
GLRP Award vested during 2013 Financial Year

The GLRP award granted during the 2010 financial year reached the end of its four year performance period on 30 June 2013. The GLRP 2010 award was weighted against two performance hurdles, Customer Satisfaction (50% of the award) and TSR (50% of the award). At the end of the performance period, the results against these measures were solid and included:

- 100% vesting against the TSR hurdle.
- 75% vesting against the Customer Satisfaction hurdle, which compared CBA's performance to the three other major banks and St.George.
- In line with the plan rules for this award, 87.5% of the total award vested.
- The Board reviewed the measurement outcomes of this award and concluded that the above vesting appropriately reflects performance over the four year performance period. No discretion was exercised.

2013 GLRP Award granted in the 2013 Financial Year

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



The following table provides the key features of the 2013 GLRP award:

Feature	Description
Instrument	Reward Rights. Each Reward Right entitles the Executive to receive one CBA share in the future, subject to meeting the performance hurdles set out below. The number of rights that vest will not be known until the end of the performance period.
Determining the number of Reward Rights	The number of Reward Rights allocated depends on each Executive's LTI Target (see diagram on page 52 for explanation of target remuneration). The number of Reward Rights allocated is calculated taking into account the expected number of shares to vest at the end of the performance period.
Performance Period	The performance period commences at the beginning of the financial year in which the award is granted. For the GLRP award granted in the 2013 financial year, the performance period started on 1 July 2012 and ends after four years on 30 June 2016. Any vesting will result in participants receiving shares during the first available trading window following the end of the performance period.
Performance Hurdles	▪ 75% of each award is subject to a performance hurdle, which measures the Group's TSR performance relative to a set peer group[1]. This is made up of the 20 largest companies on the Australian Securities Exchange (ASX) by market capitalisation at the beginning of the performance period, excluding resources companies and Commonwealth Bank of Australia; and ▪ 25% of each award is subject to a performance hurdle that measures the Group's Customer Satisfaction outcomes relative to a peer group of Australia & New Zealand Banking Group Limited (ANZ), National Australia Bank Limited (NAB), Westpac Banking Corporation (WBC), and other key competitors for the wealth business.
Vesting Framework	*TSR (75% of the award)* ▪ 100% vesting is achieved if the Group's TSR is ranked in the top quarter of the peer group, (i.e. 75th percentile or higher); ▪ If the Group is ranked at the median, 50% of the Reward Rights will vest; ▪ Vesting occurs on a sliding scale if the Group is ranked between the median and the 75th percentile; and ▪ No Reward Rights in this part of the award will vest if the Group's TSR is ranked below the median of the peer group. *Customer Satisfaction (25% of the award)* ▪ 100% vesting applies if the weighted average ranking for the Group over the performance period is 1st; ▪ 50% will vest if the Group's weighted average ranking is 2nd; and ▪ Vesting of between 50% and 100% will occur on a pro-rata straight line basis if the Group's weighted average ranking is between 2nd and 1st. ▪ No Reward Rights in this part of the award will vest if the Group's weighted average ranking is less than 2nd.
Calculation of the Performance Results	▪ TSR is calculated independently by an external provider. ▪ Customer Satisfaction is measured with reference to the three independent surveys below: – Roy Morgan Research (measuring customer satisfaction across Retail Banking); – DBM, Business Financial Services Monitor (measuring customer satisfaction across Business Banking); and – Wealth Insights Service Level Report, Platforms (measuring customer satisfaction across Wealth Management).

Board Discretion	The Board also retains sole discretion to determine the amount and form of any award that may vest (if any) to prevent any unintended outcomes, or in the event of a corporate restructuring or capital event.
Expiry	At the end of the applicable performance period, any Reward Rights that have not vested will expire.

(1) The peer group (at the beginning of the performance period) for the TSR performance hurdle (at the time of grant) comprised AGL Energy Limited, Amcor Limited, AMP Limited, Australia and New Zealand Banking Group Limited, Brambles Industries Limited, CSL Limited, Insurance Australia Group Limited, Macquarie Group Limited, National Australia Bank Limited, QBE Insurance Group Limited, Orica Limited, Stockland, Suncorp Group Limited, Telstra Corporation Limited, Transurban Group NPV, Wesfarmers Limited, Westfield Group Limited, Westfield Retail Trust, Westpac Banking Corporation and Woolworths Limited.

Hedging of Unvested Equity Awards

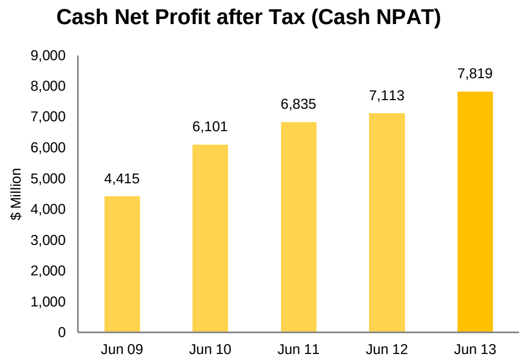
Employees are prohibited from hedging in relation to all of their unvested CBA equity awards, including shares or rights. Prohibited activity includes Executives controlling their exposure to risk in relation to their unvested awards. The CEO's direct reports are also prohibited from using instruments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

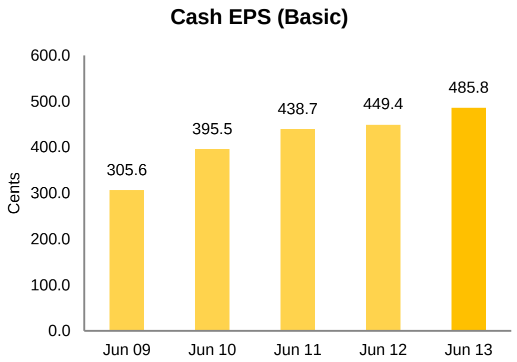
Long Term Performance against Key Measures

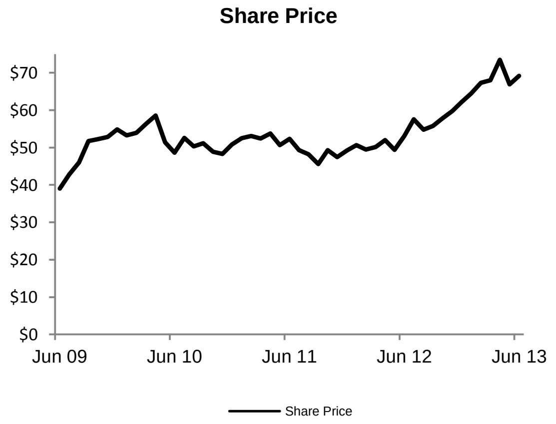
As detailed above, long term incentive arrangements are designed to align Executives with the Group's long term strategy and shareholder interests. The remainder of this section illustrates performance against key related metrics over time.

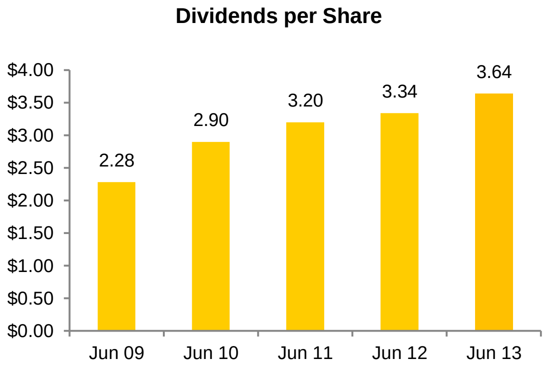
Financial Performance

The following graphs show the Group's cash Net Profit after Tax (cash NPAT), cash Earnings per Share (cash EPS), share price movement and full-year dividend results over the past five financial years (including 2013). The solid performance has delivered sound returns to shareholders.



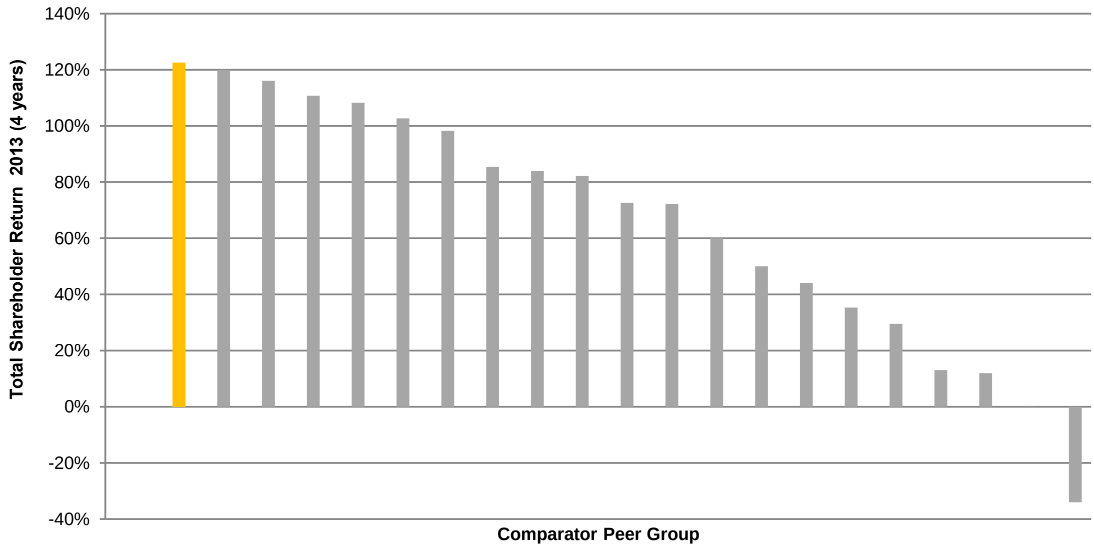






Relative TSR Performance against the Group's Peers

The graph below represents CBA's TSR performance against the comparator peer group for the period 1 July 2009 to 30 June 2013. The Group was ranked first relative to the peer group at the end of the period. TSR is calculated by an independent external supplier.

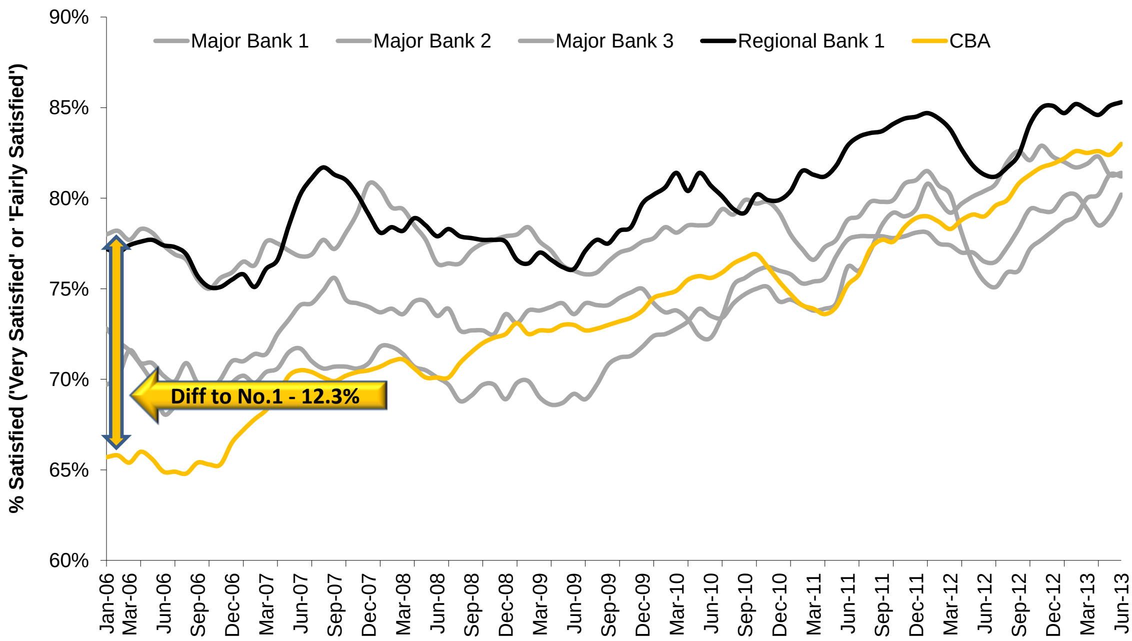


(1) The peer group (at the end of the performance period) for the TSR performance hurdle (at the time of grant) comprised AGL Energy Limited, AMP Limited, Australia and New Zealand Banking Group Limited, ASX Limited, Brambles Industries Limited, Coca-Cola Amatil Limited, CSL Limited, Insurance Australia Group Limited, Macquarie Group Limited, National Australia Bank Limited, Qantas Airways Limited, QBE Insurance Group Limited, Stockland, Suncorp-Metway Limited, Telstra Corporation Limited, Transurban Group, Wesfarmers Group Limited, Westfield Group Limited, Westpac Banking Corporation and Woolworths Limited.

Performance against Customer Satisfaction

The following graphs show CBA's customer satisfaction performance across Retail and Business areas. During the 2013 financial year, CBA achieved its number one rank amongst the major banks in retail MFI customer satisfaction(1) in January 2013 for the first time since setting its goal to be number one in 2006. Since January 2013, CBA continues to lead the major banks and achieved several record high scores. The Wealth Management results ranked the Group first for advisor satisfaction for the year ended 30 June 2013. Overall, positive improvements have been made against this measure.

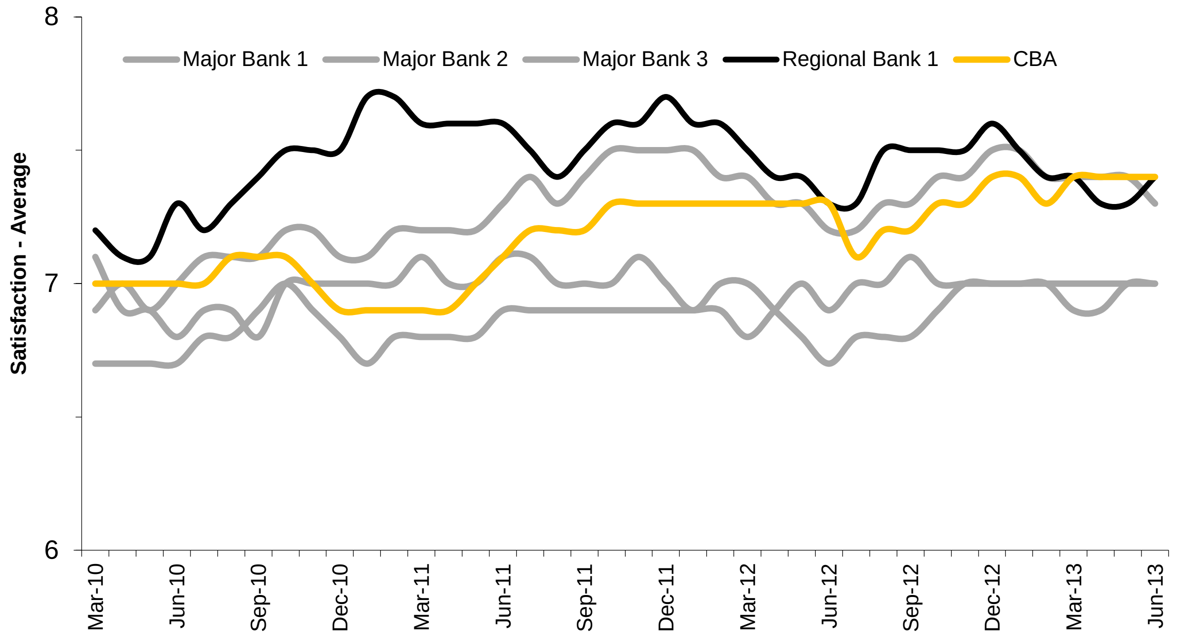
Retail Main Financial Institution Customer Satisfaction - Competitive Context



Source: Roy Morgan Research
6 month rolling average

(1) Roy Morgan Research Main Financial Institution (MFI) Retail Customer Satisfaction. Australian population 14+, % "Very Satisfied" or "Fairly Satisfied" with relationship with that MFI. 6 month rolling average to June 2013. CBA excludes Bankwest.

Business Main Financial Institution Customer Satisfaction - Competitive Context



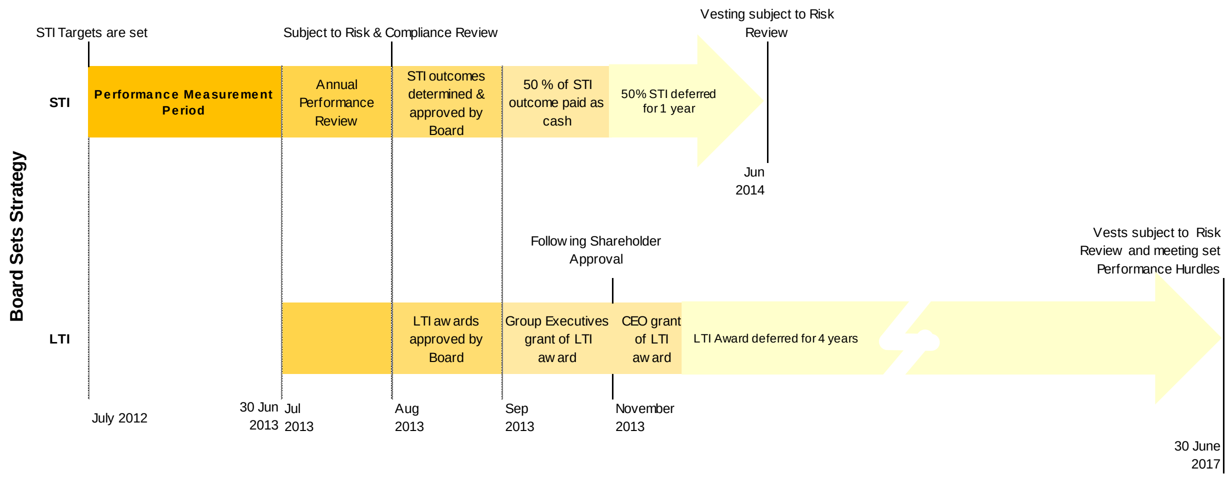
Source: DBM, Business Financial Services Monitor
6 month rolling average

(1) DBM Business Financial Services Monitor (June 2013), average satisfaction rating of each financial institution's MFI business customers across all Australian businesses, 6 month rolling average.

3.3 Performance Timeline of At Risk Remuneration Outcomes

The Performance Management framework supports decisions in awarding appropriate annual STI outcomes for Executives. The STI performance objectives are communicated to Executives at the beginning of the performance year. Executives' annual performance evaluations are conducted following the end of the financial year. For 2013, the evaluations were conducted in July 2013.

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



3.4 CEO and Group Executive Remuneration Received in the year ended 30 June 2013

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

Total statutory remuneration recognised for the CEO and Group Executives for the 2013 performance year was $43.8 million and is the total of the values for each executive shown in the statutory remuneration tables on pages 60 and 61. Statutory remuneration disclosures are prepared in accordance with the Corporations Act and Australian Accounting Standards. Total cash remuneration received by the CEO and Group Executives in relation to the 2013 performance year was $22.6 million. The total cash remuneration received is used by management to present a clear view of the Group's remuneration payments made to the CEO and Group Executives during the performance year.

Table (a) below shows cash remuneration received in relation to the 2013 performance year. The total cash payments received are made up of base remuneration and superannuation (fixed remuneration), and the non-deferred portion of the 2013 STI award. This table also includes the value of previous years' deferred STI and LTI awards which vested during 2013.

(a) Cash Remuneration in relation to the 2013 Financial Year

				Previous Years' Awards that Vested during 2013 (3)		Previous Years' Awards Forfeited/Lapsed during 2013 (4)
	Base Remuneration & Superannuation (1)	2013 STI for Performance to 30 June 2013 (2)	Total Cash Payments in relation to the 2013 year	Deferred Cash Awards	Deferred Equity Awards	LTI Awards
	$	$	$	$	$	$
Managing Director and CEO						
Ian Narev	2,500,000	1,562,500	4,062,500	1,033,289	1,690,549	(171,721)
Current Executives (5)						
Simon Blair	830,000	506,300	1,336,300	453,679	-	-
David Cohen	900,000	562,500	1,462,500	558,929	1,765,215	(166,654)
Matthew Comyn (6)	872,603	567,192	1,439,795	-	-	-
David Craig	1,380,000	862,500	2,242,500	804,240	2,121,914	(212,145)
Michael Harte	1,075,000	634,250	1,709,250	592,041	1,963,381	(191,933)
Robert Jesudason	800,000	504,000	1,304,000	-	-	-
Melanie Laing	800,000	480,000	1,280,000	165,230	-	-
Grahame Petersen	1,175,000	628,625	1,803,625	578,232	2,124,981	(222,224)
Ian Saines	1,330,000	744,800	2,074,800	686,592	2,518,246	(262,648)
Annabel Spring	980,000	627,200	1,607,200	386,231	95,280	-
Alden Toevs	1,430,000	850,850	2,280,850	739,139	2,152,481	(282,860)

(1) Base Remuneration and Superannuation make up an Executive's fixed remuneration.
(2) This is the 50% of the 2013 STI for performance during the 12 months to 30 June 2013 (payable September 2013). The remaining 50% is deferred until 1 July 2014.
(3) The value of all deferred cash and/or equity awards that vested during 2013 financial year. This includes the value of the award that vested, plus any interest and/or dividends accrued during the vesting period.
(4) The value of any deferred cash and/or equity awards that were forfeited/lapsed during the 2013 financial year.
(5) Group Executives as at 30 June 2013.
(6) Matthew Comyn commenced in the KMP role effective 10 August 2012. His remuneration has been prorated accordingly.

(b) CEO Reconciliation Table of Cash Payments from Table (a) and Statutory Remuneration Table on Page 60

		2013 $	Year Award Vests
Cash remuneration received in relation to 2013 - refer to table (a) above		4,062,500	n/a
2013 STI deferred for 12 months at risk		1,562,500	2014
Annual leave and long service leave accruals		285,301	n/a
Other Payments		47,973	n/a
Share based payments: accounting expense for 2013 for LTI awards made over the past 4 years			
2010 GLRP:	Expense for one award that may vest subject to customer satisfaction performance	187,850	2014
2010 GLRP:	Expense for one award that may vest subject to relative TSR performance	166,206	2014
2011 GLRP:	Expense for one award that may vest subject to customer satisfaction performance	70,189	2015
2011 GLRP:	Expense for one award that may vest subject to relative TSR performance	185,843	2015
2012 GLRP:	Expense for one award that may vest subject to customer satisfaction performance	230,347	2016
2012 GLRP:	Expense for one award that may vest subject to relative TSR performance	533,272	2016
2013 GLRP:	Expense for one award that may vest subject to customer satisfaction performance	142,525	2017
2013 GLRP:	Expense for one award that may vest subject to relative TSR performance	330,388	2017
Total Statutory Remuneration as per page 61		**7,804,894**	

4. Key Management Personnel (KMP) Disclosure Tables

4.1 Non-Executive Directors Statutory Remuneration

The statutory table below details individual statutory remuneration for the Non-Executive Directors for the year ended 30 June 2013.

	Short Term Benefits	Post Employment Benefits		Share Based payments	
	Cash [1]	Super-annuation	Retiring Allowance Paid [2]	Non-Executive Directors' Share Plan [3]	Total Statutory Remuneration
	$	$	$	$	$
Chairman [4]					
David Turner					
2013	**839,538**	**16,470**	**-**	**-**	**856,008**
2012	781,619	50,000	-	-	831,619
Non-Executive Directors [4]					
John Anderson					
2013	**261,281**	**16,470**	**-**	**-**	**277,751**
2012	251,779	18,128	-	-	269,907
Jane Hemstritch					
2013	**306,614**	**16,470**	**-**	**-**	**323,084**
2012	292,886	21,088	-	-	313,974
Launa Inman					
2013	**213,402**	**16,470**	**-**	**53,351**	**283,223**
2012	193,202	17,388	-	48,301	258,891
Carolyn Kay					
2013	**306,565**	**16,470**	**-**	**-**	**323,035**
2012	292,886	21,088	-	-	313,974
Brian Long					
2013	**306,468**	**16,470**	**-**	**-**	**322,938**
2012	283,982	20,447	-	-	304,429
Andrew Mohl					
2013	**278,244**	**16,470**	**-**	**-**	**294,714**
2012	251,195	35,238	-	-	286,433
Harrison Young					
2013	**314,130**	**16,470**	**-**	**-**	**330,600**
2012	292,886	21,088	-	-	313,974
Former Non-Executive Directors [4]					
Colin Galbraith					
2013	**98,305**	**8,269**	**159,092**	**-**	**265,666**
2012	277,471	19,978	-	-	297,449
Fergus Ryan					
2013	**98,424**	**8,269**	**168,263**	**-**	**274,956**
2012	246,099	46,204	-	-	292,303

(1) Cash includes Board and Committee base fees received as cash including minor adjustments in relation to previous years.
(2) Retiring allowances were paid to Colin Galbraith and Fergus Ryan when they retired from the Group on 30 October 2012. There are no longer any Non-Executive Directors with a retiring allowance.
(3) The values shown in the table are the pre-tax portion of fees received as shares.
(4) Comparative remuneration payments have been restated to reallocate between Cash and Non-Executive Directors Share Plan in the prior period. This reallocation did not impact the Total Statutory Remuneration disclosed.

4.2 Executive Statutory Remuneration

The following statutory tables detail the statutory accounting expense of all remuneration related items for the CEO and all Group Executives. This includes remuneration costs in relation to both the previous and current performance year. The tables are different to the cash table on page 59, which shows the remuneration received in 2013 rather than the accrual amounts on the statutory accounting basis, as outlined in these statutory tables.

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

	Base Remuneration (1)		Other Short Term Benefits				Long Term Benefits	Share Based Payments	
	Short Term Cash Fixed (2)	Superannuation Fixed	Non Monetary Fixed (3)	Cash STI Payment At Risk (4)	STI Deferred At Risk (5)	Other (6)	Long Term (7)	LTI Reward Shares/Rights (at risk) (8)	Total Statutory Remuneration (9)
	$	$	$	$	$	$	$	$	$
Managing Director and CEO									
Ian Narev (10)									
2013	**2,475,000**	**25,000**	**14,228**	**1,562,500**	**1,562,500**	**223,979**	**95,067**	**1,846,620**	**7,804,894**
2012	1,820,779	25,000	5,763	999,544	999,544	171,491	133,353	1,520,572	5,676,046
Group Executives									
Simon Blair									
2013	**805,000**	**25,000**	**14,228**	**506,300**	**506,300**	**85,052**	**18,540**	**901,654**	**2,862,074**
2012	780,000	50,000	13,787	438,863	438,863	124,171	23,081	786,021	2,654,786
David Cohen									
2013	**875,000**	**25,000**	**14,228**	**562,500**	**562,500**	**90,666**	**22,751**	**1,013,110**	**3,165,755**
2012	850,000	50,000	13,787	540,675	540,675	86,309	27,165	1,210,460	3,319,071
Matthew Comyn (10)									
2013	**850,343**	**22,260**	**11,766**	**567,192**	**567,192**	**58,636**	**207,144**	**199,918**	**2,484,451**
David Craig									
2013	**1,355,000**	**25,000**	**14,228**	**862,500**	**862,500**	**133,989**	**29,982**	**1,469,035**	**4,752,234**
2012	1,330,000	50,000	13,787	777,975	777,975	145,221	38,862	1,670,498	4,804,318
Michael Harte									
2013	**1,050,000**	**25,000**	**13,191**	**634,250**	**634,250**	**153,086**	**14,162**	**1,200,120**	**3,724,059**
2012	1,050,000	25,000	14,953	572,706	572,706	124,006	60,852	1,420,128	3,840,351
Robert Jesudason									
2013	**775,000**	**25,000**	**14,228**	**504,000**	**504,000**	**70,281**	**995,507**	**163,205**	**3,051,221**
Melanie Laing (10)									
2013	**775,000**	**25,000**	**14,228**	**480,000**	**480,000**	**63,219**	**265,203**	**406,973**	**2,509,623**
2012	261,748	37,706	1,152	159,834	159,834	402,556	274,639	91,267	1,388,736
Grahame Petersen									
2013	**1,150,000**	**25,000**	**14,228**	**628,625**	**628,625**	**108,674**	**(5,662)**	**1,338,075**	**3,887,565**
2012	1,125,000	50,000	16,558	559,348	559,348	107,737	58,822	1,607,250	4,084,063
Ian Saines									
2013	**1,305,000**	**25,000**	**14,228**	**744,800**	**744,800**	**122,574**	**12,189**	**1,545,474**	**4,514,065**
2012	1,280,000	50,000	13,787	664,169	664,169	129,212	46,728	1,876,862	4,724,927
Annabel Spring (10)									
2013	**955,000**	**25,000**	**13,191**	**627,200**	**627,200**	**80,059**	**278,718**	**474,436**	**3,080,804**
2012	714,945	18,716	10,142	373,617	373,617	85,875	11,463	171,725	1,760,100
Alden Toevs									
2013	**1,405,000**	**25,000**	**14,228**	**850,850**	**850,850**	**148,247**	**30,454**	**1,493,661**	**4,818,290**
2012	1,380,000	50,000	13,787	715,000	715,000	186,665	38,775	1,399,099	4,498,326
Former Executive									
Ross McEwan (11)									
2013	**44,786**	**4,118**	**-**	**-**	**-**	**(2,894)**	**(653,662)**	**(2,223,162)**	**(2,830,814)**
2012	1,250,000	50,000	13,627	607,750	607,750	58,575	997,824	1,755,935	5,341,461

(1) Base Remuneration comprises short term benefits, being the Cash Fixed component and post-employment benefit being Superannuation Fixed.

(2) Cash Fixed remuneration is the total cost of salary including any salary sacrificed benefits. For most Executives, differences from 2012 relate to changes in Superannuation Fixed following a reduction in the concessional contributions cap.

(3) Non-monetary Fixed represents the cost of car parking (including associated fringe benefits tax).

(4) This is 50% of the 2013 STI for performance during the 12 months to 30 June 2013 (payable September 2013).

(5) STI Deferred includes the compulsory deferral of 50% of total STI payments in recognition of performance for the year ended 30 June 2013.

(6) Other short term benefits relate to company funded benefits (including associated fringe benefits tax where applicable). This item also includes interest accrued in relation to the 2012 STI deferred award, which vested on 1 July 2013 and net annual leave accruals. The 2012 comparative for Melanie Laing includes a cash payment of $380,000 relating to her sign-on arrangements when joining the Group on 15 February 2012.

(7) Includes long service entitlements accrued during the year. The long service leave valuation has been determined using assumptions consistent with AASB119. For Matthew Comyn, Robert Jesudason, Melanie Laing and Annabel Spring this also includes amounts relating to equity sign-on awards and/or deferred STI payments awarded under Executive General Manager arrangements. These equity awards are subject to forfeiture if the Executive ceases to be employed by the Group due to his or her resignation in any circumstances. The 2012 comparative for Ross McEwan includes amounts relating to other special arrangements. This equity award was forfeited in 2013 following Ross' resignation.

(8) This includes the 2013 expense for Reward Shares/Rights awarded during the 2010, 2011, 2012 and 2013 financial years under the GLRP.

(9) The percentage of 2013 remuneration related to performance was: Ian Narev 64%, Simon Blair 67%, David Cohen 68%, Matthew Comyn 54%, David Craig 67%, Michael Harte 66%, Robert Jesudason 38%, Melanie Laing 54%, Grahame Petersen 67%, Ian Saines 67%, Annabel Spring 56%, and Alden Toevs 66%. The percentage of 2013 performance related remuneration that was forfeited by Ross McEwan was 79%.

(10) Matthew Comyn was appointed to the Group Executive Retail Banking Services role on 10 August 2013 and his remuneration has been prorated accordingly. For the 2012 comparative, Annabel Spring was appointed to the Group Executive Wealth Management role on 1 October 2011, Ian Narev was appointed to the CEO role effective 1 December 2011, and Melanie Laing commenced with the Group on 15 February 2012. The remuneration for these executives was prorated accordingly.

(11) Ross McEwan resigned from the Group on 13 July 2012. The Other Short Term amount is negative as Ross McEwan's negative annual leave accrual was greater than the other short term remuneration paid during the year ended 30 June 2013. Upon resignation, Ross forfeited his Reward Shares/Rights awarded during the 2010, 2011, 2012 and 2013 financial years under the GLRP, consistent with the plan rules.

4.3 Executive STI Allocations for 2013

	STI Target	Maximum STI Potential (1)	STI Paid (2)		STI Portion Deferred (3)	
	$	%	%	$	%	$
Managing Director and CEO						
Ian Narev	2,500,000	150%	50%	1,562,500	50%	1,562,500
Group Executives						
Simon Blair	830,000	150%	50%	506,300	50%	506,300
David Cohen	900,000	150%	50%	562,500	50%	562,500
Matthew Comyn (4)	872,603	150%	50%	567,192	50%	567,192
David Craig	1,380,000	150%	50%	862,500	50%	862,500
Michael Harte	1,075,000	150%	50%	634,250	50%	634,250
Robert Jesudason	800,000	150%	50%	504,000	50%	504,000
Melanie Laing	800,000	150%	50%	480,000	50%	480,000
Grahame Petersen	1,175,000	150%	50%	628,625	50%	628,625
Ian Saines	1,330,000	150%	50%	744,800	50%	744,800
Annabel Spring	980,000	150%	50%	627,200	50%	627,200
Alden Toevs	1,430,000	150%	50%	850,850	50%	850,850

(1) The maximum STI is represented as a percentage of fixed remuneration. The minimum STI potential is zero.
(2) Includes 50% of the annual STI award payable as cash in recognition of performance for the year ended 30 June 2013.
(3) This represents 50% of the STI award that is deferred until 1 July 2014. The deferred awards are subject to Board review at the time of payment.
(4) Matthew Comyn commenced in the KMP role on 10 August 2012. His STI target has been prorated accordingly.

4.4 Equity Awards Received as Remuneration

The table below details the value and number of equity awards that were granted or forfeited/lapsed during 2013. It also shows the number of previous year's awards that vested during the 2013 performance year.

		Granted during 2013 (1)		Previous Years' Awards Vested during 2013 (2)	Forfeited or Lapsed during 2013 (3)	
Name	**Class**	**Units**	**$**	**Units**	**Units**	**$**
Managing Director and CEO						
Ian Narev	Reward Shares/Rights	78,681	2,987,314	22,067	(3,152)	(171,721)
	Deferred Shares	-	-	5,698	-	-
Group Executives						
Simon Blair	Reward Shares/Rights	26,122	956,396	-	-	-
	Deferred Shares	-	-	-	-	-
David Cohen	Reward Shares/Rights	28,326	1,037,086	21,418	(3,059)	(166,654)
	Deferred Shares	-	-	7,597	-	-
Matthew Comyn	Reward Shares/Rights	30,843	1,129,235	-	-	-
	Deferred Shares	6,119	333,333	9,800	-	-
David Craig	Reward Shares/Rights	43,432	1,590,155	27,259	(3,894)	(212,145)
	Deferred Shares	-	-	7,597	-	-
Michael Harte	Reward Shares/Rights	33,833	1,238,719	24,663	(3,523)	(191,933)
	Deferred Shares	-	-	7,597	-	-
Robert Jesudason	Reward Shares/Rights	25,179	921,870	-	-	-
	Deferred Shares	4,295	233,953	23,625	-	-
Melanie Laing	Reward Shares/Rights	25,179	921,870	-	-	-
	Deferred Shares	-	-	7,015	-	-
Grahame Petersen	Reward Shares/Rights	36,980	1,353,934	28,557	(4,079)	(222,224)
	Deferred Shares	-	-	6,331	-	-
Ian Saines	Reward Shares/Rights	41,858	1,532,531	33,749	(4,821)	(262,648)
	Deferred Shares	-	-	7,597	-	-
Annabel Spring	Reward Shares/Rights	30,843	1,129,235	-	-	-
	Deferred Shares	-	-	1,583	-	-
Alden Toevs	Reward Shares/Rights	45,005	1,647,747	25,263	(5,192)	(282,860)
	Deferred Shares	-	-	10,130	-	-
Former Executive						
Ross McEwan	Reward Shares/Rights	-	-	31,153	(125,294)	(5,178,504)
	Deferred Shares	-	-	8,863	(50,886)	(2,500,029)

(1) This represents the maximum number of reward rights that may vest to each Executive. The value represents the fair value at grant date. The minimum LTI potential is zero.
(2) Previous years' awards that vested include LTI and other deferred equity awards.
(3) This includes the portion of the LTI award that reached the end of its performance period on 30 June 2013 that did not meet the performance hurdle and was forfeited. For Ross McEwan, this includes the Reward Shares/Rights awarded during the 2010, 2011, 2012 and 2013 financial years under the GLRP that were forfeited as a result of his resignation from the Group on 13 July 2012. All values are based on the fair value at grant of each award.

4.5 Fair Value Assumptions for Unvested Equity Awards

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

		Assumptions						
Award Type	**Grant Date**	**Fair Value $**	**Exercise Price $**	**Performance Period End**	**Expected Life (Years)**	**Expected Dividend Yield %**	**Expected Volatility %**	**Risk Free Rate %**
GLRP - Reward Rights (1)	05/11/2012	57.40	Nil	30/06/2016	n/a	n/a	n/a	n/a
GLRP - Reward Rights (2)	05/11/2012	31.49	Nil	30/06/2016	3.7	Nil	20	3.2
GLRP - Reward Rights (1)	04/10/2012	56.55	Nil	30/06/2016	n/a	n/a	n/a	n/a
GLRP - Reward Rights (2)	04/10/2012	30.76	Nil	30/06/2016	3.7	Nil	20	3.0
GLRP - Reward Rights (1)	15/02/2012	50.23	Nil	30/06/2015	n/a	n/a	n/a	n/a
GLRP - Reward Rights (2)	15/02/2012	31.87	Nil	30/06/2015	3.4	Nil	30	4.4
GLRP - Reward Rights (1)	15/11/2011	49.15	Nil	30/06/2015	n/a	n/a	n/a	n/a
GLRP - Reward Rights (2)	15/11/2011	31.60	Nil	30/06/2015	3.6	Nil	30	4.2
GLRP - Reward Rights (1)	29/08/2011	47.96	Nil	30/06/2015	n/a	n/a	n/a	n/a
GLRP - Reward Rights (2)	29/08/2011	32.23	Nil	30/06/2015	3.8	Nil	30	4.7
GLRP - Reward Rights (1)	10/03/2011	51.30	Nil	30/06/2014	n/a	n/a	n/a	n/a
GLRP - Reward Rights (2)	10/03/2011	36.51	Nil	30/06/2014	3.3	Nil	30	5.5
GLRP - Reward Rights (1)	27/09/2010	52.86	Nil	30/06/2014	n/a	n/a	n/a	n/a
GLRP - Reward Rights (2)	27/09/2010	37.61	Nil	30/06/2014	3.8	Nil	30	5.5
GLRP - Reward Shares (1)	25/09/2009	51.30	Nil	30/06/2013	n/a	n/a	n/a	n/a
GLRP - Reward Shares (2)	25/09/2009	37.24	Nil	30/06/2013	3.8	Nil	30	5.4

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

4.6 Termination Arrangements

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

Name	**Contract Type (1)**	**Notice**	**Severance (2)**
Managing Director & CEO			
Ian Narev	Permanent	12 months	n/a
Group Executives			
Simon Blair	Permanent	6 months	6 months
David Cohen	Permanent	6 months	6 months
Matthew Comyn	Permanent	6 months	6 months
David Craig	Permanent	6 months	6 months
Michael Harte	Permanent	6 months	6 months
Robert Jesudason	Permanent	6 months	6 months
Melanie Laing	Permanent	6 months	6 months
Grahame Petersen	Permanent	6 months	6 months
Ian Saines	Permanent	6 months	6 months
Annabel Spring	Permanent	6 months	6 months
Alden Toevs	Permanent	6 months	n/a

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

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

Ross McEwan was the only KMP who left the Group during the 2013 financial year.

Directors' Report – Remuneration Report

Glossary of Key Terms

To assist readers, key terms and abbreviations used in the remuneration report as they apply to the Group are set out below.

Term	Definition
Base Remuneration	Cash and non-cash remuneration paid regularly with no performance conditions.
Board	The Board of Directors of the Group.
Deferred Shares	Shares subject to forfeiture on resignation. Used for sign-on awards and deferred STI below Group Executive level.
Executives	The CEO and Group Executives are collectively referenced as 'Executives'.
Fixed Remuneration	Consists of Base Remuneration plus employer contributions to superannuation.
Group	Commonwealth Bank of Australia and its subsidiaries.
Group Executive	Key Management Personnel who are also members of the Group's Executive Committee.
Group Leadership Reward Plan (GLRP)	The Group's long term incentive plan from 1 July 2009 for the CEO and Group Executives.
Key Management Personnel (KMP)	Persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.
Long Term Incentive (LTI)	A remuneration arrangement which grants benefits to participating executives that may vest if, and to the extent that, performance hurdles are met over a period of three or more years. The Group's long term incentive plan is the GLRP.
NPAT	Net profit after tax.
Performance Rights	Rights to acquire a Commonwealth Bank of Australia ordinary share with no payment by the recipient if relevant performance hurdles are met.
PACC	Profit after capital charge.
Remuneration Received	Represents all forms of consideration paid by the Group or on behalf of the Group during the current performance year ending 30 June 2013, in exchange for services previously rendered to the Group.
Reward Shares	Shares in CBA granted under the GLRP during the 2010 financial year and subject to performance hurdles.
Reward Rights	Rights to ordinary shares in CBA granted under the GLRP from the 2011 financial year and subject to performance hurdles.
Salary Sacrifice	An arrangement where an employee agrees to forgo part of his or her cash component of Base Remuneration in return for non-cash benefits of a similar value.
Short Term Incentive (STI)	Remuneration paid with direct reference to the Group's and the individual's performance over one financial year.
Statutory Remuneration	All forms of consideration paid, payable or provided by the Group, or on behalf of the Group, in exchange for services rendered to the Group. In reading this report, the term "remuneration" means the same as the term "compensation" for the purposes of the Corporations Act 2001 and the accounting standard AASB124.
Total Shareholder Return (TSR)	TSR measures a company's share price movement, dividend yield and any return of capital over a specific period.

Company Secretaries

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

Margaret Taylor was appointed Company Secretary of the Commonwealth Bank of Australia effective 6 August 2013. Before joining the Bank, she held the position of Group General Counsel and Company Secretary of Boral Limited. Prior to that, she was Regional Counsel Australia/Asia with BHP Billiton, and prior to that a partner with law firm Minter Ellison, specialising in corporate and securities laws. She holds law and arts degrees from the University of Queensland and is a Fellow of Chartered Secretaries Australia.

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

John Hatton was Company Secretary of the Bank from 1994 until he retired on 5 July 2013. From 1985 until 1994, he was a solicitor with the Bank's Legal Department. He has a Bachelor of Laws degree from the University of Sydney 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.

Non-Audit Services

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

	2013 $'000
Project assurance services	945
Taxation services	3,088
Controls review and related work	576
Other	157
Total non-audit services [1]	**4,766**
Total audit and related services	**21,782**

(1) An additional amount of $480,672 was paid to PwC for non-audit services provided to entities not consolidated into the Financial Statements.

Auditor's Independence Declaration

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

Auditor Independence

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

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

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

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

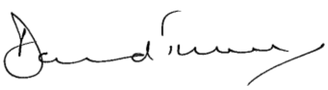
- The operation of the Independent Auditor Services Policy during the year to restrict the nature of non-audit service engagements, to prohibit certain services and to require Audit Committee pre-approval for all such engagements; and
- The relative quantum of fees paid for non-audit services compared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

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

Incorporation of Additional Material

This report incorporates the Chairman's and Chief Executive Officer's Statements (pages 2 to 5), Highlights (pages 6 to 9), Group Performance Analysis (pages 10 to 19), Note 37 (pages 144 to 145) and Shareholding Information (pages 188 to 191) sections of this Annual Report.

Signed in accordance with a resolution of the Directors.



D J Turner
Chairman
13 August 2013

I M Narev
Managing Director and Chief Executive Officer
13 August 2013

Auditor's Independence Declaration

As lead auditor for the audit of the Commonwealth Bank of Australia for the year ended 30 June 2013, 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 year.

M. Laithwaite

Marcus Laithwaite
Partner
PricewaterhouseCoopers

Sydney
13 August 2013

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Five Year Financial Summary

	2013 $M	2012 $M	2011 $M	2010 $M	2009 $M
Net interest income	**13,944**	13,157	12,645	12,008	10,184
Other operating income [1]	**7,555**	6,993	7,014	7,051	6,634
Total operating income	**21,499**	20,150	19,659	19,059	16,818
Operating expenses	**(9,605)**	(9,196)	(8,891)	(8,601)	(7,765)
Impairment expense	**(1,082)**	(1,089)	(1,280)	(2,075)	(3,048)
Net profit before tax	**10,812**	9,865	9,488	8,383	6,005
Corporate tax expense	**(2,977)**	(2,736)	(2,637)	(2,266)	(1,560)
Non-controlling interests	**(16)**	(16)	(16)	(16)	(30)
Net profit after tax ("cash basis")	**7,819**	7,113	6,835	6,101	4,415
Defined benefit superannuation plan expense [2]	**-**	-	-	-	(10)
Treasury shares valuation adjustment	**(53)**	(15)	(22)	(44)	(28)
Hedging and IFRS volatility	**27**	124	(265)	17	(245)
One-off expenses	**-**	-	-	-	(23)
Tax on NZ structured finance transactions	**-**	-	-	(171)	-
Loss on disposal of controlled entities/investments	**-**	-	(7)	(23)	-
Bankwest non-cash items	**(71)**	(89)	(147)	(216)	614
Count Financial acquisition costs	**-**	(43)	-	-	-
Bell Group litigation	**(45)**	-	-	-	-
Net profit after income tax attributable to Equity holders of the Bank ("statutory basis")	**7,677**	7,090	6,394	5,664	4,723
Contributions to profit (after tax) [3]					
Retail Banking Services	**3,054**	2,703	2,854	2,461	2,107
Business and Private Banking	**1,488**	1,513	1,030	898	736
Institutional Banking and Markets	**1,210**	1,098	1,004	1,173	166
Wealth Management	**577**	492	581	592	514
New Zealand	**630**	557	469	387	438
Bankwest	**561**	527	463	(45)	113
IFS and Other	**194**	134	353	457	537
Net profit after tax ("underlying basis")	**7,714**	7,024	6,754	5,923	4,611
Investment experience after tax	**105**	89	81	178	(196)
Net profit after tax ("cash basis")	**7,819**	7,113	6,835	6,101	4,415
Balance Sheet					
Loans, bills discounted and other receivables	**556,648**	525,682	500,057	493,459	466,631
Total assets [4]	**753,876**	718,859	667,899	646,330	620,372
Deposits and other public borrowings	**459,429**	437,655	401,147	374,663	368,721
Total liabilities [4]	**708,384**	677,287	630,612	610,760	588,930
Shareholders' equity	**45,492**	41,572	37,287	35,570	31,442
Net tangible assets	**33,593**	29,821	26,217	24,688	20,738
Risk weighted assets - Basel III (APRA)	**329,158**	n/a	n/a	n/a	n/a
Risk weighted assets - Basel II (APRA)	**n/a**	302,787	281,711	290,821	288,836
Average interest earning assets	**653,637**	629,685	597,406	577,261	510,510
Average interest bearing liabilities	**609,557**	590,654	559,095	543,824	483,283
Assets (on Balance Sheet) - Australia [4]	**644,062**	621,985	581,695	561,618	528,354
Assets (on Balance Sheet) - New Zealand	**61,578**	55,499	54,993	56,948	59,606
Assets (on Balance Sheet) - Other	**48,236**	41,375	31,211	27,764	32,412

(1) Includes investment experience.

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

(3) Comparative information for 2012 only has been restated to reflect changes in the presentation of segment results in the current period. The changes include the reallocation of revenue, expenses and associated customer balances between segments based on where the customer relationship is managed; the allocation of residual earnings on capital across the business segments; and the impact of the Group relinquishing the banking licence held by Bankwest during October 2012.

(4) Comparatives have been restated to conform to presentation in the current year.

	2013	2012	2011	2010	2009
Shareholder summary					
Dividends per share - fully franked (cents)	**364**	334	320	290	228
Dividend cover - statutory (times)	**1.3**	1.3	1.3	1.3	1.3
Dividend cover - cash (times)	**1.3**	1.3	1.4	1.4	1.3
Earnings per share (cents)					
Basic					
Statutory	**477.9**	448.9	411.2	367.9	328.5
Cash basis	**485.8**	449.4	438.7	395.5	305.6
Fully diluted					
Statutory	**464.5**	432.9	395.1	354.2	313.4
Cash basis	**472.0**	433.4	420.6	379.8	292.4
Dividend payout ratio (%)					
Statutory	**76.8**	75.2	78.3	79.7	73.1
Cash basis	**75.4**	75.0	73.2	73.9	78.2
Net tangible assets per share ($)	**20.8**	18.7	16.8	15.9	13.7
Weighted average number of shares (statutory basic) (M)	**1,598**	1,570	1,545	1,527	1,420
Weighted average number of shares (statutory fully diluted) (M)	**1,686**	1,674	1,668	1,640	1,548
Weighted average number of shares (cash basic) (M)	**1,601**	1,573	1,548	1,531	1,426
Weighted average number of shares (cash fully diluted) (M)	**1,689**	1,677	1,671	1,644	1,554
Number of shareholders	**786,437**	792,906	792,765	784,382	776,283
Share prices for the year ($)					
Trading high	**74.18**	53.80	55.77	60.00	46.69
Trading low	**53.18**	42.30	47.05	36.20	24.03
End (closing price)	**69.18**	53.10	52.30	48.64	39.00
Performance ratios (%)					
Return on average Shareholders' equity					
Statutory	**18.2**	18.7	18.4	17.5	16.8
Cash basis	**18.4**	18.6	19.5	18.7	15.8
Return on average total assets					
Statutory	**1.0**	1.0	1.0	0.9	0.9
Cash basis	**1.1**	1.0	1.0	1.0	0.8
Capital adequacy - Common Equity Tier One - Basel III (APRA)	**8.2**	n/a	n/a	n/a	n/a
Capital adequacy - Tier One - Basel III (APRA)	**10.2**	n/a	n/a	n/a	n/a
Capital adequacy - Tier Two - Basel III (APRA)	**1.0**	n/a	n/a	n/a	n/a
Capital adequacy - Total - Basel III (APRA)	**11.2**	n/a	n/a	n/a	n/a
Capital adequacy - Tier One - Basel II	**n/a**	10.0	10.0	9.2	8.1
Capital adequacy - Tier Two - Basel II	**n/a**	1.0	1.7	2.3	2.3
Capital adequacy - Total - Basel II	**n/a**	11.0	11.7	11.5	10.4
Net interest margin	**2.13**	2.09	2.12	2.08	1.99
Other information (numbers)					
Full-time equivalent employees	**44,969**	44,844	46,060	45,025	44,218
Branches/services centres (Australia)	**1,166**	1,167	1,160	1,147	1,142
Agencies (Australia)	**3,764**	3,818	3,795	3,884	3,859
ATM's (proprietary)	**4,304**	4,213	4,173	4,149	4,075
EFTPOS terminals	**181,227**	175,436	170,855	165,621	167,025
Productivity (1)					
Total income per full-time (equivalent) employee ($)	**474,660**	446,013	424,186	418,057	386,381
Employee expense/Total income (%)	**24.1**	24.7	24.5	24.1	23.3
Total operating expenses/Total income (%)	**45.0**	46.0	45.5	45.7	45.4

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

Financial Statements

Income Statements

For the year ended 30 June 2013

		Group			Bank	
		2013	2012	2011	2013	2012
	Note	$M	$M	$M	$M	$M
Interest income	2	**34,739**	38,258	37,477	**35,707**	34,761
Interest expense	2	**(20,805)**	(25,136)	(24,883)	**(23,541)**	(24,510)
Net interest income		**13,934**	13,122	12,594	**12,166**	10,251
Other banking income		**4,237**	4,089	3,643	**5,627**	5,466
Net banking operating income		**18,171**	17,211	16,237	**17,793**	15,717
Funds management income		**2,147**	1,959	1,996	**-**	-
Investment revenue		**942**	226	854	**-**	-
Claims and policyholder liability expense		**(924)**	(245)	(808)	**-**	-
Net funds management operating income	2	**2,165**	1,940	2,042	**-**	-
Premiums from insurance contracts		**2,353**	2,114	1,884	**-**	-
Investment revenue		**449**	547	547	**-**	-
Claims and policyholder liability expense from insurance contracts		**(1,584)**	(1,428)	(1,313)	**-**	-
Net insurance operating income	2	**1,218**	1,233	1,118	**-**	-
Total net operating income before impairment and operating expenses	2	**21,554**	20,384	19,397	**17,793**	15,717
Loan impairment expense	2,14	**(1,146)**	(1,089)	(1,280)	**(1,042)**	(988)
Operating expenses	2	**(9,680)**	(9,331)	(9,060)	**(7,236)**	(6,338)
Net profit before income tax	2	**10,728**	9,964	9,057	**9,515**	8,391
Corporate tax expense	5	**(2,923)**	(2,736)	(2,481)	**(2,223)**	(1,930)
Policyholder tax expense	5	**(112)**	(122)	(166)	**-**	-
Net profit after income tax		**7,693**	7,106	6,410	**7,292**	6,461
Non-controlling interests		**(16)**	(16)	(16)	**-**	-
Net profit attributable to Equity holders of the Bank		**7,677**	7,090	6,394	**7,292**	6,461

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

		Group		
		2013	2012	2011
	Note	Cents per share		
Earnings per share:				
Basic	7	**477. 9**	448. 9	411. 2
Fully diluted	7	**464. 5**	432. 9	395. 1

Statements of Comprehensive Income

For the year ended 30 June 2013

	Group			Bank	
	2013	2012	2011	2013	2012
	$M	$M	$M	$M	$M
Net profit after income tax for the financial year	**7,693**	7,106	6,410	**7,292**	6,461
Other comprehensive income/(expense):					
Items that may be reclassified subsequently to profit/(loss):					
Gains and losses on cash flow hedging instruments:					
Recognised in equity	**(575)**	730	(754)	**(619)**	847
Transferred to Income Statement	**226**	758	769	**229**	542
Gains and losses on available-for-sale investments:					
Recognised in equity	**553**	(349)	124	**365**	(315)
Transferred to Income Statement on disposal	**(31)**	(81)	(24)	**(31)**	(86)
Foreign currency translation reserve	**476**	202	(546)	**82**	80
Income tax on items transferred directly to/from equity:					
Cash flow hedge reserve	**73**	(442)	-	**122**	(415)
Available-for-sale investments revaluation reserve	**(158)**	122	(28)	**(101)**	119
Foreign currency translation reserve	**(10)**	(12)	16	**-**	(10)
Total of items that may be reclassified	**554**	928	(443)	**47**	762
Items that will not be reclassified to profit or loss:					
Actuarial gains and losses from defined benefit superannuation plans net of tax	**311**	(223)	(89)	**311**	(223)
Revaluation of properties	**4**	32	6	**9**	5
Income tax on revaluation of properties	**(1)**	(5)	-	**(1)**	-
Total of Items that will not be reclassified	**314**	(196)	(83)	**319**	(218)
Other comprehensive income/(expense) net of income tax	**868**	732	(526)	**366**	544
Total comprehensive income for the financial year	**8,561**	7,838	5,884	**7,658**	7,005
Total comprehensive income for the financial year is attributable to:					
Equity holders of the Bank	**8,545**	7,822	5,868	**7,658**	7,005
Non-controlling interests	**16**	16	16	**-**	-
Comprehensive income net of income tax	**8,561**	7,838	5,884	**7,658**	7,005

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

Balance Sheets

As at 30 June 2013

		Group		Bank	
		2013	2012	2013	2012
	Note	$M	$M	$M	$M
Assets					
Cash and liquid assets	8	**20,634**	19,666	**18,030**	17,952
Receivables due from other financial institutions	9	**7,744**	10,886	**6,998**	10,482
Assets at fair value through Income Statement:	10				
Trading		**19,617**	13,816	**18,398**	12,071
Insurance		**14,359**	14,525	**-**	-
Other		**907**	980	**718**	980
Derivative assets (1)	11	**45,340**	39,567	**45,203**	39,691
Available-for-sale investments (1)	12	**59,601**	60,827	**125,941**	116,567
Loans, bills discounted and other receivables	13	**556,648**	525,682	**502,349**	407,122
Bank acceptances of customers		**6,063**	9,717	**6,059**	9,715
Shares in and loans to controlled entities (1)	44	**-**	-	**63,017**	75,006
Property, plant and equipment	15	**2,718**	2,503	**1,558**	1,376
Investment in associates and joint ventures	42	**2,281**	1,898	**1,607**	1,401
Intangible assets	16	**10,423**	10,281	**4,713**	4,123
Deferred tax assets	5	**935**	980	**1,063**	899
Other assets	17	**6,598**	7,517	**5,091**	5,872
		753,868	718,845	**800,745**	703,257
Assets held for sale	18	**8**	14	**8**	14
Total assets		**753,876**	718,859	**800,753**	703,271
Liabilities					
Deposits and other public borrowings	19	**459,429**	437,655	**425,276**	362,813
Payables due to other financial institutions		**25,922**	22,126	**25,166**	21,457
Liabilities at fair value through Income Statement	20	**8,701**	6,555	**3,332**	3,181
Derivative liabilities (1)	11	**38,580**	39,851	**40,229**	39,856
Bank acceptances		**6,063**	9,717	**6,059**	9,715
Due to controlled entities		**-**	-	**113,868**	101,053
Current tax liabilities	21	**1,529**	1,537	**1,440**	1,523
Deferred tax liabilities	21	**471**	338	**-**	-
Other provisions	22	**1,249**	1,224	**992**	902
Insurance policy liabilities	32	**13,004**	12,994	**-**	-
Debt issues	23	**132,808**	124,712	**115,291**	102,312
Managed funds units on issue		**891**	995	**-**	-
Bills payable and other liabilities	24	**10,050**	9,561	**13,679**	9,377
		698,697	667,265	**745,332**	652,189
Loan capital	25	**9,687**	10,022	**10,437**	10,223
Total liabilities		**708,384**	677,287	**755,769**	662,412
Net assets		**45,492**	41,572	**44,984**	40,859
Shareholders' Equity					
Share capital:					
Ordinary share capital	27	**26,323**	25,175	**26,619**	25,498
Other equity instruments	27	**939**	939	**1,895**	1,895
Reserves	26	**1,333**	1,571	**2,641**	2,732
Retained profits	26	**16,360**	13,356	**13,829**	10,734
Shareholders' equity attributable to Equity holders of the Bank		**44,955**	41,041	**44,984**	40,859
Non-controlling interests	29	**537**	531	**-**	-
Total Shareholders' equity		**45,492**	41,572	**44,984**	40,859

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

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

Statements of Changes in Equity

For the year ended 30 June 2013

							Group
	Ordinary share capital $M	Other equity instruments $M	Reserves $M	Retained profits $M	Shareholders' equity attributable to Equity holders of the Bank $M	Non-controlling interests $M	Total Shareholders' equity $M
As at 30 June 2011	23,602	939	392	11,826	**36,759**	528	**37,287**
Net profit after income tax	-	-	-	7,090	**7,090**	16	**7,106**
Net other comprehensive income	-	-	955	(223)	**732**	-	**732**
Total comprehensive income for the financial year	-	-	955	6,867	**7,822**	16	**7,838**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid on ordinary shares	-	-	-	(5,096)	**(5,096)**	-	**(5,096)**
Dividends paid on other equity instruments	-	-	-	(30)	**(30)**	-	**(30)**
Dividend reinvestment plan (net of issue costs)	1,363	-	-	-	**1,363**	-	**1,363**
Other equity movements:							
Share based payments	2	-	1	-	**3**	-	**3**
Issue of shares (net of issue costs)	237	-	-	-	**237**	-	**237**
Purchase of treasury shares	(96)	-	-	-	**(96)**	-	**(96)**
Sale and vesting of treasury shares	67	-	-	-	**67**	-	**67**
Other changes	-	-	223	(211)	**12**	(13)	**(1)**
As at 30 June 2012	25,175	939	1,571	13,356	**41,041**	531	**41,572**
Net profit after income tax	-	-	-	7,677	**7,677**	16	**7,693**
Net other comprehensive income	-	-	557	311	**868**	-	**868**
Total comprehensive income for the financial year	-	-	557	7,988	**8,545**	16	**8,561**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid on ordinary shares	-	-	-	(5,776)	**(5,776)**	-	**(5,776)**
Dividends paid on other equity instruments	-	-	-	(28)	**(28)**	-	**(28)**
Dividend reinvestment plan (net of issue costs)	929	-	-	-	**929**	-	**929**
Other equity movements:							
Share based payments	-	-	(4)	-	**(4)**	-	**(4)**
Issue of shares (net of issue costs)	193	-	-	-	**193**	-	**193**
Purchase of treasury shares	(664)	-	-	-	**(664)**	-	**(664)**
Sale and vesting of treasury shares	690	-	-	-	**690**	-	**690**
Other changes	-	-	(791)	820	**29**	(10)	**19**
As at 30 June 2013	26,323	939	1,333	16,360	**44,955**	537	**45,492**

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

Statements of Changes in Equity (continued)

For the year ended 30 June 2013

					Bank
	Ordinary share capital $M	Other equity instruments $M	Reserves $M	Retained profits $M	Shareholders' equity attributable to Equity holders of the Bank $M
As at 30 June 2011	23,896	1,895	1,964	9,593	**37,348**
Net profit after income tax	-	-	-	6,461	**6,461**
Net other comprehensive income	-	-	767	(223)	**544**
Total comprehensive income for the financial year	-	-	767	6,238	**7,005**
Transactions with equity holders in their capacity as equity holders:					
Dividends paid on ordinary shares	-	-	-	(5,096)	**(5,096)**
Dividend reinvestment plan (net of issue costs)	1,363	-	-	-	**1,363**
Other equity movements:					
Share based payments	2	-	1	-	**3**
Issue of shares (net of issue costs)	237	-	-	-	**237**
Other changes	-	-	-	(1)	**(1)**
As at 30 June 2012	25,498	1,895	2,732	10,734	**40,859**
Net profit after income tax	-	-	-	7,292	**7,292**
Net other comprehensive income	-	-	55	311	**366**
Total comprehensive income for the financial year	-	-	55	7,603	**7,658**
Additions through merger of banking licences	-	-	207	919	**1,126**
Transactions with equity holders in their capacity as equity holders:					
Dividends paid on ordinary shares	-	-	-	(5,776)	**(5,776)**
Dividend reinvestment plan (net of issue costs)	928	-	-	-	**928**
Other equity movements:					
Share based payments	-	-	(4)	-	**(4)**
Issue of shares (net of issue costs)	193	-	-	-	**193**
Other changes	-	-	(349)	349	**-**
As at 30 June 2013	26,619	1,895	2,641	13,829	**44,984**

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

				Group
		2013	2012	2011
	Note	Cents per share		
Dividends per share attributable to shareholders of the Bank:				
Ordinary shares	6	**364**	334	320
Trust preferred securities		**5,767**	5,989	6,020

Statements of Cash Flows [1]

For the year ended 30 June 2013

		Group			Bank	
		2013	2012	2011	2013	2012
	Note	$M	$M	$M	$M	$M
Cash flows from operating activities						
Interest received		**34,868**	38,337	37,134	**36,065**	34,443
Interest paid		**(21,056)**	(25,456)	(24,464)	**(23,903)**	(24,750)
Other operating income received		**5,047**	5,133	5,240	**3,385**	3,232
Expenses paid		**(8,432)**	(8,537)	(8,474)	**(6,269)**	(5,847)
Income taxes paid		**(2,940)**	(2,372)	(2,370)	**(2,679)**	(1,525)
Net cash (outflows)/inflows from assets at fair value through Income Statement (excluding life insurance)		**(756)**	2,328	4,452	**(368)**	3,059
Net cash inflows/(outflows) from liabilities at fair value through Income Statement:						
Life insurance:						
Investment income		**2,551**	791	552	**-**	-
Premiums received [2]		**2,106**	2,138	2,200	**-**	-
Policy payments [2]		**(3,903)**	(3,032)	(3,374)	**-**	-
Other liabilities at fair value through Income Statement		**1,503**	(3,603)	(4,317)	**81**	(1,424)
Cash flows from operating activities before changes in operating assets and liabilities		**8,988**	5,727	6,579	**6,312**	7,188
Changes in operating assets and liabilities arising from cash flow movements						
Movement in available-for-sale investments:						
Purchases		**(45,429)**	(76,408)	(62,733)	**(46,730)**	(101,037)
Proceeds		**47,090**	62,865	49,857	**37,579**	58,743
Net change in deposits with regulatory authorities		**(2)**	(15)	(72)	**(5)**	1
Net increase in loans, bills discounted and other receivables		**(28,035)**	(25,754)	(11,489)	**(29,042)**	(19,804)
Net decrease/(increase) in receivables due from other financial institutions [3]		**3,540**	49	(1,134)	**6,491**	(304)
Net increase in securities purchased under agreements to resell		**(699)**	(498)	(2,834)	**(62)**	(1,060)
Life insurance business:						
Purchase of insurance assets at fair value through Income Statement		**(2,591)**	(2,189)	(4,101)	**-**	-
Proceeds from sale/maturity of insurance assets at fair value through Income Statement		**3,832**	3,291	5,914	**-**	-
Net (increase)/decrease in other assets		**(265)**	(61)	201	**(368)**	(79)
Net increase in deposits and other public borrowings		**17,243**	35,750	31,893	**17,664**	29,227
Net increase in payables due to other financial institutions [3]		**2,123**	4,752	4,637	**2,348**	4,378
Net increase/(decrease) in securities sold under agreements to repurchase		**327**	1,183	(1,698)	**281**	1,458
Net increase/(decrease) in other liabilities		**455**	155	(575)	**3,847**	982
Changes in operating assets and liabilities arising from cash flow movements		**(2,411)**	3,120	7,866	**(7,997)**	(27,495)
Net cash provided by/(used in) operating activities	45(a)	**6,577**	8,847	14,445	**(1,685)**	(20,307)
Cash flows from investing activities						
Payments for acquisition of controlled entities	45(e)	**-**	(125)	-	**-**	-
Net proceeds from disposal of controlled entities	45(c)	**-**	-	19	**-**	-
Net proceeds from disposal of entities and businesses (net of cash disposals)		**-**	21	15	**-**	-
Dividends received		**82**	52	26	**1,507**	1,563
Net amounts received from controlled entities [4]		**-**	-	-	**42**	24,767
Proceeds from sale of property, plant and equipment		**30**	25	27	**23**	15
Purchases of property, plant and equipment		**(642)**	(584)	(443)	**(229)**	(218)
Payments for acquistions of investments in associates/joint ventures		**(264)**	(85)	(164)	**(206)**	(53)
Purchase of intangible assets		**(464)**	(585)	(533)	**(412)**	(547)
Sale of assets held for sale		**2**	-	12	**2**	5
Additions through merger of banking licences		**-**	-	-	**557**	-
Net cash (used in)/provided by investing activities		**(1,256)**	(1,281)	(1,041)	**1,284**	25,532

(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.
(3) Cash and cash equivalents has been redefined to no longer include at call deposits with other financial institutions and settlement account balances with other banks. Comparatives have been restated to conform to presentation in the current year.
(4) Amounts received from and paid to controlled entities are presented in line with how they are managed and settled.

Statements of Cash Flows [1] (continued)

For the year ended 30 June 2013

	Note	Group 2013 $M	Group 2012 $M	Group 2011 $M	Bank 2013 $M	Bank 2012 $M
Cash flows from financing activities						
Proceeds from issue of shares (net of issue costs)		**193**	2	6	**193**	2
Dividends paid (excluding Dividend Reinvestment Plan)		**(4,860)**	(3,748)	(4,188)	**(4,833)**	(3,718)
Proceeds from issuance of debt securities		**92,250**	162,430	115,480	**86,296**	132,538
Redemption of issued debt securities		**(93,691)**	(158,918)	(123,801)	**(82,310)**	(127,003)
Purchase of treasury shares		**(664)**	(96)	(69)	**-**	-
Sale of treasury shares		**634**	19	73	**-**	-
Issue of loan capital		**1,977**	-	-	**1,965**	-
Redemption of loan capital		**(2,215)**	(1,775)	(1,064)	**(1,909)**	(1,771)
Other [2]		**218**	132	(261)	**73**	352
Net cash (used in)/provided by financing activities		**(6,158)**	(1,954)	(13,824)	**(525)**	400
Net (decrease)/increase in cash and cash equivalents		**(837)**	5,612	(420)	**(926)**	5,625
Effect of foreign exchange rates on cash and cash equivalents [2]		**852**	266	707	**728**	241
Cash and cash equivalents at beginning of year [2]		**12,603**	6,725	6,438	**10,946**	5,080
Cash and cash equivalents at end of year	45(b)	**12,618**	12,603	6,725	**10,748**	10,946

(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) Cash and cash equivalents has been redefined to no longer include at call deposits with other financial institutions and settlement account balances with other banks. Comparatives have been restated to conform to presentation in the current year.

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

Note 1 Accounting Policies

The Financial Statements of the Commonwealth Bank of Australia (the Bank) and the Bank and its subsidiaries (the Group) for the year ended 30 June 2013, were approved and authorised for issue by the Board of Directors on 13 August 2013. The Directors have the power to amend and reissue the Financial Statements.

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

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

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

Basis of Preparation

(a) Basis of Accounting

This General Purpose Financial Report for the year ended 30 June 2013 has been prepared in accordance with Australian Accounting Standards (the standards), which include Australian Interpretations by virtue of AASB 1048 'Interpretation and Application of Standards', and the requirements of the Corporations Act 2001. The Bank is a for-profit entity for the purposes of preparing this report.

The Financial Statements also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC).

(b) Historical Cost Convention

This financial report has been prepared under the historical cost convention, except for certain assets and liabilities (including derivative instruments) measured at fair value. A more detailed discussion on measurement basis is outlined within this note.

(c) Use of Estimates and Assumptions

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

(d) Rounding of Amounts

The amounts in this financial report have been rounded in accordance with ASIC Class Order 98/0100 to the nearest million dollars, unless otherwise indicated.

The financial report is presented in Australian dollars.

(e) Segment Reporting

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

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

(f) Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of:

- AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income' resulting in the separation of items in the Statements of Comprehensive Income into two groups based on whether or not they may be reclassified to profit or loss in the future; and
- AASB 2013-2 'Amendments to AASB 1038 – Regulatory Capital' resulting in the disclosure of the regulatory capital position of each life insurer in the Group.

Comparatives

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

(g) Principles of Consolidation

Subsidiaries

The consolidated financial report comprises the financial report of the Bank and its subsidiaries. Subsidiaries are entities (including special purpose entities) over which the Bank has control of the financial and operating policies so as to gain benefit from the activities or returns, or in the case of special purpose entities, where the Bank holds the majority of the residual ownership risks in order to obtain benefits from its activities. The effects of all transactions between entities in the Group are eliminated in full. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated Income Statement, Statement of Changes in Equity, and Balance Sheet.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Business Combinations

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at fair value on the acquisition date. Goodwill is recorded as the excess of the total consideration transferred, the carrying amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the net identifiable assets acquired. If there is a deficit instead, this discount on acquisition is recognised directly in the consolidated Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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

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

(h) Foreign Currency Translation

Functional and Presentation Currency

The consolidated financial statements are presented in Australian dollars, which is the Bank's functional and presentation currency. The Group's foreign operations (including subsidiaries, branches, associates, and joint ventures) will have different functional currencies based on

Note 1 Accounting Policies (continued)

the currency of the main economy to which each operation is exposed.

Foreign Currency Transactions

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

Monetary assets and liabilities resulting from foreign currency transactions are subsequently translated at the spot rate at reporting date. Exchange differences arising upon settling or translating monetary items at different rates to those at which they were initially recognised or previously reported, are recognised in the Income Statement.

Foreign Operations

The results and financial position of all Group entities that have a functional currency different from the Group's presentation currency are translated into the Group's presentation currency as follows:

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

When a foreign operation is disposed of, exchange differences are recognised in the Income Statement as part of the gain or loss on sale. No Group entities have a functional currency of a hyperinflationary economy.

(i) Offsetting

Income and expenses are only offset in the Income Statement if permitted under the relevant accounting standard. Examples of offsetting include gains and losses from foreign exchange exposures and trading operations.

Financial assets and liabilities are offset and the net amount is presented in the Balance Sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(j) Fair Value Measurement

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. Financial assets and liabilities at fair value through income statement, available-for-sale investments and all derivative instruments are initially recognised and subsequently measured at fair value.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. Assets and long positions are measured at a quoted bid price; liabilities and short positions are measured at a quoted asking price. Where the Group has positions with offsetting market risks, mid-market prices are used to measure the offsetting risk positions and a quoted bid or asking price adjustment is applied only to the net open position as appropriate.

Non-market quoted financial instruments are mostly valued using valuation techniques based on observable inputs, except for a limited number of instances where observable market data is unavailable. In this instance, the financial instrument is initially recognised at the transaction price, which is generally the best indicator of fair value. This may differ from the value obtained from the valuation model. The timing of the recognition in the Income Statement of this initial difference in fair value depends on the individual facts and circumstances of each transaction, but is never later than when the market data becomes observable. The difference may be either amortised over the life of the transaction, recognised when the inputs become observable or on derecognition of the instrument, as appropriate.

Income Statement

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

(k) Interest Income

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

(l) Fee and Commission Income

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

Fees and commissions, which include commitment fees to originate a loan that is unlikely to be drawn down, are recognised as fee income as the facility is provided.

(m) Other Income

Trading income represents both realised and unrealised gains and losses from changes in the fair value of trading assets, liabilities and derivatives.

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

Insurance income recognition is outlined in Note 1(ff).

(n) Interest Expense

Interest expense on financial liabilities measured at amortised cost is recognised in the Income Statement using the effective interest rate method.

Interest expense includes issue costs that are initially recognised as part of the carrying value of the liability and amortised over the expected life using the effective interest rate method. These include fees and commissions payable to advisers and other expenses such as external legal costs, provided these are direct and incremental costs related to the issue of a financial asset.

(o) Operating Expenses

Operating expenses are recognised as the relevant service is rendered or once a liability is incurred.

Staff expenses are recognised over the period the employee renders the service to receive the benefit.

Staff expenses include share based remuneration which 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

Note 1 Accounting Policies (continued)

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

Occupancy and equipment expenses include the depreciation and lease rentals that are outlined in Note 1(y) property, plant and equipment and Note 1(v) lease receivables respectively.

IT expenses are recognised as incurred unless they qualify for capitalisation as an asset due to the related service generating probable future economic benefits. If capitalised the asset is subsequently amortised per Note 1(z) intangible assets.

Taxation

(p) Income Tax Expense

Income tax is recognised in the Income Statement, except to the extent that it relates to items recognised directly in OCI, in which case it is recognised in the Statement of Comprehensive Income. Income tax on the profit or loss for the period comprises current and deferred tax.

(q) Current Tax

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

(r) Deferred Tax

Deferred tax is calculated using the Balance Sheet method where temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base are recognised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities (i.e. through use or through sale), using tax rates 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 when it is probable that future taxable profits will be available for it to be used against. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis with the same taxation authority.

(s) The Tax Consolidated Group

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

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

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.

Any current tax liabilities/assets and deferred tax assets arising from unused tax losses from subsidiaries are recognised in conjunction with any tax funding arrangement amounts by the Bank legal entity (as the head of the tax consolidated group).

Assets

(t) Cash and Liquid Assets

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

For the purposes of the Statements of Cash Flows, cash and cash equivalents include cash and money at short call.

(u) Financial Assets

The Group classifies its financial assets in the following categories:

- financial assets at fair value through the Income Statement;
- derivative assets; and
- loans and receivables; and
- available-for-sale investments.

The classification of financial instruments at initial recognition depends on their purpose and characteristics and management's intention when acquiring them.

Financial instruments, except for loans and receivables, are initially recognised by the Group on the trade date, i.e. the date that the Group becomes a party to the contractual provisions of the instruments. This applies to trades transacted in a regular way, i.e. purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and receivables are recognised on settlement date, when funding is advanced to the borrowers.

All financial assets are measured initially at their fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through the Income Statement. Directly attributable transaction costs on these assets are expensed on subsequent fair value measurement.

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

Financial Assets at Fair Value through the Income Statement

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

Trading assets are those acquired or incurred principally for the purpose of selling or repurchasing in the near term, or if they are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Discounted bills that the Group intends to sell into the market immediately or in the near term also meet the definition of assets held for trading. Due to their nature, such assets are included in loans, bills discounted and other receivables in the Balance Sheet, while being measured at fair value.

Insurance assets are investments that back life insurance contracts and life investment contracts. These are outlined in Note 1 (hh).

Other investments include financial assets which the Group has designated at fair value through Income Statement at inception to: eliminate an accounting mismatch; reflect they are managed on a fair value basis; or where the asset is a contract which contains an embedded derivative.

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

Derivative Financial Instruments

Derivative financial instruments are contracts whose value is derived from one or more underlying price, index or other variable. They include forward rate agreements, futures,

Note 1 Accounting Policies (continued)

options and interest rate, currency, equity and credit swaps. Derivatives are entered into for trading purposes or for hedging purposes.

Subsequent to initial recognition, gains or losses on derivatives are recognised in the Income Statement, unless they are entered into for hedging purposes and designated into a cash flow hedge.

The Group uses derivatives to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions.

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

(i) Fair Value Hedges

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

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

(ii) Cash Flow Hedges

Changes in fair value associated with the effective portion of a derivative designated as a cash flow hedge are recognised through other comprehensive income in the Cash Flow Hedge Reserve within equity. Ineffective portions are recognised immediately in the Income Statement. Amounts deferred in equity are transferred to the Income Statement in the period in which the hedged forecast transaction takes place.

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

(iii) Net Investment Hedges

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

(iv) Embedded Derivatives

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

Available-for-Sale Investments

Available-for-sale (AFS) investments are non-derivative financial assets that are not classified at fair value through Income Statement or as loans and receivables. They primarily include public debt securities held as part of the Group's liquidity holdings.

Subsequent to initial recognition, AFS investments are measured at fair value with unrealised gains and losses arising from changes in fair value recognised in the AFS investments' reserve within equity, net of applicable income taxes until such investments are sold, collected, otherwise disposed of, or become impaired. Interest, premiums and dividends are recognised in the Income Statement when earned. Foreign exchange gains and losses on AFS equity instruments are recognised directly in equity.

The Group assesses at each Balance Sheet date, whether there is any objective evidence of impairment. If any such evidence exists for available-for-sale securities, cumulative losses are removed from equity and recognised in the Income Statement. If, in a subsequent period, the fair value of an AFS debt security increases and the increase can be linked objectively to an event occurring after the impairment event, the impairment is reversed through the Income Statement. However, impairment losses on AFS equity securities are not reversed.

Upon disposal, the accumulated change in fair value within the AFS investments reserve is transferred to the Income Statement and reported within other operating income.

Loans, Bills Discounted and Other Receivables

Loans, bills discounted and other receivables are non-derivative financial assets, with fixed and determinable payments that are not quoted in an active market.

Loans, bills discounted and other receivables include overdrafts, home loans, credit card and other personal lending, term loans, bill financing, redeemable preference shares, securities, finance leases, and receivables due from other financial institutions (including loans, deposits with regulatory authorities and settlement account balances due from other banks). Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method and are presented net of provisions for impairment.

Discounted bills included in this category due to their nature meet the definition of trading assets and are therefore measured at fair value through Income Statement in line with the accounting policy for assets held for trading. As a result discounted bills are not subject to impairment assessment.

The Group assesses at each Balance Sheet date whether there is any objective evidence of impairment. If there is objective evidence that an impairment loss on loans 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 estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short term balances are not discounted.

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

Individual provisions for impairment are recognised to reduce the carrying amount of non-performing facilities to the present value of their expected future cash flows. Individually significant provisions are calculated based on discounted cash flows.

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

All loans and other 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

Note 1 Accounting Policies (continued)

advances to the present value of their expected future cash flows at the Balance Sheet date.

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

Derecognition of Financial Assets and Financial Liabilities

The Group derecognises financial assets when the rights to receive cash flows from the asset have expired or when the Group transfers its rights to receive cash flows from the asset together with substantially all the risks and rewards of the asset. The Group enters into certain transactions where it transfers financial assets recognised on its Balance Sheet but retains either all or a majority of the risks and rewards of the transferred financial assets. If all or substantially all risks and rewards are retained, the transferred financial assets are not derecognised from the Balance Sheet. Transactions where transfers of financial assets result in the Group retaining all or substantially all risks and rewards include reverse repurchase transactions, and some of the Group's securitisation and covered bonds programs.

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

Repurchase and Reverse Repurchase Agreements

Securities sold under repurchase agreements are retained in the financial statements where substantially all the risks and rewards of ownership remain with the Group. A counterparty liability is recognised within deposits and public borrowings. The difference between the sale price and the repurchase price is accrued over the life of the repurchase agreement and charged to interest expense in the income statement.

Securities purchased under agreements to resell, where the Group does not acquire the risks and rewards of ownership, are recorded as receivables in cash and liquid assets. The security is not included in the Balance Sheet as the Group is not exposed to substantially all its risks and rewards. Interest income is accrued on the underlying receivable amount.

Provision for Off Balance Sheet Items

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

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

The Group however, has determined that it is appropriate to establish provisions in relation to such facilities where a customer has been downgraded. These provisions are disclosed as other liabilities in the Balance Sheet.

(v) Lease Receivables

Leases are classified as either a finance lease or an operating lease. Under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred to the lessee. Under an operating lease, these risks remain with the lessor.

As a lessor, the assets the Group has leased out under finance leases are recognised as lease receivables on the Balance Sheet at an amount equal to the net investment in the lease. Finance lease income reflects a constant periodic return on this net investment and is recognised within interest income in the Income Statement.

The assets the Group has leased out under operating leases continue to be recognised on the Balance Sheet as property, plant and equipment and are depreciated accordingly. Operating lease revenue is recognised in the Income Statement on a straight line basis over the lease term.

As a lessee, the Group engages only in operating leases. Rental expense is recognised on a straight line basis over the lease term.

(w) Shares in and Loans to Controlled Entities

Investments in controlled entities are initially recorded at cost and subsequently held at the lower of cost and recoverable amount. Loans to controlled entities are subsequently recorded at amortised cost less impairment.

(x) Assets Classified as Held for Sale

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

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

(y) Property, Plant and Equipment

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

Revaluation adjustments are 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. Upon sale or disposal, realised amounts in the asset revaluation reserve are transferred to retained profits.

Other property, plant and equipment assets are stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and any impairment if required. Subsequent costs are capitalised if these result in an enhancement to the asset.

Depreciation is calculated using the straight line method over the asset's estimated useful economic life. The useful lives of major depreciable asset categories are as follows:

Freehold land	Indefinite (not depreciated)
Buildings	Up to 30 years
Fixtures and fittings	10 – 20 years
Leasehold improvements	Lesser of unexpired lease term or lives as above
Furniture and equipment	3 – 8 years

(z) Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance. They are recognised only if it is probable the asset will generate future benefits for the Group. They are measured at cost. Those assets with an indefinite useful life are tested for impairment annually. All intangible assets must be tested for impairment when there is an indication that its carrying amount may be greater than its recoverable amount.

Goodwill

Goodwill has an indefinite useful life. It represents the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired as at the date of acquisition. The cost of an acquisition is made up of the consideration

Note 1 Accounting Policies (continued)

transferred, the amount of non-controlling interests and the fair value of any previously held equity interest in the acquiree.

Goodwill arising from business combinations is included in intangible assets on the Balance Sheet. Goodwill is tested for impairment annually through allocation to a group of cost generating units (CGUs). The CGU's recoverable amount is then compared to its carrying amount and an impairment is recognised for any excess carrying value. The CGUs and how their recoverable amount is calculated are listed in Note 16.

Computer Software Costs

Certain internal and external costs directly incurred in acquiring and developing software are capitalised and amortised over the estimated useful life. The majority of software projects are amortised over three to five years. The Core Banking Modernisation software project is amortised over ten years.

Costs incurred on software maintenance are expensed as incurred.

Core Deposits

Core deposits were initially recognised at fair value following the acquisition of Bankwest and represent the value of the deposit base acquired in the business combination. Core deposits are amortised over their estimated useful life of seven years.

Brand Names

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

Management Fee Rights

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

Other Intangibles

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

Liabilities

(aa) Financial Liabilities

The Group classifies its financial liabilities in the following categories: liabilities at fair value through Income Statement, liabilities at amortised cost and derivative liabilities (refer to previous discussion on derivative financial instruments in Note 1(u)).

Financial liabilities are initially recognised at fair value less directly attributable transaction costs, except in the case of financial liabilities recorded at fair value through Income Statement. Directly attributable transaction costs on these liabilities are expensed on subsequent fair value measurement.

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, where the liabilities eliminate an accounting mismatch, or where they contain embedded derivatives.

Subsequent to initial recognition these liabilities are measured at fair value with changes in fair value recognised in other operating income. Interest incurred is recorded within net interest income using the effective interest method.

Liabilities at Amortised Cost

(i) Deposits From Customers

Deposits from customers include certificates of deposit, term deposits, savings deposits, other demand deposits and debentures. Subsequent to initial recognition they are measured at amortised cost. Interest and yield related fees are recognised on an effective interest basis.

(ii) Payables Due to Other Financial Institutions

Payables due to other financial institutions include deposits, vostro balances and settlement account balances due to other banks. Subsequent to initial recognition they are measured at amortised cost. Interest and yield related fees are recognised using the effective interest method.

(iii) Debt Issues

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

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

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

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

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

(iv) Loan Capital

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

(v) Bank Acceptances of Customers - Liability

These are bills of exchange initially accepted and discounted by the Group and subsequently sold into the market. They are recognised at amortised cost. The market exposure is recognised as a liability. An asset of equal value is recognised to reflect the offsetting claim against the drawer of the bill. Bank acceptances generate interest and fee income that is recognised in the Income Statement when earned.

(vi) Financial Guarantees and Credit Commitments

In the ordinary course of business, the Group gives financial guarantees consisting of letters of credit, guarantees and acceptances. Financial guarantees are recognised within other liabilities in the financial statements initially at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Income Statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is recorded in the Income Statement. The premium received is recognised in the Income Statement in other operating income on a straight line basis over the life of the guarantee.

Loan commitments are defined amounts (unutilised credit lines or undrawn portions of credit lines) against which clients can borrow money under defined terms and conditions. Loan

Note 1 Accounting Policies (continued)

commitments that are cancellable by the Group are not recognised on the Balance Sheet. Upon a loan drawdown by the counterparty, the amount of the loan is accounted for in accordance with accounting policies for loans and receivables. Irrevocable loan commitments are not recorded in the Balance Sheet, but a provision is recognised if it is probable that a loss has been incurred and a reliable estimate of the amount can be made.

(bb) Employee Benefits

Annual Leave

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

Long Service Leave

The provision for long service leave is discounted to the present value and is set based on actuarial assumptions. The assumptions and provision balance are subject to tri-annual internal actuarial review.

Other Employee Benefits

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

Defined Benefit Superannuation Plans

The Group currently sponsors two defined benefit superannuation plans for its employees.

The net defined benefit liability or asset recognised in the Balance Sheet is the present value of the defined benefit obligation as at the Balance Sheet date less the fair value of plan assets. The defined benefit obligation is calculated by independent fund actuaries.

In each reporting period, the movement in the net defined benefit liability or asset is treated as follows:

- The net movement relating to the current period service cost, interest cost, expected return on plan assets, past service and other costs (such as the effects of any curtailments and settlements) is recognised as an employee expense in the Income Statement;
- Movements relating to actuarial gains and losses are recognised directly in retained profits through OCI; and
- Contributions made by the Group are recognised directly against the net defined benefit liability or asset.

Defined Contribution Superannuation Plans

The Group sponsors a number of defined contribution superannuation plans. 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.

(cc) Provisions

Provisions are recognised when a probable obligation has arisen as a result of a past event that can be reliably measured. The following are examples of provisions raised.

Provision for Dividends

A provision for dividend payable is recognised when dividends are determined or 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 on lending products the Group originates. The provision is reassessed annually in consultation with actuarial advice.

Equity

(dd) Shareholders' Equity

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

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

(ee) Reserves

General Reserve

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.

Capital Reserve

The capital reserve held by the Bank relates to historic internal Group restructuring performed at fair value. The capital reserve is eliminated on consolidation.

Asset Revaluation Reserve

The asset revaluation reserve is used to record revaluation adjustments on the Group's property assets. In the event the asset is sold or disposed of, any balance in the reserve in relation to the asset is transferred directly to retained profits.

Foreign Currency Translation Reserve

Exchange differences arising on translation of the Group's foreign operations are accumulated in the foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the foreign investment is disposed of or wound up.

Cash Flow Hedge Reserve

The cash flow hedge reserve is used to record fair value gains or losses associated with the effective portion of designated cash flow hedging instruments. Amounts are reclassified to profit or loss when the hedged transaction impacts profit or loss.

Employee Compensation Reserve

The employee compensation reserve is used to recognise the fair value of shares and other equity instruments issued to employees under the employee share plans and bonus schemes.

Available-for-sale Investment Reserve

The available-for-sale investment reserve includes changes in the fair value of available-for-sale financial assets. These changes are transferred to profit or loss when the asset is derecognised or impaired.

Life and General Insurance Business

The Group's consolidated financial statements include the assets, liabilities, income and expenses of the life and general insurance businesses conducted by various subsidiaries of the Bank.

Insurance contracts involve the acceptance of significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The insured benefit is either not linked or only partly linked to the market value of the investments held, and the financial risks are substantially borne by the insurer.

General insurance contracts are insurance contracts that are not life insurance contracts.

Life investment contracts involve the origination of one or more financial instruments and may involve the provision of management services. Life investment contracts do not meet the definition of insurance contracts as they do not involve an acceptance of significant insurance risk by the Group's life

Note 1 Accounting Policies (continued)

insurers. The financial risks are substantially borne by the policyholder.

(ff) Revenue

Life insurance 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.

Life investment premiums received include the management fee portion recognised as revenue over the period the 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.

General insurance premium 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 actuarial assessment of the likely pattern in which risk will emerge. The portion not yet earned based on the pattern assessment is recognised as unearned premium liability.

Returns on all investments controlled by life and general insurance businesses are recognised as revenue.

(gg) Expenses

Life and general insurance contract claims are recognised as an expense when a liability has been established.

Acquisition costs (which include commission costs) are the costs associated with obtaining and recording insurance contracts. Acquisition costs are deferred or capitalised when they relate to the acquisition of new business or the renewal of existing business. These costs are amortised on the same basis as the earning pattern of the premium, over the life of the contract. The amount deferred is limited to the extent that they are deemed recoverable from the expected future profits.

(hh) Investment Assets

Assets backing insurance liabilities are carried at fair value through Income Statement.

Investments held in the life insurance funds are subject to the restrictions imposed under the Life Act. Shareholders can only receive a distribution when the capital adequacy requirements of the Life Act are met.

(ii) Policy Liabilities

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 340 'Valuation of Policy Liabilities' issued by APRA.

Life investment contract liabilities are measured at fair value in accordance with AASB 139. The balance is no less than the contract surrender value.

General insurance policy liabilities are made up of two components: unearned premium liability and outstanding claims liability.

The unearned premium liability is subject to a liability adequacy test. Any deficiency will be recognised as an expense in the Income Statement by first writing down any related deferred acquisition costs, with any excess being recorded on the Balance Sheet as an unexpired risk liability.

The provision for outstanding claims is measured as the central estimate of the present value of expected future claims payments plus a risk margin. The expected future payments include those in relation to claims reported but not yet paid; claims incurred but not reported; claims incurred but not enough reported; and estimated claims handling costs.

Other

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

The life insurance 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 amounts due to external unit-holders remain as managed funds units on issue liabilities in the Group's consolidated balance sheet.

In the Income Statement, the net profit or loss of the controlled entities relating to non-controlling interests is excluded from the Group's net profit or loss.

(kk) Asset Securitisation

The Group conducts an asset securitisation program through which it packages and sells asset backed 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 borrowing is recognised by the Bank inclusive of the derivative and any related fees.

(ll) Fiduciary Activities

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

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

(mm) Earnings per Share

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

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

Critical Judgements and Estimates

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

(nn) Provisions for Impairment of Financial Assets

Provisions for impairment of financial assets are raised where there is objective evidence of impairment at an individual or collective basis, at an amount adequate to cover assessed credit related losses.

Note 1 Accounting Policies (continued)

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

Individually Assessed Provisions

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

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

Collective Provision

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

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

The evaluation process is subject to a series of estimates and judgements. In the risk rated segment, the risk rating system, including the frequency of default and loss given default rates, loss history, and the size, structure and diversity of individual borrowers are considered. Current developments in portfolios (industry, geographic and term) are reviewed.

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

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

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

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

(oo) Provisions (Other than Loan Impairment)

Provisions are held in respect of a range of future obligations such as employee entitlements, restructuring costs and non-lending losses. Provisions carried for long service leave are calculated based on actuarial models and subject to annual review based on changes in underlying assumptions. Some of the provisions involve significant judgement about the likely outcome of various events and estimated future cash flows.

The measurement of these obligations involves the exercise of management judgements about the ultimate outcomes of the transactions. Payments which are expected to be incurred later than one year are discounted at a rate which reflects both current interest rates and the risks specific to that provision. The carrying value of these provisions is included in Note 22.

(pp) Life Insurance Policyholder Liabilities

The determination of life insurance policyholder liabilities involves the following key actuarial assumptions:

- Business assumptions including amount, timing and duration of claims/policy payments, policy lapse rates and acquisition and 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. Further detail on the financial position on performance of the Group's Life Insurance operations is set out in Note 32.

(qq) Consolidation of Special Purpose Entities

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

(rr) Financial Instruments at Fair Value

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

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

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

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

Periodically, the Group calibrates its valuation techniques and tests them for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) and any other available observable market data. Details of the extent non-observable inputs are used to fair value financial instruments are included in Note 46.

(ss) Goodwill

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

Goodwill is allocated to cash-generating units (CGUs) whose recoverable amount is calculated for the purpose of impairment testing. The recoverable amount calculation relies primarily on publicly available earnings multiples. Details of the inputs used in recoverable amount calculations are outlined further in Note 16.

(tt) Taxation

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

(uu) Superannuation Obligations

The Group currently sponsors two defined benefit plans as described in Note 41. For each of these plans, actuarial valuations of the plan's obligations and the fair value

Note 1 Accounting Policies (continued)

measurements of the plan's assets are performed semi-annually in accordance with the requirements of AASB 119.

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

Future Accounting Developments

The following amendments to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2013 or later periods, but have not been adopted. They are not expected to result in significant changes to the Group's accounting policies.

- AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010);
- AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements';
- AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards';
- AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13';
- AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)';
- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities';
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities';
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle;
- AASB 2012-9 'Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039'; and
- AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'.

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

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

The implementation of AASB 10 will result in the Group consolidating some entities which were previously not consolidated and deconsolidating some entities that were previously consolidated. The financial impact to the Group is not expected to be significant, subject to further possible changes which are still under consideration by the AASB.

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

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

Each of these standards will become effective for the Group from 1 July 2013. Application of these standards by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

AASB 13 'Fair Value' explains how to measure fair value and aims to enhance fair value disclosures. It will become effective for the Group from 1 July 2013. Initial application is not expected to result in any material impact to the Group.

The amended AASB 119 'Employee Benefits' will become effective for the Group from 1 July 2013. It will result in changes to the recognition and measurement of the Group's defined benefit superannuation expense and termination benefits, as well as enhanced disclosures of the risks and characteristics of the Group's defined benefit superannuation plans. The significant changes include:

- Annual defined benefit superannuation expense will include net interest expense or income, calculated by applying the relevant discount rate to the net defined benefit asset or liability. This will replace the current finance charge and expected return on plan assets. Applying this change to the year ended 30 June 2013 would have increased the total defined benefit plan expense by $84 million; and
- The discount rate used in calculating the defined benefit liability relating to active members can no longer include a 15% investment tax adjustment. This will result in a one-off decrease of $64 million in defined benefit liability as at 1 July 2013 which will be recognised through retained earnings.

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

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

AASB 9 'Financial Instruments' contains new accounting requirements for financial assets and liabilities, replacing the corresponding requirements in AASB 139 'Financial Instruments: Recognition and Measurement'. Exposure Drafts have been released proposing new requirements for impairment and hedge accounting along with limited changes to classification and measurements.

The key changes include:

- Financial assets: realised gains and losses on non traded equity investments classified as fair value through other comprehensive income will not be recycled to the Income Statement; and
- Financial liabilities: gains and losses on own credit arising from financial liabilities designated at fair value through profit or loss will be excluded from the Income Statement and instead taken to OCI.
- Impairment: a prescribed amount of expected losses will be reflected in impairment allowances for loans and advances; and
- Hedge accounting: hedge accounting will be more principle based, allowing closer alignment with financial risk management.

Adoption is not mandatory until annual periods beginning on or after 1 January 2015, with early adoption permitted. The potential financial impacts to the Group is not yet possible to determine, however the standard is not expected to significantly change the way the Group accounts for financial instruments.

Note 2 Profit

Profit before income tax has been determined as follows:

	Group			Bank	
	2013	2012	2011	2013	2012
	$M	$M	$M	$M	$M
Interest Income					
Loans and bills discounted	32,020	34,709	34,373	28,065	26,957
Other financial institutions (1)	64	102	113	45	51
Cash and liquid assets	187	330	270	145	275
Assets at fair value through Income Statement	450	621	851	414	557
Available-for-sale investments (1)	2,018	2,496	1,870	4,861	4,750
Controlled entities (1)	-	-	-	2,177	2,171
Total interest income (2)	34,739	38,258	37,477	35,707	34,761
Interest Expense					
Deposits (3)	15,070	17,633	16,957	13,481	14,298
Other financial institutions	233	185	222	207	190
Liabilities at fair value through Income Statement	198	320	510	97	202
Debt issues	4,869	6,492	6,622	4,118	5,202
Controlled entities (3)	-	-	-	5,209	4,125
Loan capital	435	506	572	429	493
Total interest expense (4)	20,805	25,136	24,883	23,541	24,510
Net interest income	13,934	13,122	12,594	12,166	10,251
Other Operating Income					
Lending fees	1,053	997	982	960	880
Commissions	1,990	1,997	1,946	1,621	1,532
Trading income	863	522	717	797	447
Net gain on disposal of available-for-sale investments	31	81	24	31	86
Net gain/(loss) on other non-fair valued financial instruments	(41)	2	(4)	(41)	(8)
Net hedging ineffectiveness	(25)	39	4	(29)	33
Net gain/(loss) on sale of property, plant and equipment	(14)	39	(6)	(13)	40
Net gain/(loss) on other fair valued financial instruments:					
Fair value through Income Statement (5)	(1)	48	(2)	-	18
Non-trading derivatives (6)	28	85	(301)	(30)	82
Dividends - Controlled entities	-	-	-	1,464	1,540
Dividends - Other	9	6	5	48	34
Funds management and investment contract income:					
Fees receivable on trust and other fiduciary activities	1,642	1,517	1,662	-	-
Other	523	423	380	-	-
Insurance contracts income	1,218	1,233	1,118	-	-
Share of profit of associates and joint ventures	165	95	109	-	-
Other (7)	179	178	169	819	782
Total other operating income	7,620	7,262	6,803	5,627	5,466
Total net operating income before impairment and operating expense	21,554	20,384	19,397	17,793	15,717
Impairment Expense					
Loan impairment expense	1,146	1,089	1,280	1,042	988
Total impairment expense (Note 14)	1,146	1,089	1,280	1,042	988

(1) Comparative interest income on internal securitisation has been reclassified from Other financial institutions and Available-for-sale investments to Controlled entities for the Bank to conform to presentation in the current year.
(2) Total interest income for financial assets that are not at fair value through profit or loss is $34,289 million (2012: $37,637 million, 2011: $36,626 million) for the Group and $35,293 million (2012: $34,204 million) for the Bank.
(3) Comparative interest expense on internal securitisation and covered bond programs has been reclassified from Deposits to Controlled entities to conform to presentation in the current year.
(4) Total interest expense for financial liabilities that are not at fair value through profit or loss is $20,607 million (2012: $24,816 million, 2011: $24,373 million) for the Group and $23,444 million (2012: $24,308 million) for the Bank.
(5) The net gain on financial assets and liabilities designated at fair value was $3 million for the Group (2012: $4 million loss, 2011: $102 million gain) and $nil gain or loss for the Bank (2012: $3 million loss).
(6) Non-trading derivatives are held for risk management purposes.
(7) The Group result in 2013 had $nil gains or losses on disposal of controlled entities (2012: $nil, 2011: $10 million loss). Refer to Note 45 for further details.

Note 2 Profit (continued)

	Group			Bank	
	2013 $M	2012 $M	2011 $M	2013 $M	2012 $M
Staff Expenses					
Salaries and wages	**4,250**	4,136	4,015	**3,165**	2,769
Share-based compensation	**192**	185	156	**95**	103
Superannuation - defined contribution plans	**58**	42	48	**(16)**	(48)
Superannuation - defined benefit plan	**204**	168	137	**204**	168
Provisions for employee entitlements	**96**	101	120	**75**	62
Payroll tax	**223**	213	213	**177**	150
Fringe benefits tax	**35**	35	38	**26**	26
Other staff expenses	**90**	67	60	**50**	39
Total staff expenses	**5,148**	4,947	4,787	**3,776**	3,269
Occupancy and Equipment Expenses					
Operating lease rentals	**580**	585	532	**493**	443
Depreciation of property, plant and equipment	**298**	270	262	**205**	178
Repairs and maintenance	**92**	90	87	**74**	63
Other	**112**	111	112	**82**	68
Total occupancy and equipment expenses	**1,082**	1,056	993	**854**	752
Information Technology Services					
Application, maintenance and development	**439**	322	324	**394**	244
Data processing	**236**	241	267	**236**	238
Desktop	**100**	105	120	**87**	90
Communications	**202**	226	221	**180**	194
Amortisation of software assets	**245**	183	183	**216**	150
IT equipment depreciation	**77**	82	78	**73**	70
Total information technology services	**1,299**	1,159	1,193	**1,186**	986
Other Expenses					
Postage	**114**	112	112	**101**	89
Stationery	**85**	85	84	**68**	70
Fees and commissions:					
Fees payable on trust and other fiduciary activities	**539**	563	537	**-**	-
Professional fees (1)	**230**	188	204	**206**	182
Other (1)	**129**	122	114	**297**	315
Advertising, marketing and loyalty	**463**	459	457	**364**	324
Amortisation of intangible assets (excluding software and merger related amortisation)	**20**	18	16	**-**	-
Non-lending losses	**67**	81	83	**60**	64
Other	**429**	406	311	**268**	233
Total other expenses	**2,076**	2,034	1,918	**1,364**	1,277
Total expenses	**9,605**	9,196	8,891	**7,180**	6,284
Investment and Restructuring					
Integration expenses (2)	**-**	60	94	**-**	54
Merger related amortisation (3)	**75**	75	75	**56**	-
Total investment and restructuring	**75**	135	169	**56**	54
Total operating expenses	**9,680**	9,331	9,060	**7,236**	6,338
Profit before income tax	**10,728**	9,964	9,057	**9,515**	8,391
Net hedging ineffectiveness comprises:					
Gain/(loss) on fair value hedges:					
Hedging instruments	**(614)**	(337)	(417)	**(424)**	(724)
Hedged items	**617**	318	427	**421**	702
Cash flow hedge ineffectiveness	**(28)**	58	(6)	**(26)**	55
Net hedging ineffectiveness	**(25)**	39	4	**(29)**	33

(1) Certain comparative information has been reclassified to conform to presentation in the current year.
(2) Comprises expenses related to the Count Financial Limited acquisition and expenses related to the Bankwest integration.
(3) Merger related amortisation relates to Bankwest core deposits and customer lists.

Note 3 Income from Ordinary Activities

	Group			Bank	
	2013	2012	2011	2013	2012
	$M	$M	$M	$M	$M
Banking					
Interest income	**34,739**	38,258	37,477	**35,707**	34,761
Fees and commissions	**3,043**	2,994	2,928	**2,581**	2,412
Trading income	**863**	522	717	**797**	447
Net gain on disposal of available-for-sale investments recognised in Income Statement	**31**	81	24	**31**	86
Net (loss)/gain on other non-fair valued financial instruments	**(41)**	2	(4)	**(41)**	(8)
Net hedging ineffectiveness	**(25)**	39	4	**(29)**	33
Net (loss)/gain on other fair valued financial instruments:					
Fair value through Income Statement	**(1)**	48	(2)	**-**	18
Non-trading derivatives	**28**	85	(301)	**(30)**	82
Dividends	**9**	6	5	**1,512**	1,574
Net (loss)/gain on sale of property, plant and equipment	**(14)**	39	(6)	**(13)**	40
Share of profit of associates and joint ventures	**165**	95	109	**-**	-
Other	**179**	178	169	**819**	782
	38,976	42,347	41,120	**41,334**	40,227
Funds Management, Investment Contract and Insurance Contract Revenue					
Funds management and investment contract income including premiums	**2,147**	1,959	1,996	**-**	-
Insurance contract premiums and related income	**2,353**	2,114	1,884	**-**	-
Investment income	**1,391**	773	1,401	**-**	-
	5,891	4,846	5,281	**-**	-
Total income	**44,867**	47,193	46,401	**41,334**	40,227

Note 4 Average Balances and Related Interest

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

Where assets or liabilities are hedged, the amounts are shown net of the hedge, however individual items not separately hedged may be affected by movements in exchange rates. The overseas component comprises overseas branches of the Bank and overseas domiciled controlled entities. Non-accrual loans are included in interest earning assets under Loans, bills discounted and other receivables. The official cash rate in Australia decreased by 75 basis points during the year while rates in New Zealand were unchanged.

									Group
			2013			2012			2011
Interest earning assets [1]	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %
Cash and liquid assets									
Australia	**5,459**	**116**	**2. 1**	6,581	233	3. 5	4,583	194	4. 2
Overseas	**12,787**	**71**	**0. 6**	12,456	97	0. 8	7,522	76	1. 0
Receivables due from other financial institutions									
Australia	**3,405**	**35**	**1. 0**	3,676	69	1. 9	6,324	50	0. 8
Overseas	**5,888**	**29**	**0. 5**	5,321	33	0. 6	8,113	63	0. 8
Assets at fair value through Income Statement - Trading & Other									
Australia	**10,551**	**362**	**3. 4**	11,366	476	4. 2	15,028	711	4. 7
Overseas	**6,035**	**88**	**1. 5**	6,152	145	2. 4	6,628	140	2. 1
Available-for-sale investments									
Australia	**52,680**	**1,933**	**3. 7**	48,073	2,384	5. 0	33,362	1,776	5. 3
Overseas	**6,822**	**85**	**1. 2**	7,237	120	1. 7	5,601	94	1. 7
Loans, bills discounted and other receivables [2]									
Australia [3]	**491,160**	**28,855**	**5. 9**	475,066	31,720	6. 7	458,025	31,295	6. 8
Overseas	**58,850**	**3,180**	**5. 4**	53,757	3,024	5. 6	52,220	3,104	5. 9
Intragroup assets									
Australia	**1,357**	**26**	**1. 9**	2,138	34	1. 6	2,506	22	0. 9
Overseas	**-**	**-**	**-**	-	-	-	-	-	-
Total interest earning assets and interest income including intragroup	**654,994**	**34,780**	**5. 3**	631,823	38,335	6. 1	599,912	37,525	6. 3
Intragroup eliminations	**(1,357)**	**(26)**	**1. 9**	(2,138)	(34)	1. 6	(2,506)	(22)	0. 9
Total interest earning assets and interest income [4]	**653,637**	**34,754**	**5. 3**	629,685	38,301	6. 1	597,406	37,503	6. 3

(1) Certain comparative information has been restated to conform to presentation in the current year.
(2) Loans, bills discounted and other receivables include bank acceptances.
(3) Excludes amortisation of acquisition related fair value adjustments made to fixed interest financial instruments.
(4) Used for calculating net interest margin.

			Group
	2013	2012	2011
Non-interest earning assets	Average Balance $M	Average Balance $M	Average Balance $M
Assets at fair value through Income Statement - Insurance			
Australia	**12,464**	13,220	13,656
Overseas	**2,177**	2,046	2,069
Property, plant and equipment			
Australia	**2,380**	1,967	1,854
Overseas	**210**	194	181
Other assets			
Australia	**52,036**	55,706	41,661
Overseas	**9,986**	8,992	8,782
Provisions for impairment			
Australia	**(4,516)**	(4,801)	(5,205)
Overseas	**(234)**	(263)	(299)
Total non-interest earning assets	**74,503**	77,061	62,699
Total assets	**728,140**	706,746	660,105
Percentage of total assets applicable to overseas operations (%)	**14.1**	13.6	13.8

Note 4 Average Balances and Related Interest (continued)

Interest bearing liabilities [1]	2013 Average Balance $M	2013 Interest $M	2013 Average Rate %	2012 Average Balance $M	2012 Interest $M	2012 Average Rate %	Group 2011 Average Balance $M	Group 2011 Interest $M	Group 2011 Average Rate %
Time deposits									
Australia [2]	**210,293**	**9,647**	**4. 6**	200,713	11,131	5. 5	185,243	10,587	5. 7
Overseas	**35,602**	**954**	**2. 7**	35,378	1,125	3. 2	32,708	1,127	3. 4
Savings deposits									
Australia [2]	**94,714**	**2,355**	**2. 5**	86,145	2,734	3. 2	78,958	2,564	3. 2
Overseas	**8,740**	**274**	**3. 1**	7,445	272	3. 7	6,772	242	3. 6
Other demand deposits									
Australia [2]	**89,612**	**1,766**	**2. 0**	84,507	2,308	2. 7	79,726	2,395	3. 0
Overseas	**3,988**	**72**	**1. 8**	3,534	63	1. 8	2,462	42	1. 7
Payables due to other financial institutions									
Australia	**7,518**	**117**	**1. 6**	4,602	98	2. 1	3,912	121	3. 1
Overseas	**13,768**	**116**	**0. 8**	14,140	87	0. 6	10,763	101	0. 9
Liabilities at fair value through Income Statement									
Australia	**2,433**	**97**	**4. 0**	4,381	200	4. 6	4,526	249	5. 5
Overseas	**4,399**	**101**	**2. 3**	5,123	120	2. 3	8,729	261	3. 0
Debt issues [3]									
Australia	**118,295**	**4,666**	**3. 9**	126,477	6,450	5. 1	127,388	6,570	5. 2
Overseas	**10,257**	**203**	**2. 0**	7,096	42	0. 6	5,534	20	0. 4
Loan capital									
Australia	**5,846**	**290**	**5. 0**	5,784	320	5. 5	7,130	395	5. 5
Overseas	**4,092**	**152**	**3. 7**	5,329	194	3. 6	5,244	184	3. 5
Intragroup borrowings									
Australia	**-**	**-**	**-**	-	-	-	-	-	-
Overseas	**1,357**	**26**	**1. 9**	2,138	34	1. 6	2,506	22	0. 9
Interest bearing liabilities and interest expense including intragroup	**610,914**	**20,836**	**3. 4**	592,792	25,178	4. 2	561,601	24,880	4. 4
Intragroup eliminations	**(1,357)**	**(26)**	**1. 9**	(2,138)	(34)	1. 6	(2,506)	(22)	0. 9
Total interest bearing liabilities and interest expense	**609,557**	**20,810**	**3. 4**	590,654	25,144	4. 3	559,095	24,858	4. 4

(1) Certain comparative information has been restated to conform to presentation in the current year.
(2) Excludes amortisation of acquisition related fair value adjustments made to fixed interest financial instruments.
(3) Debt issues include bank acceptances.

Non-interest bearing liabilities	2013 Average Balance $M	2012 Average Balance $M	Group 2011 Average Balance $M
Deposits not bearing interest			
Australia	**7,895**	7,312	6,989
Overseas	**1,903**	1,694	1,535
Insurance policy liabilities			
Australia	**11,799**	12,298	13,114
Overseas	**1,255**	1,268	1,361
Other liabilities			
Australia	**42,945**	45,897	33,517
Overseas	**9,332**	8,374	8,425
Total non-interest bearing liabilities	**75,129**	76,843	64,941
Total liabilities	**684,686**	667,497	624,036
Shareholders' equity	**43,454**	39,249	36,069
Total liabilities and Shareholders' equity	**728,140**	706,746	660,105
Total liabilities applicable to overseas operations (%)	**13.6**	13.4	13.4

Note 4 Average Balances and Related Interest (continued)

Net interest margin	Avg Bal 2013 $M	Interest 2013 $M	Yield 2013 %	Avg Bal 2012 $M	Interest 2012 $M	Yield 2012 %
						Group
Total interest earning assets	653,637	34,754	5. 32	629,685	38,301	6. 08
Total interest bearing liabilities	609,557	20,810	3. 41	590,654	25,144	4. 26
Net interest income and interest spread		13,944	1. 91		13,157	1. 82
Benefit of free funds			0. 22			0. 27
Net interest margin			2. 13			2. 09

Geographical analysis of key categories	Avg Bal 2013 $M	Interest 2013 $M	Yield 2013 %	Avg Bal 2012 $M	Interest 2012 $M	Yield 2012 %
						Group
Loans, bills discounted and other receivables						
Australia	491,160	28,855	5. 87	475,066	31,720	6. 68
Overseas	58,850	3,180	5. 40	53,757	3,024	5. 63
Total	550,010	32,035	5. 82	528,823	34,744	6. 57
Other interest earning assets						
Australia	72,095	2,446	3. 39	69,696	3,162	4. 54
Overseas	31,532	273	0. 87	31,166	395	1. 27
Total	103,627	2,719	2. 62	100,862	3,557	3. 53
Total interest bearing deposits						
Australia	394,619	13,768	3. 49	371,365	16,173	4. 36
Overseas	48,330	1,300	2. 69	46,357	1,460	3. 15
Total	442,949	15,068	3. 40	417,722	17,633	4. 22
Other interest bearing liabilities						
Australia	134,092	5,170	3. 86	141,244	7,068	5. 00
Overseas	32,516	572	1. 76	31,688	443	1. 40
Total	166,608	5,742	3. 45	172,932	7,511	4. 34

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

Changes in Net Interest Income: Volume and Rate Analysis

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

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

Change in net interest income	June 2013 vs June 2012 $M	June 2012 vs June 2011 $M
		Group
Due to changes in average volume of interest earning assets	506	679
Due to changes in interest margin	281	(167)
Change in net interest income	787	512

Note 4 Average Balances and Related Interest (continued)

Changes in net interest income: Volume and rate analysis	June 2013 vs June 2012 Volume $M	Rate $M	Total $M	June 2012 vs June 2011 Volume $M	Rate $M	Total $M
Interest Earning Assets [1]						
Cash and liquid assets						
Australia	**(32)**	**(85)**	**(117)**	78	(39)	39
Overseas	**2**	**(28)**	**(26)**	44	(23)	21
Receivables due from other financial institutions						
Australia	**(4)**	**(30)**	**(34)**	(36)	55	19
Overseas	**3**	**(7)**	**(4)**	(19)	(11)	(30)
Assets at fair value through Income Statement - Trading & Other						
Australia	**(31)**	**(83)**	**(114)**	(163)	(72)	(235)
Overseas	**(2)**	**(55)**	**(57)**	(11)	16	5
Available-for-sale investments						
Australia	**199**	**(650)**	**(451)**	756	(148)	608
Overseas	**(6)**	**(29)**	**(35)**	29	(3)	26
Loans, bills discounted and other receivables						
Australia	**1,010**	**(3,875)**	**(2,865)**	1,151	(726)	425
Overseas	**281**	**(125)**	**156**	89	(169)	(80)
Intragroup loans						
Australia	**(14)**	**6**	**(8)**	(4)	16	12
Overseas	**-**	**-**	**-**	-	-	-
Changes in interest income including intragroup	**1,318**	**(4,873)**	**(3,555)**	1,968	(1,158)	810
Intragroup eliminations	**14**	**(6)**	**8**	4	(16)	(12)
Changes in interest income	**1,365**	**(4,912)**	**(3,547)**	1,995	(1,197)	798
Interest Bearing Liabilities and Loan Capital [1]						
Time deposits						
Australia	**485**	**(1,969)**	**(1,484)**	871	(327)	544
Overseas	**7**	**(178)**	**(171)**	88	(90)	(2)
Savings deposits						
Australia	**243**	**(622)**	**(379)**	230	(60)	170
Overseas	**44**	**(42)**	**2**	24	6	30
Other demand deposits						
Australia	**120**	**(662)**	**(542)**	137	(224)	(87)
Overseas	**8**	**1**	**9**	19	2	21
Payables due to other financial institutions						
Australia	**54**	**(35)**	**19**	18	(41)	(23)
Overseas	**(3)**	**32**	**29**	26	(40)	(14)
Liabilities at fair value through Income Statement						
Australia	**(83)**	**(20)**	**(103)**	(7)	(42)	(49)
Overseas	**(17)**	**(2)**	**(19)**	(97)	(44)	(141)
Debt issues						
Australia	**(370)**	**(1,414)**	**(1,784)**	(47)	(73)	(120)
Overseas	**41**	**120**	**161**	8	14	22
Loan capital						
Australia	**3**	**(33)**	**(30)**	(74)	(1)	(75)
Overseas	**(45)**	**3**	**(42)**	3	7	10
Intragroup borrowings						
Australia	**-**	**-**	**-**	-	-	-
Overseas	**(14)**	**6**	**(8)**	(4)	16	12
Changes in interest expense including intragroup	**694**	**(5,036)**	**(4,342)**	1,354	(1,056)	298
Intragroup eliminations	**14**	**(6)**	**8**	4	(16)	(12)
Changes in interest expense	**725**	**(5,059)**	**(4,334)**	1,373	(1,087)	286
Changes in net interest income	**506**	**281**	**787**	679	(167)	512

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

Note 4 Average Balances and Related Interest (continued)

Geographical analysis of key categories	2013 %	2012 %	Group 2011 %
Australia			
Interest spread (1)	**1.92**	1.85	1.86
Benefit of interest-free liabilities, provisions and equity (2)	**0.23**	0.28	0.30
Net interest margin (3)	**2.15**	2.13	2.16
Overseas			
Interest spread (1)	**1.56**	1.54	1.52
Benefit of interest-free liabilities, provisions and equity (2)	**0.25**	0.25	0.25
Net interest margin (3)	**1.81**	1.79	1.77
Group			
Interest spread (1)	**1.91**	1.82	1.83
Benefit of interest-free liabilities, provisions and equity (2)	**0.22**	0.27	0.29
Net interest margin (3)	**2.13**	2.09	2.12

(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 is funded by net interest free liabilities and Shareholders' equity. The benefit to the Group of these interest free funds is the amount it would cost to replace them at the average cost of funds.
(3) Net interest income divided by average interest earning assets for the year.

Note 5 Income Tax

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

	Group 2013 $M	Group 2012 $M	Group 2011 $M	Bank 2013 $M	Bank 2012 $M
Profit before Income Tax	**10,728**	9,964	9,057	**9,515**	8,391
Prima facie income tax at 30%	**3,218**	2,989	2,717	**2,855**	2,517
Effect of amounts which are non-deductible/ (assessable) in calculating taxable income:					
Taxation offsets and other dividend adjustments	**(3)**	(3)	(7)	**(442)**	(462)
Tax adjustment referable to policyholder income	**79**	86	116	**-**	-
Tax losses not previously brought to account	**(18)**	(28)	(6)	**(13)**	(23)
Tax losses assumed by the Bank under UIG 1052	**-**	-	-	**-**	(12)
Offshore tax rate differential	**(89)**	(83)	(55)	**(12)**	(3)
Offshore banking unit	**(33)**	(36)	(17)	**(33)**	(36)
Investment allowance	**-**	-	(2)	**-**	-
Effect of changes in tax rates (1)	**-**	-	3	**-**	-
Income tax (over)/under provided in previous years	**(50)**	22	(71)	**(71)**	12
Other	**(69)**	(89)	(31)	**(61)**	(63)
Total income tax expense	**3,035**	2,858	2,647	**2,223**	1,930
Corporate tax expense	**2,923**	2,736	2,481	**2,223**	1,930
Policyholder tax expense	**112**	122	166	**-**	-
Total income tax expense	**3,035**	2,858	2,647	**2,223**	1,930

Income tax expense attributable to profit from ordinary activities	Group 2013 $M	Group 2012 $M	Group 2011 $M	Bank 2013 $M	Bank 2012 $M
Australia					
Current tax expense	**2,392**	2,487	2,246	**2,296**	1,919
Deferred tax (benefit)/expense	**216**	(30)	59	**(135)**	(36)
Total Australia	**2,608**	2,457	2,305	**2,161**	1,883
Overseas					
Current tax expense	**425**	319	336	**68**	26
Deferred tax expense/(benefit)	**2**	82	6	**(6)**	21
Total overseas	**427**	401	342	**62**	47
Total income tax expense	**3,035**	2,858	2,647	**2,223**	1,930

Effective Tax Rate	Group 2013 %	Group 2012 %	Group 2011 %	Bank 2013 %	Bank 2012 %
Total – corporate	**27. 5**	27. 8	27. 9	**23. 4**	23. 0
Retail Banking Services – corporate (2)	**29. 8**	29. 6	29. 7	**n/a**	n/a
Business and Private Banking – corporate (2)	**29. 7**	30. 1	28. 6	**n/a**	n/a
Institutional Banking and Markets – corporate (2)	**23. 1**	21. 3	23. 7	**n/a**	n/a
Wealth Management – corporate (2)	**27. 7**	27. 6	28. 1	**n/a**	n/a
New Zealand – corporate (1) (2)	**24. 6**	25. 7	24. 0	**n/a**	n/a
Bankwest – corporate (2)	**29. 8**	33. 0	34. 7	**n/a**	n/a

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

(2) Comparative information has been restated to conform to presentation in the current year.

Note 5 Income Tax (continued)

	Group			Bank	
	2013 $M	2012 $M	2011 $M	2013 $M	2012 $M
Deferred tax asset balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement:					
Provision for employee benefits	**414**	381	375	**347**	326
Provisions for impairment on loans, bills discounted and other receivables	**1,177**	1,264	1,387	**1,121**	804
Other provisions not tax deductible until expense incurred	**175**	192	202	**145**	92
Recognised value of tax losses carried forward	**-**	1	1	**-**	-
Financial instruments	**9**	10	15	**3**	4
Other	**231**	212	183	**216**	139
Total amount recognised in the Income Statement	**2,006**	2,060	2,163	**1,832**	1,365
Amounts recognised directly in Other Comprehensive Income:					
Asset revaluation reserve	**2**	2	-	**2**	2
Foreign currency translation reserve	**3**	3	-	**-**	-
Cash flow hedge reserve	**77**	72	224	**4**	25
Employee compensation reserve	**1**	-	11	**1**	-
Available-for-sale investments reserve	**-**	36	4	**57**	8
Total amount recognised directly in Other Comprehensive Income	**83**	113	239	**64**	35
Total deferred tax assets (before set off) (1)	**2,089**	2,173	2,402	**1,896**	1,400
Set off of tax (2)	**(1,154)**	(1,193)	(1,102)	**(833)**	(501)
Net deferred tax assets	**935**	980	1,300	**1,063**	899
Deferred tax liability balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement:					
Impact of TOFA adoption	**11**	9	30	**11**	9
Lease financing	**370**	365	370	**182**	181
Defined benefit superannuation plan deficit	**(199)**	(141)	(93)	**(199)**	(141)
Intangible assets	**73**	127	134	**62**	-
Financial instruments	**142**	168	77	**27**	36
Other	**587**	564	572	**161**	71
Total amount recognised in the Income Statement	**984**	1,092	1,090	**244**	156
Amounts recognised directly in Other Comprehensive Income:					
Revaluation of properties	**82**	79	70	**82**	61
Foreign currency translation reserve	**-**	-	14	**-**	-
Cash flow hedge reserve	**259**	302	21	**200**	245
Defined benefit superannuation plan surplus	**161**	34	116	**161**	34
Available-for-sale investments reserve	**139**	24	92	**146**	5
Total amount recognised directly in Other Comprehensive Income	**641**	439	313	**589**	345
Total deferred tax liabilities (before set off) (3)	**1,625**	1,531	1,403	**833**	501
Set off of tax (2)	**(1,154)**	(1,193)	(1,102)	**(833)**	(501)
Net deferred tax liabilities (Note 21)	**471**	338	301	**-**	-
Deferred tax assets opening balance:	**980**	1,300	1,270	**899**	1,112
Movement in temporary differences during the year:					
Additions through merger of banking licences	**-**	-	-	**469**	-
Provisions for employee benefits	**33**	6	11	**21**	4
Provisions for impairment on loans, bills discounted and other receivables	**(87)**	(123)	(89)	**(69)**	(19)
Other provisions not tax deductible until expense incurred	**(17)**	(10)	9	**2**	5
Recognised value of tax losses carried forward	**(1)**	-	(2)	**-**	(1)
Financial instruments	**(32)**	(121)	(234)	**28**	(193)
Asset revaluation reserve	**-**	2	-	**-**	2
Other	**20**	17	(109)	**45**	(2)
Set off of tax (2)	**39**	(91)	444	**(332)**	(9)
Deferred tax assets closing balance	**935**	980	1,300	**1,063**	899

(1) The following amounts are expected to be recovered within twelve months of the Balance Sheet date: for the Group $1,165 million (2012: $1,255 million); for the Bank $1,074 million (2012: $843 million).

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

(3) The following amounts are expected to be settled within twelve months of the Balance Sheet date: for the Group $329 million (2012: $427 million); for the Bank $194 million (2012: $260 million).

Note 5 Income Tax (continued)

	Group			Bank	
	2013	2012	2011	2013	2012
	$M	$M	$M	$M	$M
Deferred tax liabilities opening balance:	**338**	301	221	**-**	-
Movement in temporary differences during the year:					
Additions through merger of banking licences	**-**	-	-	**292**	-
Impact of TOFA adoption	**2**	(21)	30	**2**	(21)
Property asset revaluations	**3**	9	(3)	**3**	6
Lease financing	**5**	(5)	23	**1**	14
Defined benefit superannuation plan surplus/(deficit)	**68**	(130)	(61)	**68**	(130)
Intangible assets	**(54)**	(7)	(11)	**(26)**	-
Financial instruments	**46**	290	(543)	**6**	154
Other	**24**	(8)	201	**(14)**	(14)
Set off of tax [(1)]	**39**	(91)	444	**(332)**	(9)
Deferred tax liabilities closing balance (Note 21)	**471**	338	301	**-**	-

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

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

	Group			Bank	
	2013	2012	2011	2013	2012
Deferred tax assets not taken to account	$M	$M	$M	$M	$M
Tax losses and other temporary differences on revenue account	**94**	71	101	**66**	57
Tax losses on capital account	**-**	-	40	**-**	-
Total	**94**	71	141	**66**	57

	Group			Bank	
Expiration of deferred tax assets not taken	2013	2012	2011	2013	2012
to account	$M	$M	$M	$M	$M
At Balance Sheet date carry-forward losses expired as follows:					
From one to two years	**14**	6	-	**-**	-
From two to four years	**3**	20	18	**15**	12
After four years	**66**	45	83	**51**	45
Losses that do not expire under current tax legislation	**11**	-	40	**-**	-
Total	**94**	71	141	**66**	57

Potential deferred tax assets of the Group arose from:

- Tax losses and temporary differences in offshore centres.

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

These potential tax benefits will only be obtained if:

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

Tax Consolidation

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

The Bank has recognised a tax consolidation contribution to the wholly-owned tax consolidated entity of $89 million (2012: $87 million).

The Bank is the head entity of the tax consolidated group and has entered into tax funding and tax sharing agreements with its eligible Australian resident subsidiaries. The terms and conditions of these agreements are set out in Note 1(s). The amount receivable by the Bank under the tax funding agreement was $207 million as at 30 June 2013 (2012: $261 million receivable). This balance is included in ‘Other assets’ in the Bank’s separate Balance Sheet.

Taxation of Financial Arrangements (TOFA)

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

Note 6 Dividends

	Group			Bank	
	2013	2012	2011	2013	2012
	$M	$M	$M	$M	$M
Ordinary Shares					
Interim ordinary dividend (fully franked) (2013: 164 cents; 2012: 137 cents; 2011: 132 cents)					
Interim ordinary dividend paid - cash component only	**2,639**	1,635	1,532	**2,639**	1,635
Interim ordinary dividend paid - dividend reinvestment plan	**-**	531	513	**-**	531
Total dividend paid	**2,639**	2,166	2,045	**2,639**	2,166
Other Equity Instruments					
Dividend paid	**40**	42	42	**-**	-
Total dividend provided for, reserved or paid	**2,679**	2,208	2,087	**2,639**	2,166
Other provision carried	**65**	52	37	**65**	52
Dividend proposed and not recognised as a liability (fully franked) (2013: 200 cents; 2012: 197 cents, 2011: 188 cents) (1)	**3,224**	3,137	2,930	**3,224**	3,137
Provision for dividends					
Opening balance	**52**	37	29	**52**	37
Provision made during the year	**5,831**	5,113	4,678	**5,831**	5,113
Provision used during the year	**(5,818)**	(5,098)	(4,670)	**(5,818)**	(5,098)
Closing balance (Note 22)	**65**	52	37	**65**	52

(1) The 2013 final dividend will be satisfied in full by cash disbursements with the Dividend Reinvestment Plan (DRP) anticipated to be satisfied in full by an on market purchase of shares. The 2012 final dividend was satisfied by cash disbursements of $2,207 and $930 million being reinvested by participants through the DRP. The 2011 final dividend was satisfied by cash disbursements of $2,099 million and $831 million being reinvested by participants through the DRP.

Dividend Franking Account

After fully franking the final dividend to be paid for the year, the amount of credits available, at the 30% tax rate as at 30 June 2013 to frank dividends for subsequent financial years, is $742 million (2012: $390 million). This figure is based on the franking accounts of the Bank at 30 June 2013, adjusted for franking credits that will arise from the payment of income tax payable on profits for the year, franking debits that will arise from the payment of dividends proposed, and franking credits that the Bank may be prevented from distributing in subsequent financial periods.

The Bank expects that future tax payments will generate sufficient franking credits for the Bank to be able to continue to fully frank future dividend payments. These calculations have been based on the taxation law as at 30 June 2013.

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 2010	132	01/04/2011	67.5	-	52.92	25.1
30 June 2011	188	06/10/2011	88.2	78.3	47.48	28.4
31 December 2011	137	05/04/2012	60.1	-	48.81	24.5
30 June 2012	197	05/10/2012	91.1	75.2	54.54	29.6
31 December 2012	164	05/04/2013	72.5	-	68.76	22.7
30 June 2013 (3)	200	03/10/2013	80.7	76.8	-	-

(1) Dividend Payout Ratio: dividends divided by statutory earnings (earnings are net of dividends on other equity instruments).
(2) DRP Participation Rate: the percentage of total issued share capital participating in the DRP.
(3) Dividend expected to be paid on 3 October 2013.

Note 7 Earnings Per Share

			Group
	2013	2012	2011
Earnings per ordinary share	Cents per Share		
Basic	**477.9**	448.9	411.2
Fully diluted	**464.5**	432.9	395.1

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

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

			Group
	2013	2012	2011
Reconciliation of earnings used in calculation of earnings per share	$M	$M	$M
Profit after income tax	**7,693**	7,106	6,410
Less: Other equity instrument dividends	**(40)**	(42)	(42)
Less: Non-controlling interests	**(16)**	(16)	(16)
Earnings used in calculation of basic earnings per share	**7,637**	7,048	6,352
Add: Profit impact of assumed conversions of loan capital	**193**	199	235
Earnings used in calculation of fully diluted earnings per share	**7,830**	7,247	6,587

			Number of Shares
	2013	2012	2011
	M	M	M
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**1,598**	1,570	1,545
Effect of dilutive securities - executive share plans and convertible loan capital instruments	**88**	104	123
Weighted average number of ordinary shares used in the calculation of fully diluted earnings per share	**1,686**	1,674	1,668

Note 8 Cash and Liquid Assets

		Group		Bank
	2013	2012	2013	2012
	$M	$M	$M	$M
Notes, coins and cash at banks	**7,653**	8,508	**6,183**	7,161
Money at short call	**4,367**	3,696	**3,976**	3,603
Securities purchased under agreements to resell	**8,016**	7,063	**7,282**	7,006
Bills received and remittances in transit	**598**	399	**589**	182
Total cash and liquid assets	**20,634**	19,666	**18,030**	17,952

Note 9 Receivables Due from Other Financial Institutions

		Group		Bank
	2013	2012	2013	2012
	$M	$M	$M	$M
Placements with and loans to other financial institutions	**7,612**	10,755	**6,978**	10,467
Deposits with regulatory authorities (1)	**132**	131	**20**	15
Total receivables due from other financial institutions	**7,744**	10,886	**6,998**	10,482

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

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

Note 10 Assets at Fair Value through Income Statement

	Group			Bank
	2013	2012	2013	2012
	$M	$M	$M	$M
Trading	19,617	13,816	18,398	12,071
Insurance	14,359	14,525	-	-
Other financial assets designated at fair value	907	980	718	980
Total assets at fair value through Income Statement (1)	34,883	29,321	19,116	13,051

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

	Group			Bank
	2013	2012	2013	2012
Trading	$M	$M	$M	$M
Government bonds, notes and securities	13,866	8,491	13,780	8,146
Corporate/financial institution bonds, notes and securities	4,672	4,677	3,550	3,298
Shares and equity investments	949	502	949	502
Other bonds, notes and securities	130	146	119	125
Total trading assets	19,617	13,816	18,398	12,071

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

	Investments Backing Life Risk Contracts	Investments Backing Life Investment Contracts	Total	Investments Backing Life Risk Contracts	Investments Backing Life Investment Contracts	Total
	2013	2013	2013	2012	2012	2012
Insurance	$M	$M	$M	$M	$M	$M
Equity Security Investments:						
Direct	389	953	1,342	462	720	1,182
Indirect	542	3,115	3,657	596	2,910	3,506
Total equity security investments	931	4,068	4,999	1,058	3,630	4,688
Debt Security Investments:						
Direct	830	235	1,065	753	611	1,364
Indirect	2,197	3,699	5,896	2,192	4,225	6,417
Total debt security investments	3,027	3,934	6,961	2,945	4,836	7,781
Property Investments:						
Direct	224	203	427	33	195	228
Indirect	221	365	586	276	472	748
Total property investments	445	568	1,013	309	667	976
Other Assets	249	1,137	1,386	188	892	1,080
Total life insurance investment assets	4,652	9,707	14,359	4,500	10,025	14,525

Of the above amounts, $1,794 million is expected to be recovered within twelve months of the Balance Sheet date (2012: $1,717 million).

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

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

	Group			Bank
	2013	2012	2013	2012
Other (1)	$M	$M	$M	$M
Government securities	632	980	588	980
Receivables due from other financial institutions	275	-	130	-
Total other assets at fair value through Income Statement	907	980	718	980

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

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

Of the amounts in the preceding table, $862 million is expected to be recovered within twelve months of the Balance Sheet date by the Group (2012: $882 million). All amounts are expected to be recovered within twelve months of the Balance Sheet date by the Bank.

Note 11 Derivative Financial Instruments

Derivative Contracts

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

Derivatives Transacted for Hedging Purposes

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

Fair Value Hedges

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

All gains and losses associated with the ineffective portion of fair value hedge relationships are recognised immediately as 'Other operating income' in the Income Statement. Ineffectiveness recognised in the Income Statement in the current year amounted to a $3 million net gain for the Group (2012: $19 million net loss), and $3 million net loss for the Bank (2012: $22 million net loss).

Cash Flow Hedges

Cash flow hedges are used by the Group to manage exposure to volatility in future cash flows, which may result from fluctuations in interest or exchange rates on financial assets, liabilities or highly probable forecast transactions. The Group principally uses interest rate and cross currency swaps to protect against such fluctuations. Ineffectiveness recognised in the Income Statement in the current year amounted to a $28 million loss for the Group (2012: $58 million gain), and $26 million loss for the Bank (2012: $55 million gain).

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

	Exchange Rate Related Contracts		Interest Rate Related Contracts		Group Total	
	2013 $M	2012 (1) $M	2013 $M	2012 (1) $M	2013 $M	2012 (1) $M
Within 6 months	**(3)**	(23)	**55**	21	**52**	(2)
6 months - 1 year	**(15)**	5	**(52)**	(67)	**(67)**	(62)
1 - 2 years	**(27)**	(14)	**212**	(2)	**185**	(16)
2 - 5 years	**(173)**	(91)	**831**	1,338	**658**	1,247
After 5 years	**(153)**	(20)	**(96)**	(221)	**(249)**	(241)
Net deferred (losses)/gains	**(371)**	(143)	**950**	1,069	**579**	926

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

	Exchange Rate Related Contracts		Interest Rate Related Contracts		Bank Total	
	2013 $M	2012 $M	2013 $M	2012 $M	2013 $M	2012 $M
Within 6 months	**(1)**	1	**48**	17	**47**	18
6 months - 1 year	**(17)**	6	**(42)**	(77)	**(59)**	(71)
1 - 2 years	**(25)**	(3)	**167**	(18)	**142**	(21)
2 - 5 years	**(120)**	(102)	**886**	1,247	**766**	1,145
After 5 years	**(94)**	(54)	**(74)**	(171)	**(168)**	(225)
Net deferred (losses)/gains	**(257)**	(152)	**985**	998	**728**	846

Note 11 Derivative Financial Instruments (continued)

Net Investment Hedges

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

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

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

				Group
		2013		2012
	Fair Value	Fair Value	Fair Value	Fair Value
	Asset	Liability	Asset	Liability
Derivative assets and liabilities	$M	$M	$M	$M
Held for trading [1] [2]	**36,531**	**(30,571)**	31,954	(29,113)
Held for hedging [1]	**8,809**	**(8,009)**	7,613	(10,738)
Total derivative assets/(liabilities)	**45,340**	**(38,580)**	39,567	(39,851)

(1) Comparatives have been restated to conform to presentation in the current year, due to derivatives that were netted off in the prior year which are now presented gross in line with accounting requirements (impact: $630 million as at 30 June 2012).

(2) Comparatives have been reclassified to conform to presentation in the current year.

				Group
		2013		2012
	Fair Value	Fair Value	Fair Value	Fair Value
	Asset	Liability	Asset	Liability
Derivatives held for trading	$M	$M	$M	$M
Exchange rate related contracts:				
Forward contracts [1]	**7,529**	**(6,896)**	3,709	(4,181)
Swaps [1] [2]	**14,570**	**(9,819)**	9,817	(7,378)
Futures	**6**	**-**	1	-
Options purchased and sold	**392**	**(405)**	390	(453)
Total exchange rate related contracts	**22,497**	**(17,120)**	13,917	(12,012)
Interest rate related contracts:				
Forward contracts [1]	**6**	**(6)**	12	(11)
Swaps [1] [2]	**13,091**	**(12,641)**	16,895	(16,264)
Futures	**-**	**-**	-	(1)
Options purchased and sold [1]	**754**	**(670)**	899	(636)
Total interest rate related contracts	**13,851**	**(13,317)**	17,806	(16,912)
Credit related contracts:				
Swaps	**24**	**(27)**	58	(56)
Total credit related contracts	**24**	**(27)**	58	(56)
Equity related contracts:				
Swaps	**4**	**(8)**	-	-
Options purchased and sold	**78**	**(25)**	60	(44)
Total equity related contracts	**82**	**(33)**	60	(44)
Commodity related contracts:				
Swaps	**54**	**(51)**	85	(72)
Options purchased and sold	**10**	**(7)**	13	(11)
Total commodity related contracts	**64**	**(58)**	98	(83)
Identified embedded derivatives [1]	**13**	**(16)**	15	(6)
Total derivative assets/(liabilities) held for trading	**36,531**	**(30,571)**	31,954	(29,113)

(1) Comparatives have been reclassified to conform to presentation in the current year.

(2) Comparatives have been restated to conform to presentation in the current year.

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

Note 11 Derivative Financial Instruments (continued)

Derivatives held for hedging	Group 2013 Fair Value Asset $M	2013 Fair Value Liability $M	2012 Fair Value Asset $M	2012 Fair Value Liability $M
Fair value hedges				
Exchange rate related contracts:				
Forward contracts	1	-	2	-
Swaps [1]	3,534	(2,626)	1,973	(4,440)
Total exchange rate related contracts	3,535	(2,626)	1,975	(4,440)
Interest rate related contracts:				
Swaps [1]	1,374	(2,760)	1,744	(2,370)
Options purchased and sold	-	-	3	-
Total interest rate related contracts	1,374	(2,760)	1,747	(2,370)
Equity related contracts:				
Swaps	33	(1)	58	(4)
Total equity related contracts	33	(1)	58	(4)
Total fair value hedges	4,942	(5,387)	3,780	(6,814)
Cash flow hedges				
Exchange rate related contracts:				
Swaps [1]	1,103	(1,242)	669	(2,093)
Total exchange rate related contracts	1,103	(1,242)	669	(2,093)
Interest rate related contracts:				
Swaps [1]	2,764	(1,378)	3,164	(1,827)
Total interest rate related contracts	2,764	(1,378)	3,164	(1,827)
Total cash flow hedges	3,867	(2,620)	3,833	(3,920)
Net investment hedges				
Exchange rate related contracts:				
Forward contracts	-	(2)	-	(4)
Total exchange rate related contracts	-	(2)	-	(4)
Total net investment hedges	-	(2)	-	(4)
Total derivative assets/(liabilities) held for hedging	8,809	(8,009)	7,613	(10,738)

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

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

Note 11 Derivative Financial Instruments (continued)

				Bank
		2013		2012
	Fair Value	Fair Value	Fair Value	Fair Value
	Asset	Liability	Asset	Liability
Derivative assets and liabilities	$M	$M	$M	$M
Held for trading (1) (2)	**36,826**	**(32,007)**	32,683	(29,386)
Held for hedging (1)	**8,377**	**(8,222)**	7,008	(10,470)
Total derivative assets/(liabilities)	**45,203**	**(40,229)**	39,691	(39,856)

(1) Comparatives have been restated to conform to presentation in the current year, due to derivatives that were netted off in the prior year, which are now presented gross in line with accounting standards (impact: $630 million as at 30 June 2012).
(2) Comparatives have been reclassified to conform to presentation in the current year.

				Bank
		2013		2012
	Fair Value	Fair Value	Fair Value	Fair Value
	Asset	Liability	Asset	Liability
Derivatives held for trading	$M	$M	$M	$M
Exchange rate related contracts:				
Forward contracts	**7,424**	**(6,863)**	3,670	(4,153)
Swaps (1)	**14,605**	**(9,725)**	9,910	(7,194)
Futures	**6**	**-**	1	-
Options purchased and sold	**390**	**(404)**	389	(451)
Derivatives held with controlled entities	**744**	**(1,857)**	998	(706)
Total exchange rate related contracts	**23,169**	**(18,849)**	14,968	(12,504)
Interest rate related contracts:				
Forward contracts	**6**	**(6)**	10	(11)
Swaps (1) (2)	**12,613**	**(12,036)**	16,149	(15,320)
Futures	**-**	**-**	-	(1)
Options purchased and sold (2)	**752**	**(667)**	898	(630)
Derivatives held with controlled entities (2)	**117**	**(315)**	439	(732)
Total interest rate related contracts	**13,488**	**(13,024)**	17,496	(16,694)
Credit related contracts:				
Swaps	**24**	**(27)**	58	(56)
Total credit related contracts	**24**	**(27)**	58	(56)
Equity related contracts:				
Swaps	**4**	**(8)**	-	-
Options purchased and sold	**78**	**(25)**	60	(44)
Total equity related contracts	**82**	**(33)**	60	(44)
Commodity related contracts:				
Swaps	**54**	**(51)**	85	(72)
Options purchased and sold	**8**	**(7)**	13	(11)
Derivatives held with controlled entities	**1**	**-**	1	-
Total commodity related contracts	**63**	**(58)**	99	(83)
Identified embedded derivatives (2)	**-**	**(16)**	2	(5)
Total derivative assets/(liabilities) held for trading	**36,826**	**(32,007)**	32,683	(29,386)

(1) Comparatives have been restated to conform to presentation in the current year.
(2) Comparatives have been reclassified to conform to presentation in the current year.

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

Note 11 Derivative Financial Instruments (continued)

				Bank
		2013		2012
	Fair Value Asset	Fair Value Liability	Fair Value Asset	Fair Value Liability
Derivatives held for hedging	$M	$M	$M	$M
Fair value hedges				
Exchange rate related contracts:				
Forward contracts	1	-	2	-
Swaps [1]	3,432	(2,591)	1,786	(4,434)
Derivatives held with controlled entities	-	(255)	3	-
Total exchange rate related contracts	3,433	(2,846)	1,791	(4,434)
Interest rate related contracts:				
Swaps [1]	1,244	(2,683)	1,416	(2,266)
Derivatives held with controlled entities	70	(119)	92	(113)
Total interest rate related contracts	1,314	(2,802)	1,508	(2,379)
Equity related contracts:				
Swaps	33	(1)	58	(4)
Total equity related contracts	33	(1)	58	(4)
Total fair value hedges	4,780	(5,649)	3,357	(6,817)
Cash flow hedges				
Exchange rate related contracts:				
Swaps [1]	1,022	(1,202)	662	(2,003)
Derivatives held with controlled entities	-	(78)	90	(7)
Total exchange rate related contracts	1,022	(1,280)	752	(2,010)
Interest rate related contracts:				
Swaps [1]	2,548	(1,293)	2,857	(1,643)
Derivatives held with controlled entities	27	-	42	-
Total interest rate related contracts	2,575	(1,293)	2,899	(1,643)
Total cash flow hedges	3,597	(2,573)	3,651	(3,653)
Total derivative assets/(liabilities) held for hedging	8,377	(8,222)	7,008	(10,470)

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

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

Note 12 Available-for-Sale Investments

	Group		Bank	
	2013	2012	2013	2012
	$M	$M	$M	$M
Government bonds, notes and securities	**29,506**	27,770	**28,459**	23,284
Corporate/financial institution bonds, notes and securities	**19,809**	22,875	**20,000**	17,701
Shares and equity investments	**647**	471	**527**	368
Covered bonds, mortgage backed securities & SSA [(1) (2)]	**9,608**	9,703	**76,925**	75,207
Other securities	**31**	8	**30**	7
Total available-for-sale investments	**59,601**	60,827	**125,941**	116,567

(1) Supranational, Sovereign and Agency Securities (SSA).
(2) Comparatives have been restated to conform to presentation in the current year.

The following amounts are expected to be recovered within twelve months of the Balance Sheet date: for Group $12,920 million (2012: $19,160 million); for Bank $12,319 million (2012: $12,009 million).

Revaluation of Available-for-sale investments resulted in a gain of $553 million for the Group (2012: $349 million loss) and a gain of $365 million for the Bank (2012: $315 million loss) recognised directly in other comprehensive income. As a result of sale, derecognition or impairment during the year of Available-for-sale investments the following amounts were removed from equity and reported in Income Statement for the year; Group: $31 million net gain (2012: $81 million net gain), Bank: $31 million net gain (2012: $86 million net gain).

Proceeds received from settlement at or close to maturity of Available-for-sale investments for the Group were $44,645 million (2012: $50,490 million) and for the Bank were $35,135 million (2012: $46,417 million).

Proceeds from the sale of Available-for-sale investments for the Group were $2,445 million (2012: $12,375 million) and for the Bank were $2,444 million (2012: $12,326 million).

Maturity Distribution and Weighted Average Yield

	Group											
	Maturity Period at 30 June 2013											
	0 to 3 Months		3 to 12 Months		1 to 5 Years		5 to 10 Years		10 or more Years		Non-Maturing	Total
	$M	%	$M	%	$M	%	$M	%	$M	%	$M	$M
Government bonds, notes and securities	**889**	**0.72**	**2,086**	**0.93**	**10,519**	**4.83**	**11,753**	**5.00**	**4,259**	**5.03**	**-**	**29,506**
Corporate/financial institution bonds, notes and securities	**7,149**	**2.79**	**2,223**	**2.98**	**10,432**	**3.39**	**5**	**4.65**	**-**	**-**	**-**	**19,809**
Shares and equity investments	**4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**643**	**647**
Covered bonds, mortgage backed securities & SSA	**-**	**-**	**567**	**4.64**	**4,388**	**5.06**	**547**	**4.72**	**4,106**	**3.69**	**-**	**9,608**
Other securities	**-**	**-**	**-**	**-**	**25**	**4.18**	**-**	**-**	**-**	**-**	**6**	**31**
Total available-for-sale investments	**8,042**	**-**	**4,876**	**-**	**25,364**	**-**	**12,305**	**-**	**8,365**	**-**	**649**	**59,601**

	Group											
	Maturity Period at 30 June 2012											
	0 to 3 Months		3 to 12 Months		1 to 5 Years		5 to 10 Years		10 or more Years		Non-Maturing	Total
	$M	%	$M	%	$M	%	$M	%	$M	%	$M	$M
Government bonds, notes and securities	4,573	1.55	3,124	2.86	4,606	5.19	9,833	5.38	5,634	5.29	-	27,770
Corporate/financial institution bonds, notes and securities	6,711	3.97	4,798	4.48	11,366	4.92	-	-	-	-	-	22,875
Shares and equity investments	-	-	4	0.01	6	0.01	-	-	-	-	461	471
Covered bonds, mortgage backed securities & SSA	-	-	-	-	4,478	4.91	1,248	4.98	3,977	5.10	-	9,703
Other securities	-	-	-	-	-	-	-	-	-	-	8	8
Total available-for-sale investments	11,284	-	7,926	-	20,456	-	11,081	-	9,611	-	469	60,827

Note 13 Loans, Bills Discounted and Other Receivables

	Group		Bank	
	2013	2012	2013	2012
	$M	$M	$M	$M
Australia				
Overdrafts	**20,039**	21,497	**20,039**	20,494
Home loans (1) (2)	**338,023**	322,918	**336,927**	271,258
Credit card outstandings	**11,457**	11,149	**11,457**	9,873
Lease financing	**4,328**	4,250	**2,944**	2,883
Bills discounted (2) (3)	**22,017**	16,777	**22,017**	16,777
Term loans	**101,141**	99,902	**100,814**	79,447
Other lending	**271**	625	**270**	209
Other securities	**7**	7	**-**	-
Total Australia	**497,283**	477,125	**494,468**	400,941
Overseas				
Overdrafts	**1,098**	891	**187**	154
Home loans (1)	**34,817**	30,063	**457**	409
Credit card outstandings	**676**	603	**-**	-
Lease financing	**392**	478	**62**	141
Term loans	**28,492**	23,220	**12,678**	9,885
Total overseas	**65,475**	55,255	**13,384**	10,589
Gross loans, bills discounted and other receivables	**562,758**	532,380	**507,852**	411,530
Less				
Provisions for Loan Impairment (Note 14):				
Collective provision	**(2,827)**	(2,819)	**(2,628)**	(1,971)
Individually assessed provisions	**(1,628)**	(2,008)	**(1,585)**	(1,011)
Unearned income:				
Term loans	**(900)**	(1,032)	**(891)**	(1,001)
Lease financing	**(755)**	(839)	**(399)**	(425)
	(6,110)	(6,698)	**(5,503)**	(4,408)
Net loans, bills discounted and other receivables	**556,648**	525,682	**502,349**	407,122

(1) Home loans balance includes residential mortgages that have been assigned to securitisation vehicles and covered bond trusts. Further detail on these residential mortgages is disclosed in Note 47.
(2) Comparative information has been reclassified to conform to presentation in the current year.
(3) The Group measures bills discounted intended to be sold into the market at fair value and includes these within loans, bills discounted and other receivables to reflect the nature of the lending arrangement.

The following amounts, based on behavioural terms and current market conditions, are expected to be recovered within twelve months of the Balance Sheet date for Group $184,807 million (2012: $181,465 million), and for Bank $167,238 million (2012: $127,327 million). The maturity tables below are based on contractual terms.

Finance Lease Receivables

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

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

	Group					
	2013			2012		
	Gross Investment in Finance Lease Receivable	Unearned Income	Present Value of Minimum Lease Payment Receivable	Gross Investment in Finance Lease Receivable	Unearned Income	Present Value of Minimum Lease Payment Receivable
	$M	$M	$M	$M	$M	$M
Not later than one year	**1,390**	**(221)**	**1,169**	1,235	(225)	1,010
One year to five years	**2,735**	**(388)**	**2,347**	2,592	(412)	2,180
Over five years	**595**	**(146)**	**449**	901	(202)	699
	4,720	**(755)**	**3,965**	4,728	(839)	3,889

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

						Bank
			2013			2012
	Gross Investment in Finance Lease Receivable	Unearned Income	Present Value of Minimum Lease Payment Receivable	Gross Investment in Finance Lease Receivable	Unearned Income	Present Value of Minimum Lease Payment Receivable
	$M	$M	$M	$M	$M	$M
Not later than one year	**1,028**	**(125)**	**903**	829	(119)	710
One year to five years	**1,749**	**(169)**	**1,580**	1,877	(173)	1,704
Over five years	**229**	**(105)**	**124**	318	(133)	185
	3,006	**(399)**	**2,607**	3,024	(425)	2,599

				Group
				Maturity Period at 30 June 2013
	Maturing 1 Year or Less	Maturing Between 1 & 5 Years	Maturing After 5 Years	Total
Industry [1]	$M	$M	$M	$M
Australia				
Sovereign	1,627	212	132	1,971
Agriculture	2,637	2,214	1,120	5,971
Bank and other financial	3,301	4,260	368	7,929
Home loans	7,985	24,529	305,509	338,023
Construction	1,719	552	363	2,634
Other Personal	7,338	12,320	2,138	21,796
Asset financing	2,995	5,309	110	8,414
Other commercial and industrial	47,594	49,522	13,429	110,545
Total Australia	75,196	98,918	323,169	497,283
Overseas				
Sovereign	4,649	3,761	1,260	9,670
Agriculture	1,343	1,862	3,275	6,480
Bank and other financial	2,079	2,110	2,840	7,029
Home loans	6,315	3,743	24,759	34,817
Construction	102	112	87	301
Other Personal	831	28	4	863
Asset financing	18	123	133	274
Other commercial and industrial	2,643	2,808	590	6,041
Total overseas	17,980	14,547	32,948	65,475
Gross loans, bills discounted and other receivables	93,176	113,465	356,117	562,758

	Maturing 1 Year or Less	Maturing Between 1 & 5 Years	Maturing After 5 Years	Total
Interest rate	$M	$M	$M	$M
Australia	63,405	83,039	265,866	412,310
Overseas	13,132	10,426	19,763	43,321
Total variable interest rates	76,537	93,465	285,629	455,631
Australia	11,791	15,879	57,303	84,973
Overseas	4,848	4,121	13,185	22,154
Total fixed interest rates	16,639	20,000	70,488	107,127
Gross loans, bills discounted and other receivables	93,176	113,465	356,117	562,758

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

The maturity tables are based on contractual terms.

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

	Group			
	Maturity Period at 30 June 2012			
	Maturing 1 Year or Less	Maturing Between 1 & 5 Years	Maturing After 5 Years	Total
Industry [1]	$M	$M	$M	$M
Australia				
Sovereign [2]	849	577	193	1,619
Agriculture [2]	1,418	2,236	1,597	5,251
Bank and other financial [2]	5,730	3,360	1,135	10,225
Home loans [3]	7,281	21,162	294,475	322,918
Construction [2]	1,282	872	642	2,796
Other Personal	7,883	11,715	2,174	21,772
Asset financing	2,900	5,163	151	8,214
Other commercial and industrial [2][3]	46,896	45,057	12,377	104,330
Total Australia	74,239	90,142	312,744	477,125
Overseas				
Sovereign	3,621	4,890	1,724	10,235
Agriculture	1,151	1,718	2,329	5,198
Bank and other financial	970	914	1,272	3,156
Home loans	7,084	3,749	19,230	30,063
Construction	121	127	97	345
Other Personal	634	13	9	656
Asset financing	111	138	219	468
Other commercial and industrial	1,846	2,126	1,162	5,134
Total overseas	15,538	13,675	26,042	55,255
Gross loans, bills discounted and other receivables	89,777	103,817	338,786	532,380

	Maturing 1 Year or Less	Maturing Between 1 & 5 Years	Maturing After 5 Years	Total
Interest rate	$M	$M	$M	$M
Australia	64,922	75,873	277,700	418,495
Overseas	12,048	10,808	18,209	41,065
Total variable interest rates	76,970	86,681	295,909	459,560
Australia	9,317	14,269	35,044	58,630
Overseas	3,490	2,867	7,833	14,190
Total fixed interest rates	12,807	17,136	42,877	72,820
Gross loans, bills discounted and other receivables	89,777	103,817	338,786	532,380

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

The maturity tables are based on contractual terms.

Note 14 Provisions for Impairment

Provisions for impairment losses	Group 2013 $M	Group 2012 $M	Group 2011 $M	Bank 2013 $M	Bank 2012 $M
Collective provision					
Opening balance	**2,837**	3,043	3,461	**1,989**	1,926
Additions through merger of banking licences	**-**	-	-	**664**	-
Net collective provision funding	**559**	312	45	**522**	519
Impairment losses written off	**(695)**	(740)	(646)	**(649)**	(626)
Impairment losses recovered	**154**	228	206	**132**	171
Other	**3**	(6)	(23)	**1**	(1)
Closing balance	**2,858**	2,837	3,043	**2,659**	1,989
Individually assessed provisions					
Opening balance	**2,008**	2,125	1,992	**1,011**	1,081
Additions through merger of banking licences	**-**	-	-	**894**	-
Net new and increased individual provisioning	**937**	1,202	1,602	**805**	700
Write-back of provisions no longer required	**(350)**	(425)	(367)	**(285)**	(231)
Discount unwind to interest income	**(90)**	(122)	(147)	**(77)**	(65)
Other	**317**	365	374	**256**	151
Impairment losses written off	**(1,194)**	(1,137)	(1,329)	**(1,019)**	(625)
Closing balance	**1,628**	2,008	2,125	**1,585**	1,011
Total provisions for impairment losses	**4,486**	4,845	5,168	**4,244**	3,000
Less: Off balance sheet provisions	**(31)**	(18)	(21)	**(31)**	(18)
Total provisions for loan impairment	**4,455**	4,827	5,147	**4,213**	2,982

Provision ratios	Group 2013 %	Group 2012 %	Group 2011 %	Bank 2013 %	Bank 2012 %
Collective provision as a % of credit risk weighted assets - Basel III	**1. 02**	n/a	n/a	**n/a** (1)	n/a (1)
Total provision as a % of credit risk weighted assets - Basel III	**1. 60**	n/a	n/a	**n/a** (1)	n/a (1)
Collective provision as a % of credit risk weighted assets - Basel 2.5	**n/a**	1. 09	1. 23	**n/a** (1)	n/a (1)
Total provision as a % of credit risk weighted assets - Basel 2.5	**n/a**	1. 85	2. 09	**n/a** (1)	n/a (1)
Total provisions for impaired assets as a % of gross impaired assets (2)	**40. 62**	45. 47	40. 66	**43. 53**	42. 82
Total provisions for impairment losses as a % of gross loans and acceptances	**0. 79**	0. 89	1. 00	**0. 83**	0. 71

(1) Basel 2.5 and Basel III ratios are not calculated for the Bank legal entity as this is not a regulated structure for capital reporting purposes. For further details refer to Note 30.

(2) Comparative information has been restated to conform to presentation in the current year.

Loan impairment expense	Group 2013 $M	Group 2012 $M	Group 2011 $M	Bank 2013 $M	Bank 2012 $M
Net collective provision funding	**559**	312	45	**522**	519
Net new and increased individual provisioning	**937**	1,202	1,602	**805**	700
Write-back of individually assessed provisions	**(350)**	(425)	(367)	**(285)**	(231)
Total loan impairment expense	**1,146**	1,089	1,280	**1,042**	988

Note 14 Provisions for Impairment (continued)

Individually assessed provisions by industry classification	Group 2013 $M	2012 $M	2011 $M	2010 $M	2009 $M
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**168**	89	87	75	77
Bank and other financial	**217**	235	254	254	483
Home loans	**182**	256	202	150	82
Construction	**89**	152	133	132	104
Other personal	**14**	11	11	21	23
Asset financing	**23**	14	37	15	31
Other commercial and industrial	**871**	1,163	1,307	1,268	760
Total Australia	**1,564**	1,920	2,031	1,915	1,560
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**16**	7	11	15	9
Bank and other financial	**5**	6	1	1	68
Home loans	**17**	28	25	12	10
Construction	**-**	-	-	-	-
Other personal	**-**	-	-	-	-
Asset financing	**-**	-	-	-	-
Other commercial and industrial	**26**	47	57	49	82
Total overseas	**64**	88	94	77	169
Total individually assessed provisions	**1,628**	2,008	2,125	1,992	1,729

Loans written off by industry classification	Group 2013 $M	2012 $M	2011 $M	2010 $M	2009 $M
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**30**	32	10	10	2
Bank and other financial	**79**	51	107	383	110
Home loans	**217**	88	84	95	36
Construction	**139**	45	89	72	4
Other personal	**622**	657	567	651	496
Asset financing	**25**	38	26	72	58
Other commercial and industrial	**686**	884	989	604	255
Total Australia	**1,798**	1,795	1,872	1,887	961
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**4**	5	17	7	-
Bank and other financial	**10**	1	1	50	86
Home loans	**21**	24	26	25	18
Construction	**-**	-	1	-	4
Other personal	**25**	19	22	18	14
Asset financing	**-**	-	-	-	-
Other commercial and industrial	**31**	33	36	86	60
Total overseas	**91**	82	103	186	182
Gross loans written off	**1,889**	1,877	1,975	2,073	1,143
Recovery of amounts previously written off					
Australia	**144**	216	199	70	70
Overseas	**10**	12	7	7	3
Total amounts recovered	**154**	228	206	77	73
Net loans written off	**1,735**	1,649	1,769	1,996	1,070

Note 14 Provisions for Impairment (continued)

Loans recovered by industry classification	2013 $M	2012 $M	2011 $M	2010 $M	Group 2009 $M
Australia					
Sovereign	-	-	-	-	-
Agriculture	-	-	-	-	1
Bank and other financial	8	17	3	-	1
Home loans	4	5	43	3	1
Construction	-	-	-	-	-
Other personal	113	147	134	59	52
Asset financing	6	17	2	3	5
Other commercial and industrial	13	30	17	5	10
Total Australia	144	216	199	70	70
Overseas					
Sovereign	-	-	-	-	-
Agriculture	-	-	-	-	-
Bank and other financial	1	-	-	-	-
Home loans	1	-	-	-	-
Construction	-	-	-	-	-
Other personal	8	8	7	6	3
Asset financing	-	-	-	-	-
Other commercial and industrial	-	4	-	1	-
Total overseas	10	12	7	7	3
Total loans recovered	154	228	206	77	73

Note 15 Property, Plant and Equipment

	Group 2013 $M	Group 2012 $M	Bank 2013 $M	Bank 2012 $M
Land				
At 30 June valuation	217	222	197	145
Closing balance	217	222	197	145
Buildings				
At 30 June valuation	316	351	279	255
Closing balance	316	351	279	255
Total land and buildings	533	573	476	400
Leasehold Improvements				
At cost	1,416	1,350	1,200	1,020
Provision for depreciation	(772)	(730)	(661)	(570)
Closing balance	644	620	539	450
Equipment				
At cost	1,517	1,519	1,171	1,018
Provision for depreciation	(1,174)	(1,164)	(910)	(787)
Closing balance	343	355	261	231
Assets Under Lease				
At cost	1,366	1,144	350	353
Provision for depreciation	(168)	(189)	(68)	(58)
Closing balance	1,198	955	282	295
Total property, plant and equipment	2,718	2,503	1,558	1,376

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

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

Land and buildings are carried at fair value based on independent valuations performed during the year; refer to Note 1(y).

Note 15 Property, Plant and Equipment (continued)

	Group		Bank	
	2013	2012	2013	2012
Carrying value at cost	$M	$M	$M	$M
Land	**102**	103	**97**	59
Buildings	**143**	164	**135**	123
Total land and buildings at cost	**245**	267	**232**	182

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

	Group		Bank	
	2013	2012	2013	2012
	$M	$M	$M	$M
Land				
Carrying amount at the beginning of the year	**222**	269	**145**	191
Additions through merger of banking licences	**-**	-	**52**	-
Transfers to assets held for sale	**(3)**	(1)	**(3)**	(1)
Disposals	**(3)**	(48)	**(3)**	(44)
Net revaluations	**(1)**	2	**5**	(1)
Foreign currency translation adjustment	**2**	-	**1**	-
Carrying amount at the end of the year	**217**	222	**197**	145
Buildings				
Carrying amount at the beginning of the year	**351**	388	**255**	309
Additions through merger of banking licences	**-**	-	**57**	-
Additions	**8**	34	**8**	26
Transfers to assets held for sale	**(3)**	(1)	**(2)**	(1)
Disposals	**(3)**	(58)	**(3)**	(57)
Transfers	**-**	-	**(3)**	-
Net revaluations	**4**	25	**4**	6
Depreciation	**(43)**	(37)	**(37)**	(28)
Foreign currency translation adjustment	**2**	-	**-**	-
Carrying amount at the end of the year	**316**	351	**279**	255
Leasehold Improvements				
Carrying amount at the beginning of the year	**620**	614	**450**	501
Additions through merger of banking licences	**-**	-	**97**	-
Additions	**146**	124	**100**	42
Disposals	**(15)**	(10)	**(10)**	(8)
Net revaluations	**2**	(1)	**-**	-
Depreciation	**(116)**	(107)	**(99)**	(85)
Foreign currency translation adjustment	**7**	-	**1**	-
Carrying amount at the end of the year	**644**	620	**539**	450
Equipment				
Carrying amount at the beginning of the year	**355**	357	**231**	244
Additions through merger of banking licences	**-**	-	**57**	-
Additions	**143**	158	**102**	108
Disposals	**(12)**	(5)	**(8)**	(2)
Transfers	**-**	-	**3**	-
Net revaluations	**3**	2	**-**	-
Depreciation	**(151)**	(158)	**(124)**	(119)
Foreign currency translation adjustment	**5**	1	**-**	-
Carrying amount at the end of the year	**343**	355	**261**	231
Assets Under Lease				
Carrying amount at the beginning of the year	**955**	738	**295**	281
Additions	**358**	266	**19**	41
Disposals	**(70)**	(11)	**(14)**	(11)
Net revaluations	**-**	1	**-**	-
Depreciation	**(65)**	(50)	**(18)**	(16)
Foreign currency translation adjustment	**20**	11	**-**	-
Carrying amount at the end of the year	**1,198**	955	**282**	295

Note 16 Intangible Assets

	Group		Bank	
	2013	2012	2013	2012
	$M	$M	$M	$M
Goodwill				
Purchased goodwill at cost	**7,723**	7,705	**2,522**	2,522
Closing balance	**7,723**	7,705	**2,522**	2,522
Computer Software Costs				
Cost	**2,770**	2,462	**2,503**	2,108
Accumulated amortisation	**(847)**	(762)	**(696)**	(507)
Closing balance	**1,923**	1,700	**1,807**	1,601
Core Deposits (1)				
Cost	**495**	495	**495**	-
Accumulated amortisation	**(318)**	(248)	**(318)**	-
Closing balance	**177**	247	**177**	-
Management Fee Rights (2)				
Cost	**316**	316	**-**	-
Closing balance	**316**	316	**-**	-
Brand Names (3)				
Cost	**190**	190	**186**	-
Closing balance	**190**	190	**186**	-
Other Intangibles (4)				
Cost	**255**	255	**38**	-
Accumulated amortisation	**(161)**	(132)	**(17)**	-
Closing balance	**94**	123	**21**	-
Total intangible assets	**10,423**	10,281	**4,713**	4,123

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

(2) Management fee rights have an indefinite useful life under the contractual terms of the management agreements, and are subject to an annual valuation for impairment testing purposes. No impairment was required as a result of this valuation.

(3) Brand names predominantly represent the value of royalty costs foregone by the Group through acquiring the Bankwest brand name. The royalty costs that would have been incurred by an entity using the Bankwest brand name are based on an annual percentage of income generated by Bankwest. This asset has an indefinite useful life, as there is no foreseeable limit to the period over which the brand name is expected to generate cash flows. The asset is not subject to amortisation, but is subjected to annual impairment testing. No impairment was required as a result of this test. The Count Financial Limited brand name ($4 million) is amortised over the estimated useful life of 20 years.

(4) Other intangibles include the value of credit card relationships acquired from Bankwest and Count franchise relationships. This value represents future net income generated from the relationships that existed at Balance Sheet date. The assets have a useful life of 10 years based on the attrition rates of customers.

Impairment Tests for Goodwill and Intangible Assets with Indefinite Lives

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

Earnings multiples relating to the Group's Banking (Retail Banking Services, Business and Private Banking, Bankwest and New Zealand) and Wealth Management cash-generating units are sourced from publicly available data associated with businesses displaying similar characteristics to those cash-generating units, and are applied to current earnings. The key assumption is the Price-Earnings (P/E) multiple observed for these businesses, which for the Banking businesses were in the range of 12.0–15.1 (2012: 10.0–11.8), and for Wealth Management businesses were in the range of 11.0–23.0 (2012: 11.6–23.1). The P/E multiples are sourced for similar companies operating in Australia and New Zealand.

Carrying amounts of cash-generating units are determined with reference to the Group's target equity for that business, which takes into account economic and regulatory capital levels and goodwill associated with that business.

Goodwill Allocation to the following Cash-Generating Units

	Group	
	2013	2012
	$M	$M
Retail Banking Services (1)	**4,149**	4,149
Business and Private Banking	**297**	297
Wealth Management (2)	**2,587**	2,587
New Zealand	**690**	672
Total	**7,723**	7,705

(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 acquisitions of Colonial and Count Financial Limited.

Note 16 Intangible Assets (continued)

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

	Group		Bank	
	2013	2012	2013	2012
	$M	$M	$M	$M
Goodwill				
Opening balance	**7,705**	7,399	**2,522**	2,522
Additions	**-**	232	**-**	-
Transfers	**-**	(5)	**-**	-
Foreign currency translation adjustments	**18**	79	**-**	-
Total goodwill	**7,723**	7,705	**2,522**	2,522
Computer Software Costs				
Opening balance	**1,700**	1,297	**1,601**	1,204
Additions:				
Through merger of banking licences	**-**	-	**10**	-
From purchases	**14**	24	**6**	7
From internal development [(1)]	**454**	562	**406**	540
Amortisation	**(245)**	(183)	**(216)**	(150)
Total computer software costs	**1,923**	1,700	**1,807**	1,601
Core Deposits				
Opening balance	**247**	317	**-**	-
Additions through merger of banking licences	**-**	-	**230**	-
Amortisation	**(70)**	(70)	**(53)**	-
Total core deposits	**177**	247	**177**	-
Management Fee Rights				
Opening balance	**316**	311	**-**	-
Transfers	**-**	5	**-**	-
Total management fee rights	**316**	316	**-**	-
Brand Names				
Opening balance	**190**	186	**-**	-
Additions through merger of banking licences	**-**	-	**186**	-
Additions	**-**	4	**-**	-
Total brand names	**190**	190	**186**	-
Other Intangibles				
Opening balance	**123**	93	**-**	-
Additions through merger of banking licences	**-**	-	**24**	-
Additions	**1**	52	**-**	-
Disposals	**(5)**	-	**-**	-
Amortisation	**(25)**	(22)	**(3)**	-
Total other intangibles	**94**	123	**21**	-

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

Note 17 Other Assets

	Group		Bank	
	2013	2012	2013	2012
	$M	$M	$M	$M
Accrued interest receivable	**2,145**	2,275	**2,705**	2,713
Accrued fees/reimbursements receivable	**1,155**	883	**154**	212
Securities sold not delivered	**1,414**	2,892	**955**	1,798
Intragroup current tax receivable	**-**	-	**207**	261
Current tax assets	**41**	52	**-**	-
Prepayments	**453**	375	**370**	289
Life insurance other assets	**425**	309	**41**	-
Other	**965**	731	**659**	599
Total other assets	**6,598**	7,517	**5,091**	5,872

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

Note 18 Assets Held for Sale

	Group		Bank	
	2013	2012	2013	2012
	$M	$M	$M	$M
Available-for-sale investments	**3**	12	**3**	12
Land and Buildings	**5**	2	**5**	2
Total assets held for sale	**8**	14	**8**	14

Note 19 Deposits and Other Public Borrowings

	Group		Bank	
	2013	2012	2013	2012
	$M	$M	$M	$M
Australia				
Certificates of deposit	**42,346**	45,839	**43,316**	46,997
Term deposits	**157,959**	152,543	**158,322**	127,640
On demand and short term deposits	**195,017**	176,866	**195,199**	157,328
Deposits not bearing interest	**8,891**	7,530	**8,891**	7,528
Securities sold under agreements to repurchase	**5,502**	5,245	**5,539**	5,258
Total Australia	**409,715**	388,023	**411,267**	344,751
Overseas				
Certificates of deposit	**6,238**	7,256	**6,157**	7,003
Term deposits	**26,881**	28,976	**7,536**	10,853
On demand and short term deposits	**14,464**	11,648	**233**	115
Deposits not bearing interest	**2,061**	1,752	**83**	91
Securities sold under agreements to repurchase	**70**	-	**-**	-
Total overseas	**49,714**	49,632	**14,009**	18,062
Total deposits and other public borrowings	**459,429**	437,655	**425,276**	362,813

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

Note 19 Deposits and Other Public Borrowings (continued)

Maturity Distribution of Certificates of Deposit and Term Deposits

	Maturing Three Months or Less $M	Maturing Between Three & Six Months $M	Maturing Between Six & Twelve Months $M	Maturing after Twelve Months $M	Total $M
					Group At 30 June 2013
Australia					
Certificates of deposit [1]	**20,635**	**7,495**	**563**	**13,653**	**42,346**
Term deposits	**103,853**	**19,560**	**27,384**	**7,162**	**157,959**
Total Australia	**124,488**	**27,055**	**27,947**	**20,815**	**200,305**
Overseas					
Certificates of deposit [1]	**2,797**	**2,835**	**539**	**67**	**6,238**
Term deposits	**15,344**	**5,326**	**4,260**	**1,951**	**26,881**
Total overseas	**18,141**	**8,161**	**4,799**	**2,018**	**33,119**
Total certificates of deposits and term deposits	**142,629**	**35,216**	**32,746**	**22,833**	**233,424**

	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
					Group At 30 June 2012
Australia					
Certificates of deposit [1] [2]	18,763	5,596	2,410	19,070	45,839
Term deposits	99,026	20,045	27,915	5,557	152,543
Total Australia	117,789	25,641	30,325	24,627	198,382
Overseas					
Certificates of deposit [1]	5,453	564	663	576	7,256
Term deposits	20,118	4,893	2,536	1,429	28,976
Total overseas	25,571	5,457	3,199	2,005	36,232
Total certificates of deposits and term deposits	143,360	31,098	33,524	26,632	234,614

(1) All certificates of deposit issued by the Group are for amounts greater than $100,000.
(2) Comparatives have been restated to conform to presentation in the current year.

Note 20 Liabilities at Fair Value through Income Statement

	Group 2013 $M	Group 2012 $M	Bank 2013 $M	Bank 2012 $M
Deposits and other borrowings [1]	**1,454**	1,298	**-**	-
Debt instruments [1]	**4,300**	2,775	**400**	699
Trading liabilities	**2,947**	2,482	**2,932**	2,482
Total liabilities at fair value through Income Statement	**8,701**	6,555	**3,332**	3,181

(1) These liabilities have been 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. For the Group, the majority of the other amounts are expected to be settled within twelve months of the Balance Sheet date. For the Bank, debt instruments are expected to be settled more than twelve months after the Balance Sheet date.

The change in fair value for those liabilities designated at fair value through Income Statement due to credit risk for the Group is an $11 million loss (2012: $26 million loss) and for the Bank is a $10 million loss (2012: $26 million loss), which has been calculated by determining the changes in credit spreads implicit in the fair value of the instruments issued. The cumulative change in fair value due to changes in credit risk for the Group is an $11 million gain (2012: $20 million gain) and for the Bank is a $10 million gain (2012: $20 million gain).

The amount that would be contractually required to be paid at maturity to the holders of the financial liabilities designated at fair value through Income Statement for the Group is $8,641 million (2012: $6,505 million) and for the Bank is $3,278 million (2012: $3,141 million).

Note 21 Tax Liabilities

		Group		Bank	
		2013	2012	2013	2012
	Note	$M	$M	$M	$M
Australia					
Current tax liability		**1,473**	1,518	**1,439**	1,520
Total Australia		**1,473**	1,518	**1,439**	1,520
Overseas					
Current tax liability		**56**	19	**1**	3
Deferred tax liability	5	**471**	338	**-**	-
Total overseas		**527**	357	**1**	3
Total tax liabilities		**2,000**	1,875	**1,440**	1,523

Note 22 Other Provisions

		Group		Bank	
		2013	2012	2013	2012
	Note	$M	$M	$M	$M
Long service leave		**445**	416	**412**	385
Annual leave		**223**	231	**180**	193
Other employee entitlements		**61**	71	**59**	68
Restructuring costs		**41**	74	**41**	38
General insurance claims		**159**	184	**-**	-
Self insurance/non-lending losses		**52**	53	**49**	49
Dividends	6	**65**	52	**65**	52
Other		**203**	143	**186**	117
Total other provisions		**1,249**	1,224	**992**	902

Maturity Distribution for Other Provisions

						Group
			2013			2012
	Due to be Settled Within 12 Months	Due to be Settled More than 12 Months	Total	Due to be Settled Within 12 Months	Due to be Settled More than 12 Months	Total
	$M	$M	$M	$M	$M	$M
Long service leave	**299**	**146**	**445**	282	134	416
Annual leave	**221**	**2**	**223**	229	2	231
Other employee entitlements	**2**	**59**	**61**	4	67	71
Restructuring costs	**34**	**7**	**41**	58	16	74
General insurance claims	**141**	**18**	**159**	160	24	184
Self insurance/non-lending losses	**13**	**39**	**52**	14	39	53
Dividends	**65**	**-**	**65**	52	-	52
Other	**156**	**47**	**203**	122	21	143
Total	**931**	**318**	**1,249**	921	303	1,224

Note 22 Other Provisions (continued)

						Bank
	2013			2012		
	Due to be Settled Within 12 Months	Due to be Settled More than 12 Months	Total	Due to be Settled Within 12 Months	Due to be Settled More than 12 Months	Total
	$M	$M	$M	$M	$M	$M
Long service leave	**289**	**123**	**412**	275	110	385
Annual leave	**180**	**-**	**180**	193	-	193
Other employee entitlements	**-**	**59**	**59**	-	68	68
Restructuring costs	**34**	**7**	**41**	38	-	38
General insurance claims	**-**	**-**	**-**	-	-	-
Self insurance/non-lending losses	**10**	**39**	**49**	9	40	49
Dividends	**65**	**-**	**65**	52	-	52
Other	**141**	**45**	**186**	99	18	117
Total	**719**	**273**	**992**	666	236	902

	Group		Bank	
	2013	2012	2013	2012
Reconciliation	$M	$M	$M	$M
Restructuring costs:				
Opening balance	**74**	121	**38**	56
Additions through merger of banking licences	**-**	-	**24**	-
Additional provisions	**7**	2	**7**	2
Amounts utilised during the year	**(40)**	(49)	**(28)**	(20)
Closing balance	**41**	74	**41**	38
General insurance claims:				
Opening balance	**184**	193	**-**	-
Additional provisions	**54**	140	**-**	-
Amounts utilised during the year	**(79)**	(149)	**-**	-
Closing balance	**159**	184	**-**	-
Self insurance/non-lending losses:				
Opening balance	**53**	49	**49**	45
Additions through merger of banking licences	**-**	-	**4**	-
Additional provisions	**11**	12	**7**	11
Amounts utilised during the year	**(5)**	(1)	**(4)**	-
Release of provision	**(7)**	(7)	**(7)**	(7)
Closing balance	**52**	53	**49**	49
Other:				
Opening balance	**143**	161	**117**	183
Additions through merger of banking licences	**-**	-	**16**	-
Additional provisions	**94**	180	**63**	76
Amounts utilised during the year	**(26)**	(173)	**(4)**	(63)
Release of provision	**(8)**	(25)	**(6)**	(79)
Closing balance	**203**	143	**186**	117

Provision Commentary

Restructuring Costs

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

General Insurance Claims

This provision is to cover future claims on general insurance contracts that have been incurred but not reported. The provision will be realised upon settlement of claims whose maturities were uncertain at the reporting date.

Self Insurance and Non-Lending Losses

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

Note 23 Debt Issues

		Group		Bank	
		2013	2012	2013	2012
	Note	$M	$M	$M	$M
Medium term notes		**71,039**	69,923	**64,813**	64,574
Commercial paper		**34,602**	34,142	**33,738**	26,315
Securitisation notes	47	**8,929**	7,858	**-**	-
Covered bonds	47	**18,238**	12,789	**16,740**	11,423
Total debt issues		**132,808**	124,712	**115,291**	102,312
Short Term Debt Issues by currency					
USD		**34,230**	28,437	**33,366**	26,143
EUR		**99**	99	**99**	-
AUD		**91**	181	**91**	103
GBP		**182**	5,305	**182**	30
Other currencies		**-**	120	**-**	39
Long term debt issues with less than one year to maturity		**20,116**	15,983	**15,707**	13,454
Total short term debt issues		**54,718**	50,125	**49,445**	39,769
Long Term Debt Issues by currency					
USD		**30,581**	31,017	**29,800**	29,814
EUR		**17,077**	12,492	**15,984**	11,280
AUD		**12,742**	13,035	**5,437**	6,464
GBP		**3,695**	2,071	**3,173**	1,729
NZD		**2,397**	2,715	**730**	472
JPY		**4,911**	7,018	**4,856**	6,956
Other currencies		**6,648**	6,195	**5,827**	5,784
Offshore loans (all JPY)		**39**	44	**39**	44
Total long term debt issues		**78,090**	74,587	**65,846**	62,543
Maturity Distribution of Debt Issues (1)					
Less than three months		**16,472**	24,586	**14,805**	17,910
Between three and twelve months		**38,246**	25,539	**34,640**	21,859
Between one and five years		**56,970**	54,863	**47,443**	45,739
Greater than five years		**21,120**	19,724	**18,403**	16,804
Total debt issues		**132,808**	124,712	**115,291**	102,312

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

The Bank's long term debt issues include notes issued under the: USD70 billion Euro Medium Term Note Program; the USD50 billion US Medium Term Note Program; the USD30 billion Covered Bond Program; the USD25 billion CBA New York Branch Medium Term Note Program; and other applicable debt documentation. 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.

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

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

Note 23 Debt Issues (continued)

Short Term Borrowings by Program [1]	2013	2012	2011
	Group		
	$M (except where indicated)		
Total			
Outstanding at year end [2]	**34,602**	34,142	36,121
Maximum amount outstanding at any month end [3]	**34,602**	39,242	36,121
Average amount outstanding [3]	**28,178**	36,721	27,941
US Commercial Paper Program			
Outstanding at year end [2]	**33,492**	26,471	26,810
Maximum amount outstanding at any month end [3]	**33,492**	30,998	26,810
Average amount outstanding [3]	**25,515**	28,292	20,520
Weighted average interest rate on:			
Average amount outstanding	**0.3%**	0.4%	0.4%
Outstanding at year end	**0.3%**	0.4%	0.3%
Euro Commercial Paper Program			
Outstanding at year end [2]	**1,110**	7,671	9,311
Maximum amount outstanding at any month end [3]	**6,642**	9,472	9,311
Average amount outstanding [3]	**2,663**	8,415	7,377
Weighted average interest rate on:			
Average amount outstanding	**0.6%**	0.8%	1.3%
Outstanding at year end	**0.5%**	0.7%	1.0%
Domestic Commercial Paper Program			
Outstanding at year end [2]	**-**	-	-
Maximum amount outstanding at any month end [3]	**-**	150	80
Average amount outstanding [3]	**1**	14	44
Weighted average interest rate on:			
Average amount outstanding	**-**	-	5.1%
Outstanding at year end	**-**	-	-

(1) Comparatives have been restated to conform to presentation in the current year, which is now presenting short term borrowings by program, previously they were presented by issue currency.

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

(3) 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 [1]	Currency	As At 30 June 2013	As At 30 June 2012
AUD 1.00 =	USD	**0.9268**	1.0181
	EUR	**0.7098**	0.8079
	GBP	**0.6076**	0.6509
	NZD	**1.1860**	1.2756
	JPY	**91.5647**	80.9160

(1) End of day, Sydney time.

Note 23 Debt Issues (continued)

Guarantee Arrangements

Commonwealth Bank of Australia

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

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

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

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

Existing guaranteed debt issued by the Bank remains guaranteed until maturity, unless redeemed earlier.

The Financial Claims Scheme (also known as the Australian Government Deposit Guarantee), which is administered by the Australian Prudential Regulation Authority, guarantees deposits denominated in Australian dollars held in a specified range of deposit accounts with the Bank for balances per account-holder totalling up to $250,000. Deposits and Other Public Borrowings are set out in Note 19.

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, 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.

Note 24 Bills Payable and Other Liabilities

		Group		Bank	
		2013	2012	2013	2012
	Note	$M	$M	$M	$M
Bills payable		861	773	823	696
Accrued interest payable		3,252	3,411	2,559	2,677
Accrued fees and other items payable		2,186	1,872	1,464	1,200
Defined benefit superannuation plan deficit	41	202	464	202	464
Securities purchased not delivered		1,275	1,175	802	694
Amortised receipts		820	745	485	428
Life insurance other liabilities and claims payable		298	324	62	40
Other		1,156	797	7,282	3,178
Total bills payable and other liabilities		**10,050**	9,561	**13,679**	9,377

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

Note 25 Loan Capital

		Currency Amount (M)	Footnotes	Group 2013 $M	Group 2012 $M	Bank 2013 $M	Bank 2012 $M
Tier One Loan Capital							
Undated	FRN	USD 100	(1)	**108**	98	**108**	98
Undated	TPS	USD 550	(2)	**593**	540	**593**	540
Undated	PERLS III	AUD 1,166	(3)	**1,160**	1,158	**1,160**	1,158
Undated	PERLS IV	AUD 1,465	(4)	**-**	1,463	**-**	1,463
Undated	PERLS V	AUD 2,000	(5)	**1,991**	1,985	**1,988**	1,980
Undated	PERLS VI	AUD 2,000	(6)	**1,979**	-	**1,979**	-
Undated	TPS	USD 700	(7)	**-**	-	**755**	684
Total Tier One Loan Capital				**5,831**	5,244	**6,583**	5,923
Tier Two Loan Capital							
AUD denominated			(8)	**799**	800	**799**	800
USD denominated			(9)	**377**	344	**377**	344
JPY denominated			(10)	**648**	927	**648**	801
GBP denominated			(11)	**246**	229	**246**	229
NZD denominated			(12)	**-**	559	**-**	274
EUR denominated			(12)	**1,404**	1,233	**1,404**	1,233
CAD denominated			(12)	**-**	288	**-**	288
Total Tier Two Loan Capital				**3,474**	4,380	**3,474**	3,969
Fair value hedge adjustments				**382**	398	**380**	331
Total Loan Capital				**9,687**	10,022	**10,437**	10,223

As at the reporting date, there are no securities of the Group or the Bank that are contractually due for redemption in the next twelve months (note the Group has the right to call some securities earlier than the contractual maturity date).

(1) USD100 million Floating Rate Notes

On 15 October 1986, the State Bank of Victoria issued USD100 million of floating rate notes. The floating rate notes are perpetual but were able to be redeemed from October 1991. They were assigned to the Bank on 1 January 1991.

The Bank entered into an agreement with the Commonwealth of Australia on 31 December 1991 which provides that, if certain events occur, the Bank may either issue CBA ordinary shares to the Commonwealth of Australia, or (with the consent of the Commonwealth of Australia) conduct a renounceable rights issue for CBA ordinary shares to all shareholders. The capital raised must be used to pay any amounts due and payable on the floating rate notes.

The floating rate notes were issued into the international markets and are subject to English law. They qualify as Additional Tier One Capital of the Bank under the Basel III transitional arrangements for capital instruments as implemented by APRA.

(2) TPS 2003

On 6 August 2003, a wholly owned entity of the Bank (CBA Capital Trust) issued USD550 million of Trust Preferred Securities (TPS 2003). TPS 2003 may be redeemed for cash on 30 June 2015 and, if not redeemed, CBA Capital Trust will be required to exchange TPS 2003 for CBA ordinary shares.

TPS 2003 were issued into the US capital markets and are subject to Delaware law. They qualify as Additional Tier One Capital of the Bank under the Basel III transitional arrangements for capital instruments as implemented by APRA.

(3) PERLS III

On 6 April 2006, a wholly owned entity of the Bank (Preferred Capital Limited or "PCL") issued $1,166 million of Perpetual Exchangeable Repurchaseable Listed Shares (PERLS III). PERLS III are preference shares which may be exchanged for CBA ordinary shares or $200 cash each (or a combination of both) on 6 April 2016. If PCL does not elect to exchange PERLS III, the margin on the distributions payable on PERLS III will increase by 1.00% per annum. PERLS III will automatically be exchanged for CBA preference shares no later than 10 Business Days prior to 6 April 2046.

PERLS III are listed on the ASX and are subject to New South Wales law. They qualify as Additional Tier One Capital of the Bank under the Basel III transitional arrangements for capital instruments as implemented by APRA.

(4) PERLS IV

On 12 July 2007, the Bank issued $1,465 million of Perpetual Exchangeable Resaleable Listed Securities (PERLS IV). PERLS IV were stapled securities comprising an unsecured subordinated note issued by the Bank's New York branch and a preference share issued by the Bank.

All PERLS IV were bought back by the Bank during the year and subsequently cancelled.

(5) PERLS V

On 14 October 2009, the Bank issued $2,000 million of Perpetual Exchangeable Resaleable Listed Securities (PERLS V). PERLS V are stapled securities comprising an unsecured subordinated note issued by the Bank's New Zealand branch and a preference share issued by the Bank. PERLS V may be resold to a third party or repurchased for $200 cash each on 31 October 2014 and, if not resold or repurchased, the Bank will be required to convert PERLS V into CBA ordinary shares.

PERLS V are listed on the ASX and are subject to New South Wales law. They qualify as Additional Tier One Capital of the Bank under the Basel III transitional arrangements for capital instruments as implemented by APRA.

(6) PERLS VI

On 17 October 2012, the Bank issued $2,000 million of Perpetual Exchangeable Resaleable Listed Securities (PERLS VI). PERLS VI are unsecured subordinated notes. PERLS VI may be redeemed or resold to a third party for $100 cash each on 15 December 2018 and, if not redeemed or resold, the Bank will be required to exchange PERLS VI for CBA ordinary shares on 15 December 2020.

Note 25 Loan Capital (continued)

PERLS VI are listed on the ASX and are subject to New South Wales law. They qualify as Additional Tier One Capital of the Bank under Basel III as implemented by APRA.

(7) TPS 2006

On 15 March 2006, a wholly owned entity of the Bank (CBA Capital Trust II) issued USD700 million of Trust Preferred Securities (TPS 2006) which may be redeemed for cash, CBA Tier One Capital securities or CBA preference shares on 15 March 2016. If CBA Capital Trust II does not elect to redeem TPS 2006, the fixed distribution rate payable on TPS 2006 will change to a floating distribution rate. TPS 2006 will automatically be exchanged for CBA preference shares on 15 March 2056.

TPS 2006 were issued into the US capital markets and are subject to Delaware law. They qualify as Additional Tier One Capital under the Basel III transitional arrangements for capital instruments as implemented by APRA.

(8) AUD denominated Tier Two Loan Capital issuances

- $275 million extendible floating rate notes, issued December 1989, due December 2014;
- $25 million subordinated floating rate notes, issued April 1999, due April 2029; and
- $500 million subordinated floating rate notes, issued September 2008, due September 2018.

(9) USD denominated Tier Two Loan Capital issuances

- USD350 million subordinated fixed rate notes, issued June 2003, due June 2018.

(10) JPY denominated Tier Two Loan Capital issuances

- JPY20 billion perpetual subordinated EMTN (Euro Medium Term Notes), issued February 1999;
- JPY30 billion subordinated EMTN, issued October 1995, due October 2015; and
- JPY9 billion perpetual subordinated notes, issued May 1996.

(11) GBP denominated Tier Two Loan Capital issuances

- GBP150 million subordinated EMTN, issued June 2003, due December 2023.

(12) Other currencies Tier Two Loan Capital issuances

- NZD350 million redeemable preference shares, issued May 2005, due April 2015.

  On 18 May 2005, a wholly owned entity of the Bank (CBA Capital Australia Limited) issued NZD350 million redeemable preference shares. The redeemable preference shares are to be redeemed or repurchased by CBA Capital Australia Limited on 15 April 2015.

  The redeemable preference shares are listed on the New Zealand Stock Exchange and are subject to New South Wales law. They qualified as Tier Two Capital of the Bank until 15 April 2013.
- EUR1,000 million subordinated notes, issued August 2009, due August 2019; and
- CAD300 million subordinated notes, issued October 2007, redeemed October 2012.

All Tier Two Capital securities (other than the NZD and CAD securities) qualify as Tier Two Capital under the Basel III transitional arrangements for capital instruments as implemented by APRA.

Note 26 Shareholders' Equity

	Note	Group 2013 $M	Group 2012 $M	Bank 2013 $M	Bank 2012 $M
Ordinary Share Capital (1)					
Opening balance		**25,175**	23,602	**25,498**	23,896
Issue of shares (2)		**193**	237	**193**	237
Dividend reinvestment plan (net of issue costs) (3)		**929**	1,363	**928**	1,363
Exercise of executive options under employee share ownership schemes		**-**	2	**-**	2
Purchase of treasury shares (4)		**(664)**	(96)	**-**	-
Sale and vesting of treasury shares (4)		**690**	67	**-**	-
Closing balance	27	**26,323**	25,175	**26,619**	25,498
Other Equity Instruments (1)					
Opening balance		**939**	939	**1,895**	1,895
Closing balance	27	**939**	939	**1,895**	1,895
Retained Profits					
Opening balance		**13,356**	11,826	**10,734**	9,593
Additions through merger of banking licences		**-**	-	**919**	-
Actuarial gains and losses from defined benefit superannuation plans		**311**	(223)	**311**	(223)
Realised gains and dividend income on treasury shares (1)		**29**	13	**-**	-
Operating profit attributable to Equity holders of the Bank		**7,677**	7,090	**7,292**	6,461
Total available for appropriation		**21,373**	18,706	**19,256**	15,831
Transfers from/(to) general reserve		**436**	(223)	**(3)**	-
Transfers from capital reserve		**355**	-	**352**	-
Transfers from employee compensation reserve		**-**	(1)	**-**	(1)
Interim dividend - cash component		**(2,639)**	(1,635)	**(2,639)**	(1,635)
Interim dividend - dividend reinvestment plan		**-**	(531)	**-**	(531)
Final dividend - cash component		**(2,207)**	(2,099)	**(2,207)**	(2,099)
Final dividend - dividend reinvestment plan (3)		**(930)**	(831)	**(930)**	(831)
Other dividends (5)		**(28)**	(30)	**-**	-
Closing balance		**16,360**	13,356	**13,829**	10,734

(1) Refer to Note 27.

(2) During the year the number of shares issued included the acquisition of an additional 47% interest in Aussie Home Loans Pty Limited. During the prior year the Group acquired 100% of the issued share capital of Count Financial Limited partly funded by the issue of ordinary shares.

(3) The determined dividend includes an amount attributable to Dividend Reinvestment Plan (DRP) of $930 million (final 2011/2012) with $929 million ordinary shares being issued under plan rules which include the carry forward of DRP balance from previous dividends.

(4) Relates to the on market purchase of shares to satisfy the interim DRP and the movement in treasury shares held within Life Insurance Statutory Funds and the employee share scheme trust.

(5) Dividends relating to equity instruments on issue other than ordinary shares.

The balances disclosed above include a share of associates and joint ventures' other comprehensive income of $1 million for the year ended 30 June 2013 (2012: $7 million).

Note 26 Shareholders' Equity (continued)

Reserves	Group 2013 $M	Group 2012 $M	Bank 2013 $M	Bank 2012 $M
General Reserve				
Opening balance	**1,201**	978	**570**	570
Appropriation (to)/from retained profits	**(436)**	223	**3**	-
Closing balance	**765**	1,201	**573**	570
Capital Reserve				
Opening balance	**351**	328	**1,594**	1,576
Additions through merger of banking licences	**-**	-	**8**	-
Revaluation surplus on sale of property	**4**	23	**4**	18
Transfer to retained profits	**(355)**	-	**(352)**	-
Closing balance	**-**	351	**1,254**	1,594
Asset Revaluation Reserve				
Opening balance	**195**	191	**150**	163
Additions through merger of banking licences	**-**	-	**10**	-
Revaluation of properties	**4**	32	**9**	5
Transfers on sale of properties	**(4)**	(23)	**(4)**	(18)
Tax on revaluation of properties	**(1)**	(5)	**(1)**	-
Closing balance	**194**	195	**164**	150
Foreign Currency Translation Reserve				
Opening balance	**(893)**	(1,083)	**(260)**	(330)
Currency translation adjustments of foreign operations	**489**	199	**93**	76
Currency translation on net investment hedge	**(13)**	3	**(11)**	4
Tax on translation adjustments	**(10)**	(12)	**-**	(10)
Closing balance	**(427)**	(893)	**(178)**	(260)
Cash Flow Hedge Reserve				
Opening balance	**644**	(402)	**587**	(387)
Additions through merger of banking licences	**-**	-	**189**	-
Gains and losses on cash flow hedging instruments:				
Recognised in other comprehensive income	**(575)**	730	**(619)**	847
Transferred to Income Statement:				
Interest income	**(1,046)**	(354)	**(862)**	(254)
Interest expense	**1,272**	1,112	**1,091**	796
Tax on cash flow hedging instruments	**73**	(442)	**122**	(415)
Closing balance	**368**	644	**508**	587
Employee Compensation Reserve				
Opening balance	**136**	135	**136**	135
Current period movement	**(4)**	1	**(4)**	1
Closing balance	**132**	136	**132**	136
Available-for-Sale Investments Reserve				
Opening balance	**(63)**	245	**(45)**	237
Net gains and losses on revaluation of available-for-sale investments	**553**	(349)	**365**	(315)
Net gains and losses on available-for-sale investments transferred to Income Statement on disposal	**(31)**	(81)	**(31)**	(86)
Tax on available-for-sale investments	**(158)**	122	**(101)**	119
Closing balance	**301**	(63)	**188**	(45)
Total Reserves	**1,333**	1,571	**2,641**	2,732
Shareholders' Equity attributable to Equity holders of the Bank	**44,955**	41,041	**44,984**	40,859
Shareholders' Equity attributable to Non-controlling interests	**537**	531	**-**	-
Total Shareholders' Equity	**45,492**	41,572	**44,984**	40,859

Note 27 Share Capital

Ordinary Share Capital

Issued and paid up ordinary capital	Group 2013 $M	Group 2012 $M	Bank 2013 $M	Bank 2012 $M
Ordinary Share Capital				
Opening balance (excluding treasury shares deduction)	**25,498**	23,896	**25,498**	23,896
Issue of shares (1)	**193**	237	**193**	237
Dividend reinvestment plan: Final dividend prior year (2)	**929**	832	**928**	832
Dividend reinvestment plan: Interim dividend (3) (4)	**-**	531	**-**	531
Exercise of executive options under employee share ownership schemes	**-**	2	**-**	2
Closing balance (excluding treasury shares deduction)	**26,620**	25,498	**26,619**	25,498
Less: treasury shares (5)	**(297)**	(323)	**-**	-
Closing balance	**26,323**	25,175	**26,619**	25,498

(1) During the year the number of shares issued included the acquisition of an additional 47% interest in Aussie Home Loans Pty Limited. During the prior year the Group acquired 100% of the issued share capital of Count Financial Limited partly funded by the issue of ordinary shares.
(2) The determined dividend includes an amount attributable to DRP of $930 million (final 2011/2012) and $831 million (final 2010/2011) with $929 million and $832 million ordinary shares being issued under plan rules, which include the carry forward of DRP balance from previous dividends.
(3) The DRP in respect of 2012/2013 interim dividend was satisfied in full through the on market purchase and transfer of $596 million of shares to participating shareholders.
(4) The gross dividend entitlement in respect of DRP for the 2011/2012 interim dividend was $531 million, with $531 million ordinary shares issued under plan rules.
(5) Relates to treasury shares held within Life Insurance Statutory Funds and the employee share scheme trust.

Number of shares on issue	Group 2013 Shares	Group 2012 Shares	Bank 2013 Shares	Bank 2012 Shares
Opening balance (excluding treasury shares deduction)	**1,592,154,780**	1,558,637,244	**1,592,154,780**	1,558,637,244
Issue of shares (1)	**2,747,995**	5,042,949	**2,747,995**	5,042,949
Dividend reinvestment plan issues:				
2010/2011 Final dividend fully paid ordinary shares $47.48	**-**	17,524,300	**-**	17,524,300
2011/2012 Interim dividend fully paid ordinary shares $48.81	**-**	10,874,187	**-**	10,874,187
2011/2012 Final dividend fully paid ordinary shares $54.54	**17,026,061**	-	**17,026,061**	-
2012/2013 Interim dividend fully paid ordinary shares $68.76 (2)	**-**	-	**-**	-
Exercise of executive options under employee share ownership schemes	**-**	76,100	**-**	76,100
Closing balance (excluding treasury shares deduction)	**1,611,928,836**	1,592,154,780	**1,611,928,836**	1,592,154,780
Less: Treasury Shares (3)	**(6,076,006)**	(6,874,405)	**-**	-
Closing balance	**1,605,852,830**	1,585,280,375	**1,611,928,836**	1,592,154,780

(1) During the year the number of shares issued included the acquisition of an additional 47% interest in Aussie Home Loans Pty Limited. During the prior year the Group acquired 100% of the issued share capital of Count Financial Limited partly funded by the issue of ordinary shares.
(2) The DRP in respect of the 2012/2013 interim dividend was satisfied in full through the on market purchase and transfer of 8,662,389 shares to participating shareholders.
(3) Relates to treasury shares held within the Life Insurance Statutory Funds and the employees share scheme trust.

Ordinary shares have no par value and the Company does not have a limited amount of share capital.

Ordinary shares entitle holders to receive dividends payable to ordinary shareholders and to participate in the proceeds available to ordinary shareholders on winding up of the Company in proportion to the number of fully paid ordinary shares held.

On a show of hands every holder of fully paid ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll one vote for each share held.

Other Equity Instruments

Other equity instruments	Group 2013 $M	Group 2012 $M	Bank 2013 $M	Bank 2012 $M
Issued and paid up	**939**	939	**1,895**	1,895
	Shares	**Shares**	**Shares**	**Shares**
Number of shares	**700,000**	700,000	**1,400,000**	1,400,000

Trust Preferred Securities 2006

On 15 March 2006, a wholly owned entity of the Bank (CBA Capital Trust II) issued USD700 million of Trust Preferred Securities (TPS 2006) into the US capital markets. They qualify as Additional Tier One Capital under the Basel III transitional arrangements for capital instruments as implemented by APRA.

A related instrument was issued by the Bank to a subsidiary for $956 million and eliminates on consolidation.

Note 27 Share Capital (continued)

Dividends

The Directors have declared a fully franked final dividend of 200 cents per share amounting to $3,224 million. The dividend will be payable on 3 October 2013 to shareholders on the register at 5pm EST on 23 August 2013.

The Board determines the dividends based on the Group's net profit after tax ("cash basis") per share, having regard to a range of factors including:

- Current and expected rates of business growth and the mix of business;
- Capital needs to support economic, regulatory and credit ratings requirements;
- Investments and/or divestments to support business development;
- Competitors comparison and market expectation; and
- Earnings per share growth.

Dividends Paid since the End of the Previous Financial Year

- A fully franked final dividend of 197 cents per share amounting to $3,137 million was paid on 5 October 2012. The payment comprised cash disbursements of $2,207 million with $930 million being reinvested by participants through the DRP; and
- A fully franked interim dividend of 164 cents per share amounting to $2,639 million was paid on 5 April 2013. The payment fully comprised cash disbursements of $2,041 million. The DRP was satisfied in full by the on market purchase of shares.

Dividend Reinvestment Plan

The Bank expects the DRP for the final dividend for the year ended 30 June 2013 will be satisfied in full by an on market purchase of shares of approximately $806 million.

Record Date

The register closes for determination of dividend entitlement and for participation in the DRP at 5pm EST on 23 August 2013 at Link Market Services Limited, Locked Bag A14, Sydney South, 1235.

Ex-dividend Date

The ex-dividend date is 19 August 2013.

Note 28 Share Based Payments

The Group operates a number of cash and equity settled share plans as detailed below.

Employee Share Acquisition Plan

Under the Employee Share Acquisition Plan (ESAP), eligible employees have the opportunity to receive up to $1,000 worth of shares each year (at no cost to them) if the Group meets the required performance hurdles.

To be eligible for an award each employee must achieve a minimum level of performance and service. The value of the shares an individual receives is determined by the Group's performance against a hurdle. The performance hurdle is growth in the Group's net profit after tax ("cash basis") of greater than 5%. If the hurdle is not met, the Board has discretion to determine whether a full award, a partial award or no award is made.

The number of shares a participant receives is calculated by dividing the award amount by the average price paid for Bank shares purchased during the purchase period preceding the grant date. Shares granted are restricted from sale until the earlier of three years or until such time as the participant ceases employment with the Group. Participants receive full dividend entitlements and voting rights attached to those shares. While the Group did not achieve the performance target for the 2012 financial year, the Board exercised its discretion and approved a partial grant of $800 worth of shares to each eligible employee in recognition of their contribution to the Group's results in a difficult economic environment.

The following table provides details of shares granted under the ESAP during the current and previous financial years ended 30 June.

Period	Allocation date	Participants	Number of shares allocated by participant	Total number of shares allocated	Issue price $	Total fair value $
2013	14 Sep 2012	29,921	14	418,894	54.79	22,951,202
2012	9 Sep 2011	27,465	21	576,765	46.91	27,056,046

It is estimated that approximately $34.0 million of ordinary shares will be purchased on market at the prevailing market price for the 2013 grant.

International Employee Share Acquisition Plan

A limited number of employees receive cash-based versions of ESAP under the International Employee Share Acquisition Plan (IESAP). Like the ESAP, eligible employees can receive an award up to $1,000 determined by the Group's performance against a hurdle. The performance hurdle is the same as that which applies to ESAP. To be eligible for an award each employee must achieve a minimum level of performance and service. Under IESAP participants receive grants of performance units, which are monetary units with a value linked to the Bank's share price.

A total of $0.5 million has been expensed during the year (2012: $1.1 million) in respect of this plan.

Note 28 Share Based Payments (continued)

Employee Share Plan

The Employee Share Plan (ESP) facilitates mandatory short term incentive (STI) deferral, sign-on incentives and retention awards.

Under the ESP, shares awarded generally vest when the participant remains in employment of the Group until the vesting date. The Group purchases fully paid ordinary shares and holds these in trust until such time as the vesting conditions are met. ESP shares receive full dividend and voting rights. Participants may direct the Trustee on how the voting rights are to be exercised during the vesting period. Dividends accrue in the trust and are paid to participants upon vesting of the shares. Where a participant does not satisfy the vesting conditions, shares and dividend rights are forfeited.

The following table provides details of outstanding awards of shares granted under the ESP.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June
July 2010 - June 2011	612,699	-	(104,199)	(6,063)	502,437
July 2011 - June 2012	1,022,190	-	(167,615)	(71,633)	782,942
July 2012 - June 2013	-	827,482	(35,956)	(14,961)	776,565
Total 2013	1,634,889	827,482	(307,770)	(92,657)	2,061,944
Total 2012	772,268	1,108,959	(179,273)	(67,065)	1,634,889

The weighted average fair value at grant date of shares awarded during the year was $54.82 (2012: $48.32). A total of $41.5 million has been expensed during the year (2012: $35.7 million) in respect of this plan.

Employee Share (Performance Unit) Plan

A limited number of employees receive awards under a cash-based version of ESP through the Employee Share (Performance Unit) Plan (ESPUP). The ESPUP facilitates mandatory STI deferral, sign-on incentives and retention awards. Under the ESPUP participants receive grants of performance units, which are monetary units with a value linked to the Bank's share price. Performance units generally vest when the participant remains employed by the Group until the vesting date.

On meeting the vesting conditions, a cash payment is made to the participant, the value of which is determined based on the Bank's share price upon vesting plus an accrued dividend value. The following table provides details of outstanding awards of performance units granted under the ESPUP.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June
July 2010 - June 2011	63,943	-	(22,787)	(1,869)	39,287
July 2011 - June 2012	95,347	-	(33,914)	(4,827)	56,606
July 2012 - June 2013	-	79,634	(26,271)	(3,042)	50,321
Total 2013	159,290	79,634	(82,972)	(9,738)	146,214
Total 2012	95,643	138,982	(74,427)	(908)	159,290

The weighted average fair value at grant date of performance units issued during the year was $54.63 (2012: $46.45). A total of $7.4 million has been expensed during the year (2012: $6.9 million) in respect of this plan.

Group Employee Rights Plan

The Group Employee Rights Plan (GERP) facilitates the mandatory STI deferral, sign-on incentives and retention awards for executives of selected subsidiary companies. Under the GERP, participants receive a right to a share which is subject to vesting conditions. Rights awarded generally vest when the participant remains in employment of the Group until the vesting date. The following table provides details of outstanding awards of rights granted under GERP.

Allocation period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June
July 2009 - June 2010	6,587	-	(6,587)	-	-
July 2010 - June 2011	17,860	-	(979)	(1,047)	15,834
July 2011 - June 2012	35,496	-	(3,949)	(1,603)	29,944
July 2012 - June 2013	-	34,400	(2,962)	(2,081)	29,357
Total 2013	59,943	34,400	(14,477)	(4,731)	75,135
Total 2012	31,089	39,134	(4,482)	(5,798)	59,943

The weighted average fair value at grant date of rights issued during the year was $54.74 (2012: $48.08). A total of $1.5 million has been expensed during the year (2012: $1.0 million) in respect of this plan.

Employee Salary Sacrifice Share Plan

Under the Employee Salary Sacrifice Share Plan (ESSSP), Australian-based employees can elect to receive between $2,000 and $5,000 of their fixed remuneration and/or annual STI as Bank shares. Shares are purchased on market at the current market price and are restricted from sale for a minimum of two years and a maximum of seven years or earlier, if the employee ceases employment with the Group. Shares receive full dividend entitlements and voting rights.

Note 28 Share Based Payments (continued)

The following table provides details of shares granted under the ESSSP.

Period	Participants	Number of shares purchased	Average share price $	Total purchase consideration $
2013	477	17,965	59.86	1,075,390
2012	227	14,314	49.33	706,109

Equity Participation Plan

The Equity Participation Plan (EPP) facilitated the partial deferral of executives STI payments, together with sign-on and retention awards. Shares generally vest to participants when they remain in employment of the Group until the vesting date. The Group purchased fully paid ordinary shares and holds these in trust until such time as the vesting conditions are met. Shares receive full dividend and voting rights. Participants may direct the Trustee on how the voting rights are to be exercised during the vesting period. Dividends accrue in the trust and are paid to participants upon vesting of the shares. Where a participant does not satisfy the vesting conditions, shares and dividend rights are forfeited. The EPP was closed to new offers in the 2010 financial year.

The following table provides details of outstanding awards of shares granted under the mandatory component of EPP.

Allocation period	Outstanding 1 July	Granted	Vested and Released	Forfeited	Outstanding 30 June
July 2002 - June 2003	23,315	-	(23,315)	-	-
July 2003 - June 2004	27,678	-	(4,216)	-	23,462
July 2004 - June 2005 (1)	23,796	-	(5,707)	-	18,089
July 2007 - June 2008	27,150	-	(4,279)	-	22,871
July 2008 - June 2009	48,344	-	(28,244)	-	20,100
July 2009 - June 2010	536,117	-	(519,365)	-	16,752
Total 2013	686,400	-	(585,126)	-	101,274
Total 2012	1,446,306	-	(735,345)	(24,561)	686,400

(1) No awards were allocated from July 2005 to June 2007.

A total of $0.04 million has been expensed during the year (2012: $11.0 million).

Equity Participation (Performance Unit) Plan

A limited number of employees received cash-based versions of EPP through the Equity Participation (Performance Unit) Plan (EPPUP). The EPPUP was closed to new offers in the 2010 financial year.

Under the EPPUP, participants received grants of performance units, which are monetary units with a value linked to the Bank's share price. The EPPUP performance units generally vest when the participant remains employed by the Group until the vesting date. On meeting the vesting conditions, a cash payment is made to the participant, the value of which is determined based on the Bank's share price upon vesting plus an accrued dividend value.

The following table provides details of outstanding awards of performance units granted under the EPPUP.

Allocation period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June
July 2009 - June 2010	43,383	-	(43,383)	-	-
Total 2013	43,383	-	(43,383)	-	-
Total 2012	58,973	-	(15,590)	-	43,383

Due to the vesting price of performance units being lower than the grant price, a $0.1 million gain (2012: $1.0 million loss) has been recognised during the year.

Group Leadership Reward Plan

The Group Leadership Reward Plan (GLRP) is the Group's long term incentive plan for the CEO and Group Executives. The GLRP focuses on driving performance and shareholder alignment in the longer term.

Under the GLRP, participants are awarded a maximum number of Reward Rights that may vest at the end of a performance period of up to four years subject to the satisfaction of performance hurdles. Each Reward Right that vests entitles the participant to receive one ordinary Bank share. The Board has discretion to apply a cash equivalent.

Vesting is subject to the satisfaction of certain performance hurdles as follows.

For the award made during the 2010 financial year:

- 50% of the award assessed against Customer Satisfaction compared to a set peer group; and
- 50% of the award assessed against Total Shareholder Return (TSR) compared to a set peer group.

For awards made from the 2011 financial year onwards:

- 25% of the award assessed against Customer Satisfaction compared to a set peer group; and
- 75% of the award assessed against TSR compared to a set peer group.

The Customer Satisfaction peer group consists of the ANZ, NAB, St George (FY10 award only), Westpac and other key competitors.

Note 28 Share Based Payments (continued)

Group Leadership Reward Plan (continued)

The TSR peer group for all awards comprises the 20 largest companies listed on the ASX (by market capitalisation) at the beginning of each respective performance period, excluding resource companies and CBA.

Customer satisfaction is determined by the Board with reference to independent external surveys, and TSR is measured independently.

The Board applies a scale when determining the portion of each award to vest at the end of the performance period as follows:

- For the 2010 financial year award, the portion of the award assessed against Customer Satisfaction that will vest is: 100% if CBA is ranked 1st, 75% if CBA is ranked 2nd, and 50% if CBA is ranked 3rd at the end of the performance period, with no vesting below this level.
- For the 2011 and 2012 financial year awards, the portion of the awards assessed against Customer Satisfaction that will vest is: 100% if CBA is ranked 1st across three surveys, 75% if CBA is ranked 1st across two surveys, and 50% if CBA is ranked 2nd across the three surveys at the end of the performance period. The Board will exercise discretion where CBA's Customer Satisfaction has improved over the performance period, but in a different combination. Where the Board determines that the overall performance is worse at the end of the performance period than at the beginning, none of this portion will vest.
- For the 2013 financial year award, the portion of the award assessed against Customer Satisfaction that will vest is: 100% where the weighted average ranking for CBA over the performance period is 1st (i.e. 1.00), 50% where CBA's weighted average ranking is 2nd and vesting on a sliding scale between 100% and 50% on a pro-rata straight line basis if CBA's weighted average ranking is between 1st and 2nd (i.e. between 1.00 and 2.00). No Reward Rights in this part of the award will vest if CBA's weighted average ranking is lower than 2nd (i.e. above 2.00).

For the portion of the awards assessed against TSR performance, full vesting applies where CBA is ranked in the top quartile of the peer group at the end of the performance period, 50% will vest if CBA is ranked at the median, with vesting on a sliding scale between the median and 75th percentile. No Reward Rights in this part of the award will vest if the Group's TSR is ranked below the median of the peer group. The total number of Reward Rights that vest will be the aggregate of rights that vest against the Customer Satisfaction and the TSR hurdles at the end of the performance period.

For the introductory year (2009), the awards under the GLRP were split into two tranches, with 50% allocated as a transitional three year performance period and 50% allocated with a four year performance period. This transitional award reflects the move from the Group's previous long term incentives arrangements that measured performance over a three year period. The transitional award was subject to the same performance hurdles as the four year award. The transitional award reached the end of its performance period on 30 June 2012 and in line with the plan rules 87.50% of the awarded rights vested.

The following table provides details of outstanding awards of performance rights granted under the GLRP.

Performance period start date	Performance test date	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June
1 July 2009	30 June 2012	370,297	-	(312,931)	(57,366)	-
1 July 2009	30 June 2013	523,919	-	-	(47,471)	476,448
1 July 2010	30 June 2014	388,412	-	-	(34,446)	353,966
1 July 2011	30 June 2015	416,986	-	-	(38,927)	378,059
1 July 2012	30 June 2016	-	446,281	-	-	446,281
Total 2013		1,699,614	446,281	(312,931)	(178,210)	1,654,754
Total 2012		1,282,628	416,986	-	-	1,699,614

The weighted average fair value at the grant date of all Reward Rights issued during the year was $53.86 per right (2012: $36.13). The fair value of TSR hurdled Reward Rights granted during the period has been independently calculated at grant date using a Monte-Carlo pricing model. The assumptions included in the valuation of the 2013 financial year award includes a risk free interest rate ranging from 3.04% to 3.22%, a nil dividend yield on the Bank's ordinary shares and a volatility in the Bank share price of 20.0%. The fair value for customer satisfaction hurdled Reward Rights granted during the period is the closing price of Bank shares on the grant date.

A total of $12.9 million has been expensed in the current year (2012: $18.8 million) for GLRP.

Equity Reward Plan

The Equity Reward Plan (ERP) was the Group's long term incentive plan for executives until the final grants were made in 2006. Under the ERP executives could receive awards of shares or options.

The final ERP award reached the end of its performance period during the 2010 financial year. Vested awards may remain in the ERP for up to 10 years from the date they are granted, and are subject to holding locks during that period.

The following table provides details of outstanding awards of shares granted under the ERP.

Allocation period	Outstanding 1 July	Granted	Released	Forfeited	Outstanding 30 June
July 2002 - June 2003	1,650	-	(1,650)	-	-
July 2003 - June 2004	15,500	-	(3,000)	-	12,500
July 2004 - June 2005	13,500	-	(3,000)	-	10,500
July 2005 - June 2006	32,780	-	(2,000)	-	30,780
July 2006 - June 2007	38,900	-	(3,900)	-	35,000
Total 2013	102,330	-	(13,550)	-	88,780
Total 2012	209,590	-	(107,260)	-	102,330

No amount has been expensed in the current or prior year.

Note 28 Share Based Payments (continued)

Non-Executive Directors Share Plan

The Non-Executive Directors Share Plan (NEDSP) facilitates the following arrangements for Non-Executive Directors' (NEDs):

- Acquisition of shares using 20% of their post-tax fees. NEDs are required to defer 20% of their post-tax fees until they reach a minimum shareholding requirement of 5,000 shares; and
- Further voluntary fee sacrifice of between $2,000 and $5,000 p.a. on a pre-tax basis.

Shares acquired using after tax fees are restricted for sale for ten years or until such time as the Non-Executive Director retires from the Board if earlier. Shares acquired voluntarily are restricted from sale for a minimum of two years and a maximum of seven years, or earlier if the Non-Executive Director retires from the Board.

Shares are purchased on market at the prevailing market price at that time, and rank equally for dividends with other Bank ordinary shares.

For the current year $0.03 million (2012: $0.2 million) was expensed reflecting shares purchased and allocated under the NEDSP.

Period	Total fees applied $	Participants	Number of shares purchased	Average purchase price $
2013	34,049	1	538	63.29
2012	175,449	10	3,673	47.77

Note 29 Non-Controlling Interests

	Group 2013 $M	Group 2012 $M
Shareholders' equity	**537**	531
Total non-controlling interests	**537**	531

The share capital above comprises predominantly New Zealand Perpetual Preference Shares (PPS) of AUD505 million. On 10 December 2002, ASB Capital Limited, a New Zealand subsidiary, issued NZD200 million (AUD182 million) of PPS. The PPS were issued into the New Zealand capital markets and are subject to New Zealand law. Such shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly based on the New Zealand one year swap rate plus a margin of 1.3% and are non-cumulative. The payments of dividends are subject to a number of conditions including the satisfaction of solvency tests and the ability of the Board to cancel payments.

On 22 December 2004, ASB Capital No.2 Limited, a New Zealand subsidiary, issued NZD350 million (AUD323 million) of PPS. The PPS were issued into the New Zealand capital markets and are subject to New Zealand law. Such shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly on the New Zealand one year swap rate plus a margin of 1.0% and are non-cumulative. The payments of dividends are subject to a number of conditions including the satisfaction of solvency tests and the ability of the Board to cancel payments.

ASB Capital Limited and ASB Capital No.2 Limited have advanced proceeds from the above public issues to ASB Funding Limited, a New Zealand subsidiary. ASB Funding Limited in turn invested the proceeds in PPS issued by ASB Limited (ASB PPS), also a New Zealand subsidiary. In relation to ASB Capital No.2 Limited, if an APRA Event occurs, the loan to ASB Funding Limited will be repaid and ASB Capital No.2 Limited will become the holder of the corresponding ASB PPS.

The PPS may be purchased by a Commonwealth Bank subsidiary exercising a buy-out right five years or more after issue, or on the occurrence of regulatory or tax events.

Note 30 Capital Adequacy

Capital Management

The Bank is an Authorised Deposit-taking Institution (ADI) and is subject to regulation by APRA under the authority of the Banking Act 1959. APRA has set minimum regulatory capital requirements for banks based on the Basel Committee on Banking Supervision (BCBS) guidelines.

The Basel III measurement and monitoring of capital has been effective from 1 January 2013. APRA has adopted a more conservative approach than the minimum standards published by the BCBS and a more accelerated timetable. The 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, which includes ASB Bank (known as "Level Two" or the "Group").

All entities which are consolidated for accounting purposes are included within the Group capital adequacy calculations except for:

- The insurance and funds management operations; and
- The entities through which securitisation of Group assets are conducted.

Regulatory capital is divided into Common Equity Tier One (CET1), Tier One and Tier Two Capital. CET1 primarily consists of Shareholders' Equity, less goodwill and other prescribed adjustments. Tier One Capital is comprised of CET1 plus other capital instruments acceptable to APRA. Tier Two Capital is comprised primarily of hybrid and debt instruments acceptable to APRA. Total Capital is the aggregate of Tier One and Tier Two Capital. A detailed breakdown of the components of capital is detailed on pages 24 to 25.

The tangible component of the investment in the insurance and funds management operations are deducted 100% from CET1.

Capital adequacy is measured by means of a risk based capital ratio. The capital ratios reflect capital (CET1, Tier One, Tier Two or Total Capital) as a percentage of total Risk Weighted Assets (RWA). RWA represents an allocation of risks associated with the Group's assets and other related exposures.

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

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

The Group's capital ratios throughout the 2012 and 2013 financial years were in compliance with both APRA minimum capital adequacy requirements and the Board Approved minimums. The Bank is required to inform APRA immediately of any breach or potential breach of its minimum prudential capital adequacy requirements, including details of remedial action taken or planned to be taken.

Note 31 Financial Reporting by Segments

The principal activities of the Group are carried out in the below business segments. These segments are based on the distribution channels through which the customer relationship is being managed.

The primary sources of revenue are interest and fee income (Retail Banking Services, Institutional Banking and Markets, Business and Private Banking, Bankwest, New Zealand and Other Divisions) and insurance premium and funds management income (Wealth Management, New Zealand and Other Divisions).

Revenues and expenses occurring between segments are subject to transfer pricing arrangements. All intra-group profits are eliminated on consolidation.

Business segments are managed on the basis of net profit after income tax ("cash basis"). Management use "cash basis" to assess performance and it provides the basis for the determination of the Bank's dividends. The "cash basis" presents a clear view of the Group's underlying operating results, excluding a number of items that introduce volatility and/or one-off distortions of the Group's current period performance. These items, such as hedging and IFRS volatility, are calculated consistently year on year and do not discriminate between positive and negative adjustments.

(i) Retail Banking Services

Retail Banking Services provides home loan, consumer finance and retail deposit products and servicing to all Retail bank customers. In addition, commission is received for the distribution of wealth management products through the retail distribution network.

(ii) Business and Private Banking

Business and Private Banking provides specialised banking services to relationship managed business and Agribusiness customers, private banking to high net worth individuals and margin lending and trading through CommSec.

(iii) Institutional Banking and Markets

Institutional Banking and Markets services the Group's major corporate, institutional and government clients using a relationship management model based on industry expertise and local insights. The Total Capital Solutions offering includes debt and equity capital raising, financial and commodities price risk management and transactional banking capabilities. Institutional Banking and Markets has international operations in London, Malta, New York, New Zealand, Singapore, Hong Kong, Japan and Shanghai.

(iv) Wealth Management

Wealth Management includes the Global Asset Management (including operations in Asia and Europe), Platform Administration and Life and General Insurance businesses of the Australian operations.

(v) New Zealand

New Zealand includes the Banking, Funds Management and Insurance businesses operating in New Zealand (excluding the international business of Institutional Banking and Markets).

(vi) Bankwest

Bankwest is active in all domestic market segments, with lending diversified between the business, rural, housing and personal markets, including a full range of deposit products.

(vii) Other Divisions

The following parts of the business are included in Other Divisions:

- International Financial Services Asia incorporates the Asian retail and SME banking operations (Indonesia, China, Vietnam and India), investments in Chinese and Vietnamese banks, the joint venture Chinese life insurance business and the life insurance operations in Indonesia. It does not include the Business and Private Banking, Institutional Banking and Markets and Colonial First State Global Asset Management businesses in Asia;
- Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Secretariat and Treasury; and
- Group wide Eliminations/Unallocated includes intra-group elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.

During the year, the Group made a number of segment reporting improvements effective from 1 July 2012. Results and balances for the comparative period in this note have been restated due to the following:

- Customer Reporting – revenue, expenses and associated customer balances were reallocated between segments based on where the customer relationship is being managed, rather than the business from which the product originated. This change primarily affects the presentation of the Retail Banking Services and Business and Private Banking segments.
- Capital Allocation – the Group allocated higher capital requirements to business segments following the introduction of the Basel III regulatory capital framework. Earnings on equity were reallocated from the Corporate Centre (where residual capital was previously held) to each segment, with no change to total Group capital levels.
- Single ADI – treasury-related revenues, operating expenses and balance sheet items were transferred from the Bankwest segment to the Corporate Centre following the relinquishment of the Bankwest banking licence.

Note 31 Financial Reporting by Segments (continued)

								2013
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	Other $M	Total $M
Net interest income	6,427	2,942	1,344	-	1,109	1,537	585	**13,944**
Other banking income	1,520	810	1,289	-	240	210	152	**4,221**
Total banking income	7,947	3,752	2,633	-	1,349	1,747	737	**18,165**
Funds management income	-	-	-	2,075	54	-	17	**2,146**
Insurance income	-	-	-	716	247	-	71	**1,034**
Total operating income	7,947	3,752	2,633	2,791	1,650	1,747	825	**21,345**
Investment experience (1)	-	-	-	157	6	-	(9)	**154**
Total net operating income before impairment and operating expense	7,947	3,752	2,633	2,948	1,656	1,747	816	**21,499**
Operating expenses (2)	(3,063)	(1,355)	(901)	(2,008)	(767)	(825)	(686)	**(9,605)**
Loan impairment expense	(533)	(280)	(154)	-	(45)	(118)	48	**(1,082)**
Net profit before income tax	4,351	2,117	1,578	940	844	804	178	**10,812**
Corporate tax expense	(1,297)	(629)	(368)	(253)	(209)	(243)	22	**(2,977)**
Non-controlling interests	-	-	-	-	-	-	(16)	**(16)**
Net profit after tax ("cash basis") (3)	3,054	1,488	1,210	687	635	561	184	**7,819**
Hedging and IFRS volatility	-	-	-	-	(24)	-	51	**27**
Other non-cash items	-	-	(45)	(53)	-	(71)	-	**(169)**
Net profit after tax ("statutory basis")	3,054	1,488	1,165	634	611	490	235	**7,677**
Additional information								
Intangible asset amortisation	(31)	(43)	(24)	(14)	(27)	(75)	(126)	**(340)**
Depreciation	(7)	(15)	(66)	(3)	(29)	(37)	(218)	**(375)**
Balance Sheet								
Total assets	264,713	103,605	144,813	20,508	58,060	73,882	88,295	**753,876**
Acquisition of property plant and equipment, intangibles and other non-current assets	1	11	359	3	69	40	187	**670**
Investment in associates and joint ventures	257	30	9	892	-	-	1,093	**2,281**
Total liabilities	181,122	71,667	143,139	22,882	52,793	42,007	194,774	**708,384**

(1) Investment experience is presented on a pre-tax basis.

(2) Operating expenses include volume related expenses.

(3) Non-cash items are excluded from net profit after tax ("cash basis"), which is management's preferred measure of the Group's financial performance, as they tend to be non-recurring in nature or not considered representative of the Group's ongoing financial performance. The items for the period are Bell Group litigation ($45 million expense), treasury shares valuation adjustment ($53 million expense), unrealised gains and losses related to hedging and IFRS volatility ($27 million gain), and Bankwest non-cash items ($71 million expense).

Note 31 Financial Reporting by Segments (continued)

								2012 [1]
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	Other $M	Total $M
Net interest income	5,939	2,921	1,489	-	1,013	1,462	333	13,157
Other banking income	1,451	860	901	-	214	201	300	3,927
Total banking income	7,390	3,781	2,390	-	1,227	1,663	633	17,084
Funds management income	-	-	-	1,888	44	-	25	1,957
Insurance income	-	-	-	691	227	-	42	960
Total operating income	7,390	3,781	2,390	2,579	1,498	1,663	700	20,001
Investment experience [2]	-	-	-	194	(11)	-	(34)	149
Total net operating income before impairment and operating expense	7,390	3,781	2,390	2,773	1,487	1,663	666	20,150
Operating expenses [3]	(2,965)	(1,350)	(840)	(1,909)	(724)	(848)	(560)	(9,196)
Loan impairment expense	(583)	(266)	(154)	-	(37)	(61)	12	(1,089)
Net profit before income tax	3,842	2,165	1,396	864	726	754	118	9,865
Corporate tax expense	(1,139)	(652)	(298)	(235)	(185)	(227)	-	(2,736)
Non-controlling interests	-	-	-	-	-	-	(16)	(16)
Net profit after tax ("cash basis") [4]	2,703	1,513	1,098	629	541	527	102	7,113
Hedging and IFRS volatility	-	-	-	-	28	-	96	124
Other non-cash items	-	-	-	(58)	-	(89)	-	(147)
Net profit after tax ("statutory basis")	2,703	1,513	1,098	571	569	438	198	7,090
Additional information								
Intangible asset amortisation	(36)	(45)	(9)	(8)	(24)	(84)	(70)	(276)
Depreciation	(8)	(16)	(52)	(4)	(26)	(31)	(215)	(352)
Balance Sheet								
Total assets [5]	250,166	99,786	143,155	20,643	51,456	73,963	79,690	718,859
Acquisition of property plant and equipment, intangibles and other non-current assets	6	8	254	287	48	93	198	894
Investment in associates	71	28	6	822	-	-	971	1,898
Total liabilities [5]	167,018	70,531	137,516	21,081	47,226	46,833	187,082	677,287

(1) Comparatives have been restated to align to improvements made in segment reporting. For details of the changes made refer to Note 31 page 135.
(2) Investment experience is presented on a pre-tax basis.
(3) Operating expenses include volume related expenses.
(4) Non-cash items are excluded from net profit after tax ("cash basis"), which is management's preferred measure of the Group's financial performance, as they tend to be non-recurring in nature or not considered representative of the Group's ongoing financial performance. The items for the period are Count Financial acquisition costs ($43 million expense), treasury shares valuation adjustment ($15 million expense), unrealised gains and losses related to hedging and IFRS volatility ($124 million gain), and Bankwest non-cash items ($89 million expense).
(5) Comparatives have been restated to conform to presentation in the current year.

Note 31 Financial Reporting by Segments (continued)

Products and Services Information

Revenue from external customers by product or service is disclosed in Notes 2 and 3. No single customer amounted to greater than 10% of the Group's revenue.

Geographical Information

						Group
						Year Ended 30 June
	2013		2012		2011	
Financial Performance & Position	$M	%	$M	%	$M	%
Income						
Australia	**39,184**	**87. 3**	41,809	88. 6	40,986	88. 4
New Zealand	**3,890**	**8. 7**	3,708	7. 9	3,819	8. 2
Other locations (1)	**1,793**	**4. 0**	1,676	3. 5	1,596	3. 4
Total income	**44,867**	**100. 0**	47,193	100. 0	46,401	100. 0
Non-Current Assets (2)						
Australia	**14,211**	**92. 2**	13,594	92. 6	12,706	92. 9
New Zealand	**1,023**	**6. 6**	917	6. 2	852	6. 2
Other locations (1)	**188**	**1. 2**	171	1. 2	123	0. 9
Total non-current assets	**15,422**	**100. 0**	14,682	100. 0	13,681	100. 0

(1) Other locations include: United Kingdom, United States, Japan, Singapore, Malta, Hong Kong, Indonesia, China, India and Vietnam.
(2) Non-current assets include Property, plant and equipment, Investments in associates and joint ventures and Intangibles.

The geographical segment represents the location in which the transaction was recognised.

Note 32 Insurance Businesses

Life Insurance

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. Refer to Note 1(ff) – (ii). The insurance segment result is prepared on a business segment basis.

	Life Insurance Contracts		Life Investment Contracts		Group	
	2013	2012	2013	2012	2013	2012
Summarised income statement	$M	$M	$M	$M	$M	$M
Premium income and related revenue	**2,042**	1,890	**305**	241	**2,347**	2,131
Outward reinsurance premiums expense	**(302)**	(249)	**-**	-	**(302)**	(249)
Claims expense	**(1,187)**	(1,103)	**(51)**	(35)	**(1,238)**	(1,138)
Reinsurance recoveries	**233**	228	**-**	-	**233**	228
Investment revenue (excluding investments in subsidiaries):						
Equity securities	**164**	6	**757**	(92)	**921**	(86)
Debt securities	**84**	368	**242**	494	**326**	862
Property	**40**	22	**61**	32	**101**	54
Other	**39**	113	**146**	(68)	**185**	45
Increase in contract liabilities	**(157)**	(202)	**(1,097)**	(314)	**(1,254)**	(516)
Operating income	**956**	1,073	**363**	258	**1,319**	1,331
Acquisition expenses	**(256)**	(254)	**(33)**	(30)	**(289)**	(284)
Maintenance expenses	**(368)**	(329)	**(81)**	(78)	**(449)**	(407)
Management expenses	**(14)**	(14)	**(25)**	(25)	**(39)**	(39)
Net profit before income tax	**318**	476	**224**	125	**542**	601
Income tax expense attributable to operating profit	**(125)**	(214)	**(121)**	(29)	**(246)**	(243)
Net profit after income tax	**193**	262	**103**	96	**296**	358

Note 32 Insurance Businesses (continued)

Sources of life insurance net profit	Life Insurance Contracts 2013 $M	Life Insurance Contracts 2012 $M	Life Investment Contracts 2013 $M	Life Investment Contracts 2012 $M	Group 2013 $M	Group 2012 $M
The net profit after income tax is represented by:						
Emergence of planned profit margins	**222**	232	**83**	95	**305**	327
Difference between actual and planned experience	**(95)**	(57)	**19**	(1)	**(76)**	(58)
Effects of changes to underlying assumptions	**8**	(20)	**-**	-	**8**	(20)
Reversal of previously recognised losses or loss recognition on groups of related products	**(4)**	2	**-**	-	**(4)**	2
Investment earnings on assets in excess of policyholder liabilities	**62**	108	**1**	2	**63**	110
Other movements	**-**	(3)	**-**	-	**-**	(3)
Net profit after income tax	**193**	262	**103**	96	**296**	358
Life insurance premiums received and receivable	**2,046**	1,902	**541**	678	**2,587**	2,580
Life insurance claims paid and payable	**1,247**	1,168	**1,633**	1,576	**2,880**	2,744

The disclosure of the components of net profit after income tax is 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 2013 $M	Life Insurance Contracts 2012 $M	Life Investment Contracts 2013 $M	Life Investment Contracts 2012 $M	Group 2013 $M	Group 2012 $M
Contract policy liabilities						
Gross policy liabilities opening balance	**3,266**	3,137	**9,728**	10,515	**12,994**	13,652
Movement in policy liabilities reflected in the Income Statement	**245**	211	**1,097**	314	**1,342**	525
Contract contributions recognised in policy liabilities	**6**	9	**237**	439	**243**	448
Contract withdrawals recognised in policy liabilities	**(61)**	(65)	**(1,582)**	(1,541)	**(1,643)**	(1,606)
Non-cash movements	**(60)**	(26)	**41**	-	**(19)**	(26)
FX translation adjustment	**19**	-	**68**	1	**87**	1
Gross policy liabilities closing balance	**3,415**	3,266	**9,589**	9,728	**13,004**	12,994
Liabilities ceded under reinsurance						
Opening balance	**(172)**	(164)	**-**	-	**(172)**	(164)
Increase in reinsurance assets	**(89)**	(8)	**-**	-	**(89)**	(8)
Closing balance	**(261)**	(172)	**-**	-	**(261)**	(172)
Net policy liabilities						
Expected to be realised within 12 months	**579**	564	**1,728**	1,583	**2,307**	2,147
Expected to be realised in more than 12 months	**2,575**	2,530	**7,861**	8,145	**10,436**	10,675
Total net insurance policy liabilities	**3,154**	3,094	**9,589**	9,728	**12,743**	12,822

Prescribed Capital of Controlled Insurance Companies

Australian Life Insurers and General Insurers

Under the Life Insurance Act 1995, life insurers are required to hold reserves in excess of the amount of policy liabilities. These additional reserves are necessary to support the life insurer's capital requirements under its business plan and to provide a cushion against adverse experience in managing long term risks. APRA has issued Life Prudential Standard (LPS) 110 '*Capital Adequacy*' for determining the level of capital reserves. LPS110 prescribes the minimum capital requirement for each statutory fund and the minimum level of assets required to be held in each statutory fund.

Under APRA General Prudential Standard (GPS) 110 '*Capital Adequacy*', general insurers are required to maintain a capital base in excess of its minimum capital requirement as defined under the Prudential Standard. The Group has been operating with a Board approved Capital Management Policy during the course of the year. The Group's Capital Management Policy takes into account the need to hold additional capital as a prudential safeguard against inadvertent breach of the regulatory requirements.

Overseas Life Insurers

The overseas life insurers are required to hold reserves in excess of the amount of policy liabilities. The summarised information provided has been prepared in accordance with local solvency requirements, as prescribed by local Acts and prevailing local prudential rules.

Note 32 Insurance Businesses (continued)

Prescribed Capital Amount (PCA)

The figures in the table below show the number of times coverage for each insurance subsidiary representing the assets available for capital over the capital reserve.

PCA Coverage	2013 Times	2012 Times
The Colonial Mutual Life Assurance Society Limited, Australia [1]	**1. 65**	2. 19
Sovereign Assurance Company Limited, New Zealand	**1. 29**	1. 19
PT Commonwealth Life, Indonesia	**7. 51**	4. 82
Commonwealth Insurance Limited, Australia [1]	**1. 92**	1. 83

(1) 2013 PCA coverage was determined using the new Life and General Insurance Capital (LAGIC) Standard effective 1 January 2013.

Note 33 Remuneration of Auditors

During the financial year, the following fees were paid or payable for services provided by the auditor of the Group and the Bank, and its network firms:

	Group		Bank	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
a) Audit and audit related services				
Audit services				
PricewaterhouseCoopers Australian firm	**14,627**	14,030	**10,077**	9,106
Network firms of PricewaterhouseCoopers Australian firm	**3,915**	3,815	**517**	476
Total remuneration for audit services	**18,542**	17,845	**10,594**	9,582
Audit related services				
PricewaterhouseCoopers Australian firm	**2,702**	4,620	**2,157**	3,270
Network firms of PricewaterhouseCoopers Australian firm	**538**	389	**218**	95
Total remuneration for audit related services	**3,240**	5,009	**2,375**	3,365
Total remuneration for audit and audit related services	**21,782**	22,854	**12,969**	12,947
b) Non-audit services				
Taxation services				
PricewaterhouseCoopers Australian firm	**1,881**	1,530	**1,513**	1,432
Network firms of PricewaterhouseCoopers Australian firm	**1,207**	1,347	**116**	360
Total remuneration for tax related services	**3,088**	2,877	**1,629**	1,792
Other Services				
PricewaterhouseCoopers Australian firm	**1,678**	2,599	**1,287**	2,599
Network firms of PricewaterhouseCoopers Australian firm	**-**	41	**-**	-
Total remuneration for other services	**1,678**	2,640	**1,287**	2,599
Total remuneration for non-audit services	**4,766**	5,517	**2,916**	4,391
Total remuneration for audit and non-audit services [1]	**26,548**	28,371	**15,885**	17,338

(1) An additional amount of $8,812,600 (2012: $9,231,613) was paid to PricewaterhouseCoopers by way of fees for entities not consolidated into the Financial Statements. Of this amount, $8,331,928 (2012: $8,411,965) relates to audit and audit-related services.

The Audit Committee has considered the non-audit services provided by PricewaterhouseCoopers and is satisfied that the services and the level of fees are compatible with maintaining auditors' independence. All such services were approved by the Audit Committee in accordance with pre-approved policies and procedures.

Audit related services principally includes assurance and attestation reviews of the Group's foreign disclosures for overseas investors, services in relation to regulatory requirements, acquisition accounting advice as well as reviews of internal control systems and financial or regulatory information.

Taxation services included assistance and training in relation to tax legislation and developments and other services primarily consisted of project assurance and risk compliance support.

Other services include project assurance particularly relating to information technology projects, and reviews of compliance with legal and regulatory frameworks.

Note 34 Lease Commitments

	Group		Bank	
	2013	2012	2013	2012
	$M	$M	$M	$M
Lease Commitments - Property, Plant and Equipment [1]				
Due within one year	565	544	515	404
Due after one year but not later than five years	1,427	1,403	1,284	1,053
Due after five years	1,073	1,044	839	639
Total lease commitments - property, plant and equipment	3,065	2,991	2,638	2,096

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

Lease Arrangements

Operating leases are entered into to meet the business needs of entities in the Group. Leases are primarily over commercial and retail premises and plant and equipment.

Lease rentals are determined in accordance with market conditions when leases are entered into or on rental review dates.

The total expected future sublease payments to be received are $149 million as at 30 June 2013 (2012: $77 million).

Note 35 Contingent Liabilities, Contingent Assets and Commitments

Details of contingent liabilities and off balance sheet business are presented below. The face (contract) value represents the maximum potential amount that could be lost if the counterparty fails to meet its financial obligations.

				Group
	Face Value		Credit Equivalent	
	2013	2012	2013	2012
Credit risk related instruments	$M	$M	$M	$M
Guarantees [1]	5,696	5,358	5,696	5,357
Standby letters of credit [2]	134	201	134	201
Bill endorsements [3]	19	23	19	23
Documentary letters of credit [4]	3,653	1,763	3,621	1,759
Performance related contingents [5]	1,542	1,677	1,510	1,605
Commitments to provide credit [6]	139,964	127,833	132,451	113,503
Other commitments [7]	1,868	2,093	1,510	1,468
Total credit risk related instruments	152,876	138,948	144,941	123,916

				Bank
	Face Value		Credit Equivalent	
	2013	2012	2013	2012
Credit risk related instruments	$M	$M	$M	$M
Guarantees [1]	5,345	4,718	5,345	4,718
Standby letters of credit [2]	36	2	36	2
Bill endorsements [3]	19	23	19	23
Documentary letters of credit [4]	3,601	1,744	3,575	1,744
Performance related contingents [5]	1,542	1,576	1,510	1,554
Commitments to provide credit [6]	130,753	109,648	123,235	105,045
Other commitments [7]	939	934	924	924
Total credit risk related instruments	142,235	118,645	134,644	114,010

(1) Guarantees are unconditional undertakings given to support the obligations of a customer to third parties.
(2) Standby letters of credit are undertakings to pay, against presentation of documents, an obligation in the event of a default by a customer.
(3) Bills of exchange endorsed by the Group and Bank which represent liabilities in the event of default by the acceptor and the drawer of the bill.
(4) Documentary letters of credit are undertakings by the Group and Bank to pay or accept drafts drawn by a supplier of goods against presentation of documents in the event of payment default by a customer.
(5) Performance related contingents are undertakings that oblige the Group and Bank to pay third parties should a customer fail to fulfil a contractual non-monetary obligation.
(6) Commitments to provide credit include all obligations on the part of the Group and Bank to provide credit facilities. As facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.
(7) Other commitments include underwriting facilities and commitments with certain drawdowns.

Note 35 Contingent Liabilities, Contingent Assets and Commitments (continued)

Contingent Credit Liabilities

The Group and Bank is party to a range of financial instruments that give rise to contingent and/or future liabilities. These transactions are a consequence of the Group's normal course of business to meet the financing needs of its customers and in managing its own risk. These financial instruments include guarantees, letters of credit, bill endorsements and other commitments to provide credit. The face (contract) value represents the maximum potential amount that could be lost if the counterparty fails to meet its financial obligations.

As the Group and Bank will only be required to meet these obligations in the event of default, the cash requirements of these instruments are expected to be considerably less than their face values.

These transactions combine varying levels of credit, interest rate, foreign exchange and liquidity risk. In accordance with Bank policy, exposures to any of these transactions (net of collateral) are not carried at a level that would have a material adverse effect on the financial condition of the Bank and its controlled entities.

Commitments to provide credit include both fixed and variable facilities. Fixed rate or fixed spread commitments extended to customers that allow net settlement of the change in the value of the commitment are written options and are recorded at fair value. Other commitments include the Group's and Bank's obligations under sale and repurchase agreements, outright forward purchases, forward deposits and underwriting facilities. Other commitments also include obligations not otherwise disclosed above to extend credit, which are irrevocable because they cannot be withdrawn at the discretion of the Group or Bank without the risk of incurring significant penalty or expense. In addition, commitments to purchase or sell loans are included in other commitments.

These transactions are categorised and credit equivalents calculated under APRA guidelines for the risk-based measurement of capital adequacy. The credit equivalent amounts are a measure of potential loss to the Group in the event of non-performance by the counterparty.

Under the Basel III advanced internal ratings based approach for credit risk, the credit equivalent amount is the face value of the transaction, on the basis that at default the exposure is the amount fully advanced. Only when approved by APRA may an exposure less than that fully-advanced amount be used as the credit equivalent exposure amount.

As the potential loss depends on counterparty performance, the Group utilises the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The Group and Bank takes collateral where it is considered necessary to support off balance sheet financial instruments with credit risk. If an event has occurred that gives rise to a present obligation and it is probable a loss will eventuate, then provisions are raised.

Contingent Assets

The credit commitments shown in the table on page 141 also constitute contingent assets. These commitments would be classified as loans and other assets in the balance sheet on the occurrence of the contingent event.

Litigation

The Group is not engaged in any litigation or claim which is likely to have a materially adverse effect on the business, financial condition or operating results of the Group. For all litigation exposure where some loss is probable and can be reliably estimated an appropriate provision has been made. Litigation related contingent liabilities at 30 June 2013:

Storm Financial

The Australian Securities and Investments Commission (ASIC) commenced legal proceedings against the Bank in relation to Storm Financial, a Queensland-based financial planning firm that collapsed and went into receivership in March 2009. These proceedings were settled in September 2012 with CBA agreeing, without admission of liability, to pay affected investors up to approximately $136 million (in addition to payments under CBA's resolution scheme).

In addition, class action proceedings have been commenced against the Group in relation to Storm Financial. At this stage only the damages sought on behalf of the four lead applicants have been quantified on a number of alternate bases, thus quantification of the claims of all group members is not possible. The hearing of the proceedings commenced in March 2013 and is scheduled to conclude in September 2013.

The Group believes that appropriate provisions are held to cover any exposures arising from the class action referred to above.

Exception Fee Class Action

In May 2011, Maurice Blackburn announced that it intended to sue 12 Australian banks, including Commonwealth Bank of Australia and Bankwest, with respect to exception fees. On 16 December 2011 proceedings were issued against Commonwealth Bank of Australia, and on 18 April 2012 proceedings were issued against Bankwest. Both proceedings are stayed until March 2014 pending the hearing of similar proceedings against another bank. The financial impact cannot be reliably measured at this stage; however, it is not anticipated to have a material impact on the Group.

Failure to Settle Risk

The Group is subject to a credit risk exposure in the event that another financial institution fails to settle for its payments clearing activities, in accordance with the regulations and procedures of the following clearing systems of the Australian Payments Clearing Association Limited: The Australian Paper Clearing System, The Bulk Electronic Clearing System, The Consumer Electronic Clearing System and the High Value Clearing System (only if operating in "fallback mode"). This credit risk exposure is unquantifiable in advance, but is well understood, and is extinguished upon settlement at 9am each business day.

Interbank Deposit Agreement

The Bank is a participant to the Interbank Deposit Agreement along with the other three major Australian banks. This agreement has been certified as a liquidity support facility by APRA. Under the agreement, should one of the participants experience liquidity issues, it can request deposits from the other three participating banks, each of which are required to deposit up to $2 billion for a period of 30 days. At the end of 30 days the deposit holder has the option to repay the deposit in cash or by way of assignment of mortgages to the value of the deposit.

Capital Commitments

The Group is committed for capital expenditure on property, plant and equipment and computer software under contract of $17 million as at 30 June 2013 (2012: $54 million). The Bank is committed for $12 million (2012: $14 million). These commitments are expected to be extinguished within 12 months.

Services Agreements

The maximum contingent liability for termination benefits in respect of service agreements with the Chief Executive Officer and other Group Key Management Personnel at 30 June 2013 was $5 million (2012: $4.7 million).

Note 35 Contingent Liabilities, Contingent Assets and Commitments (continued)

Collateral Accepted as Security for Assets

The Group takes collateral where it is considered necessary to support both on and off balance sheet financial instruments. The Group evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral taken, if deemed necessary, is based on management's credit evaluation of the counterparty. The Group has the right to sell, re-pledge, or otherwise use some of the collateral received. At Balance Sheet date the carrying value of cash accepted as collateral (and recognised on the Group's and the Bank's Balance Sheets) and the fair value of securities accepted as collateral (but not recognised on the Group's or the Bank's Balance Sheets) were as follows:

	Group		Bank	
	2013	2012	2013	2012
	$M	$M	$M	$M
Cash	**6,963**	3,288	**6,689**	3,208
Securities	**8,016**	7,018	**7,282**	7,006
Collateral held	**14,979**	10,306	**13,971**	10,214
Collateral held which is re-pledged or sold	**15**	-	**-**	-

Assets Pledged

As part of standard terms of transactions with other banks, the Group has provided collateral to secure liabilities. At Balance Sheet date, the carrying value of assets pledged as collateral to secure liabilities is as follows:

	Group		Bank	
	2013	2012	2013	2012
	$M	$M	$M	$M
Cash	**2,853**	3,507	**2,823**	3,414
Assets at fair value through Income Statement (1)	**5,877**	6,222	**5,844**	6,237
Assets pledged	**8,730**	9,729	**8,667**	9,651
Asset pledged which can be re-pledged or re-sold by counterparty	**5,572**	5,245	**5,539**	5,258

(1) These balances include assets sold under repurchase agreements. The liabilities related to these repurchase agreements are disclosed in Note 19.

The Group and the Bank have pledged collateral as part of entering repurchase and derivative agreements. These transactions are governed by standard industry agreements.

Note 36 Fiduciary Activities

The Group conducts investment management and other fiduciary activities as responsible entity, trustee, custodian, adviser or manager for investment funds and trusts, including superannuation and approved deposit funds, wholesale and retail trusts. These funds and trusts are not consolidated as the Group does not have direct or indirect control. Where the Group incurs liabilities in respect of these activities, and the primary obligation is incurred in an agency capacity, for the fund or trust rather than on its own account, a right of indemnity exists against the assets of the applicable fund or trust. As these assets are sufficient to cover the liabilities and it is therefore not probable that the Group will be required to settle the liabilities, the liabilities are not included in the financial statements.

The aggregate value of funds as at 30 June, administered or managed, but not reported in the Group's Balance Sheet are as follows:

	Group	
	2013	2012
	$M	$M
Funds under administration (1)	**217,692**	177,508
Assets under management (1)	**169,328**	140,400

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

Note 37 Risk Management

Risk Management

The Group is a major financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. Financial instruments are fundamental to the Group's business. Managing financial risks, especially credit risk, is a fundamental part of the Group's business activities.

Governance

A description of the Group's risk governance is set out in the Corporate Governance Section of the Annual Report (pages 34 to 39).

Risk Management Framework

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

This framework requires each business to manage the outcome of its risk-taking activities and allows it to benefit from the resulting risk adjusted returns.

Accountability for risk management is structured by a "Three Lines of Defence" model as follows:

- Line 1 – Business Management – risk is best managed at the place it occurs. Business Managers are responsible for managing the risks for their business. This includes implementing approaches to proactively manage their risk within risk appetite levels, and using risk management outcomes ("the costs of risk") and considerations as part of their day-to-day business making processes.

  Line 2 – Risk Management – Group and Business Unit Risk Management teams provide risk management expertise and oversight for Business Management risk-taking activities. Risk Management develop and maintain aligned and integrated frameworks, policies and procedures for risk management and ensure they are embedded and in use as part of the day-to-day management of the business. Risk Management also measures risk exposures to support risk decisions by business owners and also to make certain market and credit risk decisions under approved delegations of authority; in particular it undertakes quantitative and qualitative analysis of the credit exposures originated by the business as part of its responsibility for credit rating and decisioning.
- Line 3 – Group Audit and Assurance – provide independent assurance to key stakeholders regarding the adequacy and effectiveness of the Group's system of internal controls, risk management procedures and governance processes. It is responsible for reviewing risk management frameworks and Business Unit practices, including credit origination and credit quality of the portfolio.

Material Business Risks

There are a number of material business risks that could adversely affect the achievement of the Group's financial performance objectives. The main financial risks affecting the Group are discussed in Notes 32 (Insurance Businesses), 38 (Credit Risk), 39 (Market Risk), and 40 (Liquidity and Funding Risk). Insurance Risk, Operational Risk, Compliance Risk, Strategic Business Risk and Reputational Risk are discussed below.

Insurance Risk

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

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

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

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

Operational Risk

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

The Group's Operational Risk Management Framework (ORMF) supports the achievement of its financial and business goals. The following objectives have been approved by the Risk Committee:

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

The Group measures operational risk using an APRA approved Advanced Measurement Approach capital model which is integrated into the ORMF. The inputs include scenario analysis, loss data and risk indicators.

Compliance Risk

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

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

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

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

Strategic Business Risk

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

Note 37 Risk Management (continued)

by the following factors:

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

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

Reputational Risk

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

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

Note 38 Credit Risk

Credit risk is the potential for loss arising from failure of a debtor or counterparty to meet their contractual obligations. It arises primarily from lending activities, the provision of guarantees (including letters of credit), commitments to lend, investments in bonds and notes, financial market transactions, providers of credit enhancements (e.g. credit default swaps, lenders mortgage insurance), securitisations and other associated activities. In the insurance business, credit risk arises from investment in bonds and notes, loans, and from reliance on reinsurance.

Credit Risk Management Principles and Portfolio Standards

The Risk Committee of the Board operates under a Charter by which it oversees the Group's credit risk management policies and portfolio standards. These are designed to achieve portfolio outcomes that are consistent with the Group's risk appetite and risk/return expectations. The Committee meets at least quarterly, and more often if required.

The Group has clearly defined credit policies for the approval and management of credit risk. Formal credit standards apply to all credit risks, with specific portfolio standards applying to all major lending areas. These incorporate income/repayment capacity, acceptable terms and security and loan documentation tests.

The Group uses a Risk Committee approved diversified portfolio approach for the management of credit risk concentrations comprised of the following:

- A large credit exposures policy, which sets limits for aggregate exposures to individual, commercial, bank and government client groups;
- An industry concentrations policy that defines a system of limits for concentrations by industry; and
- A system of country limits for managing geographic exposures.

The Group assesses the integrity and ability of debtors or counterparties to meet their contracted financial obligations for repayment. Collateral security, in the form of real estate or a charge over income or assets, is generally taken for business credit except for major government, bank and corporate counterparties that are externally risk-rated and of strong financial standing. Longer term consumer finance (e.g. housing loans) is generally secured against real estate while short term revolving consumer credit is generally not secured by formal collateral.

While the Group applies policies, standards and procedures in governing the credit process, the management of credit risk also relies on the application of judgement and the exercise of good faith and due care by relevant people within their delegated authority.

A centralised exposure management system is used to record all significant credit risks borne by the Group. The credit risk portfolio has two major segments:

(i) Retail Managed

This segment has sub-segments covering housing loan, credit card and personal loan facilities, some leasing products and most secured commercial lending up to $1 million.

Auto-decisioning is used to approve credit applications for eligible business and consumer customers. Auto-decisioning uses a scorecard approach based on the Group's historical experience on similar applications, information from a credit reference bureau and/or from the Group's existing knowledge of a customer's behaviour.

Loan applications that do not meet scorecard Auto-decisioning requirements may be referred to a Risk Management Officer with a Personal Credit Approval Authority (PCAA) for manual decisioning.

After loan origination, these portfolios are managed using behavioural scoring systems and on a delinquency band approach (e.g. actions taken when loan payments are greater than 30 days past due differ from actions when payments are greater than 60 days past due), and are reviewed by the relevant Risk Management or Business Credit Support Unit. Commercial lending up to $1 million is reviewed as part of the Group's quality assurance process and oversight is provided by the independent Credit Portfolio Assurance unit. Facilities in the Retail segment become classified for remedial management by centralised units based on delinquency band.

(ii) Credit Risk-Rated

This segment comprises commercial exposures, including bank and government exposures. Each exposure is assigned an internal Credit Risk Rating (CRR). The CRR is normally assessed by reference to a matrix where the probability of default (PD) and the amount of loss given default (LGD) combine to determine a CRR grade commensurate with expected loss (EL).

For credit risk exposures either a PD Rating Tool or Expert Judgement is used to determine the PD.

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 APRA.

Credit risk-rated exposures are generally reviewed on an individual basis, at least annually, although small transactions may be managed on a behavioural basis after their initial rating at origination.

Credit risk-rated exposures fall within the following categories:

- "Pass" – Internal CRR of 1-6. 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. These credit facilities are not eligible for new or

Note 38 Credit Risk (continued)

increased exposure unless it will protect or improve the Group's position by maximising recovery prospects or to facilitate rehabilitation. Where a client is in default but the facility is well secured then the facility may be classed as troublesome but not impaired. Where a client's facility is not well secured and a loss is expected, then a facility is impaired.

Facilities are classified as restructured where their original contractual arrangements have been modified to provide for concessions of interest or principal, for reasons that relate to the customer's financial difficulties, rendering the facility non-commercial to the Group. Facilities that have been restructured are considered impaired.

Default is usually consistent with one or more of the following criteria:

- The customer is 90 days or more overdue on a scheduled credit obligation repayment; or
- The customer is unlikely to repay their credit obligation to the Bank in full, without taking actions such as realising on available security.

The Credit Portfolio Assurance unit, part of Group Audit and Assurance, reviews credit portfolios and business unit compliance with policies, portfolio standards, application of credit risk ratings and other key practices on a regular basis. The Credit Portfolio Assurance unit reports its findings to the Board Audit and Risk Committees as appropriate.

Credit Risk Measurement

The measurement of credit risk uses analytical tools to calculate both (i) expected, and (ii) unexpected loss probabilities for the credit portfolio. The use of analytical tools is governed by a Credit Rating Governance Committee that reviews and endorses the use of the tools prior to their implementation to ensure they are sufficiently predictive of risk.

(i) Expected Loss

Expected Loss (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 credit risk-rated exposures are required to be reviewed at least annually although small transactions may be managed on a behavioural basis post origination.

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 except where prudential standards permit differentiation.

EAD, expressed as a percentage of the facility limit, is the proportion of a facility that may be outstanding in the event of default. The EAD treatment is as follows for different facility types:

- Drawn committed facilities (such as fully drawn loans and advances), EAD will generally be the higher of the limit or outstanding balance;
- Committed facilities with uncertain future drawdown (such as credit cards and overdrafts), EAD is based on the Group's historical experience of additional drawings prior to customer default; and
- Uncommitted facilities, EAD will generally be the outstanding balance only.

LGD, expressed as a percentage, is the estimated proportion of a facility likely to be lost in the event of default. LGD is impacted by:

- Type and level of any collateral held;
- Liquidity and volatility of collateral;
- Carrying costs (effectively the costs of providing a facility that is not generating an interest return); and
- Realisation costs (costs of internal workout specialists).

Various factors are considered when calculating PD, EAD and LGD. Considerations include the potential for default by a borrower due to economic, management, industry and other risks, and the mitigating benefits of any collateral.

(ii) Unexpected Loss

In addition to EL, a more stressed loss amount is calculated. This unexpected loss estimate directly affects the calculation of regulatory and internal economic capital requirements, refer to the Group Operations and Business Settings section and Note 30, for information relating to regulatory and economic capital.

In addition to the credit risk management processes used to manage exposures to credit risk in the credit portfolio, the internal ratings process also assists management in assessing impairment and provisioning of financial assets, refer to Note 14.

Credit Risk Mitigation, Collateral and Other Credit Enhancements

Where it is considered appropriate, the Group has policies and procedures in place setting out the circumstances where acceptable and appropriate collateral is to be taken to mitigate credit risk, including valuation parameters, review frequency and independence of valuation.

The general nature and amount of collateral that may be taken by financial asset classes are summarised below.

Cash and Liquid Assets

With the exception of securities purchased under agreements to resell, which are 100% collateralised by highly liquid debt securities, collateral is usually not sought on these balances as exposures are generally considered low risk. The collateral related to agreements to resell has been legally transferred to the Group subject to an agreement to return them for a fixed price.

The Group's cash and liquid asset balance as of 30 June 2013 was $20,634 million (2012: $19,666 million). Included in this balance is $9,250 million (2012: $9,599 million) that is deposited with central banks and considered to carry less credit risk.

Receivables Due from Other Financial Institutions

Collateral is usually not sought on these balances as exposures are generally considered to be of low risk. The exposures are mainly to relatively low risk banks (Rated A+, AA- or better). As of 30 June 2013, the Group had $7,744 million (2012: $10,886 million) receivable from other financial institutions.

Trading Assets at Fair Value through Income Statement

These assets are carried at fair value which accounts for the credit risk. Collateral is not generally sought from the issuer or counterparty. Credit derivatives have been used to a limited extent to mitigate the exposure to credit risk. As of 30 June 2013, the Group held $19,617 million (2012: $13,816 million) trading assets at fair value.

Insurance Assets

These assets are carried at fair value which accounts for the credit risk. Collateral is not generally sought or provided on these types of assets, other than a fixed charge over properties backing Australian mortgage investments.

As at 30 June 2013, the Group has $9,707 million (2013: $10,025 million) of life investment contracts, the credit risk on which is borne by policyholders.

Other Financial Assets Designated at Fair Value through Income Statement

These assets are carried at fair value which accounts for the credit risk. Credit derivatives used to mitigate the exposure to credit risk are not significant.

Note 38 Credit Risk (continued)

Derivative Assets

The Group's use of derivative contracts is outlined in Note 11. The Group is exposed to credit risk on derivative contracts, which arises as a result of counterparty credit risk. The Group's exposure to counterparty risk is affected by the nature of the trades, the creditworthiness of the counterparty, netting, and collateral arrangements.

Credit risk from derivatives is mitigated where possible (typically for financial markets counterparties, but less frequently for corporate or government counterparties) through netting agreements, whereby derivative assets and liabilities with the same counterparty can be offset. Group policy requires all netting arrangements to be legally documented. The International Swaps and Derivatives Association (ISDA) Master Agreement (or other derivative contracts) are used by the Group as an agreement for documenting over the counter (OTC) derivatives. It provides the contractual framework within which dealing activities across a range of OTC products are conducted, and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur.

Collateral is obtained against derivative assets, depending on the creditworthiness of the counterparty and/or nature of the transaction.

As at 30 June 2013, the Group held positive derivative asset OTC contracts with a value of $45,340 million (2012: $39,567 million) and collateral received of $6,963 million (2012: $3,288 million) covering some of these contracts. The credit risk is further reduced where the Group has master netting agreements. The offsets obtained by applying master netting agreements reduced the credit risk of the Group by approximately $19.5 billion as at 30 June 2013 (2012: $18.6 billion).

Available-for-Sale (AFS) Securities

As of 30 June 2013, the Group held $59,601 million (2012: $60,827 million) of AFS securities. Included in this holding are $523 million (2012: $1,317 million) of securities issued by Australian banks, which are subject to an Australian Government guarantee.

Due from Controlled Entities

Collateral is not generally taken on these intergroup balances.

Credit Commitments and Contingent Liabilities

The Group applies fundamentally the same risk management policies for off balance sheet risks as it does for its on balance sheet risks. In the case of credit commitments, customers and counterparties will be subject to the same credit management policies as for loans and advances. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction.

As at 30 June 2013, the Group had $152,876 million (2012: $138,948 million) of off balance sheet exposures (commitments and guarantees). Of these $82,199 million (2012: $70,041 million) are secured.

Loans, Bills Discounted and Other Receivables

The principal collateral types for loans and receivable balances are:

- Mortgages over residential and commercial real estate;
- Charges over business assets such as premises, inventory and accounts receivables; and
- Guarantees received from third parties.

Specifically, the collateral mitigating credit risk of the key lending portfolios is addressed in the notes and tables below.

(i) Home Loans

All home loans are secured by fixed charges over borrowers' residential properties, other properties (including commercial and broad acre), or cash (usually in the form of a charge over a deposit). Further, Lenders Mortgage Insurance (LMI) is taken out for most loans with a Loan to Value Ratio (LVR) higher than 80% at origination to cover 100% of the original principal plus interest.

(ii) Personal Lending

Personal lending (such as credit cards), is predominantly unsecured.

(iii) Asset Finance

The Group leases assets to corporate and retail clients. When the title to the underlying fixed assets is held by the Group as collateral, the balance is deemed fully secured. In other instances, a client's facilities may be secured by collateral valued at less than the carrying amount of credit exposure. These facilities are deemed partially secured or unsecured.

(iv) Other Commercial and Industrial Lending

The Group's main collateral types for other commercial and industrial lending consists of secured rights over specified assets of the borrower in the form of: commercial property; land rights; cash (usually in the form of a charge over a deposit); guarantees by company directors supporting commercial lending; a charge over a company's assets (including debtors, stock and work in progress); or a charge over stock or scrip. In other instances, a client's facilities may be secured by collateral with value less than the carrying amount of the credit exposure. These facilities are deemed partially secured or unsecured.

A facility is determined to be secured where the ratio of the exposure to that facility to the estimated value of the collateral is less than or equal to 100%. A facility is deemed to be partially secured when this ratio exceeds 100% but not more than 250%, and unsecured when either no security is held, (e.g. can include credit cards, personal loans, and exposures to highly rated corporate entities), or where the secured loan to estimated value of collateral exceeds 250%.

Note 38 Credit Risk (continued)

	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	Group 2013 Total
Maximum exposure ($M)	372,840	22,659	8,688	158,571	562,758
Collateral classification:					
Secured (%)	99. 1	15. 0	99. 3	44. 6	80. 4
Partially secured (%)	0. 9	-	0. 7	14. 5	4. 7
Unsecured (%)	-	85. 0	-	40. 9	14. 9

	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	Group 2012 Total
Maximum exposure ($M) [(1)]	352,981	22,428	8,682	148,289	532,380
Collateral classification:					
Secured (%)	98. 7	16. 2	99. 4	36. 6	77. 7
Partially secured (%)	1. 3	-	0. 6	13. 6	4. 7
Unsecured (%)	-	83. 8	-	49. 8	17. 6

	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	Bank 2013 Total
Maximum exposure ($M)	337,384	21,808	8,227	140,433	507,852
Collateral classification:					
Secured (%)	99. 1	15. 4	99. 2	44. 5	80. 5
Partially secured (%)	0. 9	-	0. 8	13. 7	4. 4
Unsecured (%)	-	84. 6	-	41. 8	15. 1

	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	Bank 2012 Total
Maximum exposure ($M) [(1)]	271,667	20,067	7,822	111,974	411,530
Collateral classification:					
Secured (%)	98. 9	19. 0	99. 5	39. 4	78. 5
Partially secured (%)	1. 1	-	0. 5	11. 0	3. 8
Unsecured (%)	-	81. 0	-	49. 6	17. 7

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

Note 38 Credit Risk (continued)

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements

The below tables detail the concentration of credit exposure assets by significant geographical locations and counterparty types. Disclosures do not take into account collateral held and other credit enhancements.

Group
At 30 June 2013

	Sovereign $M	Agri-culture $M	Bank & Other Financial $M	Home Loans $M	Constr-uction $M	Other Personal $M	Asset Financ-ing $M	Other Comm & Indust. $M	Other $M	Total $M
Australia										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	5,857	-	-	-	-	-	-	5,857
Receivables due from other financial institutions	-	-	3,808	-	-	-	-	-	-	3,808
Assets at fair value through Income Statement:										
Trading	9,726	-	1,078	-	-	-	-	2,406	-	13,210
Insurance [1]	945	-	8,013	-	-	-	-	3,487	-	12,445
Other	44	-	145	-	-	-	-	-	-	189
Derivative assets	422	33	35,189	-	42	-	-	4,539	-	40,225
Available-for-sale investments	28,587	-	23,311	-	-	-	-	859	-	52,757
Loans, bills discounted and other receivables [2]	1,971	5,971	7,929	338,023	2,634	21,796	8,414	110,545	-	497,283
Bank acceptances	3	2,770	190	-	554	-	-	2,537	-	6,054
Other assets [3]	98	22	1,821	770	7	49	12	469	17,607	20,855
Total on balance sheet Australia	41,796	8,796	87,341	338,793	3,237	21,845	8,426	124,842	17,607	652,683
Credit risk exposures relating to off balance sheet assets:										
Guarantees	1,430	46	192	-	726	-	-	2,935	-	5,329
Loan commitments	919	1,470	1,905	60,584	1,615	18,625	-	37,686	-	122,804
Other commitments	123	22	3,477	-	538	-	-	1,903	-	6,063
Total Australia	44,268	10,334	92,915	399,377	6,116	40,470	8,426	167,366	17,607	786,879
Overseas										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	14,777	-	-	-	-	-	-	14,777
Receivables due from other financial institutions	-	-	3,936	-	-	-	-	-	-	3,936
Assets at fair value through Income Statement:										
Trading	493	-	798	-	-	-	-	5,116	-	6,407
Insurance [1]	-	-	1,914	-	-	-	-	-	-	1,914
Other	587	-	131	-	-	-	-	-	-	718
Derivative assets	474	15	3,481	-	-	-	-	1,145	-	5,115
Available-for-sale investments	5,460	-	1,359	-	-	-	-	25	-	6,844
Loans, bills discounted and other receivables [2]	9,670	6,480	7,029	34,817	301	863	274	6,041	-	65,475
Bank acceptances	-	-	-	-	-	-	-	9	-	9
Other assets [3]	24	1	426	1	1	-	2	36	1,617	2,108
Total on balance sheet overseas	16,708	6,496	33,851	34,818	302	863	276	12,372	1,617	107,303
Credit risk exposures relating to off balance sheet assets:										
Guarantees	7	2	43	-	45	-	-	270	-	367
Loan commitments	388	447	132	4,066	729	1,383	-	10,015	-	17,160
Other commitments	76	5	191	-	10	-	75	796	-	1,153
Total overseas	17,179	6,950	34,217	38,884	1,086	2,246	351	23,453	1,617	125,983
Total gross credit risk	61,447	17,284	127,132	438,261	7,202	42,716	8,777	190,819	19,224	912,862

(1) In most cases the credit risk of insurance assets is borne by policyholders. However, on certain insurance contracts the Group retains exposure to credit risk.
(2) Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income on lease receivables in line with Note 13.
(3) For the purpose of reconciling to the Balance Sheet, "Other assets" predominantly comprises assets which do not give rise to credit exposure, including Intangible assets, Property, plant and equipment and Other assets.

Note 38 Credit Risk (continued)

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements

Group
At 30 June 2012

	Sovereign $M	Agriculture $M	Bank & Other Financial $M	Home Loans $M	Construction $M	Other Personal $M	Asset Financing $M	Other Comm & Indust. $M	Other $M	Total $M
Australia										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	7,519	-	-	-	-	-	-	7,519
Receivables due from other financial institutions	-	-	6,135	-	-	-	-	-	-	6,135
Assets at fair value through Income Statement:										
Trading	5,560	-	975	-	-	-	-	2,416	-	8,951
Insurance [1]	929	-	8,476	-	-	-	-	3,413	-	12,818
Other	-	-	6	-	-	-	-	-	-	6
Derivative assets [2]	311	66	30,138	-	31	-	-	4,846	-	35,392
Available-for-sale investments	25,639	-	26,604	-	-	-	-	479	-	52,722
Loans, bills discounted and other receivables [3]	1,619	5,251	10,225	322,918	2,796	21,772	8,214	104,330	-	477,125
Bank acceptances	3	2,886	191	-	603	-	-	6,032	-	9,715
Other assets [4]	37	61	184	1,165	11	32	17	480	14,023	16,010
Total on balance sheet Australia	34,098	8,264	90,453	324,083	3,441	21,804	8,231	121,996	14,023	626,393
Credit risk exposures relating to off balance sheet assets:										
Guarantees	1,241	34	258	14	903	-	-	2,766	-	5,216
Loan commitments	1,117	814	2,082	57,158	1,903	18,923	-	32,674	-	114,671
Other commitments	96	13	1,770	4	725	-	-	2,042	-	4,650
Total Australia	36,552	9,125	94,563	381,259	6,972	40,727	8,231	159,478	14,023	750,930
Overseas										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	12,147	-	-	-	-	-	-	12,147
Receivables due from other financial institutions	-	-	4,751	-	-	-	-	-	-	4,751
Assets at fair value through Income Statement:										
Trading	407	-	859	-	-	-	-	3,599	-	4,865
Insurance [1]	-	-	1,707	-	-	-	-	-	-	1,707
Other	967	-	7	-	-	-	-	-	-	974
Derivative assets [2]	225	1	3,157	-	-	-	-	792	-	4,175
Available-for-sale investments	6,948	-	1,156	-	-	-	-	1	-	8,105
Loans, bills discounted and other receivables [3]	10,235	5,198	3,156	30,063	345	656	468	5,134	-	55,255
Bank acceptances	-	-	-	-	-	-	-	2	-	2
Other assets [4]	19	1	5,378	1	-	-	1	37	1,746	7,183
Total on balance sheet overseas	18,801	5,200	32,318	30,064	345	656	469	9,565	1,746	99,164
Credit risk exposures relating to off balance sheet assets:										
Guarantees	-	1	2	-	12	-	-	127	-	142
Loan commitments	392	375	197	3,849	168	1,172	-	7,009	-	13,162
Other commitments	71	1	-	-	3	-	-	1,032	-	1,107
Total overseas	19,264	5,577	32,517	33,913	528	1,828	469	17,733	1,746	113,575
Total gross credit risk	55,816	14,702	127,080	415,172	7,500	42,555	8,700	177,211	15,769	864,505

(1) In most cases the credit risk of insurance assets is borne by policyholders. However, on certain insurance contracts the Group retains exposure to credit risk.
(2) Comparatives have been restated to conform to presentation in the current year.
(3) Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income on lease receivables in line with Note 13.
(4) For the purpose of reconciling to the Balance Sheet, "Other assets" predominantly comprises assets which do not give rise to credit exposure, including Intangible assets, Property, plant and equipment and Other assets.

Note 38 Credit Risk (continued)

Large Exposures

Concentrations of exposure to any debtor or counterparty group are controlled by a large credit exposure policy, which defines a graduated limit framework that restricts credit limits based on the internally assessed risk of the client, the type of client and the security cover. All exposures outside the policy limits require approval by the Executive Risk Committee and are reported to the Board Risk Committee.

The following table shows the aggregated number of the Group's Corporate and Industrial counterparty exposures (including direct and contingent exposures), which individually were greater than 5% of the Group's capital resources (Tier One and Tier Two capital):

	Group	
	2013	2012
	Number	Number
5% to less than 10% of the Group's capital resources	-	1
10% to less than 15% of the Group's capital resources	-	-

The Group has a good quality and well diversified credit portfolio, with 60% of the gross loans and other receivables in domestic mortgage loans and a further 6% in overseas mortgage loans primarily in New Zealand. Overseas loans account for 12% of loans and advances.

The Group restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements are primarily used to manage the risk of derivative transactions and off balance sheet exposures. Balance Sheet assets and liabilities are usually settled on a gross basis.

The credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The offsets obtained by applying master netting arrangements reduced the credit risk of the Group by approximately $19.5 billion as at 30 June 2013 (2012: $18.6 billion).

Derivative financial instruments expose the Group to credit risk where there is a positive current fair value. In the case of credit derivatives, the Group is also exposed to or protected from the risk of default of the underlying entity referenced by the derivative. For further information regarding derivatives see Note 11.

The Group also nets its credit exposure through the operation of certain corporate facilities that allow on balance sheet netting for credit management purposes. On balance sheet netting reduced the credit risk of the Group by approximately $16.7 billion as at 30 June 2013 (2012: $18.0 billion).

Distribution of Financial Assets by Credit Classification

When doubt arises as to the collectability of a credit facility, the financial instrument is classified and reported as impaired. Provisions for impairment are raised where there is objective evidence of impairment and for an amount adequate to cover assessed credit related losses. The Group regularly reviews its financial assets and monitors adherence to contractual terms. Credit risk-rated portfolios are assessed, at least at each Balance Sheet date, to determine whether the financial asset or portfolio of assets is impaired.

The distribution of performing assets, past due assets, impaired assets and provisions for impairment by type of financial instrument at 30 June 2013 was:

Distribution of Financial Instruments by Credit Quality

						Group 2013
	Neither Past Due nor Impaired $M	Past due but not Impaired $M	Impaired Assets $M	Gross $M	Total Provisions for Impairment Losses $M	Net $M
Cash and liquid assets	20,634	-	-	20,634	-	20,634
Receivables due from other financial institutions	7,744	-	-	7,744	-	7,744
Assets at fair value through Income Statement:						
Trading	19,617	-	-	19,617	-	19,617
Insurance	14,359	-	-	14,359	-	14,359
Other	907	-	-	907	-	907
Derivative assets	45,337	-	3	45,340	-	45,340
Available-for-sale investments	59,601	-	-	59,601	-	59,601
Loans, bills discounted and other receivables:						
Australia	480,453	13,291	3,539	497,283	(4,198)	493,085
Overseas	63,010	2,018	447	65,475	(257)	65,218
Bank acceptances	6,063	-	-	6,063	-	6,063
Credit related commitments	151,406	-	341	151,747	(31)	151,716
	869,131	15,309	4,330	888,770	(4,486)	884,284

Note 38 Credit Risk (continued)

Distribution of Financial Instruments by Credit Quality (continued)

						Group 2012
	Neither Past Due nor Impaired $M	Past Due but not Impaired $M	Impaired Assets $M	Gross $M	Total Provisions for Impairment Losses $M	Net $M
Cash and liquid assets	19,666	-	-	19,666	-	19,666
Receivables due from other financial institutions	10,886	-	-	10,886	-	10,886
Assets at fair value through Income Statement:						
Trading	13,816	-	-	13,816	-	13,816
Insurance	14,525	-	-	14,525	-	14,525
Other	980	-	-	980	-	980
Derivative assets [(1)]	39,559	-	8	39,567	-	39,567
Available-for-sale investments [(1)]	60,827	-	-	60,827	-	60,827
Loans, bills discounted and other receivables: [(1)]						
Australia	459,733	13,241	4,151	477,125	(4,596)	472,529
Overseas	52,841	2,003	411	55,255	(231)	55,024
Bank acceptances	9,717	-	-	9,717	-	9,717
Credit related commitments [(1)]	138,831	-	117	138,948	(18)	138,930
	821,381	15,244	4,687	841,312	(4,845)	836,467

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

						Bank [(1)] 2013
	Neither Past Due nor Impaired $M	Past Due but not Impaired $M	Impaired Assets $M	Gross $M	Total Provisions for Impairment Losses $M	Net $M
Cash and liquid assets	**18,030**	**-**	**-**	**18,030**	**-**	**18,030**
Receivables due from other financial institutions	**6,998**	**-**	**-**	**6,998**	**-**	**6,998**
Assets at fair value through Income Statement:						
Trading	**18,398**	**-**	**-**	**18,398**	**-**	**18,398**
Insurance	**-**	**-**	**-**	**-**	**-**	**-**
Other	**718**	**-**	**-**	**718**	**-**	**718**
Derivative assets	**45,200**	**-**	**3**	**45,203**	**-**	**45,203**
Available-for-sale investments	**125,941**	**-**	**-**	**125,941**	**-**	**125,941**
Loans, bills discounted and other receivables:						
Australia	**477,701**	**13,272**	**3,495**	**494,468**	**(4,168)**	**490,300**
Overseas	**13,277**	**9**	**98**	**13,384**	**(45)**	**13,339**
Bank acceptances	**6,059**	**-**	**-**	**6,059**	**-**	**6,059**
Shares in and loans to controlled entities	**63,017**	**-**	**-**	**63,017**	**-**	**63,017**
Credit related commitments	**140,767**	**-**	**339**	**141,106**	**(31)**	**141,075**
	916,106	**13,281**	**3,935**	**933,322**	**(4,244)**	**929,078**

(1) On 1 October 2012 the Commonwealth Bank of Australia Limited and Bank of Western Australia Limited (Bankwest) commenced operating as a single Authorised Deposit-taking Institution (ADI). This resulted in all Bankwest assets and liabilities becoming the assets and liabilities of the Commonwealth Bank of Australia Limited.

Note 38 Credit Risk (continued)

Distribution of Financial Instruments by Credit Quality (continued)

						Bank 2012
	Neither Past Due nor Impaired $M	Past Due but not Impaired $M	Impaired Assets $M	Gross $M	Total Provisions for Impairment Losses $M	Net $M
Cash and liquid assets	17,952	-	-	17,952	-	17,952
Receivables due from other financial institutions	10,482	-	-	10,482	-	10,482
Assets at fair value through Income Statement:						
Trading	12,071	-	-	12,071	-	12,071
Insurance	-	-	-	-	-	-
Other	980	-	-	980	-	980
Derivative assets (1)	39,684	-	7	39,691	-	39,691
Available-for-sale investments	116,567	-	-	116,567	-	116,567
Loans, bills discounted and other receivables: (1)						
Australia	387,270	11,275	2,396	400,941	(2,949)	397,992
Overseas	10,440	14	135	10,589	(33)	10,556
Bank acceptances	9,715	-	-	9,715	-	9,715
Shares in and loans to controlled entities	75,006	-	-	75,006	-	75,006
Credit related commitments (1)	118,584	-	61	118,645	(18)	118,627
	798,751	11,289	2,599	812,639	(3,000)	809,639

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

Financial Assets Assessed as Impaired

						Group
			2013			2012
	Gross Impaired Assets $M	Total Provisions for Impaired Assets (1) $M	Net Impaired Assets $M	Gross Impaired Assets $M	Total Provisions for Impaired Assets (1) $M	Net Impaired Assets $M
Australia						
Home loans	**946**	**(182)**	**764**	919	(256)	663
Other personal (2)	**255**	**(142)**	**113**	212	(131)	81
Asset financing	**58**	**(23)**	**35**	53	(14)	39
Other commercial and industrial	**2,620**	**(1,345)**	**1,275**	3,079	(1,639)	1,440
Financial assets assessed as impaired - Australia	**3,879**	**(1,692)**	**2,187**	4,263	(2,040)	2,223
Overseas						
Home loans	**171**	**(17)**	**154**	163	(28)	135
Other personal (2)	**9**	**(3)**	**6**	10	(3)	7
Asset financing	**4**	**-**	**4**	7	-	7
Other commercial and industrial	**267**	**(47)**	**220**	244	(60)	184
Financial assets assessed as impaired - overseas	**451**	**(67)**	**384**	424	(91)	333
Total financial assets assessed as impaired	**4,330**	**(1,759)**	**2,571**	4,687	(2,131)	2,556

(1) This includes individually assessed provisions, as well as collective provisions held for these portfolios.
(2) Comparatives have been restated to conform to presentation in the current year.

Note 38 Credit Risk (continued)

Financial Assets Assessed as Impaired (continued)

	Bank 2013 [1] Gross Impaired Assets $M	Total Provisions for Impaired Assets [2] $M	Net Impaired Assets $M	Bank 2012 Gross Impaired Assets $M	Total Provisions for Impaired Assets [2] $M	Net Impaired Assets $M
Australia						
Home loans	**945**	**(182)**	**763**	767	(209)	558
Other personal [3]	**255**	**(142)**	**113**	183	(111)	72
Asset financing	**56**	**(22)**	**34**	42	(14)	28
Other commercial and industrial	**2,578**	**(1,345)**	**1,233**	1,463	(754)	709
Financial assets assessed as impaired - Australia	**3,834**	**(1,691)**	**2,143**	2,455	(1,088)	1,367
Overseas						
Home loans	**-**	**-**	**-**	-	-	-
Other personal	**-**	**-**	**-**	-	-	-
Asset financing	**1**	**-**	**1**	3	-	3
Other commercial and industrial	**100**	**(22)**	**78**	141	(25)	116
Financial assets assessed as impaired - overseas	**101**	**(22)**	**79**	144	(25)	119
Total financial assets assessed as impaired	**3,935**	**(1,713)**	**2,222**	2,599	(1,113)	1,486

(1) On 1 October 2012 the Commonwealth Bank of Australia Limited and Bank of Western Australia Limited (Bankwest) commenced operating as a single Authorised Deposit-taking Institution (ADI). This resulted in all Bankwest assets and liabilities becoming the assets and liabilities of the Commonwealth Bank of Australia Limited.

(2) This includes individually assessed provisions, as well as collective provisions held for these portfolios.

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

Distribution of Loans, Bills Discounted and Other Receivables by Impairment Status

The table below segregates the loans, bills discounted and other receivables into neither past due nor impaired, past due but not impaired and impaired. An asset is considered to be past due when any payment under the contractual terms has been missed.

The amount included as past due is the entire contractual balance, rather than the overdue portion.

The split in the tables below does not reflect the basis by which the Group manages credit risk.

Distribution of loans by credit quality	Group 2013 $M	Group 2012 $M	Bank 2013 [1] $M	Bank 2012 $M
Gross loans				
Australia				
Neither past due nor impaired [2]	**480,453**	459,733	**477,701**	387,270
Past due but not impaired [2]	**13,291**	13,241	**13,272**	11,275
Impaired [2]	**3,539**	4,151	**3,495**	2,396
Total Australia	**497,283**	477,125	**494,468**	400,941
Overseas				
Neither past due nor impaired	**63,010**	52,841	**13,277**	10,440
Past due but not impaired [2]	**2,018**	2,003	**9**	14
Impaired [2]	**447**	411	**98**	135
Total overseas	**65,475**	55,255	**13,384**	10,589
Total gross loans	**562,758**	532,380	**507,852**	411,530

(1) On 1 October 2012 the Commonwealth Bank of Australia Limited and Bank of Western Australia Limited (Bankwest) commenced operating as a single Authorised Deposit-taking Institution (ADI). This resulted in all Bankwest assets and liabilities becoming the assets and liabilities of the Commonwealth Bank of Australia Limited.

(2) Comparatives have been restated to conform to presentation in the current year.

Note 38 Credit Risk (continued)

Credit Quality of Loans, Bills Discounted and Other Financial Assets which were Neither Past Due nor Impaired

For the analysis below, financial assets that are neither past due nor impaired have been segmented into investment, pass and weak classifications. This segmentation of loans in retail and risk-rated portfolios is based on the mapping of a customer's internally assessed PD to Standard and Poor's ratings, reflecting a client's ability to meet their credit obligations. In particular, retail PD pools have been aligned to the Group's PD grades which are consistent with rating agency views of credit quality segmentation. Investment grade is representative of lower assessed default probabilities with other classifications reflecting progressively higher default risk. No consideration is given to LGD, the impact of any recoveries or the potential benefit of mortgage insurance.

Segmentation of financial assets other than loans is based on external credit ratings of the counterparties and issuers of financial instruments held by the Group and the Bank.

Loans which were Neither Past Due nor Impaired

					Group 2013
Credit grading	Home Loans $M	Other Personal $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
Australia					
Investment	**224,531**	**3,582**	**712**	**81,617**	**310,442**
Pass	**93,671**	**13,490**	**7,447**	**41,058**	**155,666**
Weak	**8,453**	**3,547**	**98**	**2,247**	**14,345**
Total Australia	**326,655**	**20,619**	**8,257**	**124,922**	**480,453**
Overseas (2)					
Investment	**8,129**	**-**	**10**	**19,682**	**27,821**
Pass	**24,365**	**644**	**240**	**8,982**	**34,231**
Weak	**590**	**-**	**-**	**368**	**958**
Total overseas	**33,084**	**644**	**250**	**29,032**	**63,010**
Total loans which were neither past due nor impaired	**359,739**	**21,263**	**8,507**	**153,954**	**543,463**

					Group 2012
Credit grading	Home Loans $M	Other Personal $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
Australia (1)					
Investment	201,839	4,006	525	77,634	284,004
Pass	100,023	13,042	7,424	38,865	159,354
Weak	9,373	3,600	77	3,325	16,375
Total Australia	311,235	20,648	8,026	119,824	459,733
Overseas (2)					
Investment	5,070	68	1	16,800	21,939
Pass	22,368	375	405	6,461	29,609
Weak	860	5	-	428	1,293
Total overseas	28,298	448	406	23,689	52,841
Total loans which were neither past due nor impaired	339,533	21,096	8,432	143,513	512,574

(1) Comparatives have been restated to conform to presentation in the current year.
(2) For New Zealand Housing Loans, PDs reflect Reserve Bank of New Zealand requirements resulting in higher PDs on average and lower grading.

Note 38 Credit Risk (continued)

Loans which were Neither Past Due nor Impaired (continued)

Credit grading	Home Loans $M	Other Personal $M	Asset Financing $M	Other Commercial and Industrial $M	Bank [1] 2013 Total $M
Australia					
Investment	224,244	3,581	659	80,679	309,163
Pass	92,888	13,490	7,324	40,603	154,305
Weak	8,441	3,547	94	2,151	14,233
Total Australia	325,573	20,618	8,077	123,433	477,701
Overseas					
Investment	188	-	1	11,469	11,658
Pass	254	13	1	1,272	1,540
Weak	6	-	-	73	79
Total overseas	448	13	2	12,814	13,277
Total loans which were neither past due nor impaired	326,021	20,631	8,079	136,247	490,978

Credit grading	Home Loans $M	Other Personal $M	Asset Financing $M	Other Commercial and Industrial $M	Bank 2012 Total $M
Australia					
Investment [2]	166,951	3,512	443	74,480	245,386
Pass [2]	86,985	12,166	7,137	23,812	130,100
Weak [2]	6,927	3,368	63	1,426	11,784
Total Australia	260,863	19,046	7,643	99,718	387,270
Overseas					
Investment	231	-	1	9,157	9,389
Pass	171	18	18	843	1,050
Weak	1	-	-	-	1
Total overseas	403	18	19	10,000	10,440
Total loans which were neither past due nor impaired	261,266	19,064	7,662	109,718	397,710

(1) On 1 October 2012 the Commonwealth Bank of Australia Limited and Bank of Western Australia Limited (Bankwest) commenced operating as a single Authorised Deposit-taking Institution (ADI). This resulted in all Bankwest assets and liabilities becoming the assets and liabilities of the Commonwealth Bank of Australia Limited.

(2) Comparatives have been restated to conform to presentation in the current year.

Other Financial Assets which were Neither Past Due nor Impaired

The majority of all other financial assets of the Group and the Bank that were neither past due nor impaired as of 30 June 2013 and 30 June 2012 were of investment grade.

Note 38 Credit Risk (continued)

Age Analysis of Loans, Bills Discounted and Other Receivables that are Past Due but Not Impaired

For the purposes of this analysis an asset is considered to be past due when any payment under the contractual terms has been missed.

Past due loans are not classified as impaired if no loss to the Group is expected or if the loans are unsecured consumer loans and less than 180 days past due.

It has not been practicable to determine the fair value of collateral held against these assets.

					Group 2013
Loans which were past due but not impaired (1)	Home Loans $M	Other Personal (2) $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
Australia					
Past due 1 - 29 days	5,999	620	62	948	7,629
Past due 30 - 59 days	1,758	178	26	229	2,191
Past due 60 - 89 days	902	109	10	247	1,268
Past due 90 - 179 days	913	-	1	151	1,065
Past due 180 days or more	870	15	-	253	1,138
Total Australia	10,442	922	99	1,828	13,291
Overseas					
Past due 1 - 29 days	1,195	149	15	193	1,552
Past due 30 - 59 days	213	38	3	6	260
Past due 60 - 89 days	65	11	1	6	83
Past due 90 - 179 days	58	5	2	3	68
Past due 180 days or more	30	5	-	20	55
Total overseas	1,561	208	21	228	2,018
Total loans which were past due but not impaired	12,003	1,130	120	2,056	15,309

					Group 2012
Loans which were past due but not impaired (1)	Home Loans (2) (3) $M	Other Personal (2) (3) $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
Australia					
Past due 1 - 29 days	5,572	631	68	880	7,151
Past due 30 - 59 days	1,806	166	45	149	2,166
Past due 60 - 89 days	1,011	101	13	97	1,222
Past due 90 - 179 days	1,183	-	1	133	1,317
Past due 180 days or more	1,201	14	8	162	1,385
Total Australia	10,773	912	135	1,421	13,241
Overseas					
Past due 1 - 29 days	1,129	144	42	127	1,442
Past due 30 - 59 days	232	28	7	5	272
Past due 60 - 89 days	97	11	2	4	114
Past due 90 - 179 days	91	7	3	4	105
Past due 180 days or more	54	8	1	7	70
Total overseas	1,603	198	55	147	2,003
Total loans which were past due but not impaired	12,376	1,110	190	1,568	15,244

(1) Collateral held against past due Home Loans receivables comprises residential and other real estate with an estimated fair value of at least the amounts shown. Personal receivables are generally unsecured. It has not been practicable to determine the fair value of collateral held against past due Asset Financing and Other Commercial and Industrial receivables.

(2) Personal loans, credit cards and other personal financing balances are generally unsecured and written off at 180 days past due unless agreements have been made with the debtor.

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

Note 38 Credit Risk (continued)

Age Analysis of Loans, Bills Discounted and Other Receivables that are Past Due but Not Impaired (continued)

Loans which were past due but not impaired (2)	Home Loans $M	Other Personal (3) $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
					Bank (1) 2013
Australia					
Past due 1 - 29 days	**5,992**	**620**	**59**	**948**	**7,619**
Past due 30 - 59 days	**1,757**	**178**	**25**	**229**	**2,189**
Past due 60 - 89 days	**901**	**109**	**7**	**247**	**1,264**
Past due 90 - 179 days	**912**	**-**	**-**	**151**	**1,063**
Past due 180 days or more	**869**	**15**	**-**	**253**	**1,137**
Total Australia	**10,431**	**922**	**91**	**1,828**	**13,272**
Overseas					
Past due 1 - 29 days	**4**	**-**	**-**	**-**	**4**
Past due 30 - 59 days	**2**	**-**	**-**	**-**	**2**
Past due 60 - 89 days	**-**	**-**	**-**	**-**	**-**
Past due 90 - 179 days	**3**	**-**	**-**	**-**	**3**
Past due 180 days or more	**-**	**-**	**-**	**-**	**-**
Total overseas	**9**	**-**	**-**	**-**	**9**
Total loans which were past due but not impaired	**10,440**	**922**	**91**	**1,828**	**13,281**

Loans which were past due but not impaired (2)	Home Loans $M	Other Personal (3) $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
					Bank 2012
Australia					
Past due 1 - 29 days (4)	5,522	566	52	446	6,586
Past due 30 - 59 days	1,321	148	39	93	1,601
Past due 60 - 89 days	772	91	12	46	921
Past due 90 - 179 days (4)	977	-	10	57	1,044
Past due 180 days or more	1,049	13	2	59	1,123
Total Australia	9,641	818	115	701	11,275
Overseas					
Past due 1 - 29 days	12	-	-	-	12
Past due 30 - 59 days	1	-	-	-	1
Past due 60 - 89 days	-	-	-	-	-
Past due 90 - 179 days	1	-	-	-	1
Past due 180 days or more	-	-	-	-	-
Total overseas	14	-	-	-	14
Total loans which were past due but not impaired	9,655	818	115	701	11,289

(1) On 1 October 2012 the Commonwealth Bank of Australia Limited and Bank of Western Australia Limited (Bankwest) commenced operating as a single Authorised Deposit-taking Institution (ADI). This resulted in all Bankwest assets and liabilities becoming the assets and liabilities of the Commonwealth Bank of Australia Limited.

(2) Collateral held against past due Home Loans receivables comprises residential and other real estate with an estimated fair value of at least the amounts shown. Personal receivables are generally unsecured. It has not been practicable to determine the fair value of collateral held against past due Asset Financing and Other Commercial and Industrial receivables.

(3) Personal loans, credit cards and other personal financing balances are generally unsecured and written off at 180 days past due unless agreements have been made with the debtor.

(4) Comparatives have been restated to conform to presentation in the current year.

Note 38 Credit Risk (continued)

Impaired Assets by Classification

Assets in credit risk rated portfolios and home loan portfolios are assessed for objective evidence that the financial asset is impaired. Impaired assets in the unsecured retail segment are those facilities that are past due 90 days or more.

Impaired assets are split into the following categories:

- Non-Performing Facilities;
- Restructured Facilities; and
- Unsecured retail products 90 days or more past due.

Non-performing facilities are facilities against which an individually assessed provision for impairment has been raised and facilities where loss of principal or interest is anticipated.

Restructured facilities are facilities where the original contractual terms have been modified to non-commercial terms due to financial difficulties of the borrower. Interest on these facilities is taken to the Income Statement. Failure to comply fully with the modified terms will result in immediate reclassification to non-performing.

Unsecured retail products 90 days or more past due are credit cards, personal loans and other unsecured retail products which are 90 days or more past due. These loans are collectively provided for.

The Group does not manage credit risk based solely on arrears categorisation, but also uses credit risk rating principles as described earlier in this note.

					Group
	2013	2012	2011	2010	2009
	$M	$M	$M	$M	$M
Australia					
Non-Performing assets:					
Gross balances [1]	**3,316**	3,966	4,592	4,633	3,514
Less individual provisions for impairment	**(1,564)**	(1,920)	(2,031)	(1,915)	(1,560)
Net non-performing assets	**1,752**	2,046	2,561	2,718	1,954
Restructured assets:					
Gross balances	**346**	93	38	78	119
Less individual provisions for impairment	**-**	-	-	-	-
Net restructured assets	**346**	93	38	78	119
Unsecured retail products 90 days or more past due:					
Gross balances	**217**	204	202	205	-
Less provisions for impairment [2]	**(128)**	(120)	(109)	(107)	-
Unsecured retail products 90 days or more past due	**89**	84	93	98	-
Net Australia impaired assets	**2,187**	2,223	2,692	2,894	2,073
Overseas					
Non-Performing assets:					
Gross balances [1]	**356**	344	467	317	407
Less individual provisions for impairment	**(64)**	(88)	(94)	(77)	(169)
Net non-performing assets	**292**	256	373	240	238
Restructured assets:					
Gross balances	**87**	70	189	169	170
Less individual provisions for impairment	**-**	-	-	-	-
Net restructured assets	**87**	70	189	169	170
Unsecured retail products 90 days or more past due:					
Gross balances	**8**	10	14	17	-
Less provisions for impairment [2]	**(3)**	(3)	(3)	(3)	-
Unsecured retail products 90 days or more past due	**5**	7	11	14	-
Net overseas impaired assets	**384**	333	573	423	408
Total net impaired assets	**2,571**	2,556	3,265	3,317	2,481

(1) Comparatives from 2010 onwards have been restated to conform to presentation in the current year.
(2) Collective provisions are held for these portfolios.

Note 38 Credit Risk (continued)

Impaired Assets by Classification (continued)

Impaired assets by size	Australia 2013 $M	Overseas 2013 $M	Total 2013 $M	Australia 2012 $M	Overseas 2012 $M	Group Total 2012 $M
Less than $1 million [1]	1,359	185	1,544	1,108	186	1,294
$1 million to $10 million	1,159	146	1,305	1,359	110	1,469
Greater than $10 million	1,361	120	1,481	1,796	128	1,924
Total	3,879	451	4,330	4,263	424	4,687

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

Movement in gross impaired assets	2013 $M	2012 $M	2011 $M	2010 $M	Group 2009 $M
Gross impaired assets - opening balance [1]	4,687	5,502	5,419	4,210	683
Acquisitions	-	-	-	-	770
New and increased [1]	3,016	3,389	4,156	5,455	4,374
Balances written-off	(1,774)	(1,687)	(1,798)	(1,904)	(1,056)
Returned to performing or repaid [2]	(2,165)	(3,040)	(2,740)	(2,545)	(561)
Portfolio managed - new/increased/return to performing/repaid [2] [3]	566	523	465	203	-
Gross impaired assets - closing balance	4,330	4,687	5,502	5,419	4,210

(1) Comparatives from 2010 onwards have been restated to conform to presentation in the current year.
(2) Comparatives have been reclassified to conform to presentation in the current year.
(3) 2010 represents the balance of unsecured retail products 90 days or more past due.

Impaired Loans by Industry and Status

Industry	Loans $M	Gross Impaired Loans $M	Total Provisions for Impaired Assets $M	Net Impaired Loans $M	Write-offs $M	Recoveries $M	Group 2013 Net Write-offs $M
Australia							
Sovereign	1,971	-	-	-	-	-	-
Agriculture	5,971	398	(168)	230	30	-	30
Bank and other financial	7,929	300	(217)	83	79	(8)	71
Home loans	338,023	924	(182)	742	217	(4)	213
Construction	2,634	110	(89)	21	139	-	139
Other Personal	21,796	255	(142)	113	622	(113)	509
Asset Financing	8,414	58	(23)	35	25	(6)	19
Other commercial and industrial	110,545	1,494	(871)	623	686	(13)	673
Total Australia	497,283	3,539	(1,692)	1,847	1,798	(144)	1,654
Overseas							
Sovereign	9,670	-	-	-	-	-	-
Agriculture	6,480	142	(16)	126	4	-	4
Bank and other financial	7,029	36	(5)	31	10	(1)	9
Home loans	34,817	171	(17)	154	21	(1)	20
Construction	301	4	-	4	-	-	-
Other Personal	863	9	(3)	6	25	(8)	17
Asset Financing	274	4	-	4	-	-	-
Other commercial and industrial	6,041	81	(26)	55	31	-	31
Total overseas	65,475	447	(67)	380	91	(10)	81
Gross balances	562,758	3,986	(1,759)	2,227	1,889	(154)	1,735

Note 38 Credit Risk (continued)

Impaired Loans by Industry and Status (continued)

							Group 2012
Industry	Loans $M	Gross Impaired Loans $M	Total Provisions for Impaired Assets $M	Net Impaired Loans $M	Write-offs $M	Recoveries $M	Net Write-offs $M
Australia							
Sovereign	1,619	-	-	-	-	-	-
Agriculture	5,251	224	(89)	135	32	-	32
Bank and other financial	10,225	341	(235)	106	51	(17)	34
Home Loans	322,918	910	(256)	654	88	(5)	83
Construction	2,796	218	(152)	66	45	-	45
Other Personal (1)	21,772	212	(131)	81	657	(147)	510
Asset Financing	8,214	53	(14)	39	38	(17)	21
Other commercial and industrial	104,330	2,193	(1,163)	1,030	884	(30)	854
Total Australia	477,125	4,151	(2,040)	2,111	1,795	(216)	1,579
Overseas							
Sovereign	10,235	-	-	-	-	-	-
Agriculture	5,198	56	(7)	49	5	-	5
Bank and other financial	3,156	79	(6)	73	1	-	1
Home Loans	30,063	162	(28)	134	24	-	24
Construction	345	-	-	-	-	-	-
Other Personal (1)	656	10	(3)	7	19	(8)	11
Asset Financing	468	7	-	7	-	-	-
Other commercial and industrial	5,134	97	(47)	50	33	(4)	29
Total overseas	55,255	411	(91)	320	82	(12)	70
Gross balances	532,380	4,562	(2,131)	2,431	1,877	(228)	1,649

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

Note 39 Market Risk

Market Risk

Market risk is the potential of an adverse impact on the Group's earnings from changes in interest rates, foreign exchange rates, commodity and equity prices, credit spreads, and the resale value of assets underlying operating leases at maturity (lease residual value risk).

The Group makes a distinction between Traded and Non-traded market risks for the purposes of risk management, measurement and reporting. Traded market risks principally arise from the Group's trading book activities within the Institutional Banking and Markets business and ASB.

The predominant Non-traded market risk is interest rate risk that arises from banking book activities. Other Non-traded market risks are non-traded equity risk, market risk arising from the insurance business, structural foreign exchange risk and lease residual value risk.

The Group's assessment of regulatory capital required under the Basel II and Basel III framework is discussed in Note 30.

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 movements in market rates. The VaR measure for Non-traded Banking Book market risk uses six years of daily movement in market rates.

VaR is modelled at a 97.5% confidence level over a 1 day holding period for trading book positions. A 20 day holding period is used for interest rate risk in the banking book (IRRBB), insurance business market risk and Non-traded equity risk.

Stressed VaR is calculated for Traded market risk using the same methodology as the regular Traded market risk VaR except that the historical data is taken from a one year observation period of significant market volatility as seen during the Global Financial Crisis (GFC).

VaR is driven by actual historical observations and is not an estimate of the maximum loss that the Group could experience from an extreme market event. As a result of this limitation, management also uses stress testing to measure the potential for economic loss at confidence levels significantly higher than 97.5%. Management then uses the results in its decisions to manage the economic impact of market risk positions.

The stress events considered for market risk are extreme but plausible market movements, and have been back-tested against moves seen during 2008 and 2009 at the height of the GFC. The results are reported to the Risk Committee and the Group's Asset and Liability Committee (ALCO) on a regular basis. Stress tests also include a range of forward looking macro scenario stresses.

The following table provides a summary of VaR, across the Group, for those market risk types where it is appropriate to use this measure.

Total Market Risk VaR (1 day 97.5% confidence)	Average [2] June 2013 $M	As at June 2013 $M	Average [2] June 2012 $M	As at June 2012 $M
Traded Market Risk	**9. 1**	**11. 6**	11. 6	8. 7
Non-Traded Interest Rate Risk [1]	**15. 3**	**9. 0**	27. 7	18. 9
Non-Traded Equity Risk [1]	**22. 4**	**25. 0**	21. 5	21. 0
Non-Traded Insurance Market Risk [1]	**7. 5**	**6. 9**	8. 8	8. 0

(1) The risk of these exposures has been represented in this table using a one day holding period. In practice however, these 'non-traded' exposures are managed to a longer holding period.

(2) Average VaR calculated for each twelve month period.

Traded Market Risk

The Group trades and distributes financial markets products and provides risk management services to customers on a global basis.

The objectives of the Group's financial markets activities are to:

- Provide risk management capital market products and services to customers;
- Efficiently assist in managing the Group's own market risks; and
- Conduct profitable market making within a controlled framework, to assist in the provision of products and services to customers.

The Group maintains access to markets by quoting bid and offer prices with other market makers and carries an inventory of treasury, capital market and risk management instruments, including a broad range of securities and derivatives.

The Group is a participant in all major markets across foreign exchange and interest rate products, debt, equity and commodities products as required to provide treasury, capital markets and risk management services to institutional, corporate, middle market and retail customers.

Income is earned from spreads achieved through market making and from warehousing market risk. Trading positions are valued at fair value and taken to profit and loss on a mark to market basis. Market liquidity risk is controlled by concentrating trading activity in highly liquid markets.

Trading assets at fair value through the Income Statement are shown in Note 10 Trading liabilities at fair value through the Income Statement are shown in Note 20. Note 3 details the income contribution of trading activities to the income of the Group.

The Group measures and manages Traded market risk through a combination of VaR and stress test limits, together with other key controls including permitted instruments, sensitivity limits and term restrictions. Thus Traded market risk is managed under a clearly defined risk appetite within the Market Risk Policy and limit structure approved by the Risk Committee of the Board. Risk is monitored by an independent Market Risk Management (MRM) function.

Credit Valuation Adjustment (CVA) is comparable to Traded market risk and is managed using a VaR and stress-testing framework. The Board Risk Committee and ALCO regularly monitor CVA exposures with daily oversight by the independent risk function. The Basel III framework has required a CVA regulatory capital charge since 1 January 2013.

The following table provides a summary of VaR for the trading book of the Group. The VaR for ASB is shown separately; all other data relates to the Group and is split by risk type.

Traded Market Risk VaR (1 day 97.5% confidence)	Average [1] June 2013 $M	As at June 2013 $M	Average [1] June 2012 $M	As at June 2012 $M
Interest rate risk	**5. 9**	**6. 1**	5. 2	5. 9
Foreign exchange risk	**1. 0**	**1. 0**	1. 0	0. 7
Equities risk	**2. 1**	**0. 4**	2. 2	1. 7
Commodities risk	**1. 0**	**0. 9**	1. 3	0. 8
Credit spread risk	**2. 4**	**1. 7**	2. 8	2. 3
Diversification benefit	**(7. 4)**	**(5. 4)**	(6. 6)	(6. 2)
Total general market risk	**5. 0**	**4. 7**	5. 9	5. 2
Undiversified risk	**3. 9**	**6. 7**	3. 5	2. 5
ASB Bank	**0. 2**	**0. 2**	2. 2	1. 0
Total	**9. 1**	**11. 6**	11. 6	8. 7

(1) Average VaR calculated for each twelve month period.

Non-Traded Market Risk

Non-traded market risk activities are governed by the Group market risk framework approved by the Board Risk Committee. The Group market risk framework governs all the

Note 39 Market Risk (continued)

activities performed in relation to Non-traded market risk. Implementation of the policy, procedures and limits for the Group is the responsibility of the Group Executive undertaking activities with Non-traded market risk. The Group's Risk division performs risk measurement and monitoring activities of Non-traded market risk. Ownership and management responsibility for the Bank's domestic operations are assumed by Group Treasury. Management actions conventionally include hedging activities using a range of policy approved derivative instruments. Independent management of the Non-traded market risk activities of offshore banking subsidiaries is delegated to the CEO of each entity, with oversight by the local ALCO. Senior management oversight is provided by the Group's ALCO.

Interest Rate Risk in the Banking Book

Interest rate risk is the current and prospective impact to the Group's financial condition due to adverse changes in interest rates to which the Group's Balance Sheet is exposed. Maturity transformation activities of the Group result in mismatched assets and liabilities positions which direct that the propensity, timing and quantum of interest rate movements have undesired outcomes over both the short term and long term. The Group's objective is to manage interest rate risk to achieve stable and sustainable net interest income in the long term.

The Group measures and manages the impact of interest rate risk in two ways:

(a) Next 12 months' earnings

Interest rate risk from an earnings perspective is the impact based on changes to the net interest income over the next 12 months.

The risk to net interest income over the next 12 months from changes in interest rates is measured on a monthly basis. Earnings risk is measured through sensitivity analysis, which applies an instantaneous 100 basis point parallel shock (increase) in interest rates across the yield curve.

The prospective change to the net interest income is measured by using an Asset and Liability Management simulation model which incorporates both existing and anticipated new business in its assessment. The change in the Balance Sheet product mix, growth, funding and pricing strategies is incorporated. Assets and liabilities that reprice directly from observable market rates are measured based on the full extent of the rate shock that is applied.

Products that are priced based on Group administered or discretionary interest rates and that are impacted by customer behaviour are measured by taking into consideration the historic repricing strategy of the Group and repricing behaviours of customers. In addition to considering how the products have repriced in the past the expected change in price based on both the current and anticipated competitive market forces are also considered in the sensitivity analyses.

The figures in the following table represent the potential unfavourable change to the Group's net interest earnings during the year based on a 100 basis point parallel rate shock (decrease).

Net Interest Earnings at Risk		**June 2013 $M**	**June 2012 $M**
Average monthly exposure	AUD	**105. 1**	152. 2
	NZD	**9. 5**	20. 7
High monthly exposure	AUD	**128. 6**	284. 3
	NZD	**16. 2**	32. 5
Low monthly exposure	AUD	**59. 3**	40. 7
	NZD	**4. 3**	11. 5
As at balance date	AUD	**59. 3**	81. 1
	NZD	**12. 1**	13. 7

(b) Economic Value

Interest rate risk from the economic value perspective is based on a 20 day 97.5% VaR measure.

Measuring the change in the economic value of equity is an assessment of the long term impact to the earnings potential of the Group present valued to the current date. The Group assesses the potential change in its economic value of equity through the application of the VaR methodology. A 20 day 97.5% VaR measure is used to capture the net economic value impact over the long term or total life of all Balance Sheet assets and liabilities to adverse changes in interest rates. The impact of customer prepayments on the contractual cash flows for fixed rate products is included in the calculation. Cash flows for discretionary priced products are behaviourally adjusted and repriced at the resultant profile.

The figures in the following table represent the net present value of the expected change in the Group's future earnings in all future periods for the remaining term of all existing assets and liabilities.

Non-Traded Interest Rate VaR (20 day 97.5% confidence) (2)	**Average** (1) **June 2013 $M**	**Average** (1) **June 2012 $M**
AUD Interest rate risk	**68. 5**	123. 7
NZD Interest rate risk (3)	**3. 0**	1. 4

(1) Average VaR calculated for each twelve month period.
(2) VaR is only for entities that have material risk exposure.
(3) ASB data (expressed in NZD) is for the month-end date.

Non-Traded Equity Risk

The Group retains Non-traded equity risk through business development activities in divisions including Institutional Banking and Markets, and Wealth Management. This activity is subject to governance arrangements approved by the Risk Committee of the Board, and is monitored on a decentralised basis within the Risk Management function. An indicative VaR measure is as follows:

Non-Traded Equity VaR (20 day 97.5% confidence)	**As at June 2013 $M**	**As at June 2012 $M**
VaR	**112. 0**	94. 0

Market Risk in Insurance Businesses

Modest in the broader Group context, a significant component of Non-traded market risk activities result from the holding of assets related to the Life Insurance businesses. There are two main sources of market risk in these businesses: (i) market risk arising from guarantees made to policyholders; and (ii) market risk arising from the investment of Shareholders' capital.

A second order market risk also arises for the Group from assets held for investment linked policies. On this type of contract the policyholder takes the risk of falls in the market value of the assets. However, falls in market value also impact assets under management and reduce the fee income collected for this class of business.

Guarantees (to Policyholders)

All financial assets within the Life Insurance Statutory Funds directly support either the Group's life insurance or life investment contracts. Market risk arises for the Group on contracts where the liabilities to policyholders are guaranteed by the Group. The Group manages this risk by the monthly monitoring and rebalancing of assets to contract liabilities. However, for some contracts the ability to match asset characteristics with policy obligations is constrained by a number of factors including regulatory requirements or the lack of investments that substantially align cash flows with the cash payments to be made to policyholders.

Shareholders' Capital

A portion of financial assets held within the Insurance

Note 39 Market Risk (continued)

business, both within the Statutory Funds and in the Shareholder Funds of the Life Insurance company represents shareholder (Group) capital. Market risk also arises for the Group on the investment of this capital. Shareholders' funds in the Australian Life Insurance businesses are invested 85% in income assets (cash and fixed interest) and 15% in growth assets (shares and property) as at 30 June 2013.

A 20 day 97.5% VaR measure is used to capture the Non-traded market risk exposures.

Non-Traded VaR in Australian Life Insurance Business (20 day 97.5% confidence)	Average [1] June 2013 $M	Average [1] June 2012 $M
Shareholder funds [2]	21. 3	23. 2
Guarantees (to Policyholders) [3]	20. 0	30. 7

(1) Average VaR calculated for each twelve month period.
(2) VaR in relation to the investment of shareholder funds.
(3) VaR in relation to product portfolios where the Group has guaranteed liability to policyholders.

Further information on the Insurance Businesses can be found in Note 32.

Structural Foreign Exchange Risk

Structural foreign exchange risk is the risk that movements in foreign exchange rates may have an adverse effect on the Group's Australian dollar earnings and economic value when the Group's foreign currency denominated earnings and capital are translated into Australian dollars. The Group's only material exposure to this risk arises from its New Zealand banking and insurance subsidiaries. This risk is managed in accordance with the following Risk Committee of the Board approved principles:

- Permanently deployed capital in a foreign jurisdiction is not hedged; and
- Forecast earnings from the Group's New Zealand banking and insurance subsidiaries are hedged.

The management of structural foreign exchange risk is regularly reported to the Group's ALCO.

Lease Residual Value Risk

The Group takes lease residual value risk on assets such as industrial, mining, rail, aircraft, marine, technology, healthcare and other equipment. A lease residual value guarantee exposes the Group to the movement in second-hand asset prices. The lease residual value risk within the Group is controlled through a risk management framework approved by the Risk Committee of the Board. Supporting this framework is an internal Market Risk Standard document which has a risk limit framework which includes asset, geographic and maturity concentration limits and stress testing which is performed by the MRM function.

Commonwealth Bank Group Super Fund

The Commonwealth Bank Group Super Fund (the Fund) was previously called the Officers Superannuation Fund and is the staff superannuation fund for the Group's Australian employees and former employees. Wealth Risk Management and Human Resources manage the risks of the Fund on behalf of the Group. Regular reporting is provided to senior management via the Group's ALCO and the Board Risk Committee on the status of the surplus, risk sensitivities and risk management options. For further information on the Fund, refer to Note 41.

Note 40 Liquidity and Funding Risk

Overview

The Group's liquidity and funding policies are designed to ensure it will meet its obligations as and when they fall due, by ensuring it is able to borrow funds on an unsecured basis, or has sufficient quality assets to borrow against on a secured basis, or has sufficient quality liquid assets to sell to raise immediate funds without adversely affecting the Group's net asset value.

The Group's liquidity policies are designed to ensure it maintains sufficient cash balances and liquid asset holdings to meet its obligations to customers, in both ordinary market conditions and during periods of extreme stress. These policies are intended to protect the value of the Group's operations across its Retail Banking Services, Business and Private Banking, Institutional Banking and Markets, Wealth Management, New Zealand, Bankwest, and overseas businesses, during periods of unfavourable market conditions.

The Group's funding policies are designed to achieve diversified sources of funding by product, term, maturity date, investor type, investor location, jurisdiction, currency and concentration, on a cost effective basis. This objective applies to the Group's wholesale and retail funding activities.

Liquidity and Funding Risk Management Framework

The Group's liquidity and funding policies are approved by the Board and agreed with APRA. The Group has an Asset and Liability Committee (ALCO) 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. Group Treasury manages the Group's liquidity and funding positions in accordance with the Group's liquidity policies and has ultimate authority to execute liquidity decisions should the Group Contingent Liquidity Plan be evoked. Group Risk Management provides oversight of the Group's liquidity and funding risks, compliance with Group policies and manages the Group's relationship with prudential regulators.

Subsidiaries within the Colonial Group apply their own liquidity and funding strategies to address their specific needs. The Group's New Zealand banking subsidiary, ASB Bank, 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 a relatively small banking subsidiary in Indonesia that manages its own liquidity and funding on a similar basis.

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, reviewed regularly and monitored to ensure that they are met. The Group's market capacity is regularly assessed and used as a factor in funding strategies;
- At least a prescribed minimum level of assets are retained in highly liquid form;
- This 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 held to provide for the risk of the Group's committed but undrawn lending obligations;
- Liquid assets are held in Australian dollar and foreign currency denominated securities in accordance with expected requirements;
- The Group has three categories of liquid assets within its domestic liquid assets portfolio. The first includes cash, government and Australian semi-government bonds. The second includes negotiable certificates of deposit, bank bills, bank term securities, supranational bonds and Australia Residential Mortgage-Backed Securities (RMBS) securities that meet certain Reserve Bank of Australia (RBA) requirements. The final is internal RMBS, being mortgages that have been securitised but

Note 40 Liquidity and Funding Risk (continued)

retained by the Bank, are held for their repo-eligibility with the RBA under a stress scenario and included within Group liquids; and

- Offshore branches and subsidiaries adhere to liquidity policies and hold appropriate foreign currency liquid assets as required. All securities are central bank repo-eligible under normal market conditions.

The Group's key funding tools include:

- Its consumer retail funding base, which includes a wide range of retail transaction accounts, savings accounts and term deposits for individual consumers;
- Its small business customer and institutional deposit base; and
- Its wholesale international and domestic funding programs which include its Australian dollar Negotiable Certificates of Deposit; Australian dollar bank bills; Asian Transferable Certificates of Deposit program; Australian, U.S. and Euro Commercial Paper programs; U.S. Extendible Notes programs; Australian dollar Domestic Debt Program; U.S.144a and 3a2 Medium Term Note Programs; Euro Medium Term Note Program, multi jurisdiction Covered Bond program, and its Medallion securitisation program.

The Group's key liquidity tools include:

- A liquidity management model similar to a "maturity ladder" or "liquidity 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;
- Central bank repurchase agreement facilities provide the Group with the ability to borrow funds on a secured basis, even when normal funding markets are unavailable; and
- A robust Contingent Liquidity Plan is in place and regularly tested so that it can be evoked in case of need due to a liquidity event.

Recent Market Environment

In May 2013, APRA released a discussion paper and draft prudential standards for implementing Basel III liquidity reforms in Australia. APRAs confirmed its intention to introduce the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) requirements from 1 January 2015 and 1 January 2018 respectively. APRA will issue final prudential standards in the second half of 2013. The Group will update its liquidity and funding policies as appropriate to comply with the new standards.

The Group's wholesale funding costs generally improved over the course of the financial year as high levels of global liquidity and a generally improved economic global outlook combined to lower credit spreads in domestic and international debt capital markets. The Group has managed its debt portfolio to avoid concentrations such as dependence on single sources of funding, by type or by investor, and continues to maintain a diversified funding base and significant funding capacity in the domestic and global unsecured and secured debt markets.

Details of the Group's regulatory capital position and capital management activities are disclosed in Note 30.

Maturity Analysis of Monetary Liabilities

Amounts shown in the tables below are based on contractual undiscounted cash flows for the remaining contractual maturities.

	Group						
	Maturity Period as at 30 June 2013						
	At Call $M	0 to 3 Months $M	3 to 12 Months $M	1 to 5 Years $M	Over 5 Years $M	Not Specified $M	Total $M
Monetary liabilities							
Deposits and other public borrowings (1)	222,387	147,939	69,453	23,748	432	-	463,959
Payables due to other financial institutions	9,304	13,747	2,489	437	-	-	25,977
Liabilities at fair value through Income Statement	-	3,613	2,524	1,808	1,356	-	9,301
Derivative financial instruments:							
Held for trading	-	30,138	-	-	-	-	30,138
Held for hedging purposes (net-settled)	-	102	186	1,653	2,142	-	4,083
Held for hedging purposes (gross-settled):							
Outflows	-	301	10,846	25,709	13,958	-	50,814
Inflows	-	(277)	(9,467)	(24,016)	(13,323)	-	(47,083)
Bank acceptances	-	6,061	2	-	-	-	6,063
Insurance policy liabilities	-	-	-	-	-	13,004	13,004
Debt issues and loan capital	-	17,375	41,063	67,397	33,777	-	159,612
Managed funds units on issue	-	-	-	-	-	891	891
Other monetary liabilities	868	4,079	1,944	309	-	101	7,301
Total monetary liabilities	232,559	223,078	119,040	97,045	38,342	13,996	724,060
Guarantees (2)	-	5,696	-	-	-	-	5,696
Loan commitments (2)	-	139,964	-	-	-	-	139,964
Other commitments (2)	-	7,216	-	-	-	-	7,216
Total off balance sheet items	-	152,876	-	-	-	-	152,876
Total monetary liabilities and off balance sheet items	232,559	375,954	119,040	97,045	38,342	13,996	876,936

(1) Includes deposits that are contractually at call, customer savings and cheque accounts. Historical experience is that such accounts provide a stable source of long term funding for the Group.

(2) All off balance sheet items are included in the 0 to 3 month maturity band to reflect their earliest possible maturity.

Note 40 Liquidity and Funding Risk (continued)

	Group						
	Maturity Period as at 30 June 2012						
	At Call $M	0 to 3 Months $M	3 to 12 Months $M	1 to 5 Years $M	Over 5 Years $M	Not Specified $M	Total $M
Monetary liabilities							
Deposits and other public borrowings (1) (2)	199,783	148,535	66,232	27,681	526	-	442,757
Payables due to other financial institutions	4,075	17,072	673	366	-	-	22,186
Liabilities at fair value through Income Statement	-	2,638	1,358	1,974	621	-	6,591
Derivative financial instruments:							
Held for trading (2)	-	28,223	-	-	-	-	28,223
Held for hedging purposes (net-settled) (2)	-	150	284	1,535	2,263	-	4,232
Held for hedging purposes (gross-settled): (2)							
Outflows	-	1,072	10,000	36,474	15,297	-	62,843
Inflows	-	(1,027)	(8,772)	(31,948)	(14,171)	-	(55,918)
Bank acceptances	-	9,716	1	-	-	-	9,717
Insurance policy liabilities	-	-	-	-	-	12,994	12,994
Debt issues and loan capital	-	25,935	30,495	66,133	33,527	-	156,090
Managed funds units on issue	-	-	-	-	-	995	995
Other monetary liabilities	980	2,883	2,047	442	-	151	6,503
Total monetary liabilities	204,838	235,197	102,318	102,657	38,063	14,140	697,213
Guarantees (3)	-	5,358	-	-	-	-	5,358
Loan commitments (3)	-	127,833	-	-	-	-	127,833
Other commitments (3)	-	5,757	-	-	-	-	5,757
Total off balance sheet items	-	138,948	-	-	-	-	138,948
Total monetary liabilities and off balance sheet items	204,838	374,145	102,318	102,657	38,063	14,140	836,161

	Bank						
	Maturity Period as at 30 June 2013						
	At Call $M	0 to 3 Months $M	3 to 12 Months $M	1 to 5 Years $M	Over 5 Years $M	Not Specified $M	Total $M
Monetary liabilities							
Deposits and other public borrowings (1)	**206,390**	**140,244**	**60,073**	**22,271**	**487**	**-**	**429,465**
Payables due to other financial institutions	**9,008**	**13,652**	**2,460**	**56**	**-**	**-**	**25,176**
Liabilities at fair value through Income Statement	**-**	**394**	**371**	**1,792**	**1,345**	**-**	**3,902**
Derivative financial instruments:							
Held for trading	**-**	**29,704**	**-**	**-**	**-**	**-**	**29,704**
Held for hedging purposes (net-settled)	**-**	**48**	**216**	**1,926**	**2,165**	**-**	**4,355**
Held for hedging purposes (gross-settled):							
Outflows	**-**	**-**	**10,113**	**36,428**	**23,105**	**-**	**69,646**
Inflows	**-**	**-**	**(8,779)**	**(33,692)**	**(21,800)**	**-**	**(64,271)**
Bank acceptances	**-**	**6,059**	**-**	**-**	**-**	**-**	**6,059**
Debt issues and loan capital	**-**	**15,568**	**36,989**	**56,051**	**31,181**	**-**	**139,789**
Due to controlled entities	**4,059**	**4,540**	**6,195**	**22,431**	**76,643**	**-**	**113,868**
Other monetary liabilities	**826**	**3,767**	**7,169**	**103**	**-**	**32**	**11,897**
Total monetary liabilities	**220,283**	**213,976**	**114,807**	**107,366**	**113,126**	**32**	**769,590**
Guarantees (3)	**-**	**5,345**	**-**	**-**	**-**	**-**	**5,345**
Loan commitments (3)	**-**	**130,753**	**-**	**-**	**-**	**-**	**130,753**
Other commitments (3)	**-**	**6,137**	**-**	**-**	**-**	**-**	**6,137**
Total off balance sheet items	**-**	**142,235**	**-**	**-**	**-**	**-**	**142,235**
Total monetary liabilities and off balance sheet items	**220,283**	**356,211**	**114,807**	**107,366**	**113,126**	**32**	**911,825**

(1) Includes deposits that are contractually at call, customer savings and cheque accounts. Historical experience is that such accounts provide a stable source of long term funding for the Group.

(2) Comparatives have been restated to conform to presentation in the current year.

(3) All off balance sheet items are included in the 0 to 3 month maturity band to reflect their earliest possible maturity.

Note 40 Liquidity and Funding Risk (continued)

							Bank
							Maturity Period as at 30 June 2012
	At Call $M	0 to 3 Months $M	3 to 12 Months $M	1 to 5 Years $M	Over 5 Years $M	Not Specified $M	Total $M
Monetary liabilities							
Deposits and other public borrowings (1) (2)	166,386	119,545	54,495	26,356	526	-	367,308
Payables due to other financial institutions	3,797	17,020	651	1	-	-	21,469
Liabilities at fair value through Income Statement	-	396	148	1,867	894	-	3,305
Derivative financial instruments:							
Held for trading (2)	-	27,356	-	-	-	-	27,356
Held for hedging purposes (net-settled) (2)	-	106	228	2,019	2,277	-	4,630
Held for hedging purposes (gross-settled): (2)							
Outflows	-	-	9,326	41,408	17,984	-	68,718
Inflows	-	-	(8,154)	(36,629)	(16,762)	-	(61,545)
Bank acceptances	-	9,715	-	-	-	-	9,715
Debt issues and loan capital	-	19,059	25,945	54,793	30,230	-	130,027
Due to controlled entities	3,274	3,856	4,320	14,481	75,122	-	101,053
Other monetary liabilities	829	1,913	4,562	79	-	6	7,389
Total monetary liabilities	174,286	198,966	91,521	104,375	110,271	6	679,425
Guarantees (3)	-	4,718	-	-	-	-	4,718
Loan commitments (3)	-	109,648	-	-	-	-	109,648
Other commitments (3)	-	4,279	-	-	-	-	4,279
Total off balance sheet items	-	118,645	-	-	-	-	118,645
Total monetary liabilities and off balance sheet items	174,286	317,611	91,521	104,375	110,271	6	798,070

(1) Includes deposits that are contractually at call, customer savings and cheque accounts. Historical experience is that such accounts provide a stable source of long term funding for the Group.
(2) Comparatives have been restated to conform to presentation in the current year.
(3) All off balance sheet items are included in the 0 to 3 month maturity band to reflect their earliest possible maturity.

Note 41 Retirement Benefit Obligations

Name of Plan	Type	Form of Benefit	Date of Last Actuarial Assessment of the Fund
Commonwealth Bank Group Super	Defined Benefits (1) and Accumulation	Indexed pension and lump sum	30 June 2012
Commonwealth Bank of Australia (UK) Staff Benefits Scheme (CBA (UK) SBS)	Defined Benefits (1) and Accumulation	Indexed pension and lump sum	30 June 2010 (2)

(1) The defined benefit formulae are generally comprised of final superannuation salary, or final average superannuation salary, and service.
(2) An actuarial assessment of the Fund at 30 June 2013 is currently in progress.

Contributions

Entities of the Group contribute to the plans listed in the above table in accordance with the Trust Deeds following the receipt of actuarial advice.

With the exception of contributions corresponding to salary sacrifice benefits, the Bank ceased contributions to Commonwealth Bank Group Super from 8 July 1994. Further, the Bank ceased contributions to the Commonwealth Bank Group Super relating to salary sacrifice benefits from 1 July 1997.

The Bank will continue to monitor the need to make contributions to Commonwealth Bank Group Super including the advice provided in the actuarial assessment of the Commonwealth Bank Group Super as at 30 June 2012.

An actuarial assessment of the CBA (UK) SBS, as at 30 June 2010, confirmed a deficit of GBP68 million (AUD112 million at the 30 June 2013 exchange rate). Following this assessment, the Bank agreed to contribute at the fund actuary's recommended contribution rates. These rates included amounts to finance future accruals of defined benefits estimated at AUD4 million per annum (at the 30 June 2013 exchange rate) and additional contributions of GBP15 million per annum (AUD25 million per annum at the 30 June 2013 exchange rate) payable over five years to finance the fund deficit.

Note 41 Retirement Benefit Obligations (continued)

Defined Benefit Superannuation Plans

The amounts reported in the Balance Sheet are reconciled as follows:

	Commonwealth Bank Group Super		CBA(UK)SBS		Total	
	2013 $M	2012 $M	2013 $M	2012 $M	2013 $M	2012 $M
Present value of funded obligations	**(3,333)**	(3,716)	**(472)**	(420)	**(3,805)**	(4,136)
Fair value of plan assets	**3,204**	3,360	**399**	312	**3,603**	3,672
Total pension liabilities as at 30 June	**(129)**	(356)	**(73)**	(108)	**(202)**	(464)
Amounts in the Balance Sheet:						
Liabilities (Note 24)	**(129)**	(356)	**(73)**	(108)	**(202)**	(464)
Net liabilities	**(129)**	(356)	**(73)**	(108)	**(202)**	(464)
The amounts recognised in the Income Statement are as follows:						
Current service cost	**(66)**	(61)	**(4)**	(5)	**(70)**	(66)
Interest cost	**(135)**	(167)	**(20)**	(19)	**(155)**	(186)
Expected return on plan assets	**192**	259	**15**	16	**207**	275
Employer financed benefits within accumulation division	**(186)**	(191)	**-**	-	**(186)**	(191)
Total included in defined benefit superannuation plan expense	**(195)**	(160)	**(9)**	(8)	**(204)**	(168)
Actual return on plan assets	**249**	200	**52**	20	**301**	220
Changes in the present value of the defined benefit obligation are as follows:						
Opening defined benefit obligation	**(3,716)**	(3,493)	**(420)**	(356)	**(4,136)**	(3,849)
Current service cost	**(60)**	(55)	**(4)**	(5)	**(64)**	(60)
Interest cost	**(135)**	(167)	**(20)**	(19)	**(155)**	(186)
Member contributions	**(9)**	(9)	**-**	-	**(9)**	(9)
Actuarial gains/(losses)	**365**	(213)	**(15)**	(45)	**350**	(258)
Benefits paid	**222**	221	**17**	14	**239**	235
Exchange differences on foreign plans	**-**	-	**(30)**	(9)	**(30)**	(9)
Closing defined benefits obligation	**(3,333)**	(3,716)	**(472)**	(420)	**(3,805)**	(4,136)
Changes in the fair value of plan assets are as follows:						
Opening fair value of plan assets	**3,360**	3,569	**312**	273	**3,672**	3,842
Expected return	**192**	259	**15**	16	**207**	275
Experience gains/(losses)	**57**	(59)	**37**	4	**94**	(55)
Total contributions	**9**	9	**29**	26	**38**	35
Exchange differences on foreign plans	**-**	-	**23**	7	**23**	7
Benefits and expenses paid	**(228)**	(227)	**(17)**	(14)	**(245)**	(241)
Employer financed benefits within accumulation division	**(186)**	(191)	**-**	-	**(186)**	(191)
Closing fair value of plan assets	**3,204**	3,360	**399**	312	**3,603**	3,672

	Commonwealth Bank Group Super				
	2013 $M	2012 $M	2011 $M	2010 $M	2009 $M
Present value of funded obligations	**(3,333)**	(3,716)	(3,493)	(3,332)	(3,118)
Fair value of plan assets	**3,204**	3,360	3,569	3,648	3,613
Total net (liabilities)/assets	**(129)**	(356)	76	316	495
Experience adjustments on plan liabilities	**30**	3	(6)	77	(120)
Experience adjustments on plan assets	**57**	(59)	76	115	(829)
Gains/(losses) from changes in actuarial assumptions	**335**	(216)	(171)	(276)	(84)
Total net actuarial gains/(losses)	**422**	(272)	(101)	(84)	(1,033)

Note 41 Retirement Benefit Obligations (continued)

	CBA(UK)SBS				
	2013 $M	2012 $M	2011 $M	2010 $M	2009 $M
Present value of funded obligations	(472)	(420)	(356)	(377)	(394)
Fair value of plan assets	399	312	273	295	308
Total net liabilities	(73)	(108)	(83)	(82)	(86)
Experience adjustments on plan liabilities	1	(2)	(14)	19	2
Experience adjustments on plan assets	37	4	13	18	(26)
Losses from changes in actuarial assumptions	(16)	(43)	(17)	(44)	-
Total net actuarial gains/(losses)	22	(41)	(18)	(7)	(24)

	Total				
	2013 $M	2012 $M	2011 $M	2010 $M	2009 $M
Present value of funded obligations	(3,805)	(4,136)	(3,849)	(3,709)	(3,512)
Fair value of plan assets	3,603	3,672	3,842	3,943	3,921
Total net (liabilities)/assets	(202)	(464)	(7)	234	409
Experience adjustments on plan liabilities	31	1	(20)	96	(118)
Experience adjustments on plan assets	94	(55)	89	133	(855)
Gains/(losses) from changes in actuarial assumptions	319	(259)	(188)	(320)	(84)
Total net actuarial gains/(losses)	444	(313)	(119)	(91)	(1,057)

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 International Financial Reporting Standards (1 July 2005) to 30 June 2013 were $186 million (2012: $630 million).

	Commonwealth Bank Group Super		CBA(UK)SBS	
	2013	2012	2013	2012
Economic assumptions	%	%	%	%
The above calculations were based on the following assumptions:				
Discount rate at 30 June (gross of tax)	4.60	4.00	4.50	4.40
Expected return on plan assets at 30 June (1)	n/a	6.10	n/a	4.40
Expected rate salary increases at 30 June (per annum) (2)	3.75	3.50	4.60	4.10

(1) This represents the expected rate of return for the coming year, i.e. 6.10% in 2012 represents the expected return to be earned during the financial year ended 30 June 2013. Under changes to AASB 119, this assumption is not required for financial years ending 30 June 2014 onwards.

(2) For Commonwealth Bank Group Super, the salary increase assumption is a combined promotional and general increase assumption.

The return on asset assumption is determined as the weighted average of the long term expected returns of each asset class where the weighting is the benchmark asset allocations of the assets backing the defined benefit risks. The long term expected returns of each asset class are determined following receipt of actuarial advice.

The discount rate (gross of tax) assumption for Commonwealth Bank Group Super was based on the blend of yields on long dated Commonwealth and State 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:

	Commonwealth Bank Group Super		CBA(UK)SBS	
	2013	2012	2013	2012
Expected life expectancies for pensioners	Years	Years	Years	Years
Male pensioners currently aged 60	29.3	29.2	29.2	29.1
Male pensioners currently aged 65	24.5	24.3	24.3	24.2
Female pensioners currently aged 60	34.4	34.3	31.8	31.6
Female pensioners currently aged 65	29.3	29.2	26.7	26.6

Note 41 Retirement Benefit Obligations (continued)

Further, the proportion of the retiring members of the main Commonwealth Bank Group Super defined benefit division electing to take pensions instead of lump sums may materially impact the defined benefit obligations. Of these retiring members, 36% 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.

During the year ended 30 June 2013, the trustee reviewed and implemented a new investment strategy of 50% growth/50% defensive assets (previously 70% growth/30% defensive) for the assets backing the defined benefit portion of Commonwealth Bank Group Super. The actual asset allocations for the assets backing the defined benefit portion of Commonwealth Bank Group Super are as follows:

	Actual Allocation	
	2013	2012
Asset allocations	%	%
Australian equities	12.6	21.3
Overseas equities	14.5	10.9
Real estate	9.2	14.2
Fixed interest securities	43.6	34.8
Cash	5.8	4.3
Other (1)	14.3	14.5

(1) These are assets which are not included in the traditional asset classes of equities, fixed interest securities, real estate and cash. They include infrastructure investments as well as high yield and emerging market debt.

The value of Commonwealth Bank Group Super's equity holding in the Group as at 30 June 2013 was $130 million (2012: $113 million). Amounts on deposit with the Bank at 30 June 2013 totalled $15 million (2012: $21 million). Other financial instruments with the Group at 30 June 2013 totalled $nil (2012: $46 million).

Note 42 Investments in Associates and Joint Ventures

	Group						
	2013	2012	2013	2012			
			Ownership	Ownership	Principal	Country of	Balance
	$M	$M	Interest %	Interest %	Activities	Incorporation	Date
Aussie Home Loans Pty Limited (1) (2)	258	71	80	33	Mortgage Broking	Australia	30-Jun
Bank of Hangzhou Co., Limited	648	538	20	20	Commercial Banking	China	31-Dec
BoCommLife Insurance Company Limited (2)	80	24	38	38	Life Insurance	China	31-Dec
CFS Retail Property Trust (3) (5)	439	439	8	8	Funds Management	Australia	30-Jun
Commonwealth Property Office Fund (4) (5)	147	147	6	6	Funds Management	Australia	30-Jun
Countplus Limited (6)	55	56	37	37	Financial Advice	Australia	30-Jun
First State European Diversified Investment Fund	151	139	20	30	Funds Management	Luxembourg	31-Dec
Qilu Bank Co., Limited	223	213	20	20	Commercial Banking	China	31-Dec
Vietnam International Commercial Joint Stock Bank	219	217	20	20	Financial Services	Vietnam	31-Dec
Other (7)	61	54	Various	Various	Various	Various	Various
Carrying amount of investments in associates and joint ventures	2,281	1,898					

(1) The Group's 80% interest in Aussie Home Loans Pty Limited is jointly controlled as the key financial and operating decisions require the unanimous consent of all directors.
(2) These are joint ventures of the Group.
(3) The value for CFS Retail Property Trust based on published quoted prices was $441 million as at 30 June 2013 (2012: $427 million).
(4) The value for Commonwealth Property Office Fund based on published quoted prices was $165 million as at 30 June 2013 (2012: $152 million).
(5) The consolidated entity has significant influence due to its relationship as Responsible Entity. These holdings exclude assets held in statutory funds backing policyholder liabilities, which are disclosed as Assets at fair value through Income Statement.
(6) The value for Countplus Limited based on published quoted prices was $74 million as at 30 June 2013 (2012: $52 million). This investment was purchased during the 2012 financial year.
(7) The investments included in "Other" are mostly joint ventures. For these investments, the Group is committed to equity injections of $36 million (2012: $nil) within 12 months and $5 million (2012: $41 million) greater than 12 months.

Note 42 Investments in Associates and Joint Ventures (continued)

Share of Associates' and Joint Ventures profits	Group 2013 $M	Group 2012 $M
Operating profits before income tax	**254**	164
Income tax expense	**(44)**	(24)
Operating profits after income tax	**210**	140

Financial information of Associates and Joint Ventures	Group 2013 $M	Group 2012 $M
Assets	**90,241**	76,844
Liabilities	**75,119**	63,481
Revenue	**3,741**	3,976
Operating profits after income tax	**1,424**	1,326

Note 43 Key Management Personnel

The company has applied the exemption under AASB 124 'Related Party Disclosures', which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their Financial Statements. These remuneration disclosures are provided in the Remuneration Report of the Directors' Report on pages 47 to 64 and have been audited.

Key management personnel compensation	Group 2013 $'000	Group 2012 $'000	Bank 2013 $'000	Bank 2012 $'000
Short term benefits	**35,406**	32,683	**35,406**	32,683
Post-employment benefits	**777**	748	**777**	748
Share-based payments	**9,882**	20,516	**9,882**	20,516
Long term benefits	**1,310**	1,241	**1,310**	1,241
Total	**47,375**	55,188	**47,375**	55,188

Equity Holdings of Key Management Personnel

Shareholdings

Details of the shareholdings of Key Management Personnel (or close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of the aforementioned hold significant voting power) are set out below. For details of Director and Executive equity plans refer to Note 28.

Shares Held by Directors

All shares were acquired by Directors on normal terms and conditions or through the Non-Executive Director's Share Plan.

Directors	Class	Balance 1 July 2012	Shares Acquired (1)	Net Change Other (2)	Balance 30 June 2013
Non-Executive Directors					
David Turner	Ordinary	11,840	-	-	**11,840**
	PERLS (3)	-	-	380	**380**
	Other securities (4)	67,647	-	-	**67,647**
John Anderson	Ordinary	17,672	-	-	**17,672**
Jane Hemstritch	Ordinary	25,775	-	-	**25,775**
	PERLS (3)	4,150	-	5,150	**9,300**
	Other securities (4)	5,000	-	-	**5,000**
Launa Inman	Ordinary	1,698	538	-	**2,236**
Carolyn Kay	Ordinary	12,388	-	-	**12,388**
Brian Long	Ordinary	11,109	-	50	**11,159**
	PERLS (3)	400	-	-	**400**
Andrew Mohl	Ordinary	52,640	-	7,200	**59,840**
Harrison Young	Ordinary	26,764	-	-	**26,764**
Former Non-Executive Directors					
Colin Galbraith	Ordinary	16,736	-	-	**16,736**
	PERLS (3)	-	-	700	**700**
Fergus Ryan	Ordinary	18,863	-	-	**18,863**
	PERLS (3)	3,875	-	5,700	**9,575**

(1) Non-Executive Directors who hold less than 5,000 Commonwealth Bank shares are required to receive 20% of their total post-tax annual fees as Commonwealth Bank shares. These shares are subject to a 10 year trading restriction (the shares will be released earlier if the director leaves the Board).

(2) "Net Change Other" incorporates changes resulting from purchases and sales during the year.

(3) PERLS: As at 30 June 2013 David Turner held 380 PERLS VI units (2012: nil), Colin Galbraith held 700 PERLS VI units (2012: nil), Brian Long held 400 PERLS V units (2012: 400 units), Fergus Ryan held 3,875 PERLS V units and 5,700 PERLS VI units (2012: 3,875 PERLS V units), and Jane Hemstritch held 2,500 PERLS III units, 500 PERLS V units and 6,300 PERLS VI units (2012: 2,500 PERLS III units, 1,150 PERLS IV units, and 500 PERLS V units).

(4) Other securities: As at 30 June 2013 Jane Hemstritch held 5,000 CNGHA notes (2012: 5,000 CNGHA notes), and David Turner held 67,647 CPA units (2012: 67,647 CPA units).

Note 43 Key Management Personnel (continued)

Shares held by the CEO and Group Executives

	Class [1]	Balance 1 July 2012	Acquired/ Granted as Remuneration	Reward/ Deferred Shares Vested [2]	Net Change Other [3]	Balance 30 June 2013
Managing Director and CEO						
Ian Narev	Ordinary	21,276	-	-	27,765	**49,041**
	Reward Shares/Rights	165,265	78,681	(22,067)	(3,152)	**218,727**
	Deferred Shares	5,698	-	(5,698)	-	**-**
Group Executives						
Simon Blair	Ordinary	-	-	-	-	**-**
	Reward Shares/Rights	77,090	26,122	-	-	**103,212**
	Deferred Shares	-	-	-	-	**-**
David Cohen	Ordinary	49,737	-		29,015	**78,752**
	Reward Shares/Rights	107,900	28,326	(21,418)	(3,059)	**111,749**
	Deferred Shares	7,597	-	(7,597)	-	**-**
Matthew Comyn	Ordinary	18,145	-	-	(1,748)	**16,397**
	Reward Shares/Rights	-	30,843	-	-	**30,843**
	Deferred Shares	23,792	6,119	(9,800)	-	**20,111**
David Craig	Ordinary	87,780	-	-	10,456	**98,236**
	Reward Shares/Rights	151,214	43,432	(27,259)	(3,894)	**163,493**
	Deferred Shares	7,597	-	(7,597)	-	**-**
Michael Harte	Ordinary	60,632	-	-	32,260	**92,892**
	Reward Shares/Rights	126,892	33,833	(24,663)	(3,523)	**132,539**
	Deferred Shares	7,597	-	(7,597)	-	**-**
Robert Jesudason	Ordinary	-	-	-	625	**625**
	Reward Shares/Rights	-	25,179	-	-	**25,179**
	Deferred Shares	46,323	4,295	(23,625)	-	**26,993**
Melanie Laing	Ordinary [4]	975	-	-	7,015	**7,990**
	Reward Shares/Rights	23,954	25,179	-	-	**49,133**
	Deferred Shares	10,961	-	(7,015)	-	**3,946**
Grahame Petersen	Ordinary	80,126	-		23,426	**103,552**
	Reward Shares/Rights	143,025	36,980	(28,557)	(4,079)	**147,369**
	Deferred Shares	6,331	-	(6,331)	-	**-**
Ian Saines	Ordinary	23,659	-	-	44,052	**67,711**
	Reward Shares/Rights	166,471	41,858	(33,749)	(4,821)	**169,759**
	Deferred Shares	7,597	-	(7,597)	-	**-**
Annabel Spring	Ordinary	1,024	-	-	1,583	**2,607**
	Reward Shares/Rights	29,342	30,843	-	-	**60,185**
	Deferred Shares	18,182	-	(1,583)	-	**16,599**
Alden Toevs	Ordinary	46,784	-	-	10,393	**57,177**
	Reward Shares/Rights	178,318	45,005	(25,263)	(16,274)	**181,786**
	Deferred Shares	10,130	-	(10,130)	-	**-**
Former Executive						
Ross McEwan	Ordinary	-	-	-	40,016	**40,016**
	Reward Shares/Rights	156,447	-	(31,153)	(125,294)	**-**
	Deferred Shares	59,749	-	(8,863)	(50,886)	**-**

(1) Reward Shares/Rights represent shares granted under the Group Leadership Reward Plan (GLRP) which are subject to performance hurdles. Deferred Shares represent the deferred portion of STI, sign-on and special retention awards received as restricted shares.

(2) Reward shares/rights and Deferred shares become ordinary shares upon vesting.

(3) "Net Change Other" incorporates changes resulting from purchases, sales and forfeitures during the year. For Alden Toevs this figure includes a reduction in vested Reward Shares to offset his 2009 sign-on payment.

(4) Restated to recognise actual balance at 30 June 2012.

Note 43 Key Management Personnel (continued)

Loans to Key Management Personnel

All loans to Key Management Personnel (or close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of the aforementioned held significant voting power) have been provided on an arm's length commercial basis including the term of the loan, security required and the interest rate (which may be fixed or variable).

Total Loans to Key Management Personnel

		Opening Balance $'000	Interest Charged $'000	Closing Balance $'000	Number in Group
Directors	**2013**	**96**	**5**	**96**	**2**
	2012	5	6	96	2
CEO & Group Executives	**2013**	**7,137**	**479**	**9,486**	**12**
	2012	7,153	456	7,137	12
Total	**2013**	**7,233**	**484**	**9,582**	**14**
	2012	7,158	462	7,233	14

Loans to Key Management Personnel Exceeding $100,000 in Aggregate

	Balance 1 July 2012 $'000	Interest Charged $'000	Interest Not Charged $'000	Write-off $'000	Balance 30 June 2013 $'000	Highest Balance in Period $'000 (2)
Group Executives						
Simon Blair	400	3	-	-	1	414
David Cohen	585	34	-	-	569	601
Matthew Comyn	2,318	51	-	-	1,238	2,429
Michael Harte	4,375	173	-	-	3,567	4,683
Robert Jesudason	3,672	183	-	-	3,158	3,914
Melanie Laing	325	27	-	-	661	674
Ross McEwan (1)	1,424	9	-	-	289	1,478
Total	**13,099**	**480**	**-**	**-**	**9,483**	**14,193**

(1) Some loans for Ross McEwan are held in New Zealand Dollars and converted to Australian Dollars for the purpose of this disclosure. The exchange rate as at 30 June 2012 has been used for opening balances, and the exchange rate at 30 June 2013 has been used for closing balances. The average exchange rate over the 2013 financial year has been used for calculating interest. The spot exchange rate was used for calculating the highest balance in the period.

(2) Represents the highest balance per individual of loans outstanding at any period during the year ended 30 June 2013.

Other Transactions of Key Management Personnel

Financial Instrument Transactions

Financial instrument transactions (other than loans and shares disclosed within this report) of Key Management Personnel occur in the ordinary course of business on an arm's length basis.

Disclosure of financial instrument transactions regularly made as part of normal banking operations is limited to disclosure of such transactions with Key Management Personnel and entities controlled or significantly influenced by them.

All such financial instrument transactions that have occurred between entities within the Group and their Key Management Personnel have been trivial or domestic in nature and were in the nature of normal personal banking and deposit transactions.

Transactions other than Financial Instrument Transactions of Banks

All other transactions with Key Management Personnel and their related entities and other related parties are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. These transactions principally involve the provision of financial and investment services by entities not controlled by the Group.

Note 44 Related Party Disclosures

The Group is controlled by the Commonwealth Bank of Australia, the ultimate parent, which is incorporated in Australia.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures, pension plans as well as other persons.

A number of banking transactions are entered into with related parties in the normal course of business on an arm's length basis. These include loans, deposits and foreign currency transactions, upon which some fees and commissions may be earned. Details of amounts paid or received from related parties, in the form of dividends or interest, are set out in Note 2.

The Bank's aggregate investments in, and loans to controlled entities are disclosed in the table below. Amounts due to controlled entities are disclosed in the Balance Sheet of the Bank.

		Bank
	2013	2012
	$M	$M
Shares in controlled entities	**16,167**	20,025
Loans to controlled entities	**46,850**	54,981
Total shares in and loans to controlled entities	**63,017**	75,006

The Group also receives fees on an arm's length basis of $81 million (2012: $74 million) from funds classified as associates.

The Bank provides letters of comfort to other entities within the Group on standard terms. Guarantees include a $5 million bank guarantee provided to Colonial First State Investments Limited and a $25 million guarantee to AFS license holders in respect of excess insurance claims.

The Bank is the head entity of the tax consolidated group and has entered into tax funding and tax sharing agreements with its eligible Australian resident subsidiaries. The terms and conditions of these agreements are set out in Note 1(s). The amount receivable by the Bank under the tax funding agreement with the tax consolidated entities is $207 million as at 30 June 2013 (2012: $261 million receivable). This balance is included in 'Other assets' in the Bank's separate balance sheet.

All transactions between Group entities are eliminated on consolidation.

Note 45 Notes to the Statements of Cash Flows

(a) Reconciliation of Net Profit after Income Tax to Net Cash provided by/(used in) Operating Activities

			Group		Bank
	2013	2012	2011	2013	2012
	$M	$M	$M	$M	$M
Net profit after income tax	**7,693**	7,106	6,410	**7,292**	6,461
Decrease/(increase) in interest receivable	**130**	79	(224)	**358**	(318)
(Decrease)/increase in interest payable	**(251)**	(320)	476	**(362)**	(240)
Net (increase)/decrease in assets at fair value through Income Statement (excluding life insurance)	**(3,472)**	3,391	2,697	**(4,535)**	2,943
Net (gain)/loss on sale of controlled entities and associates	**(7)**	(21)	(7)	**-**	10
Net gain on sale of investments	**-**	(1)	(1)	**-**	(1)
Net movement in derivative assets/liabilities	**2,372**	(663)	(79)	**3,781**	394
Net loss/(gain) on sale of property, plant and equipment	**14**	(39)	6	**13**	(40)
Equity accounting profit	**(210)**	(120)	(141)	**-**	-
Loan impairment expense	**1,146**	1,089	1,280	**1,042**	994
Depreciation and amortisation (including asset write downs)	**716**	628	613	**549**	398
Increase/(decrease) in liabilities at fair value through Income Statement (excluding life insurance)	**1,569**	(4,321)	(4,851)	**126**	(1,424)
Increase/(decrease) in other provisions	**19**	(69)	80	**40**	(71)
Increase/(decrease) in income taxes payable	**45**	37	105	**(341)**	167
Increase/(decrease) in deferred tax liabilities	**133**	152	80	**(292)**	116
(Increase)/decrease in deferred tax assets	**(26)**	349	(30)	**234**	173
(Increase)/decrease in accrued fees/reimbursements receivable	**(272)**	18	(1)	**32**	38
Increase/(decrease) in accrued fees and other items payable	**315**	64	(99)	**179**	(6)
(Decrease)/increase in life insurance contract policy liabilities	**(1,401)**	(1,157)	835	**-**	-
Increase/(decrease) in cash flow hedge reserve	**27**	(58)	15	**26**	(55)
Gain on changes in fair value of hedged items	**(617)**	(318)	(427)	**(421)**	(702)
Dividend received	**-**	-	-	**(1,512)**	(1,573)
Changes in operating assets and liabilities arising from cash flow movements [1]	**(2,411)**	3,120	7,866	**(7,997)**	(27,495)
Other	**1,065**	(99)	(158)	**103**	(76)
Net cash provided by/(used in) operating activities	**6,577**	8,847	14,445	**(1,685)**	(20,307)

(1) Cash and cash equivalents has been redefined to no longer include at call deposits with other financial institutions and settlement account balances with other banks. Comparatives have been restated to conform to presentation in the current year.

Note 45 Notes to the Statements of Cash Flows (continued)

(b) Reconciliation of Cash

For the purposes of the Statements of Cash Flows, cash includes cash and money at short call.

			Group		Bank
	2013	2012	2011	2013	2012
	$M	$M	$M	$M	$M
Notes, coins and cash at banks	**7,653**	8,508	5,424	**6,183**	7,161
Other short term liquid assets	**4,965**	4,095	1,301	**4,565**	3,785
Cash and cash equivalents at end of year (1)	**12,618**	12,603	6,725	**10,748**	10,946

(1) Cash and cash equivalents has been redefined to no longer include at call deposits with other financial institutions and settlement account balances with other banks. These are now considered part of cash flows from operating activities to enhance industry comparability. Comparatives have been restated to conform to presentation in the current year, (impact: $10,528 million as at 30 June 2012).

(c) Disposal of Controlled Entities – Fair Value of Asset Disposal

The Group disposed of certain St Andrew's operations effective 1 July 2010.

			Group
	2013	2012	2011
	$M	$M	$M
Net assets	**-**	-	60
Loss on sale (excluding realised foreign exchange losses and other related costs)	**-**	-	(10)
Cash consideration received	**-**	-	50
Less cash and cash equivalents disposed	**-**	-	(31)
Net cash inflow on disposal	**-**	-	19

(d) Non-cash Financing and Investing Activities

			Group
	2013	2012	2011
	$M	$M	$M
Shares issued under the Dividend Reinvestment Plan (1)	**929**	1,363	511

(1) The dividend reinvestment plan in respect of the interim dividend for 2012/13 was satisfied in full through an on market purchase and transfer of $596 million of shares to participating shareholders.

(e) Acquisition of Controlled Entities

The Group gained control of Count Financial Limited (Count Financial) on 29 November 2011. The Group subsequently acquired 100% of the issued share capital on 9 December 2011. Count Financial is an independent, accountant-based financial advice business. This acquisition will support the Group in growing its distribution capabilities through the expansion of its adviser network.

The fair value of the identifiable assets acquired and liabilities assumed at the acquisition date are as follows:

			Group
	2013	2012	2011
	$M	$M	$M
Net identifiable assets at fair value	**-**	140	-
Add: Goodwill	**-**	232	-
Purchase consideration transferred	**-**	372	-
Less: Cash and cash equivalents acquired	**-**	(10)	-
	-	362	-
Less: Non-cash consideration	**-**	(237)	-
Net cash outflow on acquisition	**-**	125	-

Note 46 Disclosures about Fair Values of Financial Instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or amortised cost. AASB 7 'Financial Instruments: Disclosures' requires the disclosure of the fair value of those financial instruments not already carried at fair value in the Balance Sheet.

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

(a) Comparison of Fair Values and Carrying Values

The following tables summarise the carrying and fair values of financial assets and liabilities presented on the Group's and the Bank's balance sheets. The disclosure does not cover assets or liabilities that are not considered to be financial instruments from an accounting perspective.

				Group
		2013		2012
	Carrying Value $M	Fair Value $M	Carrying Value $M	Fair Value $M
Assets				
Cash and liquid assets	**20,634**	**20,634**	19,666	19,666
Receivables due from other financial institutions	**7,744**	**7,744**	10,886	10,886
Assets at fair value through Income Statement:				
Trading	**19,617**	**19,617**	13,816	13,816
Insurance	**14,359**	**14,359**	14,525	14,525
Other	**907**	**907**	980	980
Derivative assets (1)	**45,340**	**45,340**	39,567	39,567
Available-for-sale investments	**59,601**	**59,601**	60,827	60,827
Loans, bills discounted and other receivables	**556,648**	**557,356**	525,682	526,039
Bank acceptances of customers	**6,063**	**6,063**	9,717	9,717
Other assets	**6,998**	**6,998**	7,962	7,962
Liabilities				
Deposits and other public borrowings	**459,429**	**460,251**	437,655	439,418
Payables due to other financial institutions	**25,922**	**25,922**	22,126	22,126
Liabilities at fair value through Income Statement	**8,701**	**8,701**	6,555	6,555
Derivative liabilities (1)	**38,580**	**38,580**	39,851	39,851
Bank acceptances	**6,063**	**6,063**	9,717	9,717
Insurance policy liabilities	**13,004**	**13,004**	12,994	12,994
Debt issues	**132,808**	**136,638**	124,712	125,818
Managed funds units on issue	**891**	**891**	995	995
Bills payable and other liabilities	**7,574**	**7,574**	7,231	7,231
Loan capital	**9,687**	**9,989**	10,022	10,387

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

Note 46 Disclosures about Fair Values of Financial Instruments (continued)

	Bank			
	2013		2012	
	Carrying Value $M	Fair Value $M	Carrying Value $M	Fair Value $M
Assets				
Cash and liquid assets	**18,030**	**18,030**	17,952	17,952
Receivables due from other financial institutions	**6,998**	**6,998**	10,482	10,482
Assets at fair value through Income Statement:				
Trading	**18,398**	**18,398**	12,071	12,071
Other	**718**	**718**	980	980
Derivative assets [1]	**45,203**	**45,203**	39,691	39,691
Available-for-sale investments	**125,941**	**125,941**	116,567	116,567
Loans, bills discounted and other receivables	**502,349**	**502,978**	407,122	407,418
Bank acceptances of customers	**6,059**	**6,059**	9,715	9,715
Loans to controlled entities	**46,850**	**46,852**	54,981	55,080
Other assets	**5,423**	**5,423**	6,138	6,138
Liabilities				
Deposits and other public borrowings	**425,276**	**426,048**	362,813	364,002
Payables due to other financial institutions	**25,166**	**25,166**	21,457	21,457
Liabilities at fair value through Income Statement	**3,332**	**3,332**	3,181	3,181
Derivative liabilities [1]	**40,229**	**40,229**	39,856	39,856
Bank acceptances	**6,059**	**6,059**	9,715	9,715
Due to controlled entities	**113,868**	**113,868**	101,053	101,053
Debt issues	**115,291**	**119,032**	102,312	103,513
Bills payable and other liabilities	**5,648**	**5,648**	5,267	5,267
Loan capital	**10,437**	**10,445**	10,223	10,435

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

The fair values disclosed above represent estimates at which these instruments could be exchanged in a current transaction between willing parties. However, many of the instruments lack an available trading market and it is the intention to hold to maturity. Thus it is possible that realised amounts may differ to amounts disclosed above.

Due to the wide range of valuation techniques and the numerous estimates that must be made, it may be difficult to make a reasonable comparison of the fair value information disclosed here, against that disclosed by other financial institutions.

For financial instruments not carried at fair value, an estimate of fair value has been derived as follows:

Loans, Bills Discounted and Other Receivables

The carrying value of loans, bills discounted and other receivables is net of accumulated collective and individually assessed provisions for impairment. Customer creditworthiness is regularly reviewed in line with the Group's credit policies and where necessary, pricing is adjusted in accordance with individual credit contracts.

For the majority of variable rate loans, excluding impaired loans, the carrying amount is considered a reasonable estimate of fair value. For Institutional variable rate loans the fair value is calculated using discounted cash flow models with a discount rate reflecting market rates offered on similar loans to customers with similar creditworthiness. The fair value of impaired loans is calculated by discounting estimated future cash flows using the loan's original effective interest rate.

The fair value of fixed rate loans is calculated using discounted cash flow models using a discount rate reflecting market rates offered for loans of similar remaining maturities and creditworthiness of the customer.

Deposits and Other Public Borrowings

Fair value of non-interest bearing, call and variable rate deposits, and fixed rate deposits repricing within six months, approximate their carrying value as they are short term in nature or payable on demand.

Fair value of term deposits are estimated using discounted cash flows, applying market rates offered for deposits of similar remaining maturities.

Debt Issues and Loan Capital

The fair values are calculated using quoted market prices, where available. Where quoted market prices are not available, discounted cash flow and option pricing models are used. The discount rate applied reflects the terms of the instrument, the timing of the cash flows and is adjusted for any change in the Group's applicable credit rating.

Other Financial Assets and Liabilities

For all other financial assets and liabilities fair value approximates carrying value due to their short term nature, frequent repricing or high credit rating.

Note 46 Disclosures about Fair Values of Financial Instruments (continued)

(b) Valuation Methodology

A significant number of financial instruments are carried on balance sheet at fair value.

The best evidence of fair value is a quoted market price in an active market. Therefore, where possible, fair value is based on quoted market prices. Where no quoted market price for an instrument is available, the fair value is based on present value estimates or other valuation techniques based on current market conditions. These valuation techniques rely on market observable inputs wherever possible, or in a limited number of instances, rely on inputs which are reasonable assumptions based on market conditions.

The tables below categorise financial assets and liabilities that are recognised and measured at fair value, and the valuation methodology according to the following hierarchy.

Valuation Inputs

Quoted Prices in Active Markets – Level 1

Financial instruments, the valuation of which are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Financial instruments included in this category are liquid government and financial institution bonds, listed equities and exchange traded derivatives.

Valuation Technique Using Observable Inputs – Level 2

Financial instruments that have been valued using inputs other than quoted prices as described for Level 1, but which are observable for the asset or liability, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.

Financial instruments included in this category are corporate bonds, certificates of deposit, commercial paper, mortgaged backed securities and Over-the-Counter (OTC) derivatives including interest rate swaps, cross currency swaps and FX options.

Valuation Technique Using Significant Unobservable Inputs – Level 3

Financial instruments, the valuation of which incorporates a significant input for the asset or liability that is not based on observable market data (unobservable input). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally derived and extrapolated from observable inputs to match the risk profile of the financial instrument, and are calibrated against current market assumptions, historic transactions and economic models, where available. These inputs may include the timing and amount of future cash flows, rates of estimated credit losses, discount rates and volatility.

Financial instruments included in this category for the Group and Bank are certain exotic OTC derivatives and internally issued residential mortgage backed securities for the Bank only.

								Group
	Fair Value as at 30 June 2013				Fair Value as at 30 June 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	$M	$M	$M	$M	$M	$M	$M	$M
Assets								
Assets at fair value through Income Statement:								
Trading	16,074	3,543	-	**19,617**	9,984	3,832	-	13,816
Insurance	4,580	9,779	-	**14,359**	4,602	9,923	-	14,525
Other	632	275	-	**907**	967	13	-	980
Derivative assets (1)	8	45,263	69	**45,340**	15	39,526	26	39,567
Available-for-sale investments	48,041	11,556	4	**59,601**	49,033	11,793	1	60,827
Total assets carried at fair value	69,335	70,416	73	**139,824**	64,601	65,087	27	129,715
Liabilities								
Liabilities at fair value through Income Statement	2,752	5,949	-	**8,701**	2,449	4,106	-	6,555
Derivative liabilities (1)	-	38,566	14	**38,580**	5	39,829	17	39,851
Life investment contracts	-	9,589	-	**9,589**	-	9,728	-	9,728
Total liabilities carried at fair value	2,752	54,104	14	**56,870**	2,454	53,663	17	56,134

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

Note 46 Disclosures about Fair Values of Financial Instruments (continued)

(b) Valuation Methodology (continued)

	Bank							
	Fair Value as at 30 June 2013				Fair Value as at 30 June 2012			
	Level 1 $M	Level 2 $M	Level 3 $M	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Assets								
Assets at fair value through Income Statement:								
Trading	16,051	2,347	-	**18,398**	9,711	2,360	-	12,071
Other	588	130	-	**718**	967	13	-	980
Derivative assets (1)	12	45,129	62	**45,203**	9	39,670	12	39,691
Available-for-sale investments (2)	46,966	10,365	68,610	**125,941**	39,098	11,010	66,459	116,567
Total assets carried at fair value	63,617	57,971	68,672	**190,260**	49,785	53,053	66,471	169,309
Liabilities								
Liabilities at fair value through Income Statement	2,737	595	-	**3,332**	2,448	733	-	3,181
Derivative liabilities (1)	23	40,192	14	**40,229**	5	39,834	17	39,856
Total liabilities carried at fair value	2,760	40,787	14	**43,561**	2,453	40,567	17	43,037

(1) Comparatives have been restated to conform to presentation in the current year.
(2) Included within available-for-sale investments of the Bank are $67,853 million (2012: $66,458 million) of residential mortgage backed securities issued by Bank originated securitisation vehicles for potential repurchase by the Reserve Bank of Australia.

Level 3 Movement Analysis for the year ended 30 June 2013

	Group				
	Assets at Fair Value through Income Statement Trading $M	Derivative Assets $M	Available for Sale Investments $M	Derivative Liabilities $M	Total $M
As at 1 July 2011	63	41	1	(8)	97
Purchases	-	11	-	-	11
Sales/Settlements	(7)	(3)	-	1	(9)
Gains/(losses) in the period:					
Recognised in the Income Statement	1	(24)	-	(10)	(33)
Recognised in the Statement of Comprehensive Income	-	-	-	-	-
Transfers in	-	1	-	(2)	(1)
Transfers out	(57)	-	-	2	(55)
As at 30 June 2012	-	26	1	(17)	10
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2012	-	1	-	(14)	(13)
As at 1 July 2012	-	26	1	(17)	10
Purchases	-	44	1	(5)	40
Sales/Settlements	-	-	-	10	10
Gains/(losses) in the period:					
Recognised in the Income Statement	-	7	-	(2)	5
Recognised in the Statement of Comprehensive Income	-	-	-	-	-
Transfers in	-	-	2	-	2
Transfers out	-	(8)	-	-	(8)
As at 30 June 2013	-	69	4	(14)	59
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2013	-	6	-	(5)	1

Note 46 Disclosures about Fair Values of Financial Instruments (continued)

					Bank
	Assets at Fair Value through Income Statement Trading $M	Derivative Assets $M	Available for Sale Investments $M	Derivative Liabilities $M	Total $M
As at 1 July 2011	6	29	37,445	(8)	37,472
Purchases	-	11	29,051	-	29,062
Sales/Settlements	(6)	(3)	-	1	(8)
Gains/(losses) in the period:					
Recognised in the Income Statement	-	(25)	-	(10)	(35)
Recognised in the Statement of Comprehensive Income	-	-	(37)	-	(37)
Transfers in	-	-	-	(2)	(2)
Transfers out	-	-	-	2	2
As at 30 June 2012	-	12	66,459	(17)	66,454
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2012	-	-	-	15	15
As at 1 July 2012	-	12	66,459	(17)	66,454
Purchases	-	49	-	(5)	44
Sales/Settlements	-	(2)	(1,150)	10	(1,142)
Gains/(losses) in the period:					
Recognised in the Income Statement	-	10	-	(2)	8
Recognised in the Statement of Comprehensive Income	-	-	(136)	-	(136)
Transfers in	-	-	688	-	688
Transfers out	-	(7)	-	-	(7)
Additions through merger of banking licence	-	-	2,749	-	2,749
As at 30 June 2013	-	62	68,610	(14)	68,658
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2013	-	8	-	(6)	2

Transfers in and out of Level 3 are due to changes in the observability of the inputs.

The Group's exposure to financial instruments measured at fair value based in full or in part on non-market observable inputs is restricted to a small number of financial instruments, which comprise an insignificant component of the portfolios to which they belong. As such, the purchases, sales, as well as any change in the assumptions used to value the instruments to a reasonably possible alternative do not have a material effect on the portfolio balance of the Group's results. The Bank's exposure to financial instruments measured at fair value based in full or part on non-market observable inputs consists almost entirely of Bank originated and internally issued RMBS. These securities have been originated for potential repurchase by the RBA.

Note 47 Securitisation, Covered Bonds and Transferred Assets

Transfer of Financial Assets

In the normal course of business the Group enters into transactions by which it transfers financial assets to counterparties or directly to Special Purpose Entities (SPE's). These transfers do not give rise to derecognition of those financial assets for the Group.

Repurchase Agreements

Securities sold under agreement to repurchase are retained on the Balance Sheet when substantially all the risks and rewards of ownership remain with the Group, and the counterparty liability is included separately on the balance sheet when cash consideration is received.

Securitisation Programs

Residential mortgages securitised under the Group's securitisation programs are equitably assigned to bankruptcy remote special purpose entities (SPEs). The Group is entitled to any residual income of the securitisation program after all payments due to investors have been met. In addition, where derivatives are transacted between the SPE and the Bank, such that the Bank retains exposure to the variability in cash flows from the transferred residential mortgages, the mortgages will continue to be recognised on the Bank's balance sheet. The investors have full recourse only to the residential mortgages segregated into an SPE.

Covered Bonds Programs

To complement the existing wholesale funding sources, the Group has established two global covered bond programs for the Bank and ASB respectively. Certain residential mortgages have been assigned to a bankruptcy remote SPE associated with covered bond programs to provide security for the obligations payable on the covered bonds issued by the Group. Similarly to securitisation programs, the Group is entitled to any residual income after all payments due to covered bonds investors have been met. As the Bank retains substantially all of the risks and rewards associated with the mortgages through derivatives transacted with the SPE, the Bank continues to recognise the mortgages on its Balance Sheet. The covered bond holders have dual recourse to the Bank and the covered pool assets.

At the Balance Sheet date, transferred financial assets that did not qualify for derecognition and their associated liabilities are as follows:

						Group
	Repurchase Agreements		Covered Bonds		Securitisation	
	2013	2012	2013	2012	2013	2012
	$M	$M	$M	$M	$M	$M
Carrying amount of transferred assets	**5,572**	5,245	**33,634**	22,358	**10,169**	9,279
Carrying amount of associated liabilities (1)	**5,572**	5,245	**18,238**	12,789	**8,929**	7,858
For those liabilities that have recourse only to the transferred assets					**-**	-
Fair value of transferred assets					**10,183**	9,291
Fair value of associated liabilities					**8,927**	7,743
Net position					**1,256**	1,548

						Bank
	Repurchase Agreements		Covered Bonds		Securitisation	
	2013	2012	2013	2012	2013	2012
	$M	$M	$M	$M	$M	$M
Carrying amount of transferred assets	**5,539**	5,258	**29,487**	19,893	**77,150**	75,113
Carrying amount of associated liabilities (2)	**5,539**	5,258	**16,740**	11,423	**77,150**	75,095
For those liabilities that have recourse only to the transferred assets					**-**	-
Fair value of transferred assets					**77,234**	75,214
Fair value of associated liabilities					**77,150**	74,888
Net position					**84**	326

(1) Securitisation liabilities of the Group include RMBS notes issued by securitisation SPEs and held by external investors.
(2) Securitisation liabilities of the Bank include borrowings from securitisation SPEs, including the SPEs that issue only internally held notes for repurchase with central banks, recognised on transfer of residential mortgages by the Bank.

Note 48 Controlled Entities

(a) Material Subsidiaries

A subsidiary is considered material based on its contribution to the consolidated entity's profit, size of investment or nature of activity. The criteria applied are largely consistent with the definition of a "large proprietary company" following the Corporations Act 2001, i.e. if the subsidiary satisfies at least two of the following:

- The consolidated revenue for the financial year of the subsidiary and the entities it controls (if any) is $25 million or more;
- The value of the consolidated gross assets at the end of the financial year of the subsidiary and the entities it controls (if any) is $12.5 million or more;
- The subsidiary and the entities it controls (if any) have 50 or more employees at the end of the financial year.

The material subsidiaries of the Bank including but not limited to those meeting the "large proprietaries company" definition are:

Entity Name	Entity Name
Australia	
(a) Banking	
Australian Investment Exchange Limited	Medallion Trust Series 2007-1G
BWA Group Services Pty Limited	Medallion Trust Series 2008-1R
CBA AIR Pty Limited	Medallion Trust Series 2011-1
CBA Covered Bond Trust	Medallion Trust Series 2012-1
CBA Equities Limited	Medallion Trust Series 2013-1
CBA International Finance Pty Limited	MIS Funding No.1 Pty Limited
CBFC Leasing Pty Limited	Preferred Capital Limited
CBFC Limited	SAFE No2 Pty Limited
Commonwealth Securities Limited	Securitisation Advisory Services Pty Limited
GT Funding No. 6 Limited Partnership	Series 2006-1E SWAN Trust
GT Operating No. 5 Limited Partnership	Series 2007-1E SWAN Trust
Homepath Pty Limited	Series 2008-1D SWAN Trust
IWL Broking Solutions Limited	Series 2010-1 SWAN Trust
IWL Limited	Series 2010-2 SWAN Trust
Medallion Trust Series 2005-1G	Series 2011-1 SWAN Trust
Medallion Trust Series 2005-2G	Security Holding Investment Entity Linking Deals Limited
Medallion Trust Series 2006-1G	Wallaby Warehouse Trust No.1
(b) Insurance and Funds Management	
Avanteos Investments Limited	Colonial Holding Company Limited
Avanteos Pty Ltd	Commonwealth Financial Planning Limited
Capital 121 Pty Limited	Commonwealth Insurance Holdings Limited
Colonial Finance Limited	Commonwealth Insurance Limited
Colonial First State Asset Management (Australia) Limited	Commonwealth Managed Investments Limited
Colonial First State Group Limited	Count Financial Limited
Colonial First State Investments Limited	Financial Wisdom Limited
Colonial First State Property Limited	First State Investment Managers (Asia) Limited
CFS Property Management Trust	Jacques Martin Administration and Consulting Pty Ltd
Colonial First State Property Retail Trust	The Colonial Mutual Life Assurance Society Limited

All the above subsidiaries are 100% owned and incorporated in Australia.

Note 48 Controlled Entities (continued)

(a) Material Subsidiaries (continued)

Entity Name	Extent of Beneficial Interest if not 100%	Incorporated in
New Zealand		
(a) Banking		
Aegis Limited		New Zealand
ASB Bank Limited		New Zealand
ASB Covered Bond Trustee Ltd		New Zealand
ASB Finance Limited		New Zealand
ASB Funding Limited		New Zealand
ASB Group Investments Limited		New Zealand
ASB Holdings Limited		New Zealand
CBA Asset Holdings (NZ) Limited		New Zealand
CBA Funding (NZ) Limited		New Zealand
CBA USD Funding Limited		New Zealand
Medallion NZ Series Trust 2009-1R		New Zealand
(b) Insurance and Funds Management		
ASB Group (Life) Limited		New Zealand
Kiwi Property Management Limited		New Zealand
Sovereign Assurance Company Limited		New Zealand
Other Overseas		
(a) Banking		
CBA (Europe) Finance Limited		United Kingdom
CBA Capital Trust I		Delaware USA
CBA Capital Trust II		Delaware USA
CBA Funding Trust I		Delaware USA
CommBank Europe Limited		Malta
CommCapital S.a.r.l		Luxembourg
CommInternational Limited		Malta
CTB Australia Limited		Hong Kong
Newport Limited		Malta
PT Bank Commonwealth	97%	Indonesia
(b) Insurance and Funds Management		
First State Investment Management (UK) Limited		United Kingdom
First State Investment Services (UK) Limited		United Kingdom
First State Investments (Bermuda) Limited		Bermuda
First State Investments (Hong Kong) Limited		Hong Kong
First State Investments (Singapore)		Singapore
First State Investments (UK Holdings) Limited		United Kingdom
First State Investments (UK) Limited		United Kingdom
First State Investments Holdings (Singapore) Limited		Singapore
First State Investments International Limited		United Kingdom
PT Commonwealth Life	80%	Indonesia
SI Holdings Limited		United Kingdom

The Group also consolidates a number of unit trusts as part of the ongoing investment activities of the life insurance and wealth businesses. These investment vehicles are excluded from the above list.

(b) Disposal of Controlled Entities

There have been no controlled entities disposed of during the year. The Group disposed of certain St Andrew's operations effective 1 July 2010. For further details refer to Note 45(c).

Note 48 Controlled Entities (continued)

(c) Transition to a Single Authorised Deposit-taking Institution with Bank of Western Australia Limited (Bankwest)

On 1 October 2012 the Commonwealth Bank of Australia Limited and Bank of Western Australia Limited (Bankwest) commenced operating as a single Authorised Deposit-taking Institution (ADI). In conjunction with that process, the legal entity Bank of Western Australia Limited was deregistered and the Commonwealth Bank of Australia Limited became its successor in law. This resulted in all of Bankwest's assets and liabilities (including all deposits, contracts and debt securities previously issued by Bankwest) becoming the Commonwealth Bank of Australia Limited's assets and liabilities. All Bankwest directly owned subsidiaries became directly owned by the Commonwealth Bank of Australia Limited.

Details of the impact of transferring the assets and liabilities of Bankwest to the Bank and the derecognition of the Bank's investment in Bankwest are set out below:

	1 October 2012 $M
Assets	
Cash and liquid assets	557
Receivables due from other financial institutions	2,749
Derivative assets	(104)
Available-for-sale investments	2
Loans, bills discounted and other receivables	66,563
Shares in and loans to controlled entities	(32,472)
Property, plant and equipment	262
Intangible assets	449
Deferred tax assets	469
Other assets	151
Total assets	**38,626**
Liabilities	
Deposits and other public borrowings	43,567
Payables due to other financial institutions	80
Liabilities at fair value through Income Statement	1
Derivative liabilities	(363)
Due to controlled entities	(7,656)
Other provisions	43
Debt issues	665
Deferred tax liabilities	292
Bills payable and other liabilities	750
	37,379
Loan capital	121
Total liabilities	**37,500**
Net assets	**1,126**
Shareholders' Equity	
Share capital:	
Ordinary share capital	-
Other equity instruments	-
Reserves	207
Retained profits	919
Total Shareholders' equity	**1,126**

Note 49 Subsequent Events

The Bank expects the DRP for the final dividend for the year ended 30 June 2013 will be satisfied in full by an on market purchase and transfer of shares of approximately $806 million.

On 24 July 2013 the Bank submitted an indicative, non-binding proposal to the Commonwealth Managed Investments Limited (CMIL) Board to internalise the management of Commonwealth Property Office Fund (CPA) and CFS Retail Property Trust Group (CFX). The proposal in relation to CFX also incorporates CFX acquiring the wholesale property funds management business and integrated retail property management and development business owned by CBA.

The Bank also submitted an indicative, non-binding proposal to the Kiwi Income Properties Limited (KIPL) Board to internalise the management of the Kiwi Income Property Trust (KIP). As at the date of this report, the financial effect of any transaction cannot be estimated.

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

Directors' Declaration

In accordance with a resolution of the Directors of the Commonwealth Bank of Australia (Bank), the Directors declare that:

(a) the financial statements for the financial year ended 30 June 2013 in relation to the Bank and the consolidated entity (Group) (together the Financial Statements), and the notes to the Financial Statements, are in accordance with the Corporations Act 2001, including:

  (i) s 296 (which requires the financial report, including the Financial Statements and the notes to the Financial Statements, to comply with the accounting standards); and

  (ii) s 297 (which requires the Financial Statements, and the notes to the Financial Statements, to give a true and fair view of the financial position and performance of the Group and the Bank);

(b) in compliance with the accounting standards, the notes to the Financial Statements include an explicit and unreserved statement of compliance with international financial reporting standards (see Note 1(a));

(c) in the opinion of the Directors, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable; and

(d) the Directors have been given the declarations required by s 295A in respect of the financial year ended 30 June 2013.

Signed in accordance with a resolution of the Directors.

D J Turner
Chairman
13 August 2013

I M Narev
Managing Director and Chief Executive Officer
13 August 2013

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, which comprises the balance sheets as at 30 June 2013, and the income statements, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both the Commonwealth Bank of Australia and the Group (the consolidated entity). The consolidated entity comprises 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 Commonwealth Bank of Australia are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors of Commonwealth Bank of Australia also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

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pwc

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

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 Commonwealth Bank of Australia's and the consolidated entity's financial position as at 30 June 2013 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.

(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 47 to 64 of the directors' report for the year ended 30 June 2013. The directors of Commonwealth Bank of Australia are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Commonwealth Bank of Australia for the year ended 30 June 2013, 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 for the year ended 30 June 2013 included on Commonwealth Bank of Australia's website. Commonwealth Bank of Australia's directors are responsible for the integrity of Commonwealth Bank of Australia's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this website.

PricewaterhouseCoopers

PricewaterhouseCoopers

M. Laithwaite

Marcus Laithwaite
Partner

Sydney
13 August 2013

Shareholding Information

Top 20 Holders of Fully Paid Ordinary Shares as at 2 August 2013

Rank	Name of Holder	Number of Shares	%
1	HSBC Custody Nominees (Australia) Limited	238,623,271	14.80
2	J P Morgan Nominees Australia Limited	186,493,456	11.57
3	National Nominees Limited	137,009,826	8.50
4	Citicorp Nominees Pty Limited	71,997,100	4.47
5	Cogent Nominees Pty Limited	31,956,078	1.98
6	RBC Dexia Investor Services Australia Nominees Pty Limited	16,977,575	1.05
7	Bond Street Custodians Limited	15,689,114	0.97
8	AMP Life Limited	14,023,354	0.87
9	Australian Foundation Investment	8,482,900	0.53
10	UBS Wealth Management Australia	6,087,323	0.38
11	Milton Corporation Limited	3,029,225	0.19
12	BNP Paribas Nominees Pty Limited	2,988,966	0.19
13	Dawnraptor Pty.Limited	2,747,995	0.17
14	Navigator Australia Limited	2,625,492	0.16
15	Argo Investments Limited	2,577,895	0.16
16	Invia Custodian Pty Limited	2,429,464	0.15
17	UBS Nominees Pty Limited	2,208,536	0.14
19	Nulis Nominees (Australian) Limited	2,182,498	0.14
19	Questor Financial Services	2,132,891	0.13
20	Mr Barry Martin Lambert	1,643,613	0.10

The top 20 shareholders hold 751,906,572 shares which is equal to 46.65% of the total shares on issue.

Stock Exchange Listing

The shares of the Commonwealth Bank of Australia (Bank) 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 is not currently in the market conducting an on market buy-back of its shares.

Range of Shares (Fully Paid Ordinary Shares and Employee Shares): 2 August 2013

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1 – 1,000	579,301	73.69	189,740,277	11.77
1,001 – 5,000	181,489	23.09	377,105,938	23.40
5,001 – 10,000	17,618	2.24	120,556,249	7.48
10,001 – 100,000	7,484	0.95	141,257,631	8.76
100,001 and over	208	0.03	783,268,741	48.59
Total	786,100	100.00	1,611,928,836	100.00
Less than marketable parcel of $500	12,118	1.54	37,758	0.00

Voting Rights

Under the Bank's Constitution, each person who is a voting Equity holder and who is present at a general meeting of the Bank in person or by proxy, attorney or official representative is entitled:

- On a show of hands – to one vote; and
- On a poll – to one vote for each share held or represented.

If a person present at a general meeting represents personally or by proxy, attorney or official representative more than one Equity holder, on a show of hands the person is entitled to one vote even though he or she represents more than one Equity holder.

If an Equity holder is present in person and votes on a resolution, any proxy or attorney of that Equity holder is not entitled to vote.

If more than one official representative or attorney is present for an Equity holder:

- None of them is entitled to vote on a show of hands; and
- On a poll only one official representative may exercise the Equity holders voting rights and the vote of each attorney shall be of no effect unless each is appointed to represent a specified proportion of the Equity holders voting rights, not exceeding in aggregate 100%.

If an Equity holder appoints two proxies and both are present at the meeting:

- If the appointment does not specify the proportion or number of the Equity holder's votes each proxy may exercise, then on a poll each proxy may exercise one half of the Equity holder's votes;
- Neither proxy shall be entitled to vote on a show of hands; and
- On a poll each proxy may only exercise votes in respect of those shares or voting rights the proxy represents.

Top 20 Holders of Perpetual Exchangeable Repurchaseable Listed Shares III ("PERLS III") as at 2 August 2013

Rank	Name of Holder	Number of Shares	%
1	UBS Wealth Management Australia	226,048	3.88
2	AMP Life Limited	135,309	2.32
3	National Nominees Limited	113,824	1.95
4	Citicorp Nominees Pty Limited	111,842	1.92
5	J P Morgan Nominees Australia Limited	90,994	1.56
6	Navigator Australia Limited	74,728	1.28
7	Mr Walter Lawton and Mrs Jan Rynette Lawton	70,000	1.20
8	Nulis Nominees (Australia) Limited	57,793	0.99
9	The Australian National University	56,282	0.97
10	RBC Dexia Investor Services	56,021	0.96
11	HSBC Custody Nominees Australia Limited	54,063	0.93
12	Catholic Education Office Diocese of Parramatta	49,750	0.85
13	ANZ Executors & Trustee Company Limited	38,232	0.66
14	Truckmate (Australia) Pty Limited	35,000	0.60
15	Kerlon Pty Limited	30,000	0.51
16	BNP Paribas Noms Pty Limited	29,781	0.51
17	Mutual Trust Pty Limited	29,386	0.50
19	Mifare Pty Limited	25,000	0.43
19	UCA Cash Management Fund Limited	25,000	0.43
20	Fleischmann Holdings Pty Limited	22,500	0.39

The top 20 PERLS III shareholders hold 1,331,553 shares which is equal to 22.84% of the total shares on issue.

Stock Exchange Listing

PERLS III are preference shares issued by Preferred Capital Limited (a wholly-owned entity of the Bank). They are listed on the Australian Securities Exchange under the trade symbol PCAPA. Details of trading activity are published in most daily newspapers.

Range of Shares (PERLS III): 2 August 2013

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1 – 1,000	17,698	96.74	3,056,363	52.40
1,001 – 5,000	525	2.87	1,014,203	17.39
5,001 – 10,000	33	0.18	249,696	4.28
10,001 – 100,000	34	0.19	1,036,838	17.78
100,001 and over	3	0.02	475,181	8.15
Total	18,293	100.00	5,832,281	100.00
Less than marketable parcel of $500	21	0.11	40	0.00

Voting Rights

PERLS III do not confer any voting rights in the Bank but if they are exchanged for or convert into ordinary shares or preference shares of the Bank in accordance with their terms of issue, the voting rights of the ordinary or preference shares (as the case may be) will be as set out on page 188 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.

Shareholding Information

Top 20 Holders of Perpetual Exchangeable Resaleable Listed Securities V ("PERLS V") as at 2 August 2013

Rank	Name of Holder	Number of Securities	%
1	Bond Street Custodians Limited	348,746	3.49
2	UBS Wealth Management Australia	272,500	2.73
3	Questor Financial Services	204,310	2.04
4	Navigator Australia Limited	127,381	1.27
5	HSBC Custody Nominees (Australia) Limited	119,074	1.19
6	Nulis Nominees (Australia) Limited	99,262	0.99
7	Australian Executor Trustees Limited	90,321	0.90
8	RBC Dexia Investor Services Australia Nominees Pty Limited	90,288	0.90
9	J P Morgan Nominees Australia Limited	88,183	0.88
10	Netwealth Investments Limited	64,111	0.64
11	National Nominees Limited	51,057	0.51
12	Dimbulu Pty Limited	50,000	0.50
13	Invia Custodian Pty Limited	48,564	0.49
14	Citicorp Nominees Pty Limited	37,099	0.37
15	Avanteos Investments Limited	35,833	0.36
16	Pershing Australia Nominees Pty Limited	35,422	0.35
17	JMB Pty Ltd	33,925	0.34
19	Peters (Meat) Export Pty Limited	28,455	0.28
19	Gyor Investments Pty Limited	25,000	0.25
20	MR Terrence Elmore Peabody and MRS Mary Genevive Peabody	25,000	0.25

The top 20 PERLS V security holders hold 1,874,531 securities which is equal to 18.73% of the total securities on issue.

Stock Exchange Listing

PERLS V are stapled securities comprising an unsecured subordinated note issued by the Bank's New Zealand branch and a preference share issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPA. Details of trading activity are published in most daily newspapers.

Range of Shares (PERLS V): 2 August 2013

Range	Number of Security holders	Percentage of Security holders	Number of Securities	Percentage of Issued Capital
1 – 1,000	32,402	96.65	5,636,796	56.37
1,001 – 5,000	1,013	3.02	1,993,508	19.94
5,001 – 10,000	65	0.19	489,890	4.90
10,001 – 100,000	42	0.13	1,194,686	11.95
100,001 and over	4	0.01	685,120	6.84
Total	33,526	100.00	10,000,000	100.00
Less than marketable parcel of $500	4	0.00	5	0.00

Voting Rights

PERLS V confer voting rights in the Bank in the following limited circumstances:

- When dividend payments on the preference shares are in arrears;
- On proposals to reduce the Bank's Share Capital;
- On a proposal that affects rights attached to preference shares;
- On a resolution to approve the terms of a buy-back agreement;
- On a proposal to wind up the Bank;
- On a proposal for the disposal of the whole of the Bank's property, business and undertaking; and
- During the winding-up of the Bank.

Furthermore if PERLS V convert into ordinary shares of the Bank in accordance with their terms of issue, the voting rights of the ordinary shares will be as set out on page 188.

At a general meeting of the Bank, holders of PERLS V are entitled:

- On a show of hands, to exercise one vote when entitled to vote on the matters listed above; and
- On a poll, to exercise one vote for each preference share.

The holders will be entitled to the same rights as the holders of the Bank's ordinary shares in relation to receiving notices, reports and financial statements and attending and being heard at all general meetings of the Bank.

Top 20 Holders of Perpetual Exchangeable Resaleable Listed Securities VI ("PERLS VI") as at 2 August 2013

Rank	Name of Holder	Number of Securities	%
1	UBS Wealth Management Australia	1,147,762	5.74
2	Bond Street Custodians Limited	558,150	2.79
3	J P Morgan Nominees Australia Limited	364,337	1.82
4	Questor Financial Services	289,589	1.45
5	HSBC Custody Nominees (Australia) Limited	221,586	1.11
6	Cogent Nominees Pty Limited	178,570	0.89
7	National Nominees Limited	166,647	0.83
8	Snowside Pty Limited	156,818	0.78
9	UCA Cash Management Fund Limited	135,000	0.68
10	Citicorp Nominees Pty Limited	102,260	0.51
11	Dimbulu Pty Limited	100,000	0.50
12	Eastcote Pty Limited	100,000	0.50
13	Australian Executor Trustees Limited	92,110	0.46
14	Invia Custodian Pty Limited	89,313	0.45
15	Netwealth Investments Limited	88,844	0.44
16	Nulis Nominees (Australia) Limited	85,092	0.43
17	V S Access Pty Limited	80,000	0.40
19	Wenthor Pty Limited	80,000	0.40
19	RBC Dexia Investor Services Australia Nominees Pty Limited	73,787	0.37
20	Marento Pty Limited	52,916	0.26

The top 20 PERLS VI security holders hold 4,162,781 securities which is equal to 20.81% of the total securities on issue.

Stock Exchange Listing

PERLS VI are unsecured subordinated notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPC. Details of trading activity are published in most daily newspapers.

Range of Shares (PERLS VI): 2 August 2013

Range	Number of Security holders	Percentage of Security holders	Number of Securities	Percentage of Issued Capital
1 – 1,000	25,054	89.84	7,984,496	39.92
1,001 – 5,000	2,524	9.05	5,356,843	26.78
5,001 – 10,000	205	0.74	1,558,659	7.79
10,001 – 100,000	95	0.34	2,557,116	12.79
100,001 and over	8	0.03	2,542,886	12.72
Total	27,886	100.00	20,000,000	100.00
Less than marketable parcel of $500	-	0.00	-	0.00

Voting Rights

PERLS VI do not confer any voting rights in the Bank but if they are exchanged for 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 188 for the Bank's ordinary shares.

Trust Preferred Securities

550,000 Trust Preferred Securities were issued on 6 August 2003. Cede & Co is registered as the sole holder of these securities.

700,000 Trust Preferred Securities were issued on 15 March 2006. Cede & Co is registered as the sole holder of these securities.

The Trust Preferred Securities do not confer any voting rights in the Bank but if they are exchanged for or converted into ordinary shares or preference shares of the Bank in accordance with their terms of issue, the voting rights of the ordinary or preference shares (as the case may be) will be as set out on page 188 for the Bank's ordinary shares and page 189 for the preference shares.

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132 221 General Enquiries

For your everyday banking including paying bills using BPAY® our automated service is available 24 hours a day, 7 days a week.

Lost or Stolen Cards

To report a lost or stolen card 24 hours a day, 7 days a week.

From overseas call +61 132 221. Operator assistance is available 24 hours a day, 7 days a week.

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132 224 Home Loans & Investment Home Loans

To apply for a new home loan or investment home loan or to maintain an existing loan. Available from 8am to 8pm, 7 days a week.

131 431 Personal Loan Sales

To apply for a new personal loan.

Available from 8am to 8pm, 7 days a week.

1800 805 605 Customer Relations

If you would like to pay us a compliment or are dissatisfied with any aspect of the service you have received.

Internet Banking

You can apply for a home loan, credit card, personal loan, term deposit or a savings account on the internet by visiting our website at www.commbank.com.au available 24 hours a day, 7 days a week.

Do your everyday banking on our internet banking service NetBank at www.commbank.com.au/netbank available 24 hours a day, 7 days a week.

To apply for access to NetBank, call 132 828.

Available 24 hours a day, 7 days a week.

Do your business banking on our Business Internet Banking Service CommBiz at www.commbank.com.au/CommBiz available 24 hours a day, 7 days a week.

To apply for access to CommBiz, call 132 339.

Available 24 hours a day, 7 days a week.

Special Telephony Services

Customers who are hearing or speech impaired can contact us via the National Relay Service (www.relayservice.com.au) (24 hours a day, 7 days a week).

- Telephone Typewriter (TTY) service users can be connected to any of our telephone numbers via 133 677.
- Speak and Listen (speech-to-speech relay) users can also connect to any of our telephone numbers by calling 1300 555 727.
- Internet relay users can be connected to our telephone numbers via National Relay Service.

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.

131 709 CommSec Margin Loan

Enables you to expand your portfolio by borrowing against your existing shares and managed funds. To find out more simply call 131 709 8am to 8pm (Sydney Time) Monday to Friday or visit www.commsec.com.au.

1800 019 910 Corporate Financial Services

For a full range of financial solutions for medium-size and larger companies.

Available from 8am to 6pm (Sydney Time), Monday to Friday.

131 998 Local Business Banking

A dedicated team of Business Banking Specialists, supporting a network of branch business bankers, will help you with your financial needs.

Available 24 hours a day, 7 days a week or visit www.commbank.com.au/lbb.

1300 245 463 (1300 AGLINE) AgriLine

A dedicated team of Agribusiness Specialists will help you with your financial needs. With our Business Banking team living in regional and rural Australia, they understand the challenges you face. Available from 8am to 6pm, Monday to Friday (Sydney time).

Colonial First State

Existing investors can call 131 336 from 8am to 7pm (Sydney Time) Monday to Friday.

New investors without a financial adviser can call 1300 360 645. Financial advisers can call 131 836.

Alternatively, visit www.colonialfirststate.com.au.

1300 362 081 Commonwealth Private

Commonwealth Private offers clients with significant financial resources a comprehensive range of services, advice and opportunities to meet their specific needs. For a confidential discussion about how Commonwealth Private can help you, call 1300 362 081 between 8am to 5:30pm (Sydney time), Monday to Friday or visit www.commbank.com.au/commonwealthprivate

132 015 Commonwealth Financial Services

For enquiries on retirement and superannuation products, or managed investments. Available from 8.30am to 6pm (Sydney Time), Monday to Friday.

Unit prices are available 24 hours a day, 7 days a week.

CommInsure

For all your general insurance needs call 132 423 8am to 8pm (Sydney Time), 7 days a week.

For all your life insurance needs call 131 056 8am to 8pm (Sydney Time), Monday to Friday.

Alternatively, visit www.comminsure.com.au.

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Australian Securities Exchange Listing

CBA

Annual Report

To request a copy of the Annual Report, please call Link Market Services Limited on 1800 022 440 or by email at cba@linkmarketservices.com.au
Electronic versions of Commonwealth Bank's past and current Annual Reports are available on www.commbank.com.au/shareholder/annualreports.

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