

Financial Report (U.S. Version)
Year ended 30 June 2013

Contents

Introduction	2
Directors' Report	3
Financial Statements	30
Income Statements	31
Statements of Comprehensive Income	32
Balance Sheets	33
Statements of Changes in Equity	34
Statements of Cash Flows	36
Notes to the Financial Statements	38
Directors' Declaration	145
Independent Auditor's Report	146

Introduction

The Commonwealth Bank of Australia Financial Report (US Version) - Year Ended 30 June 2013, which contains the financial statements for the year ended 30 June 2011, 2012 and 2013 and as of 30 June 2012 and 2013 (the "2013 Financial Report") should be read in conjunction with:

- The Commonwealth Bank of Australia Financial Report (US version) – Year Ended 30 June 2012, which contains the Financial Statements for the years ended 30 June 2010, 2011 and 2012 and as at 30 June 2011 and 2012 (the "2012 Financial Report"); and

- The Commonwealth Bank of Australia Basel III Pillar 3 Capital Adequacy and Risk Disclosures as at 30 June 2013,

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

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

Directors' Report

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, LL.D, 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.

Directors' Report

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		Audit Committee		Remuneration Committee	
	No. of Meetings Held ⁽¹⁾	No. of Meetings Attended	No. of Meetings Held ⁽¹⁾	No. of Meetings Attended	No. of Meetings Held ⁽¹⁾	No. of Meetings Attended
David Turner	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⁾	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.

Directors' Report

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.

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 (CML) 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.

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 3 to 5 of this report, and the Secretaries of the Bank, being named on page 28 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.

Directors' Report – Remuneration Report

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 Hemstrich
Committee Chairman
13 August 2013

Directors' Report – Remuneration Report

2013 Remuneration and Performance Highlights

Completed a comprehensive review of executive remuneration framework	<ul style="list-style-type: none">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	<ul style="list-style-type: none">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	<ul style="list-style-type: none">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	<ul style="list-style-type: none">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.

Directors' Report – Remuneration Report

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 Toeve	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.

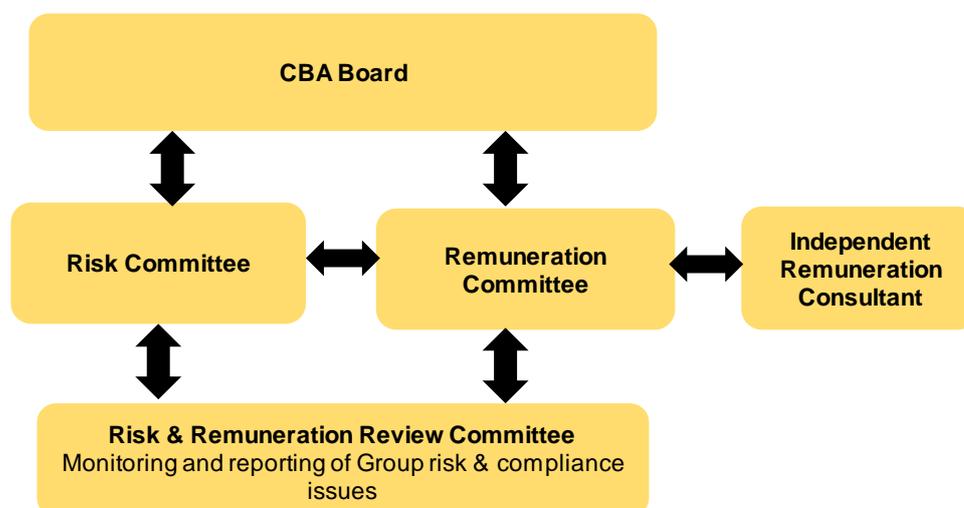
1.3 Remuneration and Risk Management

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.

Directors' Report – Remuneration Report

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



1.4 Non-Executive Directors Remuneration

Non-Executive Directors 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:

		Fees ⁽¹⁾
	Position	(\$)
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 23 provides the individual remuneration expense for each Non-Executive Director in relation to the 2013 performance year.

2. Remuneration Framework

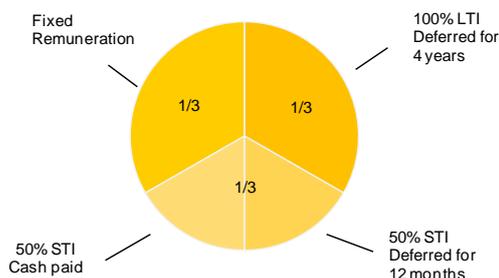
The remuneration arrangements of our CEO and Group Executives are made up of both fixed and at risk remuneration. This is composed of the following three elements:

- 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.

Directors' Report – Remuneration Report

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	<p><i>Continue to build a vibrant customer focused culture.</i></p> <p>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:</p> <ul style="list-style-type: none">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	<p><i>Maintain a strong, flexible Balance Sheet.</i></p> <ul style="list-style-type: none">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:<ul style="list-style-type: none">Customer deposits accounting for 63% of total funding at 30 June 2013 (2012: 62%); andShort 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:<ul style="list-style-type: none">The acquisition of an additional 47% stake in Aussie Home Loans Pty Limited; andGrowth in existing loan portfolios, while maintaining conservative provisioning coverage ratios.
Productivity	<p><i>Continuous and ongoing focus on eliminating waste, whilst making things simpler and easier for the Group's customers and staff.</i></p> <ul style="list-style-type: none">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	<p><i>Technology programs designed to enhance the customer experience through more innovative systems and processes, and improve efficiency levels.</i></p> <ul style="list-style-type: none">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:<ul style="list-style-type: none">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; andMyWealth, 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,

Directors' Report – Remuneration Report

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

GLRP Award vested during 2013 Financial Year

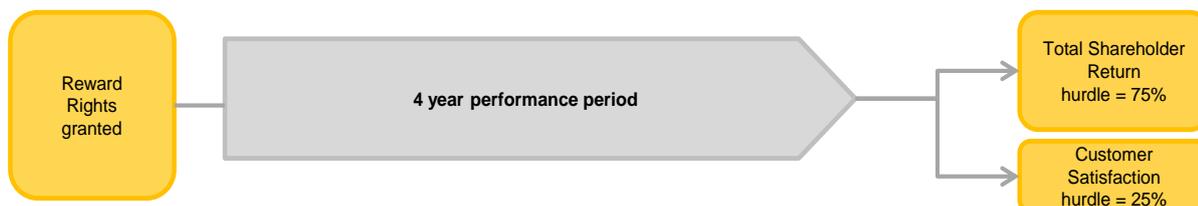
The GLRP award granted during the 2010 financial year reached the end of its four year performance period on 30 June 2013. The GLRP 2010 award was weighted against two performance hurdles, Customer Satisfaction (50% of the award) and TSR (50% of the award). At the end of the performance period, the results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

Directors' Report – Remuneration Report

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 23 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	<ul style="list-style-type: none"> 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	<p><i>TSR (75% of the award)</i></p> <ul style="list-style-type: none"> 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. <p><i>Customer Satisfaction (25% of the award)</i></p> <ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> TSR is calculated independently by an external provider. Customer Satisfaction is measured with reference to the three independent surveys below: <ul style="list-style-type: none"> 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).

Directors' Report – Remuneration Report

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

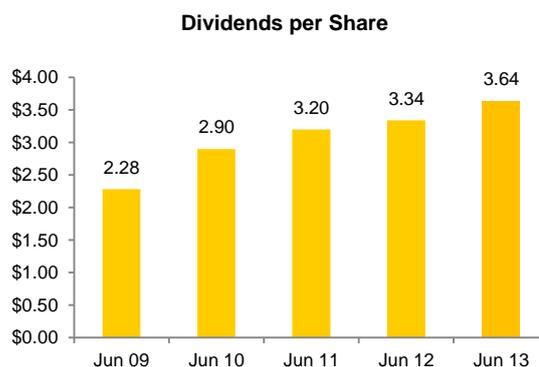
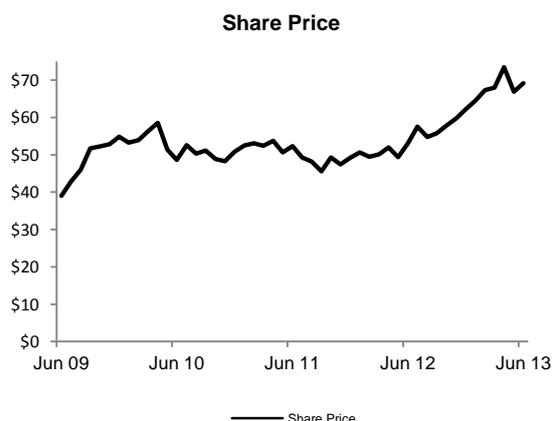
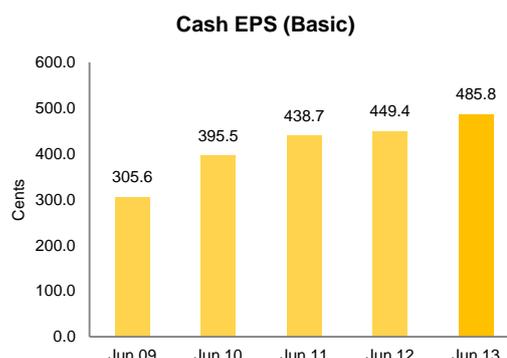
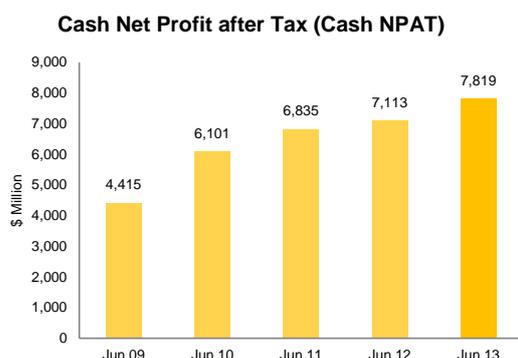
Employees are prohibited from hedging in relation to all of their unvested CBA equity awards, including shares or rights. Prohibited activity includes Executives controlling their exposure to risk in relation to their unvested awards. The CEO's direct reports are also prohibited from using instruments 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

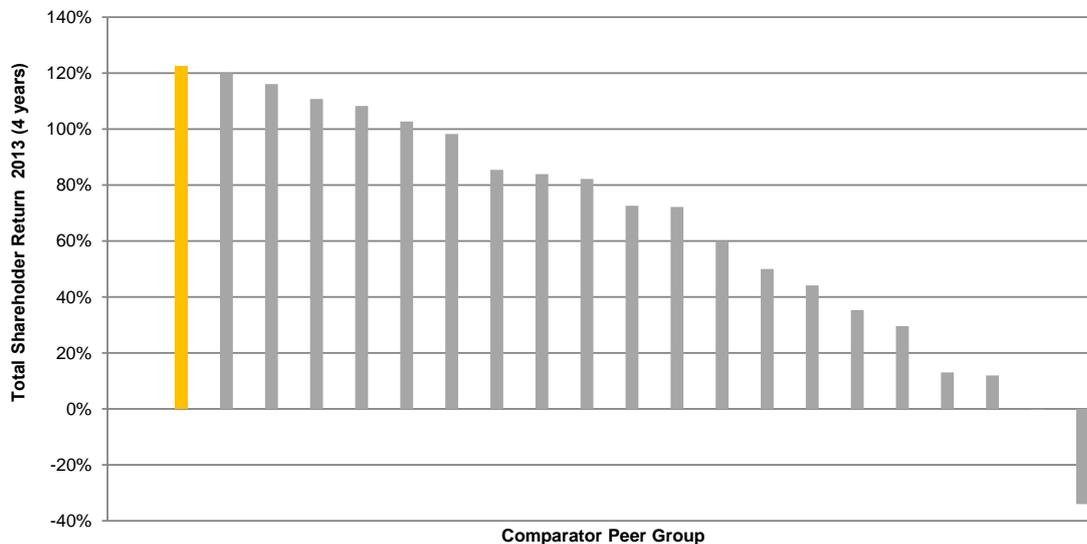
The following graphs show the Group's cash Net Profit after Tax (cash NPAT), cash Earnings per Share (cash EPS), share price movement and full-year dividend results over the past five financial years (including 2013). The solid performance has delivered sound returns to shareholders.



Directors' Report – Remuneration Report

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.

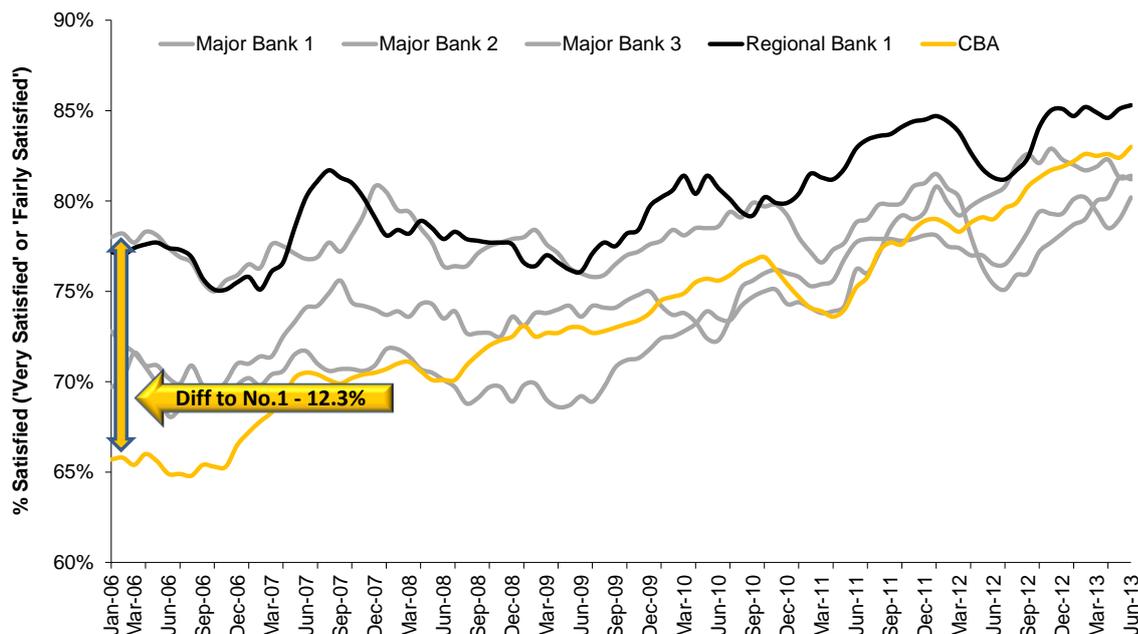


(1) The peer group (at the end of the performance period) for the TSR performance hurdle (at the time of grant) comprised AGL Energy Limited, AMP Limited, Australia and New Zealand Banking Group Limited, ASX Limited, Brambles Industries Limited, Coca-Cola Amatil Limited, CSL Limited, Insurance Australia 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

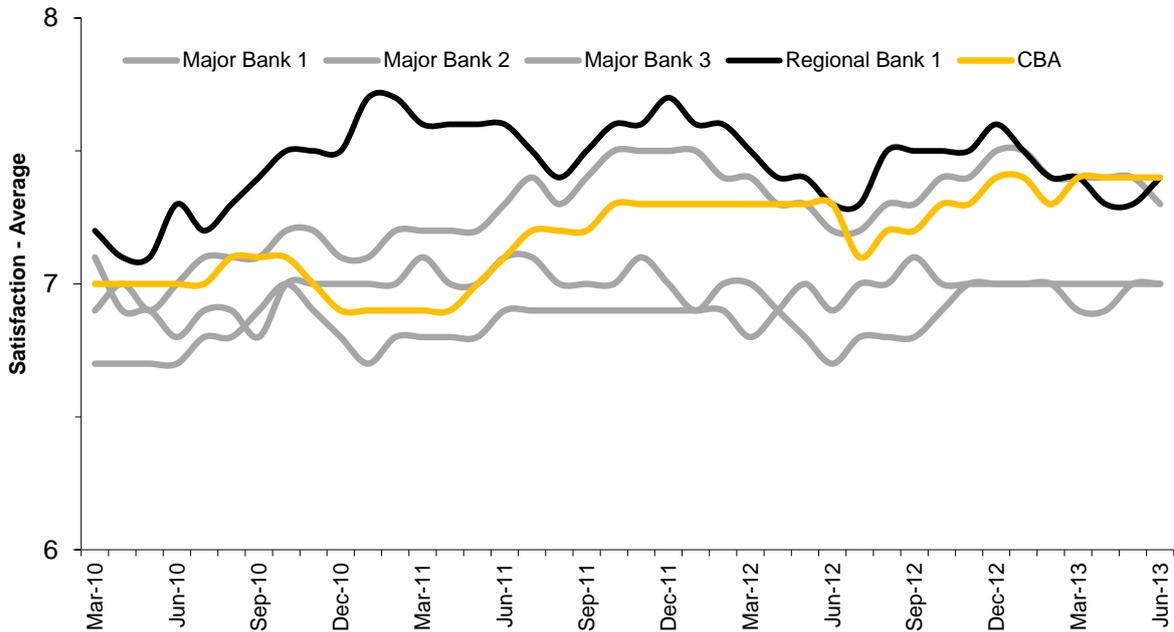


Source: Roy Morgan Research
6 month rolling average

(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.

Directors' Report – Remuneration Report

Business Main Financial Institution Customer Satisfaction - Competitive Context



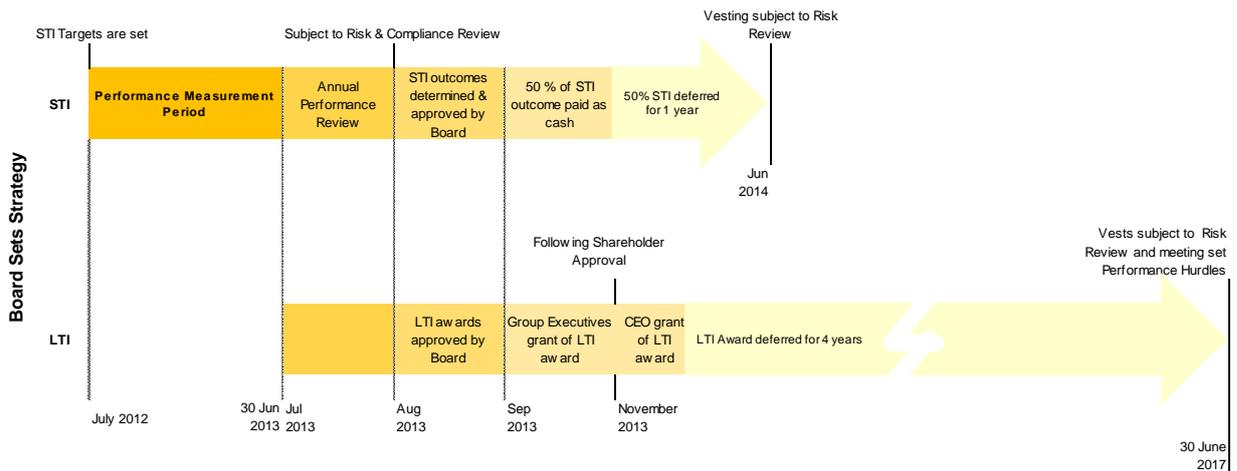
Source: DBM, Business Financial Services Monitor
6 month rolling average

(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 23 and 24. 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.

Directors' Report – Remuneration Report

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⁾	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 24

	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 24	7,804,894	

Directors' Report – Remuneration Report

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	Post Employment Benefits		Share Based	Total
	Benefits			payments	
	Cash ⁽¹⁾	Super-annuation	Retiring Allowance Paid ⁽²⁾	Non-Executive Directors' Share Plan ⁽³⁾	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 22, 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.

Directors' Report – Remuneration Report

	Base Remuneration ⁽¹⁾		Other Short Term Benefits			Long Term Benefits	Share Based Payments	Total Statutory Remuneration ⁽⁹⁾	
	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⁾
	\$	\$	\$	\$	\$	\$	\$	\$	
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.

Directors' Report – Remuneration Report

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.

Name	Class	Granted during 2013 ⁽¹⁾		Previous Years' Awards Vested during 2013 ⁽²⁾		Forfeited or Lapsed during 2013 ⁽³⁾	
		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.

Directors' Report – Remuneration Report

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:

Award Type	Grant Date	Fair Value \$	Exercise Price \$	Performance Period End	Assumptions			Risk Free Rate %
					Expected Life (Years)	Expected Dividend Yield %	Expected Volatility %	
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.

Directors' Report

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.

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.

A handwritten signature in black ink that reads 'M. Laithwaite'.

Marcus Laithwaite
Partner
PricewaterhouseCoopers

Sydney
13 August 2013

PricewaterhouseCoopers, ABN 52 780 433 757

*Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au*

Liability limited by a scheme approved under Professional Standards Legislation.

Financial Statements

Income Statements	31
Statements of Comprehensive Income	32
Balance Sheets	33
Statements of Changes in Equity	34
Statements of Cash Flows	36
Note 1 Accounting Policies	38
Note 2 Profit	48
Note 3 Income from Ordinary Activities	50
Note 4 Average Balances and Related Interest	51
Note 5 Income Tax	56
Note 6 Dividends	59
Note 7 Earnings Per Share	60
Note 8 Cash and Liquid Assets	60
Note 9 Receivables Due from Other Financial Institutions	60
Note 10 Assets at Fair Value through Income Statement	61
Note 11 Derivative Financial Instruments	62
Note 12 Available-for-Sale Investments	67
Note 13 Loans, Bills Discounted and Other Receivables	68
Note 14 Provisions for Impairment	71
Note 15 Property, Plant and Equipment	73
Note 16 Intangible Assets	75
Note 17 Other Assets	77
Note 18 Assets Held for Sale	77
Note 19 Deposits and Other Public Borrowings	77
Note 20 Liabilities at Fair Value through Income Statement	78
Note 21 Tax Liabilities	79
Note 22 Other Provisions	79
Note 23 Debt Issues	81
Note 24 Bills Payable and Other Liabilities	83
Note 25 Loan Capital	84
Note 26 Shareholders' Equity	86
Note 27 Share Capital	88
Note 28 Share Based Payments	89
Note 29 Non-Controlling Interests	93
Note 30 Capital Adequacy	94
Note 31 Financial Reporting by Segments	95
Note 32 Insurance Businesses	98
Note 33 Remuneration of Auditors	100
Note 34 Lease Commitments	101
Note 35 Contingent Liabilities, Contingent Assets and Commitments	101
Note 36 Fiduciary Activities	103
Note 37 Risk Management	104
Note 38 Credit Risk	105
Note 39 Market Risk	122
Note 40 Liquidity and Funding Risk	124
Note 41 Retirement Benefit Obligations	127
Note 42 Investments in Associates and Joint Ventures	130
Note 43 Key Management Personnel	131
Note 44 Related Party Disclosures	134
Note 45 Notes to the Statements of Cash Flows	134
Note 46 Disclosures about Fair Values of Financial Instruments	136
Note 47 Securitisation, Covered Bonds and Transferred Assets	141
Note 48 Controlled Entities	142
Note 49 Subsequent Events	144

Income Statements

For the year ended 30 June 2013

	Note	Group			Bank	
		2013 \$M	2012 \$M	2011 \$M	2013 \$M	2012 \$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.

	Note	Group		
		2013	2012	2011
Cents per share				
Earnings per share:				
Basic	7	477.9	448.9	411.2
Fully diluted	7	464.5	432.9	395.1

Financial Statements

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

	Note	Group		Bank	
		2013	2012	2013	2012
		\$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.

Financial Statements

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

	Ordinary share capital \$M	Other equity instruments \$M	Reserves \$M	Retained profits \$M	Bank Shareholders' equity attributable to Equity holders of the Bank \$M
As at 30 June 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.

	Note	2013	2012	Group 2011
		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

Financial Statements

Statements of Cash Flows ⁽¹⁾

For the year ended 30 June 2013

	Note	Group			Bank	
		2013 \$M	2012 \$M	2011 \$M	2013 \$M	2012 \$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 acquisitions 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			Bank	
		2013 \$M	2012 \$M	2011 \$M	2013 \$M	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.

Notes to the Financial Statements

Note 1 Accounting Policies

The Financial Statements of the Commonwealth Bank of Australia (the Bank) and the Bank and its subsidiaries (the Group) for the year ended 30 June 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

Notes to the Financial Statements

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;
- 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

Notes to the Financial Statements

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

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

Note 2 Profit (continued)

	Group			Bank	
	2013	2012	2011	2013	2012
	\$M	\$M	\$M	\$M	\$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.

Notes to the Financial Statements

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

Notes to the Financial Statements

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.

Interest earning assets ⁽¹⁾	2013			2012			Group 2011		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	\$M	\$M	%	\$M	\$M	%	\$M	\$M	%
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.

Non-interest earning assets	2013		2012		Group 2011	
	Average Balance					
	\$M	\$M	\$M	\$M	\$M	\$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			

Notes to the Financial Statements

Note 4 Average Balances and Related Interest (continued)

Interest bearing liabilities ⁽¹⁾	2013			2012			Group 2011		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	\$M	\$M	%	\$M	\$M	%	\$M	\$M	%
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	2012	Group 2011
	Average Balance	Average Balance	Average Balance
	\$M	\$M	\$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

Notes to the Financial Statements

Note 4 Average Balances and Related Interest (continued)

	2013			Group 2012		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
	\$M	\$M	%	\$M	\$M	%
Net interest margin						
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	2013			Group 2012		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
	\$M	\$M	%	\$M	\$M	%
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).

	Group	
	June 2013 vs June 2012	June 2012 vs June 2011
	\$M	\$M
Change in net interest income		
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

Notes to the Financial Statements

Note 4 Average Balances and Related Interest (continued)

Changes in net interest income: Volume and rate analysis	June 2013 vs June 2012			June 2012 vs June 2011		
	Volume	Rate	Total	Volume	Rate	Total
	\$M	\$M	\$M	\$M	\$M	\$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.

Notes to the Financial Statements

Note 4 Average Balances and Related Interest (continued)

	2013	2012	Group 2011
Geographical analysis of key categories	%	%	%
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.

Notes to the Financial Statements

Note 5 Income Tax

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

	Group			Bank	
	2013	2012	2011	2013	2012
	\$M	\$M	\$M	\$M	\$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

	Group			Bank	
	2013	2012	2011	2013	2012
	\$M	\$M	\$M	\$M	\$M
Income tax expense attributable to profit from ordinary activities					
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

	Group			Bank	
	2013	2012	2011	2013	2012
	%	%	%	%	%
Effective Tax Rate					
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	2012	2011	2013	2012
	\$M	\$M	\$M	\$M	\$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).

Notes to the Financial Statements

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
	\$M	\$M	\$M	\$M	\$M
Deferred tax assets not taken to account					
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	
	2013	2012	2011	2013	2012
	\$M	\$M	\$M	\$M	\$M
Expiration of deferred tax assets not taken to account					
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.

Notes to the Financial Statements

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	Full Year	DRP Price	DRP
				Payout Ratio ⁽¹⁾	Payout Ratio ⁽¹⁾		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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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).

Trading	Group		Bank	
	2013	2012	2013	2012
	\$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 Risk Investment Contracts		Investments Backing Life Risk Total	
	2013	2013	2013	2012	2012	2012
	\$M	\$M	\$M	\$M	\$M	\$M
Insurance						
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.

Other ⁽¹⁾	Group		Bank	
	2013	2012	2013	2012
	\$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.

Notes to the Financial Statements

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		Interest Rate		Group	
	Related Contracts		Related Contracts		Total	
	2013	2012 ⁽¹⁾	2013	2012 ⁽¹⁾	2013	2012 ⁽¹⁾
	\$M	\$M	\$M	\$M	\$M	\$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		Interest Rate		Bank	
	Related Contracts		Related Contracts		Total	
	2013	2012	2013	2012	2013	2012
	\$M	\$M	\$M	\$M	\$M	\$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

Notes to the Financial Statements

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:

	2013		Group 2012	
	Fair Value	Fair Value	Fair Value	Fair Value
	Asset	Liability	Asset	Liability
	\$M	\$M	\$M	\$M
Derivative assets and liabilities				
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.

	2013		Group 2012	
	Fair Value	Fair Value	Fair Value	Fair Value
	Asset	Liability	Asset	Liability
	\$M	\$M	\$M	\$M
Derivatives held for trading				
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.

Notes to the Financial Statements

Note 11 Derivative Financial Instruments (continued)

	2013		Group 2012	
	Fair Value Asset	Fair Value Liability	Fair Value Asset	Fair Value Liability
	\$M	\$M	\$M	\$M
Derivatives held for hedging				
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.

Notes to the Financial Statements

Note 11 Derivative Financial Instruments (continued)

	2013		Bank 2012	
	Fair Value	Fair Value	Fair Value	Fair Value
	Asset	Liability	Asset	Liability
	\$M	\$M	\$M	\$M
Derivative assets and liabilities				
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.

	2013		Bank 2012	
	Fair Value	Fair Value	Fair Value	Fair Value
	Asset	Liability	Asset	Liability
	\$M	\$M	\$M	\$M
Derivatives held for trading				
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.

Notes to the Financial Statements

Note 11 Derivative Financial Instruments (continued)

	2013		Bank 2012	
	Fair Value Asset	Fair Value Liability	Fair Value Asset	Fair Value Liability
	\$M	\$M	\$M	\$M
Derivatives held for hedging				
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.

Notes to the Financial Statements

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

Notes to the Financial Statements

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.

	2013			2012		
	Gross Investment in Finance Lease Receivable	Present Value of Minimum Unearned Lease Income	Present Value of Minimum Lease Payment Receivable	Gross Investment in Finance Lease Receivable	Present Value of Minimum Unearned Lease 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

Notes to the Financial Statements

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

	2013						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	

Industry ⁽¹⁾	Group			
	Maturity Period at 30 June 2013			
	Maturing 1 Year or Less	Maturing Between 1 & 5 Years	Maturing After 5 Years	Total
	\$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

Interest rate	Maturing 1 Year or Less	Maturing Between 1 & 5 Years	Maturing After 5 Years	Total
	\$M	\$M	\$M	\$M
	Australia	63,405	83,039	265,866
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.

Notes to the Financial Statements

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

Industry ⁽¹⁾	Group Maturity Period at 30 June 2012			
	Maturing 1 Year or Less	Maturing Between 1 & 5 Years	Maturing After 5 Years	Total
	\$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

Interest rate	Maturing 1 Year or Less	Maturing Between 1 & 5 Years	Maturing After 5 Years	Total
	\$M	\$M	\$M	\$M
	Australia	64,922	75,873	277,700
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

	Group				Bank
	2013	2012	2011	2013	2012
Provisions for impairment losses	\$M	\$M	\$M	\$M	\$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

	Group				Bank
	2013	2012	2011	2013	2012
Provision ratios	%	%	%	%	%
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.

	Group				Bank
	2013	2012	2011	2013	2012
Loan impairment expense	\$M	\$M	\$M	\$M	\$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

Notes to the Financial Statements

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

Notes to the Financial Statements

Note 14 Provisions for Impairment (continued)

	Group				2009
	2013	2012	2011	2010	
Loans recovered by industry classification	\$M	\$M	\$M	\$M	\$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			Bank
	2013	2012	2013	2012
	\$M	\$M	\$M	\$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).

Notes to the Financial Statements

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.

Notes to the Financial Statements

Note 16 Intangible Assets (continued)

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

	Group		Bank	
	2013 \$M	2012 \$M	2013 \$M	2012 \$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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

Note 19 Deposits and Other Public Borrowings (continued)

Maturity Distribution of Certificates of Deposit and Term Deposits

	Group				
	At 30 June 2013				
	Maturing Three Months or Less \$M	Maturing Between Three & Six Months \$M	Maturing Between Six & Twelve Months \$M	Maturing after Twelve Months \$M	Total \$M
Australia					
Certificates of deposit ⁽¹⁾	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

	Group				
	At 30 June 2012				
	Maturing Three Months or Less \$M	Maturing Between Three & Six Months \$M	Maturing Between Six & Twelve Months \$M	Maturing after Twelve Months \$M	Total \$M
Australia					
Certificates of deposit ^{(1) (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		Bank	
	2013	2012	2013	2012
	\$M	\$M	\$M	\$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).

Notes to the Financial Statements

Note 21 Tax Liabilities

	Note	Group		Bank
		2013 \$M	2012 \$M	2012 \$M
Australia				
Current tax liability		1,473	1,518	1,439
Total Australia		1,473	1,518	1,439
Overseas				
Current tax liability		56	19	1
Deferred tax liability	5	471	338	-
Total overseas		527	357	1
Total tax liabilities		2,000	1,875	1,440

Note 22 Other Provisions

	Note	Group		Bank
		2013 \$M	2012 \$M	2012 \$M
Long service leave		445	416	412
Annual leave		223	231	180
Other employee entitlements		61	71	59
Restructuring costs		41	74	41
General insurance claims		159	184	-
Self insurance/non-lending losses		52	53	49
Dividends	6	65	52	65
Other		203	143	186
Total other provisions		1,249	1,224	992

Maturity Distribution for Other Provisions

	2013				Group
	Due to be Settled Within 12 Months	Due to be Settled More than 12 Months	Due to be Settled Within 12 Months	Due to be Settled More than 12 Months	2012
	\$M	\$M	\$M	\$M	Total \$M
Long service leave	299	146	445	282	134
Annual leave	221	2	223	229	2
Other employee entitlements	2	59	61	4	67
Restructuring costs	34	7	41	58	16
General insurance claims	141	18	159	160	24
Self insurance/non-lending losses	13	39	52	14	39
Dividends	65	-	65	52	-
Other	156	47	203	122	21
Total	931	318	1,249	921	303

Notes to the Financial Statements

Note 22 Other Provisions (continued)

	2013						Bank
	Due to be		Due to be		Due to be		2012
	Settled Within	Settled More	Settled Within	Settled More	Settled Within	Settled More	Total
	12 Months	than 12 Months	12 Months	than 12 Months	12 Months	than 12 Months	\$M
	\$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	

Reconciliation	Group			Bank
	2013	2012	2013	2012
	\$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

	Note	Group		Bank
		2013 \$M	2012 \$M	2012 \$M
Medium term notes		71,039	69,923	64,574
Commercial paper		34,602	34,142	26,315
Securitisation notes	47	8,929	7,858	-
Covered bonds	47	18,238	12,789	11,423
Total debt issues		132,808	124,712	115,291
Short Term Debt Issues by currency				
USD		34,230	28,437	26,143
EUR		99	99	-
AUD		91	181	103
GBP		182	5,305	30
Other currencies		-	120	39
Long term debt issues with less than one year to maturity		20,116	15,983	13,454
Total short term debt issues		54,718	50,125	49,445
Long Term Debt Issues by currency				
USD		30,581	31,017	29,814
EUR		17,077	12,492	11,280
AUD		12,742	13,035	6,464
GBP		3,695	2,071	1,729
NZD		2,397	2,715	472
JPY		4,911	7,018	6,956
Other currencies		6,648	6,195	5,784
Offshore loans (all JPY)		39	44	44
Total long term debt issues		78,090	74,587	65,846
Maturity Distribution of Debt Issues ⁽¹⁾				
Less than three months		16,472	24,586	17,910
Between three and twelve months		38,246	25,539	21,859
Between one and five years		56,970	54,863	45,739
Greater than five years		21,120	19,724	16,804
Total debt issues		132,808	124,712	115,291

(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.

Notes to the Financial Statements

Note 23 Debt Issues (continued)

	Group		
	2013	2012	2011
Short Term Borrowings by Program ⁽¹⁾	\$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.

	Currency	As At	As At
		30 June	30 June
Exchange rates utilised ⁽¹⁾		2013	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

	Note	Group		Bank	
		2013 \$M	2012 \$M	2013 \$M	2012 \$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.

Notes to the Financial Statements

Note 25 Loan Capital

	Currency	Amount (M)	Footnotes	Group		Bank	
				2013	2012	2013	2012
				\$M	\$M	\$M	\$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.

Notes to the Financial Statements

Note 26 Shareholders' Equity

	Note	Group		Bank	
		2013 \$M	2012 \$M	2013 \$M	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).

Notes to the Financial Statements

Note 26 Shareholders' Equity (continued)

	Group		Bank	
	2013	2012	2013	2012
Reserves	\$M	\$M	\$M	\$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

Notes to the Financial Statements

Note 27 Share Capital

Ordinary Share Capital

	Group		Bank	
	2013	2012	2013	2012
	\$M	\$M	\$M	\$M
Issued and paid up ordinary capital				
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.

	Group		Bank	
	2013	2012	2013	2012
	Shares	Shares	Shares	Shares
Number of shares on issue				
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

	Group		Bank	
	2013	2012	2013	2012
	\$M	\$M	\$M	\$M
Other equity instruments				
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.

Notes to the Financial Statements

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	Granted	Vested	Forfeited	Outstanding
	1 July				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	Granted	Vested	Forfeited	Outstanding
	1 July				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	Granted	Vested	Forfeited	Outstanding
	1 July				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.

Notes to the Financial Statements

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	Average purchase price
	\$		purchased	\$
2013	34,049	1	538	63.29
2012	175,449	10	3,673	47.77

Note 29 Non-Controlling Interests

	Group	
	2013	2012
	\$M	\$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.

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.

Notes to the Financial Statements

Note 31 Financial Reporting by Segments (continued)

								2013
	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Management	New Zealand	Bankwest	Other	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$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 95.

(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.

Notes to the Financial Statements

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

Financial Performance & Position	2013		2012		2011	
	\$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.

Summarised income statement	Life Insurance Contracts		Life Investment Contracts		Group	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$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

Notes to the Financial Statements

Note 32 Insurance Businesses (continued)

	Life Insurance Contracts		Life Investment Contracts		Group	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Sources of life insurance net profit						
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.

	Life Insurance Contracts		Life Investment Contracts		Group	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Reconciliation of movements in policy liabilities						
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.

Notes to the Financial Statements

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	2012
	Times	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	2012	2013	2012
	\$'000	\$'000	\$'000	\$'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.

	Face Value		Credit Equivalent	
	2013	2012	2013	2012
	\$M	\$M	\$M	\$M
Credit risk related instruments				
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

	Face Value		Credit Equivalent	
	2013	2012	2013	2012
	\$M	\$M	\$M	\$M
Credit risk related instruments				
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.

Notes to the Financial Statements

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 101 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).

Notes to the Financial Statements

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.

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

Notes to the Financial Statements

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%.

Notes to the Financial Statements

Note 38 Credit Risk (continued)

	Group 2013				
	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	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

	Group 2012				
	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	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

	Bank 2013				
	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	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

	Bank 2012				
	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	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.

Notes to the Financial Statements

Note 38 Credit Risk (continued)

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements

The below tables detail the concentration of credit exposure assets by significant geographical locations and counterparty types. Disclosures do not take into account collateral held and other credit enhancements.

	Group At 30 June 2013									
	Sovereign	Agri- culture	Bank & Other Financial	Home Loans	Constr- uction	Other Personal	Asset Financ- ing	Other Comm & Indust.	Other	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Australia										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	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.

Notes to the Financial Statements

Note 38 Credit Risk (continued)

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements

Group
At 30 June 2012

	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	-	-	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 Number	2012 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

	Neither Past Due nor Impaired \$M	Past due but not Impaired \$M	Impaired Assets \$M	Total Provisions for Impairment		Net \$M
				Gross \$M	Losses \$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

Notes to the Financial Statements

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	Total Provisions for Impairment		Net \$M
				Gross \$M	Losses \$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	Total Provisions for Impairment		Net \$M
				Gross \$M	Losses \$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.

Notes to the Financial Statements

Note 38 Credit Risk (continued)

Distribution of Financial Instruments by Credit Quality (continued)

						Bank 2012
	Neither Past Due nor Impaired	Past Due but not Impaired	Impaired Assets	Total Provisions for Impairment		Net
	\$M	\$M	\$M	Gross \$M	Losses \$M	\$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

	2013			Group 2012		
	Gross Total Provisions Impaired Assets	Total Provisions for Impaired Assets ⁽¹⁾	Net Impaired Assets	Gross Total Provisions Impaired Assets	Total Provisions for Impaired Assets ⁽¹⁾	Net Impaired Assets
	\$M	\$M	\$M	\$M	\$M	\$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.

Notes to the Financial Statements

Note 38 Credit Risk (continued)

Financial Assets Assessed as Impaired (continued)

	2013 ⁽¹⁾			Bank 2012		
	Gross Impaired Assets	Total Provisions for Impaired Assets ⁽²⁾	Net Impaired Assets	Gross Impaired Assets	Total Provisions for Impaired Assets ⁽²⁾	Net Impaired Assets
	\$M	\$M	\$M	\$M	\$M	\$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.

	Group			Bank
	2013	2012	2013 ⁽¹⁾	2012
	\$M	\$M	\$M	\$M
Distribution of loans by credit quality				
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.

Notes to the Financial Statements

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

Credit grading					Group 2013
	Home	Other	Asset	Other	Total
	Loans	Personal	Financing	Commercial and Industrial	
	\$M	\$M	\$M	\$M	\$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

Credit grading					Group 2012
	Home	Other	Asset	Other	Total
	Loans	Personal	Financing	Commercial and Industrial	
	\$M	\$M	\$M	\$M	\$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.

Notes to the Financial Statements

Note 38 Credit Risk (continued)

Loans which were Neither Past Due nor Impaired (continued)

					Bank ⁽¹⁾
					2013
	Home	Other	Asset	Other	
Credit grading	Loans	Personal	Financing	Commercial	Total
	\$M	\$M	\$M	\$M	\$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

					Bank
					2012
	Home	Other	Asset	Other	
Credit grading	Loans	Personal	Financing	Commercial	Total
	\$M	\$M	\$M	\$M	\$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.

Notes to the Financial Statements

Note 38 Credit Risk (continued)

Age Analysis of Loans, Bills Discounted and Other Receivables that are Past Due but Not Impaired

For the purposes of this analysis an asset is considered to be past due when any payment under the contractual terms has been missed.

Past due loans are not classified as impaired if no loss to the Group is expected or if the loans are unsecured consumer loans and less than 180 days past due.

It has not been practicable to determine the fair value of collateral held against these assets.

					Group 2013
	Home Loans	Other Personal ⁽²⁾	Asset Financing	Other Commercial and Industrial	Total
Loans which were past due but not impaired ⁽¹⁾	\$M	\$M	\$M	\$M	\$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
	Home Loans ^{(2) (3)}	Other Personal ^{(2) (3)}	Asset Financing	Other Commercial and Industrial	Total
Loans which were past due but not impaired ⁽¹⁾	\$M	\$M	\$M	\$M	\$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.

Notes to the Financial Statements

Note 38 Credit Risk (continued)

Age Analysis of Loans, Bills Discounted and Other Receivables that are Past Due but Not Impaired (continued)

	Bank ⁽¹⁾				
	2013				
	Home	Other	Asset	Other	
	Loans	Personal ⁽³⁾	Financing	Commercial	Total
	\$M	\$M	\$M	and Industrial	\$M
Loans which were past due but not impaired ⁽²⁾	\$M	\$M	\$M	\$M	\$M
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

	Bank				
	2012				
	Home	Other	Asset	Other	
	Loans	Personal ⁽³⁾	Financing	Commercial	Total
	\$M	\$M	\$M	and Industrial	\$M
Loans which were past due but not impaired ⁽²⁾	\$M	\$M	\$M	\$M	\$M
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.

	2013	2012	2011	2010	Group 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.

Notes to the Financial Statements

Note 38 Credit Risk (continued)

Impaired Assets by Classification (continued)

	Group					
	Australia	Overseas	Total	Australia	Overseas	Total
	2013	2013	2013	2012	2012	2012
Impaired assets by size	\$M	\$M	\$M	\$M	\$M	\$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.

	Group				
	2013	2012	2011	2010	2009
Movement in gross impaired assets	\$M	\$M	\$M	\$M	\$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	Group						
	Gross Total Provisions			Net	Write-offs	Recoveries	Net
	Loans	Impaired Loans	for Impaired Assets	Impaired Loans			Write-offs
	\$M	\$M	\$M	\$M	\$M	\$M	\$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

Notes to the Financial Statements

Note 38 Credit Risk (continued)

Impaired Loans by Industry and Status (continued)

Industry	Group 2012						
	Loans \$M	Gross Total Provisions Impaired		Net Impaired Loans \$M	Write-offs \$M	Recoveries \$M	Net Write-offs \$M
		Loans \$M	Assets \$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.

Notes to the Financial Statements

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⁾	As at	Average ⁽²⁾	As at
	June 2013 \$M	June 2013 \$M	June 2012 \$M	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⁾	As at	Average ⁽¹⁾	As at
	June 2013 \$M	June 2013 \$M	June 2012 \$M	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).

		June 2013	June 2012
Net Interest Earnings at Risk		\$M	\$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.

	Average ⁽¹⁾ June 2013	Average ⁽¹⁾ June 2012
Non-Traded Interest Rate VaR	\$M	\$M
(20 day 97.5% confidence) ⁽²⁾		
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:

	As at June 2013	As at June 2012
Non-Traded Equity VaR	\$M	\$M
(20 day 97.5% confidence)		
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

Notes to the Financial Statements

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⁾	Average ⁽¹⁾
	June 2013	June 2012
	\$M	\$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. APRA 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	0 to 3	3 to 12	1 to 5	Over 5	Not	Total
	\$M	\$M	\$M	\$M	\$M	Specified	\$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.

Notes to the Financial Statements

Note 40 Liquidity and Funding Risk (continued)

	Group						Total \$M
	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	
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	-	2,838	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						Total \$M
	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	
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.

Notes to the Financial Statements

Note 40 Liquidity and Funding Risk (continued)

	Maturity Period as at 30 June 2012						Bank
	At Call	0 to 3	3 to 12	1 to 5	Over 5	Not	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$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.

Notes to the Financial Statements

Note 41 Retirement Benefit Obligations (continued)

Defined Benefit Superannuation Plans

The amounts reported in the Balance Sheet are reconciled as follows:

	Commonwealth Bank		CBA(UK)SBS		Total	
	Group Super					
	2013	2012	2013	2012	2013	2012
	\$M	\$M	\$M	\$M	\$M	\$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	2012	2011	2010	2009
	\$M	\$M	\$M	\$M	\$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)

Notes to the Financial Statements

Note 41 Retirement Benefit Obligations (continued)

	CBA(UK)SBS				
	2013	2012	2011	2010	2009
	\$M	\$M	\$M	\$M	\$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	2012	2011	2010	2009
	\$M	\$M	\$M	\$M	\$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).

Economic assumptions	Commonwealth Bank		CBA(UK)SBS	
	Group Super			
	2013	2012	2013	2012
	%	%	%	%
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:

Expected life expectancies for pensioners	Commonwealth Bank		CBA(UK)SBS	
	Group Super			
	2013	2012	2013	2012
	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

Notes to the Financial Statements

Note 41 Retirement Benefit Obligations (continued)

Further, the proportion of the retiring members of the main Commonwealth Bank Group Super defined benefit division electing to take pensions instead of lump sums may materially impact the defined benefit obligations. Of these retiring members, 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:

Asset allocations	Actual Allocation	
	2013	2012
	%	%
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	Principal Activities	Country of Incorporation	Balance Date
	\$M	\$M	Ownership Interest %	Ownership Interest %			
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.

Notes to the Financial Statements

Note 42 Investments in Associates and Joint Ventures (continued)

	Group	
	2013	2012
Share of Associates' and Joint Ventures profits	\$M	\$M
Operating profits before income tax	254	164
Income tax expense	(44)	(24)
Operating profits after income tax	210	140

	Group	
	2013	2012
Financial information of Associates and Joint Ventures	\$M	\$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 10 to 27 and have been audited.

	Group		Bank	
	2013	2012	2013	2012
Key management personnel compensation	\$'000	\$'000	\$'000	\$'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	Shares	Net Change	Balance
		1 July 2012	Acquired ⁽¹⁾	Other ⁽²⁾	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).

Notes to the Financial Statements

Note 43 Key Management Personnel (continued)

Shares held by the CEO and Group Executives

	Class ⁽¹⁾	Balance	Acquired/	Reward/	Net Change	Balance
		1 July 2012	Granted as Remuneration	Shares Vested ⁽²⁾	Other ⁽³⁾	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 Cornyn	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.

Notes to the Financial Statements

Note 44 Related Party Disclosures

The Group is controlled by the Commonwealth Bank of Australia, the ultimate parent, which is incorporated in Australia.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures, pension plans as well as other persons.

A number of banking transactions are entered into with related parties in the normal course of business on an arm's length basis. These include loans, deposits and foreign currency transactions, upon which some fees and commissions may be earned. Details of amounts paid or received from related parties, in the form of dividends or interest, are set out in Note 2.

The Bank's aggregate investments in, and loans to controlled entities are disclosed in the table below. Amounts due to controlled entities are disclosed in the Balance Sheet of the Bank.

	Bank	
	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.

Notes to the Financial Statements

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	-

Notes to the Financial Statements

Note 46 Disclosures about Fair Values of Financial Instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or amortised cost. AASB 7 'Financial Instruments: Disclosures' requires the disclosure of the fair value of those financial instruments not already carried at fair value in the Balance Sheet.

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

(a) Comparison of Fair Values and Carrying Values

The following tables summarise the carrying and fair values of financial assets and liabilities presented on the Group's and the Bank's balance sheets. The disclosure does not cover assets or liabilities that are not considered to be financial instruments from an accounting perspective.

	2013		Group 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$M	\$M	\$M	\$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)

	2013		Bank 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.

Notes to the Financial Statements

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.

	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								
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.

Notes to the Financial Statements

Note 46 Disclosures about Fair Values of Financial Instruments (continued)

(b) Valuation Methodology (continued)

	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	16,051	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

	Assets at Fair Value through Income Statement					Group Total \$M
	Trading	Derivative Assets	Available for Sale Investments	Derivative Liabilities		
	\$M	\$M	\$M	\$M	\$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	

Notes to the Financial Statements

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.

Notes to the Financial Statements

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).

Notes to the Financial Statements

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.

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

Liability limited by a scheme approved under Professional Standards Legislation.



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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of Commonwealth Bank of Australia is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of 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 10 to 27 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*.

A handwritten signature in black ink that reads 'R. K. Cooper'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'M. Laithwaite'.

Marcus Laithwaite
Partner

Sydney
13 August 2013