Commonwealth Bank of Australia
U.S. Disclosure Document
For the Full Year ended 30 June 2014

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Disclosures

Introduction

Certain material information about the Group, including information regarding the Group's risk management policies and procedures, use of derivative financial instruments and the market risk attributable to such instruments, liquidity and capital resources and other important information, is included in the Group's 2013 and 2014 Financial Reports (as defined below). In particular, Note 35 to the 2014 Financial Statements (2013: Note 39) Market Risk describes certain aspects of the Group's risk management policies and procedures. In addition, the Group prepares a Basel III Pillar 3 Capital Adequacy and Risks Disclosures Report, which includes certain information about the Group's capital and assets. As a result, this Annual U.S. Disclosure Document – Year Ended 30 June 2014 (this "Document") should be read in conjunction with:

- The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2014 which contains the Financial Statements for the years ended 30 June 2013 and 2014 and as at 30 June 2013 and 2014 (the "2014 Financial Report");
- The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2013 which contains the Financial Statements for the years ended 30 June 2012 and 2013 and as at 30 June 2012 and 2013 (the "2013 Financial Report"); and
- The Commonwealth Bank of Australia Basel III Pillar 3 Capital Adequacy and Risks Disclosures as at 30 June 2014;

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

Except as otherwise stated, references within this Document to the Financial Report or Notes to the Financial Statements are to the 2014 Financial Report and references to the "Financial Reports" are to the 2013 Financial Report and the 2014 Financial Report.

Except as otherwise stated, all figures herein relate to the financial year ended 30 June 2014 and comparatives for the Balance Sheet and Income Statement are to the financial year ended 30 June 2013, '$' and 'AUD' refer to Australian dollars, 'USD' refers to U.S. dollars, references to the "Bank" refer to the Commonwealth Bank of Australia and references to the "Group" refer to the Bank and its subsidiaries on a consolidated basis. The Group's financial years end on June 30 of each year. References to the 2014 financial year are to the "current year" or the financial year ended 30 June 2014, references to the 2013 financial year are to the financial year ended 30 June 2013, references to the 2012 financial year are to the financial year ended 30 June 2012 and references to the "prior year" are to the Group's prior financial year.

Segment Disclosure

The Group conducts its businesses through seven segments: Retail Banking Services, Business and Private Banking, Institutional Banking and Markets, Wealth Management, New Zealand, Bankwest and International Financial Services (IFS) and Other. For an overview of each segment, see "Description of Business Environment" in this Document and Note 28 to the Financial Statements.

Special Note Regarding Forward-Looking Statements

Certain statements under the captions “Highlights”, “Group Performance Analysis”, “Retail Banking Services”, “Business and Private Banking”, “Institutional Banking and Markets”, “Wealth Management”, “New Zealand”, “Bankwest”, “IFS and Other”, “Liquidity and Capital Resources” and elsewhere in this Document constitute “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements, including economic forecasts and assumptions and business and financial projections, involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include changes in political, social, credit, liquidity, investor confidence and economic conditions in Australia, New Zealand and elsewhere where the Group or its customers operate or raise funds; the impact of natural disasters; demographic changes; technological changes; changes in competitive conditions in Australia, New Zealand, Asia, the United States or the United Kingdom; changes in the regulatory structure of the banking, life insurance and funds management industries in Australia, New Zealand, the United Kingdom or Asia; changes in global credit and equity market conditions including funding costs, credit ratings and access; regulatory proposals for reform of the banking, life insurance and funds management industries in Australia and other regions where the Group operates; the impact of existing or potential litigation and regulatory actions or requirements applicable to the Group, its business or its customers; and various other factors beyond the Group's control. Given these risks, uncertainties and other factors, potential investors are cautioned not to place undue reliance on such forward-looking statements.

Risk factors applicable to the Group are detailed on pages 17 to 22 of this Document.

Financial Information Definitions

Basis of preparation

The consolidated Financial Statements of the Group for the years ended 30 June 2014, 2013 and 2012 comply with International Financial Reporting Standards (IFRS).

The Financial Reports are presented in Australian dollars.

The management discussion and analysis discloses the net profit after tax on both a "statutory basis" and a "cash basis". The statutory basis is prepared in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with IFRS. The cash basis is used by management to present a view of the Group's underlying operating results, excluding a number of items that introduce volatility and/or one-off distortions of the Group's current period performance. These items, such as hedging and IFRS volatility, are calculated consistently year on year and do not discriminate between positive and negative adjustments. A list of items excluded from statutory profit is provided in the reconciliation of the Net profit after tax ("cash basis") on page 9 of this Document, and each item is described in greater detail in "Disclosures - Non-Cash Items Included in Statutory Profit". A reconciliation of the Net profit after tax ("cash basis") by business segment is provided in Note 28 to the 2014 Financial Statements. Appendix A supplies certain 2012, 2011 and 2010 comparative information, prepared on an IFRS basis.

Non-GAAP Financial Measures

In this Document, the Group presents its profit on a "statutory basis", which is calculated in accordance with IFRS.

In addition to its financial results reported in the 2014 Financial Report and the 2013 Financial Report in accordance with IFRS, the Group reports and describes in this Document certain "non-GAAP financial measures" (as defined in SEC Regulation G) of the financial performance and results of the Group. These non-GAAP financial measures are not calculated in accordance with IFRS. This Document contains reconciliations of these non-GAAP financial measures to the Group's financial results prepared in accordance with IFRS.

The non-GAAP financial measures included in this Document are:

- Cash basis – the Group presents its results on a "cash net profit after tax basis". "Cash basis" is defined by management as net profit after tax and non-controlling interests, before Bankwest significant items, treasury shares valuation adjustment, unrealised gains and losses related to hedging and IFRS volatility, loss on disposal of controlled entities/investments and other non-cash one-off expenses. Management believes that "cash basis" is a meaningful measure of the Group's performance and it provides a basis for the determination of the Bank's dividends. A list of items excluded from statutory profit is provided in the reconciliation of the Net profit after tax ("cash basis") on page 9 of this Document, and each item is described in greater detail in "Disclosures - Non-Cash Items Included in Statutory Profit". A reconciliation of the Net profit after tax ("cash basis") by business segment is provided in Note 28 to the 2014 Financial Statements.
- Earnings per share ("cash basis") – the Group presents its earnings per share on both a statutory and a cash basis. "Earnings per share ("cash basis")" is defined by management as "cash basis" net profit after tax as described above, divided by the weighted average of the Bank's ordinary shares outstanding over the relevant period.
- Funds Under Administration (FUA), represents funds administered by the Group and includes Assets Under Management (AUM) and funds managed externally. The Group derives funds management fees from FUA and AUM and management believes that the reporting of these measures assists investors in evaluating the Group's funds management operations.

The Group also presents its dividend payout ratio on a statutory and cash basis. The dividend payout ratio (statutory basis) is calculated by dividing the dividends paid on ordinary shares by the net profit after tax (statutory basis), net of dividends on other equity instruments. The dividend payout ratio (cash basis) is calculated by dividing the dividends paid on ordinary shares by the net profit after tax (cash basis), net of dividends on other equity instruments. Similarly, the Group presents "Dividend cover – statutory", which is net profit after tax (statutory basis), net of dividends on other equity instruments divided by dividends on ordinary shares for the applicable period, and "Dividend cover – cash", which is net profit after tax (cash basis) net of dividends on other equity instruments divided by dividends on ordinary shares for the applicable period. These ratios are provided on both a statutory and cash basis since net profit after tax, the primary component of these ratios, is also presented on a statutory and cash basis, for the reasons described above.

Reclassification of certain Income Statement and Balance Sheet Information

For the 2014 financial year and the 2013 financial year, the Group has made the following reclassifications:

- To account for the impact of the amended AASB 119 'Employee Benefits', which is explained further in Note 1 of the 2014 Financial Statements.

  The Group has reviewed the presentation of broker commissions paid within the funds management and insurance businesses together with other volume-related expenses. These expenses vary directly with the amount of associated revenue generated, and have been reclassified from operating expenses and are now netted against operating income. This is in line with recent industry practice and the relevant accounting requirements. This reclassification results in changes to the presentation of the Income Statement of the Group and affected business segments (Institutional Banking and Markets, Wealth Management, New Zealand and International Financial Services) as shown in Note 28 of the 2014 Financial Statements. The total impact is an equivalent decrease on both operating expenses and operating income of $678 million and $674 million for the years ended 30 June 2014 and 30 June 2013, respectively.
- The Group has reclassified depreciation expense against rental income in line with industry practice on the basis it better represents net income earned from operating lease arrangements.
- The impact of these reclassifications on each segment's Net profit after tax ("statutory basis"), Balance Sheet and cost to income ratios for the 2013 financial year is set out in Appendix C to this Document.

Reclassification of Customer Reporting Segments

To align the Group's strategic focus on placing the customer at the centre of everything we do, the presentation of the customer reporting segments in the Profit and Loss and Balance Sheet of this Document has been revised for the 2014 financial year and the 2013 financial year. Specifically, revenue, expenses and associated customer balances between customer reporting segments have been reallocated based on where the customer relationship is managed ("Restated" customer segment figures), rather than the business from which the product originated ("As reported" customer segment figures). In order to provide a meaningful comparison to the Group's historical operations, "Restated"customer segment figures are presented for the 2014 financial year and the 2013 financial year and "As reported" customer segment figures are presented for the 2013 financial year and 2012 financial year at various places in this Document. In particular, the management discussion and analysis comparing the 2014 financial year and the 2013 financial year references "Restated" customer segment figures, while the management discussion and analysis comparing the 2013 financial year and the 2012 financial year references "As reported" customer segment figures.

Disclosures

Impact of Foreign Currency Movements

The Group's consolidated financial results are presented in Australian dollars. In order to prepare the Group's consolidated financial results, the financial results of any reporting entities of the Group with a functional currency other than Australian dollars are translated into Australian dollars for each reporting period. As foreign exchange rates are subject to change, the Group's financial results can be affected by the prevailing rate of the Australian dollar at the time of such translations. The effects of these translations on various segments of the Group's business are noted throughout this Document.

The movement of the Australian dollar against the following currencies is highlighted in the table below.

Exchange Rates Utilised (1)	Currency	As at 30 Jun 14	30 Jun 13	30 Jun 12
AUD 1.00 =	USD	**0. 9405**	0. 9268	1. 0181
	EUR	**0. 6892**	0. 7098	0. 8079
	GBP	**0. 5525**	0. 6076	0. 6509
	NZD	**1. 0762**	1. 1860	1. 2756
	JPY	**95. 4517**	91. 5647	80. 9160

(1) End of day, Sydney time

Exchange Rates Utilised (1)	Currency	Average rates 30 Jun 14	30 Jun 13	30 Jun 12
AUD 1.00 =	USD	**0. 9147**	1. 0241	1. 0303
	EUR	**0. 6729**	0. 7903	0. 7744
	GBP	**0. 5602**	0. 6531	0. 6515
	NZD	**1. 1026**	1. 2453	1. 2842
	JPY	**92. 3763**	90. 0354	81. 6590

(1) Average of end of day Sydney time rates for the twelve month period.

The Group hedges foreign currency exposures on debt issues and significant foreign currency earnings exposures in offshore locations.

For further information regarding the composition of the Group's income by location please refer to Note 28 of the 2014 Financial Statements.

The references to the weaker Australian dollar or lower Australian dollar in this Document are to the weakening of the Australian dollar against the currencies disclosed in the table above.

Non-Cash Items Included in Statutory Profit

	Full Year Ended				
	30 Jun 14 $M	30 Jun 13 $M	30 Jun 12 $M	Jun 14 vs Jun 13 %	Jun 13 vs Jun 12 %
Hedging and IFRS volatility	**6**	27	124	(78)	(78)
Bankwest non-cash items	**(56)**	(71)	(89)	(21)	(20)
Count Financial Limited acquisition costs	**-**	-	(43)	-	large
Treasury shares valuation adjustment	**(41)**	(53)	(15)	(23)	large
Bell Group litigation	**25**	(45)	-	large	large
Gain on sale of management rights	**17**	-	-	large	-
Other non-cash items	**(55)**	(169)	(147)	(67)	15
Total non-cash items (after tax)	**(49)**	(142)	(23)	(65)	large

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

Hedging and IFRS volatility

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

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

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

Fair value gains or losses on all of these economic hedges are excluded from cash profit since the asymmetric recognition of the gains or losses does not affect the Group's performance over the life of the hedge. A $6 million after tax gain was recognised in statutory profit for the year ended 30 June 2014 (30 June 2013: $27 million after tax gain, 30 June 2012: $124 million after tax gain).

Count Financial Limited acquisition costs

During 2012, the Group acquired 100% of the issued share capital of Count Financial Limited (Count), an independent, accountant-based financial advice business. As part of the acquisition, the Group incurred retention, advisory and other costs. There were no costs incurred in the year ended 30 June 2014 (30 June 2013: no costs, 30 June 2012: $43 million after tax loss).

Bankwest non-cash items

The acquisition of Bankwest resulted in the recognition of assets at fair value, representing certain financial instruments, core deposits and brand name totalling $463 million that are being amortised over their useful lives. This resulted in amortisation charges of $56 million after tax in the year ended 30 June 2014 (30 June 2013: $71 million after tax, 30 June 2012: $89 million after tax).

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

Treasury shares valuation adjustment

Under IFRS, Commonwealth Bank of Australia shares held by the Group in the managed funds and life insurance businesses are defined as treasury shares and are held at cost. Distributions and realised and unrealised gains and losses are recognised in cash profit represent the underlying performance of the asset portfolio attributable to the wealth and life insurance businesses. These distributions, gains and losses are reversed as non-cash items for statutory reporting purposes. A $41 million after tax loss was included in statutory profit in the year ended 30 June 2014 (30 June 2013: $53 million after tax loss, 30 June 2012: $15 million after tax loss).

Bell Group litigation

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

Gain on sale of management rights

The Group successfully completed the internalisation of the management of CFS Retail Property Trust Group (CFX) and Kiwi Income Property Trust (KIP), which resulted in a gain of $17 million (net of transaction costs and indemnities) for the year ended 30 June 2014.

Policyholder tax

Policyholder tax is included in the Wealth Management business results for statutory reporting purposes. In the year ended 30 June 2014, tax expense of $126 million (30 June 2013: $112 million tax expense, 30 June 2012: $122 million tax expense), funds management income of $59 million (30 June 2013: $77 million income, 30 June 2012: $9 million expense) and insurance income of $67 million (30 June 2013: $35 million income, 30 June 2012: $131 million income) was recognised. The gross up of these items are excluded from cash profit as they do not reflect the underlying performance of the business which is measured on a net of policyholder tax basis.

Investment experience

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

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Highlights

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Group Performance Highlights [1]

	Full Year Ended ("statutory basis")				Full Year Ended ("cash basis")			
	30 Jun 14	30 Jun 13	30 Jun 12	Jun 14 vs Jun 13 %	30 Jun 14	30 Jun 13	30 Jun 12	Jun 14 vs Jun 13 %
Net profit after tax ($M)	**8,631**	7,618	7,016	13	**8,680**	7,760	7,039	12
Return on equity (%)	**18. 7**	18. 0	18. 7	70 bpts	**18. 7**	18. 2	18. 6	50 bpts
Earnings per share - basic (cents)	**533. 8**	474. 2	444. 2	13	**535. 9**	482. 1	444. 7	11
Dividends per share (cents)	**401**	364	334	10	**401**	364	334	10

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details.

These "Highlights" contain forward-looking statements. See "Disclosures - Special Note Regarding Forward-Looking Statements" on page 5 of this Document.

Financial Performance

The Group's net profit after tax ("statutory basis") for the year ended 30 June 2014 increased 13% on the prior year to $8,631 million.

Return on equity ("statutory basis") was 18.7% and Earnings per share ("statutory basis") was 533.8 cents, an increase of 13% on the prior year.

The management discussion and analysis discloses the net profit after tax on both a statutory and cash basis. The statutory basis is prepared and reviewed in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with IFRS. The cash basis is used by management to present what it believes to be is a clear view of the Group's underlying operating results, excluding items that introduce volatility and/or one-off distortions of the Group's current period performance. These items, such as hedging and IFRS volatility, are calculated consistently year on year and do not discriminate between positive and negative adjustments. A list of items excluded from statutory profit is provided in the reconciliation of the Net profit after tax ("cash basis") on page 9 of this Document, and each item is described in greater detail in "Disclosures - Non-Cash Items Included in Statutory Profit". A reconciliation of the Net profit after tax ("cash basis") by business segment is provided in Note 28 to the 2014 Financial Statements.

The Group's vision is to excel at securing and enhancing the financial well-being of people, businesses and communities. The long term strategies that the Group has pursued to achieve this vision have delivered consistent high rates of customer satisfaction and another strong financial result for the year ended 30 June 2014.

Operating income growth remained strong across the Retail, Wealth and New Zealand businesses. Business banking revenue reflected the modest level of domestic credit growth and continued competitive pressure on domestic deposit margins.

Operating expenses increased due to underlying inflationary pressures, the impact of foreign exchange and higher levels of software amortisation and write-offs. These increases in expenses were partly offset by the incremental benefit generated from productivity initiatives.

Loan impairment expense decreased due to the relatively benign economic environment. Management believes that provisioning levels remain prudent and there has been no change made to economic overlays.

Net profit after tax ("cash basis") for the year ended 30 June 2014 increased by 12% on the prior year to $8,680 million. Cash earnings per share increased 11% to 535.9 cents per share.

Return on equity ("cash basis") for the year ended 30 June 2014 was 18.7%, an increase of 50 basis points on the prior year.

Capital

The Group continued to organically strengthen its capital position under the Basel III regulatory capital framework. As at 30 June 2014, the Basel III Common Equity Tier 1 (CET1) ratio as measured on a fully internationally harmonised basis was 12.1% and 9.3% on an APRA basis.

This continues to place the Group in a favourable position relative to our peers, and is well above the regulatory minimum levels applicable to the Group. Refer to "– Outlook" below for further details.

Funding

Management believes that the Group has continued to maintain conservative balance sheet settings, with a considerable portion of the Group's lending growth funded by growth in customer deposits, which increased to $439 billion as at 30 June 2014, up $34 billion on the prior year.

Dividends

The final dividend declared was $2.18 per share, bringing the total dividend for the year ended 30 June 2014 to $4.01 per share, an increase of 10% on the prior year. This represents a dividend payout ratio ("cash basis") of 75.1%.

The final dividend payment will be fully franked and paid on 2 October 2014 to owners of ordinary shares at the close of business on 21 August 2014 (record date). Shares will be quoted ex–dividend on 19 August 2014.

Outlook

The discussion below includes forward-looking statements. See "Disclosures - Special Note Regarding Forward-Looking Statements" on page 5.

The Group is cautiously positive about the outlook for the 2015 financial year. Although business and consumer confidence levels have remained fragile, management believes that the levels of underlying activity confirm the strong foundations of the Australian economy. Lower interest rates have been positive for the housing and construction sectors, where increased activity has partially offset the impacts of the anticipated reduction in investment in the resources sector. And although investment in the resources sector has tapered off as predicted, previous investments are yielding increased production of iron ore and LNG, as new projects move into the production and export phase.

The past twelve months have also been a period of relative stability in the global economy. However, downside risks remain.

If the stability in global markets continues, management believes that gradual increases in consumer spending and demand for credit from businesses over the next year are likely, provided Australia's budget discussions are progressed and there is a clear understanding of Australia's medium to long term economic direction.

In terms of the Group's business settings and economic policy, it is critical to take a long term view of the Australian economy. The Group intends to continue its focus on the future and building priority capabilities: people, technology, productivity and strength. The Group also intends to actively support policies designed to build a sustainable Australian economy over the next decade.

Highlights

Group Performance Summary [1]	Full Year Ended ("cash basis")			Full Year Ended ("statutory basis")			
					Restated	As reported	
	30 Jun 14	30 Jun 13	30 Jun 12	30 Jun 14	30 Jun 13	30 Jun 13	30 Jun 12
	$M	$M	$M	$M	$M	$M	$M
Net interest income	**15,091**	13,944	13,157	**15,101**	13,934	13,934	13,122
Other banking income	**4,323**	4,156	3,877	**4,320**	4,172	4,237	4,089
Total banking income	**19,414**	18,100	17,034	**19,421**	18,106	18,171	17,211
Funds management income	**1,933**	1,828	1,603	**2,034**	1,847	2,165	1,940
Insurance income	**819**	739	690	**1,033**	923	1,218	1,233
Total operating income	**22,166**	20,667	19,327	**22,488**	20,876	21,554	20,384
Investment experience	**235**	154	149	**n/a**	n/a	n/a	n/a
Total income	**22,401**	20,821	19,476	**22,488**	20,876	21,554	20,384
Operating expenses	**(9,499)**	(9,010)	(8,627)	**(9,573)**	(9,085)	(9,680)	(9,331)
Loan impairment expense	**(953)**	(1,082)	(1,089)	**(918)**	(1,146)	(1,146)	(1,089)
Net profit before tax	**11,949**	10,729	9,760	**11,997**	10,645	10,728	9,964
Corporate tax expense [2]	**(3,250)**	(2,953)	(2,705)	**(3,347)**	(3,011)	(3,035)	(2,858)
Non-controlling interests [3]	**(19)**	(16)	(16)	**(19)**	(16)	(16)	(16)
Net profit after tax ("cash basis")	**8,680**	7,760	7,039	**n/a**	n/a	n/a	n/a
Hedging and IFRS volatility [4]	**6**	27	124	**n/a**	n/a	n/a	n/a
Other non-cash items [4]	**(55)**	(169)	(147)	**n/a**	n/a	n/a	n/a
Net profit after tax ("statutory basis")	**8,631**	7,618	7,016	**8,631**	7,618	7,677	7,090
Represented by:							
Retail Banking Services				**3,472**	3,089	3,054	2,703
Business and Private Banking				**1,526**	1,474	1,488	1,513
Institutional Banking and Markets				**1,283**	1,150	1,165	1,098
Wealth Management				**769**	626	634	571
New Zealand				**752**	597	611	569
Bankwest				**624**	490	490	438
IFS and Other				**205**	192	235	198
Net profit after tax ("statutory basis")				**8,631**	7,618	7,677	7,090

(1) Comparative information has been restated to conform to presentation in the current year. Refer to “Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information”, Note 1 of the 2014 Financial Report and Appendix C of this Document for further details. However, certain reclassifications among the Bank’s customer segments have not been restated for the 2012 financial year. In order to provide a meaningful comparison to the Group’s historical operations, “Restated” customer segment figures are presented for the 2014 financial year and the 2013 financial year and “As reported” customer segment figures are presented for the 2013 financial year and 2012 financial year in the chart above. Refer to “Disclosures – Financial Information Definitions - Reclassification of Customer Reporting Segments” for further details.

(2) For purposes of presentation, policyholder tax expense components of corporate tax expense are shown on a net basis (30 June 2014: $126 million; 30 June 2013: $112 million; and 30 June 2012: $122 million).

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

(4) Please refer to “Disclosures - Non-Cash Items Included in Statutory Profit” for further details. 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 unrealised gains and losses related to hedging and IFRS volatility ($6 million gain), Bankwest non-cash items ($56 million expense), treasury shares valuation adjustment ($41 million expense), Bell Group litigation ($25 million gain) and gain on sale of management rights ($17 million gain). A reconciliation of the Net profit after tax (“cash basis”) by business segment is provided in Note 28 to the 2014 Financial Statements.

Key Performance Indicators (1)	Full Year Ended			
		Restated	As reported	
	30 Jun 14	30 Jun 13	30 Jun 13	30 Jun 12
Group				
Statutory net profit after tax ($M)	**8,631**	7,618	7,677	7,090
Net interest margin (%)	**2. 14**	2. 13	2. 13	2. 09
Average interest earning assets ($M)	**705,371**	653,637	653,637	629,685
Average interest bearing liabilities ($M)	**661,733**	609,557	609,557	590,654
Statutory funds management income to average Funds Under Administration (FUA) (%)	**0. 77**	0. 81	0. 95	0. 97
FUA - average ($M)	**263,860**	227,780	227,780	200,792
Statutory insurance income to average inforce premiums (%)	**33. 7**	32. 6	43. 0	50. 3
Average inforce premiums ($M) (3)	**3,068**	2,834	2,834	2,450
Statutory operating expenses to total operating income (%)	**42. 6**	43. 5	44. 9	45. 8
Statutory effective corporate tax rate (%)	**27. 1**	27. 5	27. 5	27. 8
Retail Banking Services				
Statutory net profit after tax ($M)	**3,472**	3,089	3,054	2,703
Statutory operating expenses to total banking income (%)	**36. 0**	37. 7	38. 5	40. 1
Business and Private Banking				
Statutory net profit after tax ($M)	**1,526**	1,474	1,488	1,513
Statutory operating expenses to total banking income (%)	**37. 0**	36. 9	36. 1	35. 7
Institutional Banking and Markets				
Statutory net profit after tax ($M)	**1,283**	1,150	1,165	1,098
Statutory operating expenses to total banking income (%)	**35. 3**	33. 8	34. 2	35. 1
Wealth Management				
Statutory net profit after tax ($M)	**769**	626	634	571
FUA - average ($M) (2)	**241,405**	202,259	219,296	193,277
Average inforce premiums ($M)	**2,237**	2,068	2,068	1,806
Statutory funds management income to average FUA (%) (2)	**0. 78**	0. 80	0. 95	0. 97
Statutory insurance income to average inforce premiums (%)	**32. 5**	34. 5	43. 4	50. 2
Statutory operating expenses to net operating income (%) (2)	**59. 1**	60. 6	60. 3	63. 9
New Zealand				
Statutory net profit after tax ($M)	**752**	597	611	569
FUA - average ($M)	**10,877**	8,484	8,484	7,515
Average inforce premiums ($M)	**590**	516	516	470
Statutory funds management income to average FUA (%) (3)	**0. 55**	0. 58	0. 64	0. 59
Statutory insurance income to average inforce premiums (%) (3)	**40. 2**	35. 3	49. 9	67. 7
Statutory operating expenses to total operating income (%) (3)	**42. 8**	44. 9	47. 1	44. 5
Bankwest				
Statutory net profit after tax ($M)	**624**	490	490	438
Statutory operating expenses to total banking income (%)	**49. 1**	52. 4	52. 4	56. 4
Capital (Basel III)				
Common Equity Tier One Internationally Harmonised (%)	**12. 1**	11. 0	11. 0	9. 8
Common Equity Tier One APRA (%)	**9. 3**	8. 2	8. 2	7. 5
Capital (Basel II)				
Common Equity Tier One Internationally Harmonised (%)	**n/a**	n/a	n/a	7. 8
Common Equity Tier One APRA (%)	**n/a**	n/a	n/a	10. 0

(1) Comparative information has been restated to conform to presentation in the current year. Refer to “Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information”, Note 1 of the 2014 Financial Report and Appendix C of this Document for further details. However, certain reclassifications among the Bank’s customer segments have not been restated for the 2012 financial year. In order to provide a meaningful comparison to the Group’s historical operations, “Restated” customer segment figures are presented for the 2014 financial year and the 2013 financial year and “As reported” customer segment figures are presented for the 2013 financial year and 2012 financial year in the chart above. Refer to “Disclosures – Financial Information Definitions - Reclassification of Customer Reporting Segments” for further details.

(2) During the year the Group successfully completed the internalisation of the management of CFS Retail Property Group (CFX) and Kiwi Income Property Trust (KIP), and the Group has ceased to manage the Commonwealth Property Office Fund (CPA). The Group also sold its entire proprietary unit holding in CPA and KIP, and part of its proprietary unit holding in CFX. As such, these Property transactions and businesses have been excluded from the calculation of certain financial metrics and comparative information where indicated throughout this Document.

(3) Key financial metrics are calculated in New Zealand dollar terms.

Highlights

Shareholder Summary	Full Year Ended 30 Jun 14	30 Jun 13	30 Jun 12
Dividends per share - fully franked (cents)	**401**	364	334
Dividend cover - statutory (times)	**1. 3**	1. 3	1. 3
Dividend cover - cash (times)	**1. 3**	1. 3	1. 3
Earnings per share (cents) (1)			
Statutory basis - basic	**533. 8**	474. 2	444. 2
Statutory basis - fully diluted	**521. 9**	461. 0	428. 5
Cash basis - basic	**535. 9**	482. 1	444. 7
Cash basis - fully diluted	**524. 0**	468. 6	429. 0
Dividend payout ratio (%) (2)			
Statutory basis	**75. 5**	77. 4	76. 0
Cash basis	**75. 1**	75. 9	75. 8
Weighted average no. of shares ("statutory basis") - basic (M) (3)	**1,608**	1,598	1,570
Weighted average no. of shares ("cash basis") - basic (M) (4)	**1,611**	1,601	1,573
Return on equity ("statutory basis") (%) (5)	**18. 7**	18. 0	18. 5
Return on equity ("cash basis") (%) (6)	**18. 7**	18. 2	18. 4

(1) Earnings per Share: Calculated in accordance with AASB 133: Earnings per Share.
(2) Dividend payout ratio: Dividends paid on ordinary shares divided by earnings (earnings are net of dividends on other equity instruments).
(3) Weighted average number of shares ("statutory basis") - basic: Includes an adjustment to exclude "Treasury Shares" related to investments in the Bank's shares held by both the life insurance statutory funds and by the employee share scheme trust. Fully diluted weighted average number of shares are disclosed in Note 6 of the 2014 Financial Reports.
(4) Weighted average number of shares ("cash basis") - basic: Includes an adjustment to exclude "Treasury Shares" related to investment in the Bank's shares held by the employee share scheme trust.
(5) Return on equity ("statutory basis"): Based on Net profit after tax ("statutory basis") less other equity instruments' distributions applied to average shareholders' equity, excluding non-controlling interests and other equity instruments.
(6) Return on equity ("cash basis"): Based on cash Net profit after tax and non-controlling interests less other equity instruments' distributions applied to average shareholders' equity, excluding non-controlling interests, other equity instruments and treasury shares.

	As at				
Market Share (1)	30 Jun 14 %	31 Dec 13 %	30 Jun 13 %	Jun 14 vs Dec 13 %	Jun 14 vs Jun 13 %
Home loans	**25. 3**	25. 3	25. 3	-	-
Credit cards - RBA (2)	**24. 9**	24. 7	24. 4	20 bpts	50 bpts
Other household lending (3)	**18. 8**	18. 2	16. 9	60 bpts	190 bpts
Household deposits	**28. 6**	28. 6	28. 8	-	(20)bpts
Retail deposits (4)	**25. 4**	25. 4	25. 5	-	(10)bpts
Business lending - RBA	**17. 8**	18. 0	18. 0	(20)bpts	(20)bpts
Business lending - APRA	**18. 9**	19. 1	19. 1	(20)bpts	(20)bpts
Business deposits - APRA	**22. 1**	21. 2	21. 7	90 bpts	40 bpts
Asset Finance	**13. 2**	13. 3	13. 3	(10)bpts	(10)bpts
Equities trading	**5. 2**	5. 1	5. 2	10 bpts	-
Australian Retail - administrator view (5)	**15. 8**	15. 7	15. 7	10 bpts	10 bpts
FirstChoice Platform (5)	**11. 5**	11. 4	11. 5	10 bpts	-
Australia life insurance (total risk) (5)	**12. 5**	12. 9	13. 1	(40)bpts	(60)bpts
Australia life insurance (individual risk) (5)	**12. 5**	12. 7	12. 9	(20)bpts	(40)bpts
NZ lending for housing	**21. 9**	22. 1	22. 3	(20)bpts	(40)bpts
NZ retail deposits	**20. 6**	20. 4	20. 1	20 bpts	50 bpts
NZ lending to business	**11. 0**	10. 6	10. 4	40 bpts	60 bpts
NZ retail FUA	**16. 1**	17. 0	16. 7	(90)bpts	(60)bpts
NZ annual inforce premiums	**29. 1**	29. 4	29. 5	(30)bpts	(40)bpts

(1) Prior periods have been restated in line with market updates.
(2) As at 31 May 2014.
(3) Other household lending market share includes personal loans, margin loans and other forms of lending to individuals. In the current period, certain revolving credit products were reclassified from Home loans to Other household lending, resulting in the increase in this category.
(4) Comparatives have not been restated to include the impact of new market entrants in the current period.
(5) In accordance with the Reserve Bank of Australia guidelines, these measures include some products relating to both the retail and corporate segments.
(6) As at 31 March 2014.

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

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency. Ratings should be evaluated independently of any other information.

Risk Factors

This section describes the principal risk factors that could materially affect the Group's businesses, its revenues, operating income, net income, net assets, liquidity, funding and capital resources. These should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties that the Group faces. Additional risks that we are unaware of, or that we currently deem to be immaterial, may also become important risks that affect us. The factors below should be considered in connection with the "Special Note Regarding Forward-Looking Statements" on page 5 of this Document. Notes 33 – 36 of the 2014 Financial Statements provide details on how the Group manages its credit, market and liquidity and funding risks.

The Group's businesses may be adversely affected by economic conditions, disruptions in the global financial markets and associated impacts.

In recent years, global credit and equity markets have been characterised by uncertainty and volatility. More recently, the global backdrop has improved and volatility in global financial markets has receded. But there is a risk that challenging market conditions will return when major central banks begin the process of normalising monetary policy settings. In addition, the uneven pace of growth and deflation risks in Europe, concerns about the strength of the US economy and its unresolved fiscal issues, concerns regarding the sustainability of economic growth and financial market settings in China, and geopolitical risks all pose risks to global financial markets. As a diversified financial institution that operates in various financial markets, the Group has been adversely impacted, both directly and indirectly, by difficult market conditions and may experience similar or other adverse impacts in the future. The Group's businesses operate in, or depend on the operation of, these markets, including through exposures in securities, loans, derivatives and other activities. In addition, turmoil in the financial markets can flow into the wider economy and feed back into the financial system.

By the nature of its operations, the Group faces the risk of financial contagion and its results of operations could be adversely impacted if economic conditions offshore deteriorate to the extent that sovereign or non-sovereign entities default on their debt obligations and global financial markets cease to operate efficiently. The Group continues to monitor industry and company specific developments and the state of the global and Australian economies and markets.

During the 2014 financial year, the value of the Australian dollar partially recovered from the 10% depreciation (against the US dollar) that occurred during 2013. There are some sectors of the Australian economy (and therefore some of the Group's customers), that could be adversely affected by a declining Australian dollar; yet there are others that are affected by a rising Australian dollar. Australia's central bank currently believes that a lower Australian dollar would be a net benefit to Australian economic activity.

Financial markets are by their nature characterised by volatility and this volatility has offsetting forces. Trading income can benefit or be harmed by market volatility, depending on the composition of the Group's trading book. Volatility can adversely impact the Group's liquidity position. These impacts may be exacerbated if market conditions worsen, the Group underperforms or experiences a ratings downgrade.

A downturn in the Australian and New Zealand economies could adversely impact the Group's results.

As a financial group whose core businesses are banking, funds management and insurance primarily located in Australia and New Zealand, the performance of the Group is dependent on the state of the Australian and New Zealand economies, as well as customer and investor confidence and prevailing market conditions. The Group can give no assurances as to the likely future conditions of the Australian and New Zealand economies, which can be influenced by many factors, which are outside of its control.

Internationally, concerns about sovereign debt, banking system fragility and weaknesses in some of Australia's trading partners impacted on 2014 financial year economic activity and sentiment in Australia and elsewhere. China is Australia's major trading partner and a significant driver of commodity prices that affect Australian incomes. Anything that adversely affects China's economic growth could adversely affect the Australian economy, particularly the mining and resources sectors.

During the 2014 financial year, the fundamentals of the Australian economy remained sound; however, uncertainty in the outlook for the Australian and global economies saw the persistence of high rates of savings, limited appetite for credit and weak discretionary spending growth. A material downturn in the Australian and/or New Zealand economies could adversely impact future results and could potentially result in further increases in the amount overdue on individual loans. Recessive economic cycles also have a negative influence on, amongst other things, liquidity levels, credit defaults of corporations and other borrowers and return on assets. The Group's banking business is affected by market conditions in that there may be less demand for loan, deposit or other products or certain customers may face difficulty in meeting their obligations. In particular, a significant or sustained decrease in the Australian and New Zealand housing markets or property valuations could adversely affect our home mortgage portfolio. Furthermore, weaknesses in global securities or other financial markets due to credit, liquidity or other problems could result in a decline in the Group's revenues from its funds management and insurance business.

Adverse financial and credit market conditions may significantly affect the Group's ability to access international debt markets, on which it relies for a substantial amount of its wholesale funding.

In recent years, the global debt and equity markets have experienced significant volatility due to factors such as concern over European sovereign debt levels and the downgrade in the ratings of sovereigns and banks by the securities ratings agencies. While the majority of the Group's funding comes from deposits, it remains reliant on offshore wholesale funding markets to source a significant amount of its funding. Global market volatility may result in increased competition for deposits in Australia, which could adversely impact the cost of this funding and increase the cost of accessing wholesale funding markets. If the Group is unable to pass increased funding costs on to its customers, its net interest margins will contract, which will adversely impact the Group's results of operations and the ability of the Group to maintain or grow its current business operations. Disruptions, uncertainty or volatility in financial markets may limit the Group's access to funding, particularly its ability to issue securities, and, of those, notably longer-dated debt securities, in international markets at a cost that is acceptable to the Group. These market conditions may limit the Group's ability to replace, in a timely manner, maturing liabilities and access the funding necessary to grow the Group's businesses. As such, the Group may decide to issue securities with shorter tenors than it prefers, or pay less attractive interest rates, thereby increasing its interest expense, decreasing its profitability and significantly reducing its financial flexibility.

If the Group is unable to source appropriate funding, it may also be forced to reduce its lending or begin to sell liquid securities. Such activities may adversely affect the Group's business.

Adverse financial market conditions or specific Group circumstances may significantly affect the Group's ability to access domestic and international capital markets.

Disruptions, uncertainty or volatility in financial markets may limit the Group's ability to access capital markets in a timely manner or at a cost that is acceptable to the Group. There may be circumstances where Group specific conditions (for example reduced profitability), as opposed to general market conditions (for example a global recession), could also limit the Group's access to capital markets.

The Group operates an Internal Capital Adequacy Assessment Process (ICAAP) to manage its capital levels and to maintain them above Board approved minimum levels (which in turn are set to exceed regulatory minimal standards). The ICAAP includes forecasting and stress testing of capital levels which guides the Group in selecting any capital management initiatives it may undertake. However, should the ICAAP forecasts or stress tests prove to be ineffective, the Group's business may be adversely impacted.

Adverse financial market conditions or specific Group circumstances may significantly affect the Group's ability to maintain adequate levels of liquidity.

The Group's liquidity and funding policies are designed to ensure it will meet its obligations as and when they fall due, by seeking to ensure it is able to borrow on an unsecured basis, has sufficient assets to borrow against on a secured basis, or has sufficient high quality liquid assets to sell to raise immediate funds without adversely affecting the Group's net asset value. The Group actively monitors and manages its liquidity and funding profile, however if it is unable to maintain adequate levels of liquid assets (for example should financial markets close for an extended period of time), it could have adverse effects on the Group's operations and financial condition. Note 36 to the 2014 Financial Statements provides an overview of the Group's liquidity and funding risk management framework.

The Group is subject to extensive regulation, which could impact its results.

The Group's banking, funds management and insurance activities are subject to extensive regulation, including those relating to capital levels, liquidity levels, solvency, provisioning, insurance policy terms and conditions, accounting and reporting requirements, taxation, remuneration, consumer protection, competition, anti-bribery and corruption, anti-money laundering and counter-terrorism financing. The Group's business and earnings are also affected by the fiscal or other policies that are adopted by various regulatory authorities of the Australian and New Zealand governments and the governments and regulators of the other jurisdictions in which the Group conducts business.

The requirement to maintain certain levels of Common Equity Tier One, Tier One and Total Capital determines the level of lending activity, or alternatively, requires the issue of additional equity capital or subordinated debt, which are additional sources of funds for the Group. Any change in regulation, including changes that increase the requirements of regulatory capital, could have an adverse impact on the Group's results of operations, or the ability of the Group to maintain or grow its current businesses.

Any changes to the regulatory requirements to which the Group is subject could have an adverse impact on the Group's results of operations. For example, any changes to the liquidity requirements that increase the minimum level of liquid assets to be held could increase the Group's funding costs. Significant breaches of regulatory requirements could also have a material adverse impact on the Group's results of operation and financial condition.

Regulatory actions taken now or in the future may significantly affect the Group's operations and financial condition.

The Group and its businesses are subject to extensive regulation by Australian regulators and regulators in other jurisdictions in which the Group conducts business. The events in the financial services industry and, more generally, in the international financial markets and the global economy over the past six years, have resulted in various proposals to change the regulation of the financial services industry. In Australia, the Australian Prudential Regulation Authority (APRA) is adopting regulations (in stages which began on 1 January 2013) designed to enhance the capital adequacy of, and liquidity and funding risk management by, authorised deposit-taking institutions (ADIs), including CBA, based on the proposals adopted by the Basel Committee on Banking Supervision (Basel III).

APRA implemented the base capital requirements of Basel III on 1 January 2013. From 1 January 2016, APRA will require ADIs to maintain a capital conservation buffer of 2.5 per cent of risk weighted assets above the Basel III minimum requirements and will also have the discretion to apply an additional countercyclical buffer of up to 2.5 per cent of risk weighted assets. APRA will also require domestic systemically important Australian banks, including CBA, to hold a further buffer of 1 per cent of risk weighted assets from 1 January 2016. From 1 January 2015, APRA will also implement the Basel III Liquidity Cover Ratio (LCR). The LCR will require ADIs to hold a stock of high quality liquid assets to meet expected cash outflows for a 30-day period under a severe stress scenario.

The Australian Federal Government has established a Financial Services Inquiry to examine how best to position the Australian financial system to meet Australia's evolving needs and support Australia's economic growth. In December 2014, the Financial Services Inquiry is scheduled to make its recommendations to the Government. The Financial Services Inquiry has the potential to recommend legislative changes which could impact the operations or profitability of the Group.

In the United States, the Group is subject to the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank") which, subject to certain exceptions and transition periods, generally restricts the ability of banking entities to engage in proprietary trading, to sponsor or invest in private funds and to conduct certain transactions with sponsored or advised funds. The Group does not engage in material amounts of proprietary trading and has been actively positioning its business to address these changes, but there can be no assurance that these changes will not have an adverse impact on the Group. The Group is also subject to regulation as a foreign banking organisation under Dodd-Frank. Reforms in the over-the-counter derivatives markets continue on a global basis, with the governments of the G20 nations proceeding with plans to transform the capital regimes, national regulatory frameworks and infrastructures in which the Group and other market participants operate. As these reforms are passed, the Group will likely experience changes in its wholesale banking business, some of which will impact its client- and trading-related derivatives revenues.

The Group has registered as a swap dealer in the US to enable the continuation of its swaps business with US persons. Regulations issued by the US Commodity Futures Trading Commission (CFTC) impose substantial new requirements on registered swap dealers. Application of these requirements to the Group's swaps business is likely to present an implementation burden, may duplicate or conflict with legal requirements applicable to the Group outside the United States and may place the Group at a competitive disadvantage with banks that are not CFTC-registered swap dealers. The effect on the Group's business cannot yet be determined fully because the regulations have not yet been finalised.

Regulation is becoming increasingly extensive and complex. Some areas of potential regulatory change involve multiple jurisdictions seeking to adopt a coordinated approach. Notwithstanding regulators' efforts to coordinate their approach, many measures adopted or proposed differ significantly across the major jurisdictions, making it increasingly difficult to manage a global institution.

While there can be no assurance that any or all of these regulatory changes will ultimately be adopted, or the form that any such regulations may ultimately take, any such changes, if enacted or adopted, may impact the profitability or size of the Group's business activities, require changes to certain business practices, and expose the Group to additional costs. Such additional costs may result from, among other things, holding additional capital and significant levels of liquid assets and undertaking changes to the Group's wholesale funding profile. These changes may also require the Group to invest significant management attention and resources to make any necessary changes, and could therefore also adversely affect the Group's business and operations.

Failure to maintain credit ratings could adversely affect the Group's cost of funds, liquidity, access to debt and capital markets, and competitive position.

A credit rating is an opinion on the general creditworthiness of an obligor. The Group's credit ratings affect the cost and availability of its funding from debt markets and other funding sources. Credit ratings also impact the cost and availability of capital. Credit ratings may be an important source of information used by current and potential customers, counterparties, intermediaries and lenders when evaluating the Group's products and creditworthiness. Investors may also consider the credit rating prior to investing in the Group. Therefore, maintaining the Group's current high quality credit ratings is important.

The rating agencies determine the Group's credit rating after an initial assessment of a number of stand-alone factors including the Group's financial strength and outlook and its key operating environments (such as the Australian and New Zealand financial systems). The Group's stand-alone assessment is then coupled with an assessed level of government support and hence is also influenced by the credit rating of the Commonwealth of Australia. A downgrade in a credit rating could be due to a change in the rating agencies' assessment and rating methodology or from an adverse change in the Group's financial position and outlook. A downgrade could also be due to a change in the outlook of the sovereign and its ability to provide support in times of stress. The manifestation of one or more of the Risk Factors highlighted in this section could affect the Group's financial position and outlook, and could drive a change in the Group's credit ratings.

A downgrade to the Group's credit ratings, or the ratings of the Commonwealth of Australia, could adversely affect the Group's cost of funds and related margins, liquidity position, collateral requirements and cost of capital. A downgrade to the Group's credit ratings could also negatively affect its competitive position. The extent and nature of these effects would depend on various factors, including the extent of any ratings change and the Group's credit rating relative to its peers.

Failure to hedge effectively against adverse fluctuations in exchange rates could negatively impact the Group's results of operations.

The Group undertakes a substantial portion of its wholesale funding in international capital markets in currencies other than the Australian dollar, principally the U.S. dollar and the Euro. This exposes the Group to risks associated with exchange rates for the Australian dollar, which is the currency in which it prepares its financial statements and the principal currency of the Group's revenue and operating cash flows. The impact of such exchange rate risk cannot be predicted reliably. The Group manages its exchange rate risk with a view to minimising any adverse effect on its financial position and performance. However, the level of the Group's hedging may change over time, and the Group may change its hedging policy at any time. The Group's results of operations may be adversely affected if its hedges are not effective to mitigate exchange rate risks or for balance sheet purposes, if the Group is inappropriately hedged or if a hedge provider defaults on its obligations under the Group's hedging agreements. There can be no assurance that the Group's exchange rate hedging arrangements or hedging policy will be sufficient or effective.

The Group may incur losses associated with its counterparty exposures.

The Group faces the possibility that a counterparty may be unable to honour its contractual obligations. Such parties may default on their obligations to the Group due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example, from entering into swap or other derivative contracts under which counterparties have obligations to make payments to the Group, executing currency or other trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. This risk also arises from the Group's exposure to lenders mortgage, insurance providers and re-insurance providers (for the Group's insurance businesses).

The Group faces operational risks associated with being a complex financial institution and may incur losses as a result of ineffective risk management processes and strategies.

Operational risk is defined as the risk of economic gain or loss resulting from (i) inadequate or failed internal processes and methodologies, (ii) people, (iii) systems and models used in making business decisions or (iv) external events. The Group is exposed to the risk of loss resulting from human error, the failure of internal or external processes and systems or from external events including the failure of third party suppliers and vendors to provide the contracted services. Such operational risks may include theft and fraud, improper business practices, client suitability and servicing risks, product complexity and pricing risk or improper recording, evaluating or accounting for transactions, breach of security and physical protection systems, or breaches of the Group's internally or externally imposed policies and regulations.

As the Group increases its analytical capabilities and the use of models in its decision making, the reliability of the Group's data and models is becoming even more crucial. There is a risk that the Group makes inappropriate decisions due to poor data quality or models that are not fit for purpose, resulting in actual risk exposures being greater than expected by Management, leading to unexpected losses and depletion of capital levels. While the Group employs a range of risk monitoring and risk mitigation techniques as part of the implementation of its Operational Risk Management Framework, there can be no assurance that the risk management processes and strategies that we have developed in response to current market conditions will adequately anticipate additional market stress or unforeseen circumstances. Therefore, the Group may, in the course of the Group's activities, incur losses or reputational harm as a result of operational disruptions.

The Group may incur losses as a result of the inappropriate conduct of its staff.

The Group operates in a range of regulated markets both in Australia and globally and is highly dependent on the conduct of its employees, contractors and external service providers. The Group could, for example, be adversely affected if an employee, contractor or external service provider does not act in accordance with regulations and associated procedures, or engages in inappropriate or fraudulent conduct. Losses, financial penalties or variations to the operating licenses may be incurred from an unintentional or negligent failure to meet a professional obligation to specific clients, including fiduciary and suitability requirements, or from the nature or design of a product. These may include client, product and business practice risks such as product defects and unsuitability, market manipulation, insider trading, misleading or deceptive conduct in advertising and inadequate or defective financial advice. While the Group has policies and processes to minimise the risk of human error and employee, contractor or external service provider misconduct, these policies and processes may not always be effective.

The Group faces technology risks associated with being a complex financial institution and may incur losses as a result of ineffective risk management processes and strategies.

The Group's businesses are highly dependent on the Group's ability to process and monitor, in many cases on a daily basis, a very large number of transactions, many of which are highly complex, across multiple markets in many currencies. The Group's financial, accounting, data processing or other operating systems and facilities may fail to operate properly or may become disabled as a result of events that are wholly or partially beyond our control, such as a spike in transaction volume, adversely affecting our ability to process these transactions or provide these services.

As with any business operating in the financial services market, the Group utilises complex technology frameworks and systems to deliver its services and manage internal processes. Some of these technology systems are provided and/or supported by third party suppliers and vendors. Additionally, the Group's strategy seeks to establish long term global competitive advantage through leadership in the application of technology.

Disruptions to the technology framework can have a significant impact on the Group's operations. These disruptions can be caused from internal events (e.g. system upgrades) and external events (e.g. failure of vendors' systems or power supplies or technology attacks by third parties).

As part of its Technology Risk Management Framework, the Group employs a range of risk monitoring and risk mitigation techniques however there can be no assurance that the risk management processes and strategies that we have developed in response to current market conditions will adequately anticipate additional market stress or unforeseen circumstances. Therefore the Group may, in the course of the Group's activities, incur losses or reputational harm as a result of technology disruptions.

The Group may face information security risks, including cyber-attacks.

The Group's businesses are highly dependent on its information technology systems. The Group devotes significant effort to protecting the confidentiality, integrity and availability of its computer systems, software and networks, including maintaining the confidentiality of information that may reside on those assets. However, the Group's security measures cannot provide absolute security. Information security risks for large financial institutions have increased in recent years, in part because of the proliferation of new technologies, the use of Internet and telecommunications technology and the increased sophistication and activities of organized criminals and hackers. In addition, to access the Group's products and services, customers may use personal smartphones, PCs and other computing devices, tablet PCs and other mobile devices that are beyond our control systems. Although the Group takes protective measures and endeavors to modify them as circumstances warrant, its computer systems, software and networks may be vulnerable to unauthorized access, misuse, denial-of-service attacks, phishing attacks, computer viruses or other malicious code and other events that could have a security impact.

It is possible that the Group (or its third party suppliers) may not be able to anticipate or to implement effective measures to prevent or minimise damage that may be caused by all information security threats, because the techniques used can be highly sophisticated, can evolve rapidly and those that would perpetrate attacks can be well resourced. Information security threats may also occur as a result of the Group's size and role in the financial services industry, its plans to continue to implement internet banking and mobile banking channel strategies and develop additional remote connectivity solutions, the outsourcing of some of the Group's business operations and the threat of cyber terrorism. An information security failure could have serious consequences for the Group including among other things, operational disruption, financial losses, a loss of customer or business opportunities, litigation, regulatory penalties or intervention, reputational damage, theft of intellectual property and customer data, and could result in violations of applicable privacy laws, all of which could have a material impact on the Group.

The Group maintains a Technology Risk Management Framework which covers information security risk. The Group believes that it, and its third party suppliers and vendors, have and maintain adequate anti-virus and malware software and have control frameworks in place to mitigate these risks, but no assurance can be given that such mitigation steps will be effective.

Reputational damage could harm the Group's business and prospects.

Various issues may give rise to reputational risk and cause harm to the Group's business and prospects. These issues include inappropriately dealing with potential conflicts of interest and legal and regulatory requirements (such as money laundering, trade sanctions and privacy laws), inadequate sales and trading practices, inappropriate management of conflicts of interest and other ethical issues, technology failures, and non-compliance with internal policies and procedures. Failure to address these issues appropriately could also give rise to additional legal risk, subjecting the Group to regulatory enforcement actions, fines and penalties, or harm the Group's reputation and integrity among the Group's customers, investors and other stakeholders.

Market risks could adversely impact the Group's results.

Market risk is the potential of loss arising from adverse changes in interest rates, foreign exchange rates, commodity and equity prices, credit spreads, lease residual risk values, and implied volatility levels for all assets and liabilities where options are transacted. For the purposes of market risk management, the Group makes a distinction between traded and non-traded market risks. Traded market risks principally arise from the Group trading and distributing financial markets products and providing risk management services to customers on a global basis. The predominant non-traded market risk is interest rate risk in the banking book. Other non-traded markets risks are transactional and structural foreign exchange risk arising from capital investments in offshore operations, non-traded equity risk, market risk arising from the insurance business and lease residual value risk. For a description of these specific risks, see Note 35 to the 2014 Financial Statements.

Insurance risk could adversely impact the Group's results.

Insurance risk is the risk of loss due to increases in policy benefits arising from variations in the incidence or severity of insured events. Insurance risk exposure arises in insurance business as the risk that claims payments are greater than expected. In the life insurance business this arises primarily through mortality (death) and morbidity (illness and injury) related claims being greater than expected whereas for the general insurance business variability arises mainly through weather related incidents (floods or bushfires) and similar calamities, as well as general variability in home, motor and travel insurance claim amounts. The Group believes its exposure to insurance risk is small due to the size of the insurance business relative to the size of the Group. Additionally, the Group believes it maintains good risk controls around its insurance exposures and enters into reinsurance arrangements (Note 33 to the 2014 Financial Statements contains further information regarding life insurance exposures). However, no assurance can be given that the foregoing effectively mitigates the Group's insurance risk.

The Group faces intense competition, which could adversely impact its results.

The Group faces intense competition in all of its principal areas of operation and geographical markets, principally Australia and New Zealand. Competition in the banking and funds management markets has, however, had the most significant effect on the Group's results and operations. As financial markets recover and the Group's competitors overcome any difficulties they have experienced, competition is expected to increase, especially if non-Australian financial services providers continue to expand in Australia.

If the Group is unable to compete effectively in its various businesses and markets, its market share may decline. Increased competition may also adversely affect its results of operations by diverting business to our competitors or creating pressure to lower margins. Further details on the competition faced by the Group are detailed in "Description of Business Environment – Competition" on page 102 of this Document.

The Group's business may be adversely affected by acquisitions of businesses.

From time to time, the Group evaluates and undertakes acquisitions of businesses. With acquisitions there is a risk that we may suffer a downgrade of the Group's credit ratings, the Group may not achieve expected synergies from the acquisition as a result of difficulties in integrating information and other systems, the Group may achieve lower than expected cost savings or otherwise incur losses, the Group may lose customers and market share, the Group may face disruptions to the Group's operations resulting from integrating the systems and processes of the acquired business into the Group or the acquisition may have other negative impacts on the Group's results, financial condition or operations. Where acquisitions are in emerging economies, the Group may be exposed to heightened levels of political, social or economic disruption that are currently intrinsic in many such economies. These risks are considered as part of any due diligence undertaken. The Group regularly assesses acquisition opportunities and if it were to undertake other acquisitions these risks may be exacerbated.

The Group could suffer losses due to catastrophic events.

The Group and its customers operate businesses and hold assets in a diverse range of geographical locations. Any significant environmental change or external catastrophic event (including fire, storm, flood, earthquake, pandemic, civil unrest, war or terrorism) in any of these locations has the potential to disrupt business activities, impact on the Group's operations, damage property and otherwise affect the value of assets held in the affected locations and the Group's ability to recover amounts owing to it. In addition, such an event could have an adverse impact on economic activity, consumer and investor confidence or the levels of volatility in financial markets. This risk of losses due to catastrophic events is also directly relevant to the Group's insurance business.

Substantial legal liability or regulatory action against the Group could negatively impact the Group's business.

Due to the nature of the Group's business, it is involved in litigation, arbitration and regulatory proceedings, principally in Australia and New Zealand. Such matters are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. If the Group is ordered to pay money (for example damages, fines, penalties or legal costs), has orders made against its assets (for example a charging order or writ of execution), is ordered to carry out conduct which adversely affects its business operations or reputation (for example corrective advertising) or is otherwise subject to adverse outcomes of litigation, arbitration and regulatory proceedings, the Group's profitability may be adversely affected.

Selected Consolidated Income Statement Data ("statutory basis")	Full Year Ended 30 June 2014 USD$M [1]	2014	2013	2012	2011	2010
		(AUD$ millions, except where indicated)				
Interest income	31,643	33,645	34,739	38,258	37,477	32,472
Interest expense	17,441	18,544	20,805	25,136	24,883	20,410
Net interest income	14,202	15,101	13,934	13,122	12,594	12,062
Impairment expense	863	918	1,146	1,089	1,280	2,379
Non-interest income [2]	6,947	7,387	6,942	6,588	6,803	7,226
Operating expenses [2]	9,003	9,573	9,085	8,762	9,060	8,716
Net profit before income tax [2]	11,283	11,997	10,645	9,859	9,057	8,193
Income tax expense [2]	3,148	3,347	3,011	2,827	2,647	2,513
Net profit after income tax [2]	8,135	8,650	7,634	7,032	6,410	5,680
Non-controlling interests	(18)	(19)	(16)	(16)	(16)	(16)
Net profit attributable to Equity holders of the Bank [2]	8,117	8,631	7,618	7,016	6,394	5,664
Dividend declared [3]	6,098	6,484	3,224	3,137	2,930	2,633
Weighted average number of shares (basic) (M)		1,608	1,598	1,570	1,545	1,527
Earnings per share, basic (cents)	502. 0	533. 8	474. 2	444. 2	411. 2	367. 9
Earnings per share, fully diluted (cents)	491	521. 9	461. 0	428. 5	395. 1	354. 2
Dividends per share (cents)	377	401	364	334	320	290
Dividend payout ratio (%) [4]		75. 5	77. 4	76. 0	78. 3	79. 7

(1) USD translated from AUD using 30 June 2014 month end Noon Buying Rate, as described below.
(2) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details.
(3) Represents final dividend declared for each respective year ended 30 June.
(4) Dividends paid on ordinary shares divided by statutory earnings (earnings are net of dividends on other equity instruments).

Exchange Rates

For each of the Group's financial years indicated, as well as for July and August (to date) of 2014, the period end and average exchange rates are set out below, together with the high, low and month end rates (unless otherwise indicated) for recent months. All rates referred to are the Noon Buying Rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate").

To calculate the USD figures provided for comparison purposes as at and for the year ended 30 June 2014, the 30 June 2014 month end Noon Buying Rate has been used.

	Full Year Ended 30 June 2014	2013	2012	2011	2010
	(expressed in USD$ per AUD$1.00)				
Period End	0.9405	0.9165	1.0236	1.0732	0.8480
Average Rate	0.9147	1.0272	1.0323	0.9905	0.8820

	Month Ended 2014: August [1]	July	June	May	April	March
	(expressed in USD$ per AUD$1.00)					
High	0.9349	0.9500	0.9424	0.9386	0.9422	0.9254
Low	0.9260	0.9320	0.9245	0.9218	0.9221	0.8927
Month End Noon Buying Rates	0.9272	0.9320	0.9405	0.9305	0.9270	0.9247

(1) Represents the most current August 2014 exchange rate data ended 13 August 2014.

Consolidated Balance Sheet Data	2014 USD$M (1)	2014	2013	2012	2011	2010
	Full Year Ended 30 June (AUD$ millions, except where indicated)					
Assets						
Cash and liquid assets	**24,838**	**26,409**	20,634	19,666	13,241	10,119
Receivables due from other financial institutions	**7,585**	**8,065**	7,744	10,886	10,393	10,072
Assets at fair value through income statement:						
Trading	**20,182**	**21,459**	19,617	13,816	20,469	22,851
Insurance	**14,241**	**15,142**	14,359	14,525	14,998	15,940
Other	**715**	**760**	907	980	824	654
Derivative assets (2)	**27,507**	**29,247**	45,340	39,567	30,317	27,689
Available-for-sale investments	**62,202**	**66,137**	59,601	60,827	45,171	32,915
Loans, bills discounted and other receivables	**562,213**	**597,781**	556,648	525,682	500,057	493,459
Bank acceptances of customers	**4,728**	**5,027**	6,063	9,717	10,734	11,569
Property, plant and equipment	**2,648**	**2,816**	2,718	2,503	2,366	2,351
Investments in associates	**1,734**	**1,844**	2,281	1,898	1,712	1,490
Intangible assets	**9,210**	**9,792**	10,423	10,281	9,603	9,420
Deferred tax assets (2)	**551**	**586**	916	960	1,300	1,270
Other assets (2)	**6,006**	**6,386**	6,606	7,531	6,714	6,531
Total Assets	**744,360**	**791,451**	753,857	718,839	667,899	646,330
Liabilities						
Deposits and other public borrowings	**468,700**	**498,352**	459,429	437,655	401,147	374,663
Payables due to other financial institutions	**23,492**	**24,978**	25,922	22,126	15,899	12,608
Liabilities at fair value through income statement	**7,061**	**7,508**	8,701	6,555	10,491	15,342
Derivative liabilities (2)	**25,637**	**27,259**	38,580	39,851	33,976	24,884
Bank acceptances	**4,728**	**5,027**	6,063	9,717	10,734	11,569
Current tax liabilities	**647**	**688**	1,529	1,537	1,222	1,056
Deferred tax liabilities	**344**	**366**	471	338	301	221
Other provisions	**1,190**	**1,265**	1,249	1,224	1,277	1,197
Insurance policy liabilities	**12,383**	**13,166**	13,004	12,994	13,652	14,592
Debt issues	**133,757**	**142,219**	132,808	124,712	118,652	130,210
Managed fund units on issue	**1,142**	**1,214**	891	995	1,048	880
Bills payable and other liabilities (2)	**9,844**	**10,467**	9,986	9,493	10,652	10,025
Total Liabilities	**688,925**	**732,509**	698,633	667,197	619,051	597,247
Loan capital (3)	**9,023**	**9,594**	9,687	10,022	11,561	13,513
Total liabilities and loan capital	**697,948**	**742,103**	708,320	677,219	630,612	610,760
Net Assets	**46,412**	**49,348**	45,537	41,620	37,287	35,570
Total Shareholders' Equity (2)	**46,412**	**49,348**	45,537	41,620	37,287	35,570
Other equity instruments	**883**	**939**	939	939	939	939
Total Shareholders' Equity excluding other equity instruments	**45,529**	**48,409**	44,598	40,681	36,348	34,631

(1) USD translated from AUD at 30 June 2014 (see month end Noon Buying Rate in the table on page 23 of this Document).

(2) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details.

(3) Represents interest bearing liabilities qualifying as regulatory capital.

Consolidated Ratios and Operating Data	2014 USD$M [1]	2014	2013	2012	2011	2010
	Full Year Ended 30 June (AUD$ millions, except where indicated)					
Profitability						
Net interest margin (%) [2]		**2. 14**	2. 13	2. 09	2. 12	2. 08
Interest spread (%) [3]		**2. 00**	1. 91	1. 82	1. 83	1. 86
Return on average Shareholders' Equity (%) [4]		**18. 7**	18. 0	18. 5	18. 4	17. 5
Return on average total assets (%) [4]		**1. 1**	1. 0	1. 0	1. 0	0. 9
Productivity						
Total operating income per full-time staff equivalent [5]	**471,232**	**500,034**	479,308	454,554	421,125	428,384
Staff expense/total operating income (%) [5]		**25. 0**	23. 9	24. 3	24. 7	23. 5
Total operating expenses/total operating income (%) [5] [6]		**42. 9**	44. 9	45. 8	46. 7	45. 2
Capital Adequacy (at year end)						
Basel III						
Risk weighted assets	**318,263**	**337,715**	329,158	n/a	n/a	n/a
Tier One capital	**35,441**	**37,607**	33,750	n/a	n/a	n/a
Tier Two capital	**2,766**	**2,935**	3,088	n/a	n/a	n/a
Total capital	**38,207**	**40,542**	36,838	n/a	n/a	n/a
Tier One capital/risk weighted assets (%)		**11. 1**	10. 2	n/a	n/a	n/a
Tier Two capital/risk weighted assets (%)		**0. 9**	1. 0	n/a	n/a	n/a
Total capital/risk weighted assets (%)		**12. 0**	11. 2	n/a	n/a	n/a
Average Shareholders' Equity/average total assets (%)		**6. 1**	6. 0	n/a	n/a	n/a
Basel II						
Risk weighted assets	**n/a**	**n/a**	n/a	302,787	281,711	290,821
Tier One capital	**n/a**	**n/a**	n/a	30,299	28,213	26,601
Tier Two capital	**n/a**	**n/a**	n/a	2,939	4,749	6,819
Total capital [7]	**n/a**	**n/a**	n/a	33,238	32,962	33,420
Tier One capital/risk weighted assets (%)	**n/a**	**n/a**	n/a	10. 0	10. 0	9. 2
Tier Two capital/risk weighted assets (%)	**n/a**	**n/a**	n/a	1. 0	1. 7	2. 3
Total capital/risk weighted assets (%)	**n/a**	**n/a**	n/a	11. 0	11. 7	11. 5
Average Shareholders' Equity/average total assets (%)	**n/a**	**n/a**	n/a	5. 6	5. 5	5. 2

(1) USD translated from AUD at 30 June 2014 (see month end Noon Buying Rate in the table on page 23 of this Document).
(2) Net interest income divided by average interest earning assets for the year.
(3) Difference between the average interest rate earned and the average rate paid on funds.
(4) Calculations based on net profit after tax (statutory basis), net of dividends on other equity investments, divided by average Shareholders' Equity and average total assets respectively.
(5) Comparative information has been reclassified to conform with presentation in the 2014 and 2013 financial years. Refer to "Financial Information Definitions – Reclassification of certain Income Statement Information" for more details. Please note this information has not been restated to reflect the changes in the presentation of customer reporting segment results in the current period, as described in "Financial Information Definitions – Reclassification of Customer Reporting Segments".
(6) Total operating income represents net interest income before deducting loan impairment expense plus non-interest income.
(7) Represents Tier One capital and Tier Two capital less deductions under statutory guidelines imposed by APRA. Refer to "Group Operations and Business Settings" for further details.

Consolidated Ratios and Operating Data	2014	2014	2013	2012	2011	2010
	Full Year Ended 30 June					
	USD$M [1]	(AUD$ millions, except where indicated)				
Asset Quality Data [2]						
Non-accrual loans [3]	**2,328**	**2,475**	3,523	4,218	4,923	4,864
Gross impaired assets [4] [5]	**3,167**	**3,367**	4,330	4,687	5,502	5,419
Individually assessed provisions for impairment	**1,060**	**1,127**	1,628	2,008	2,125	1,992
Collective provisions for impairment	**2,614**	**2,779**	2,858	2,837	3,043	3,461
Net impaired assets (net of interest reserved)	**1,976**	**2,101**	2,571	2,556	3,265	3,317
Total provisions for impairment/average credit risk (%) [4]		**0. 4**	0. 5	0. 6	0. 7	0. 7
Loan impairment expense/average credit risk (%) [6]		**0. 1**	0. 1	0. 1	0. 2	0. 3
Gross impaired assets/credit risk (%) [7]		**0. 3**	0. 5	0. 5	0. 7	0. 7
Net impaired assets/total Shareholders' Equity (%)		**4. 3**	5. 6	6. 1	8. 8	9. 3
Collective provision for impairment/risk weighted assets (%) Basel III		**0. 8**	0. 9	n/a	n/a	n/a
Collective provision for impairment/risk weighted assets (%) Basel II		**n/a**	n/a	0. 9	1. 1	1. 2

(1) USD translated from AUD at 30 June 2014 (see month end Noon Buying Rate for 2014 financial year in the table on page 23 of this Document).
(2) All impaired asset balances and ratios are net of interest reserved.
(3) Non-accrual facilities comprise any credit risk exposure where a specific provision for impairment has been raised, or is maintained on a cash basis because of significant deterioration in the financial position of the borrower, or where loss of principal or interest is anticipated.
(4) Gross impaired assets comprise non-accrual loans, restructured loans, Other Real Estate Owned Assets and Other Assets Acquired Through Security Enforcement.
(5) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details.
(6) Average credit risk is based on gross credit risk less unearned income. Averages are based on current and previous year-end balances.
(7) Gross impaired assets as a percentage of credit risk as disclosed in Note 13 to the 2014 Financial Statements less unearned income as presented in Note 12 to the 2014 Financial Statements.

Summary Cash Flows Data

Further details of the Group's cash flows are found in the 2014 Financial Statements and Notes to the Financial Statements.

Summary Cash Flows [1]	2014	2014	2013	2012	2011	2010
	Full Year Ended 30 June					
	USD$M [2]	(AUD$ millions, except where indicated)				
Net Cash (used in)/provided by operating activities	**3,727**	**3,963**	6,577	8,847	14,445	(26,928)
Net Cash (used in)/provided by investing activities	**189**	**201**	(1,256)	(1,281)	(1,041)	(511)
Net Cash (used in)/provided by financing activities [3]	**2,207**	**2,345**	(5,306)	(1,688)	(13,117)	30,170
Net (decrease)/increase in cash and cash equivalents	**6,123**	**6,509**	15	5,878	287	2,731
Cash and cash equivalents at beginning of period	**11,867**	**12,619**	12,603	6,725	6,438	2,186
Cash and cash equivalents at end of period	**17,990**	**19,128**	12,618	12,603	6,725	4,917

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details.
(2) USD translated from AUD at 30 June 2014 (see month end Noon Buying Rate for 2014 financial year in the table on page 23 of this Document).
(3) Includes the balance 'Effect of foreign exchange rates on cash and cash equivalents'.

Contents

Group Performance Analysis

Financial Performance and Business Review

This Group Performance Analysis contains certain forward-looking statements. See "Disclosures - Special Note Regarding Forward-Looking Statements" on page 5 of this Document. The presentation of the customer reporting segments in the Profit and Loss and Balance Sheet of this Document has been revised for the 2014 financial year and the 2013 financial year. Specifically, revenue, expenses and associated customer balances between customer reporting segments have been reallocated based on where the customer relationship is managed ("Restated" customer segment figures), rather than the business from which the product originated ("As reported" customer segment figures). In order to provide a meaningful comparison to the Group's historical operations, "Restated" customer segment figures are presented for the 2014 financial year and the 2013 financial year and "As reported" customer segment figures are presented for the 2013 financial year and the 2012 financial year in this Document. The management discussion and analysis below comparing the 2014 financial year and the 2013 financial year references "Restated" customer segment figures, while the management discussion and analysis comparing the 2013 financial year and the 2012 financial year that follows references "As reported" customer segment figures. Refer also to "Disclosures - Financial Information Definitions – Reclassification of Customer Reporting Segments".

Year Ended June 2014 versus Restated June 2013

The Group's net profit after tax ("statutory basis") increased 12% on the prior year to $8,680 million.

Earnings per share ("statutory basis") increased 13% on the prior year to 533.8 cents per share and return on equity ("statutory basis") increased 70 basis points on the prior year to 18.7%.

The key components of the Group result ("statutory basis") were:

- **Net interest income** increased 8% to $15,101 million, including a 1% benefit from the lower Australian dollar. This result was otherwise driven by 8% growth in average interest earning assets and a one basis point increase in net interest margin.
- **Other banking income** increased 4% to $4,320 million due to volume driven growth in commissions and higher Markets trading income, partly offset by a lower favourable counterparty fair value adjustment and an impairment of the investment in Vietnam International Bank (VIB);
- **Funds management income** increased 10% to $2,034 million. During the period, the Group completed the internalisation of the management of CFS Retail Property Trust Group (CFX) and Kiwi Income Property Trust (KIP), and has ceased to manage the Commonwealth Property Office Fund (CPA). The Group also sold its entire proprietary unit holding in CPA and KIP and part of its proprietary unit holding in CFX (the Property Transactions). As such, these Property Transactions have been excluded from the calculation of Funds management income. Excluding the Property Transactions, Funds management income increased 15% due to a 20% increase in average FUA from positive net flows, strong investment performance and a 5% benefit from the lower Australian dollar. The increase was partly offset by a change in business mix;
- **Insurance income** increased 12% to $1,033 million due to 8% average inforce premium growth (a result of reducing lapse rates) and a 3% benefit from the lower Australian dollar;
- **Operating expenses** increased 5% to $9,573 million, including a 2% impact from the lower Australian dollar, and was otherwise due to higher staff costs from inflation-related salary increases, higher Information Technology (IT) expenses due to increased amortisation and software write-offs. This was partly offset by the continued realisation of operational efficiencies from productivity initiatives; and
- **Loan impairment expense** decreased 12% to $953 million due to a reduction in individual provisioning requirements.

As Reported June 2013 versus June 2012

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

Earnings per share ("statutory basis") increased 6% on the prior year to 477.9 cents per share, while return on equity ("statutory basis") decreased 50 basis points on the prior year to 18.2%.

The Group believes this full year result, delivered in an environment of subdued lending growth and higher deposit costs, demonstrated that its strategic focus on creating long term value for customers, shareholders and people enabled the delivery of positive returns in subdued operating conditions. The key components of the Group result ("statutory basis") were:

- **Net interest income** increased 6% to $13,934 million, reflecting 4% growth in average interest earning assets and a four basis point increase in net interest margin;
- **Other banking income** increased 4% to $4,237 million due to higher Markets trading income, including a favourable counterparty fair value adjustment;
- **Funds management income** increased 12% to $2,165 million primarily due to a 13% increase in average FUA, from positive net flows and improved markets;
- **Insurance income** decreased 1% to $1,218 million primarily due to a decrease in the policyholder tax gross up as a result of reduced movement in deferred tax on policy liabilities in comparison to significant movement in 2012 from decreased New Zealand Government bond rates and higher claims in wholesale life and higher lapses in retail life; partly offset by 16% average inforce premium growth and lower claims in retail;
- **Operating expenses** increased 4% to $9,680 million due to higher staff costs from salary increases, higher defined benefit superannuation expenses and higher IT expenses. IT costs increased due to enhancement of system capabilities and compliance with new regulatory obligations impacting the Wealth business, together with increased software amortisation driven by the Core Banking Modernisation (CBM) initiative. This was partly offset by the continued realisation of operational efficiencies from productivity initiatives; and

- Loan impairment expense increased 5% to $1,146 million primarily due to a provision of $64 million in Institutional Banking and Markets relating to the Bell Group litigation and increased commercial loan impairment expense, partly offset by improvement arrears in Retail Banking Services, particularly in the credit card and home loan portfolios.

More comprehensive disclosure of performance highlights by key business segments is contained on pages 55-90 of this Document.

Group Performance Analysis

Net Interest Income

	Full Year Ended					
		Restated		As reported		
	30 Jun 14	30 Jun 13	Jun 14 vs	30 Jun 13	30 Jun 12	Jun 13 vs
	$M	$M	Jun 13 %	$M	$M	Jun 12 %
Net interest income ("cash basis")	**15,091**	13,944	8	13,944	13,157	6
Hedging and IFRS volatility	**16**	20	(20)	20	(9)	large
Bankwest non-cash items	**(6)**	(30)	(80)	(30)	(26)	15
Net interest income ("statutory basis") (1)	**15,101**	13,934	8	13,934	13,122	6
Average interest earning assets						
Home loans	**386,160**	360,319	7	360,319	345,544	4
Personal loans	**22,499**	21,395	5	21,395	20,870	3
Business and corporate loans	**177,249**	168,296	5	168,296	162,409	4
Total average lending interest earning assets	**585,908**	550,010	7	550,010	528,823	4
Non-lending interest earning assets	**119,463**	103,627	15	103,627	100,862	3
Total average interest earning assets	**705,371**	653,637	8	653,637	629,685	4
Net interest margin ("statutory basis") (%)	**2.14**	2.13	1 bpt	2.13	2.09	4 bpts

(1) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" for further details. A reconciliation of the Net profit after tax ("cash basis") by business segment is provided in Note 28 to the 2014 Financial Statements."

June 2014 versus Restated June 2013

Net interest income ("statutory basis") increased by 8% on the prior year to $15,101 million. The result was driven by growth in average interest earning assets of 8% and a one basis point increase in net interest margin. This includes a 1% benefit from the lower Australian dollar.

Average Interest Earning Assets

Average interest earning assets increased by $52 billion on the prior year to $705 billion, reflecting a $36 billion increase in average lending interest earning assets and a $16 billion increase in average non-lending interest earning assets.

Home loan average balances increased by $26 billion, or 7%, on the prior year to $386 billion. The growth in home loan balances was largely driven by domestic banking growth that was in line with system.

Average balances for business and corporate lending increased by $9 billion on the prior year to $177 billion, driven by growth in institutional lending balances.

Average non-lending interest earning assets increased $16 billion on the prior year due to higher average levels of cash and liquid assets and trading assets.

Net Interest Margin

The Group's net interest margin ("statutory basis") increased one basis point on the prior year to 2.14%. The key drivers of the movement were:

Asset pricing: Decreased margin of two basis points, reflecting competitive pricing and change in mix with a shift in customer preference towards fixed rate home loans.

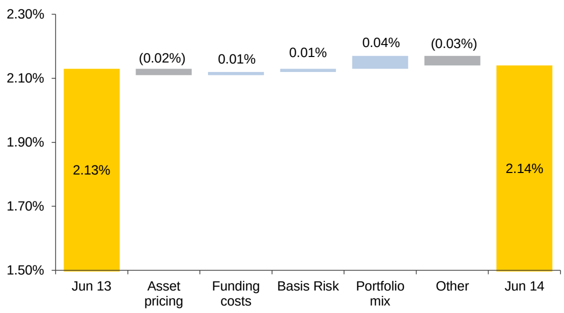
Funding costs: Increased margin of one basis point reflecting lower wholesale funding costs of two basis points, partly offset by a one basis point increase in deposits costs from ongoing strong competition and the impact of the falling cash rate environment.

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

Portfolio mix: Increased margin of four basis points from strong growth in higher margin portfolios, plus favourable funding mix.

Other: Decreased margin of three basis points, primarily driven by increased holdings of liquid assets.

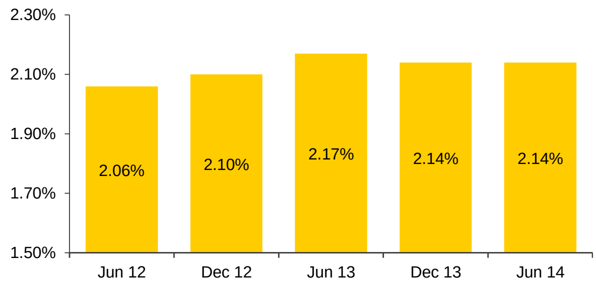
NIM Movement since June 2013



(1) For information on the Liquid Assets held by the Group refer to the Liquidity table on page 49 of this Document.

Net Interest Income (continued)

Group NIM (Half Year Ended)



As Reported June 2013 versus June 2012

Net interest income ("statutory basis") increased by 6% on the prior year to $13,934 million. The result was driven by growth in average interest earning assets of 4% together with a four basis point increase in net interest margin.

Average Interest Earning Assets

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

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

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

Average non-lending interest earning assets increased $3 billion on the prior year primarily due to higher average levels of liquid assets(1).

Net Interest Margin

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

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

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

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

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

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

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

Other Banking Income

	Full Year Ended					
		Restated		As reported		
	30 Jun 14 $M	30 Jun 13 (1) $M	Jun 14 vs Jun 13 %	30 Jun 13 $M	30 Jun 12 $M	Jun 13 vs Jun 12 %
Commissions	**2,130**	1,990	7	1,990	1,997	-
Lending fees	**1,083**	1,053	3	1,053	997	6
Trading income	**922**	863	7	863	522	65
Other income	**188**	250	(25)	315	411	(23)
Other banking income ("cash basis")	**4,323**	4,156	4	4,221	3,927	7
Hedging and IFRS volatility	**(27)**	16	large	16	162	(90)
Gain/loss on disposal of controlled entities	**24**	-	large	-	-	-
Other banking income ("statutory basis") (2)	**4,320**	4,172	4	4,237	4,089	4

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details. However, certain reclassifications among the Bank's customer segments have not been restated for the 2012 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2014 financial year and the 2013 financial year and "As reported" figures are presented for the 2013 financial year and 2012 financial year in the chart above. Refer to "Disclosures – Financial Information Definitions - Reclassification of Customer Reporting Segments" for further details.

(2) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" for further details. A reconciliation of the Net profit after tax ("cash basis") by business segment is provided in Note 28 to the 2014 Financial Statements.

Year Ended June 2014 versus Restated June 2013

Other banking income (Statutory basis) increased 4% on the prior year to $4,320 million, driven by the following revenue items:

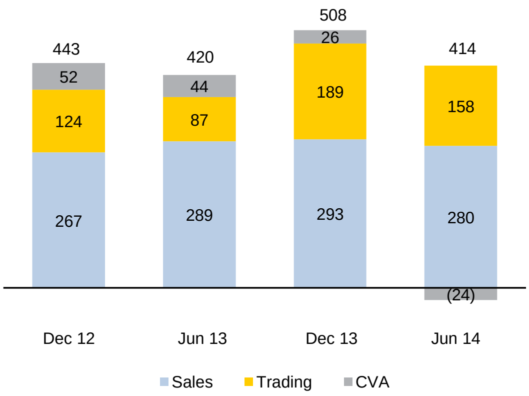
Commissions increased 7% on the prior year to $2,130 million, driven by higher credit card interchange income and a strong performance of retail foreign exchange products;

Lending fees increased 3% on the prior year to $1,083 million due to volume growth in cash advance facilities;

Trading income increased 7% on the prior year to $922 million, primarily driven by a strong performance in Markets and Treasury, and partly offset by a reduced benefit from favourable counterparty fair value adjustments; and

Other income decreased 25% on the prior year to $188 million, mainly driven by an impairment of the investment in VIB and the loss on the hedge of New Zealand earnings due to the NZD$ appreciation.

Net Trading Income ($M)



As Reported June 2013 versus June 2012

Other banking income ("statutory basis") increased 4% on the prior year to $4,237 million driven by the following revenue items:

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

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

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

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

Hedging and IFRS volatility includes unrealised fair value gains or losses on economic hedges that do not qualify for hedge accounting under IFRS, including cross currency interest rate swaps hedging foreign currency denominated debt issues and foreign exchange hedges relating to future New Zealand earnings.

Funds Management Income

	Full Year Ended					
	Restated			As reported		
	30 Jun 14 $M	30 Jun 13 (1) (2) $M	Jun 14 vs Jun 13 %	30 Jun 13 $M	30 Jun 12 $M	Jun 13 vs Jun 12 %
CFS Global Asset Management (CFSGAM) (3)	**739**	647	14	1,010	883	14
Colonial First State (3)	**829**	779	6	914	845	8
CommInsure	**132**	117	13	153	160	(4)
New Zealand	**60**	49	22	54	44	23
Property (4)	**137**	192	(29)	-	-	-
Other	**36**	44	(18)	15	25	(40)
Funds management income ("cash basis")	**1,933**	1,828	6	2,146	1,957	10
Treasury shares valuation adjustment	**(46)**	(63)	(27)	(63)	(15)	large
Policyholder tax	**59**	77	(23)	77	(9)	large
Investment experience	**88**	5	large	5	7	(29)
Funds management income ("statutory basis") (5)	**2,034**	1,847	10	2,165	1,940	12

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details. However, certain reclassifications among the Bank's customer segments have not been restated for the 2012 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2014 financial year and the 2013 financial year and "As reported" figures are presented for the 2013 financial year and 2012 financial year in the chart above. Refer to "Disclosures – Financial Information Definitions - Reclassification of Customer Reporting Segments" for further details.
(2) Comparative information has been restated to separately disclose the Property Transactions.
(3) Colonial First State incorporates the results of all financial planning businesses including Commonwealth Financial Planning.
(4) Property includes the Property Transactions
(5) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" for further details. A reconciliation of the Net profit after tax ("cash basis") by business segment is provided in Note 28 to the 2014 Financial Statements".

June 2014 versus Restated June 2013

Funds management income ("statutory basis") increased 10% on the prior year to $2,034 million. During the period, the Group completed the Property Transactions. Excluding the Property Transactions, Funds management income increased 15% on prior year driven by:

- A 20% increase in average FUA due to favourable investment markets and strong investment performance;
- Positive net flows and the benefit of a lower Australian dollar; partly offset by Funds management margin, which declined seven basis points largely due to business mix and higher volume expenses.

As Reported June 2013 versus June 2012

Funds management income ("statutory basis") increased 12% on the prior year to $2,165 million, driven by:

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

Insurance Income

	Full Year Ended					
		Restated		As reported		
	30 Jun 14	30 Jun 13 (1)	Jun 14 vs	30 Jun 13	30 Jun 12	Jun 13 vs
	$M	$M	Jun 13 %	$M	$M	Jun 12 %
CommInsure	**575**	542	6	716	691	4
New Zealand	**202**	171	18	247	227	9
IFS Asia	**36**	30	20	75	67	12
Other	**6**	(4)	large	(4)	(25)	(84)
Insurance income ("cash basis")	**819**	739	11	1,034	960	8
Policyholder tax	**67**	35	91	35	131	(73)
Investment experience	**147**	149	(1)	149	142	5
Insurance income ("statutory basis") (2)	**1,033**	923	12	1,218	1,233	(1)

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details. However, certain reclassifications among the Bank's customer segments have not been restated for the 2012 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2014 financial year and the 2013 financial year and "As reported" figures are presented for the 2013 financial year and 2012 financial year in the chart above. Refer to "Disclosures - Financial Information Definitions - Reclassification of Customer Reporting Segments" for further details.

(2) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" for further details. A reconciliation of the Net profit after tax ("cash basis") by business segment is provided in Note 28 to the 2014 Financial Statements".

June 2014 versus Restated June 2013

Insurance income ("statutory basis") increased by 12% on the prior year to $1,033 million, driven by:

- An increase in average inforce premiums of 8% to $3,068 million, driven by strong new business sales and the positive impact of retention initiatives on reducing lapse rates across CommInsure and New Zealand;
- The benefit from foreign-sourced income from New Zealand and Asia as result of a lower Australian dollar; partly offset by
- An increase in working claims in CommInsure General Insurance, increased claims experience in Retail Life and further reserve strengthening in Wholesale Life.

As reported June 2013 versus June 2012

Insurance income ("statutory basis") decreased by 1% on the prior year to $1,218 million, driven by:

- A decrease in the policyholder tax gross-up as a result of reduced movement in deferred tax on policy liabilities in comparison to significant movement in 2012 from decreased New Zealand Government bond rates; partly offset by
- An increase in average inforce premiums of 16% to $2,834 million, driven by strong new business sales by CommInsure, New Zealand and IFS Asia; and
- Improved CommInsure claims experience in retail life and general insurance, partly offset by unfavourable claims experience in wholesale life and increased lapse rates in retail life.

Operating Expenses

	Full Year Ended					
		Restated		As reported		
	30 Jun 14	30 Jun 13 (1)	Jun 14 vs	30 Jun 13	30 Jun 12	Jun 13 vs
	$M	$M	Jun 13 %	$M	$M	Jun 12 %
Staff expenses	**5,542**	5,232	6	5,148	4,947	4
Occupancy and equipment expenses	**1,053**	1,018	3	1,082	1,056	2
Information technology services expenses	**1,380**	1,299	6	1,299	1,159	12
Other expenses	**1,524**	1,461	4	2,076	2,034	2
Operating expenses ("cash basis")	**9,499**	9,010	5	9,605	9,196	4
Bankwest non-cash items	**74**	75	(1)	75	75	-
Count Financial Limited acquisition costs	**-**	-	-	-	60	large
Operating expenses ("statutory basis") (2)	**9,573**	9,085	5	9,680	9,331	4
Statutory operating expenses to total operating income (%)	**42. 6**	43. 5	(90)bpts	44. 9	45. 8	(90)bpts
Statutory banking expense to operating income (%)	**40. 1**	41. 0	(90)bpts	40. 5	41. 3	(80)bpts

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details. However, certain reclassifications among the Bank's customer segments have not been restated for the 2012 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2014 financial year and the 2013 financial year and "As reported" figures are presented for the 2013 financial year and 2012 financial year in the chart above. Refer to "Disclosures - Financial Information Definitions - Reclassification of Customer Reporting Segments" for further details.

(2) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" for further details. A reconciliation of the Net profit after tax ("cash basis") by business segment is provided in Note 28 to the 2014 Financial Statements". Comparative information has been restated to conform to presentation in the current year. Refer to financial information definitions 'Reclassification of certain Income Statement and Balance Sheet information' for more details.

June 2014 versus Restated June 2013

Operating expenses ("statutory basis") increased 5% on the prior year to $9,573 million.

Staff expenses increased by 6% to $5,542 million, including a 2% impact from the lower Australian dollar, and was otherwise driven by inflation-related salary increases and performance-related incentives;

Occupancy and equipment expenses increased by 3% to $1,053 million due to higher occupancy costs in New Zealand related to the head office relocation and an unfavourable foreign exchange impact;

Information technology services expenses increased by 6% to $1,380 million, driven by higher amortisation expenses and software write-offs;

Other expenses increased by 4% to $1,524 million, driven by increased professional fees and increased loyalty redemption volumes; and

Group expense to income ratio improved 90 basis points on the prior year to 42.6%, reflecting higher revenues and realised benefits from productivity initiatives. The Banking expense to income ratio improved 90 basis points on the prior year to 39.7%.

As reported June 2013 versus June 2012

Operating expenses ("statutory basis") increased 4% on the prior year to $9,680 million, as the realised benefits of productivity initiatives were offset by inflation, higher technology costs, variable operating costs and further investment in the business. The key drivers were:

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

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

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

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

Group expense to income ratio improved 90 basis points on the prior year to 44.9%, reflecting higher revenues and realised benefits of productivity initiatives. The banking expense to income ratio improved 80 basis points on the prior year to 40.5%.

Staff Numbers

	Full Year Ended		
Full-Time Equivalent Staff	**2014**	**2013**	**2012**
Australia	**34,312**	35,749	35,964
Total	**44,329**	44,969	44,844

Investment Spend

	Full Year Ended					
		Restated		As reported		
	30 Jun 14 $M	**30 Jun 13 $M**	**Jun 14 vs Jun 13 %**	**30 Jun 13 $M**	**30 Jun 12 $M**	**Jun 13 vs Jun 12 %**
Expensed investment spend (1)	**598**	566	6	566	502	13
Capitalised investment spend	**584**	671	(13)	671	784	(14)
Investment spend	**1,182**	1,237	(4)	1,237	1,286	(4)
Comprising:						
Productivity and growth	**774**	651	19	651	586	11
Core Banking Modernisation	**-**	200	large	200	368	(46)
Risk and compliance	**280**	234	20	234	188	24
Branch refurbishment and other	**128**	152	(16)	152	144	6
Investment spend	**1,182**	1,237	(4)	1,237	1,286	(4)

(1) Included within Operating Expense disclosure on page 34 of this Document.

The Group has continued to invest strongly to deliver on the strategic priorities of the business, with $1,182 million incurred in the full year to 30 June 2014, a reduction of 4% on the prior year.

The reduction is largely due to the completion of the CBM initiative in the prior year, partially offset by increased spending on initiatives that aim to increase productivity and growth as well as risk and compliance projects.

Spending on initiatives that aim to increase productivity and growth includes an increased focus on the Group's digital channels, which have produced innovative new offerings such as the new Commbank app, PayTag, Cardless Cash, the Lock & Limit Credit Card feature, the MyWealth platform, as well as the Commbank Small Business App, which is meant to improve the way small businesses accept payments and manage their cash flow.

Group Performance Analysis

Several initiatives are underway to deliver on the Group's One Commbank strategy, which is to focus on better understanding customer needs and developing deeper customer relationships.

Significant spending on risk and compliance projects has continued as systems are implemented to assist in satisfying new regulatory obligations, including Stronger Super, Future of Financial Advice (FOFA) reforms and the Foreign Account Tax Compliance Act (FATCA).

Spending on branch refurbishment and other matters decreased from the prior year, as the prior year included significant investment in the North Wharf offices in New Zealand.

Loan Impairment Expense

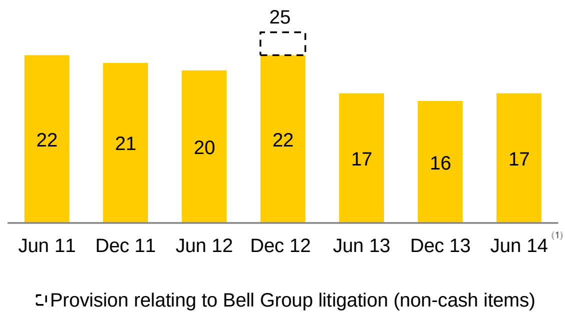
	Full Year Ended					
		Restated		As reported		
	30 Jun 14 $M	30 Jun 13 $M	Jun 14 vs Jun 13 %	30 Jun 13 $M	30 Jun 12 $M	Jun 13 vs Jun 12 %
Retail Banking Services	**566**	533	6	533	583	(9)
Business and Private Banking	**253**	280	(10)	280	266	5
Institutional Banking and Markets	**26**	218	(88)	218	154	42
New Zealand	**51**	44	16	44	37	19
Bankwest	**11**	118	(91)	118	61	93
IFS and Other	**11**	(47)	large	(47)	(12)	large
Loan impairment expense ("statutory basis")	**918**	1,146	(20)	1,146	1,089	5

June 2014 versus Restated June 2013

Loan impairment expense ("statutory basis") decreased 20% on the prior year to $918 million. The decrease was driven by:

- A significant reduction in the Bankwest individual provision funding charges, consistent with the impact of the low interest rate environment;
- Increased write-backs and recoveries in Institutional Banking and Markets; partly offset by
- Increased expense in Retail Banking Services as a result of continued portfolio growth and increased write-offs in the unsecured portfolios.

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



(1) 16 basis points, including the Bell Group write-back (non-cash item).

As reported June 2013 versus June 2012

Loan impairment expense ("statutory basis") increased 5% on the prior year to $1,146 million. The increase was driven by:

- A provision of $64 million in Institutional Banking and Markets relating to the Bell Group litigation;
- Increased expense in the commercial portfolios (Bankwest and Business and Private Banking); partly offset by
- Reduced loan impairment expense in Retail Banking Services following the improvements in arrears rates in the credit card and home loan portfolios.

Taxation Expense

Income Tax	30 Jun 14 $M	Restated 30 Jun 13 [1] $M	Jun 14 vs Jun 13 %	As reported 30 Jun 13 $M	As reported 30 Jun 12 $M	Jun 13 vs Jun 12 %
Retail Banking Services	**1,482**	1,315	13	1,297	1,139	14
Business and Private Banking	**651**	623	4	629	652	(4)
Institutional Banking and Markets	**413**	359	15	368	298	23
Wealth Management	**233**	249	(6)	253	235	8
New Zealand	**239**	204	17	209	185	13
Bankwest	**293**	243	21	243	227	7
IFS and Other	**(61)**	(40)	53	(22)	-	large
Total income tax expense ("cash basis")	**3,250**	2,953	10	2,977	2,736	9
Non-cash tax expense	**97**	58	67	(54)	122	large
Total income tax expense ("statutory basis") [2]	**3,347**	3,011	11	2,923	2,858	2

Effective Tax	30 Jun 14 %	Restated 30 Jun 13 %	Jun 14 vs Jun 13 %	As reported 30 Jun 13 %	As reported 30 Jun 12 %	Jun 13 vs Jun 12 %
Retail Banking Services	29. 9	29. 9	-	29. 8	29. 6	20 bpts
Business and Private Banking	29. 9	29. 7	20 bpts	29. 7	30. 1	(40)bpts
Institutional Banking and Markets	24. 8	22. 8	200 bpts	23. 1	21. 3	180 bpts
Wealth Management	23. 4	27. 6	(420)bpts	27. 7	27. 6	10 bpts
New Zealand	24. 4	24. 7	(30)bpts	24. 6	25. 7	(110)bpts
Bankwest	30. 1	29. 8	30 bpts	29. 8	33. 0	(320)bpts
Total – corporate	**27. 1**	27. 5	(40)bpts	27. 5	27. 8	(30)bpts

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details. However, certain reclassifications among the Bank's customer segments have not been restated for the 2012 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2014 financial year and the 2013 financial year and "As reported" figures are presented for the 2013 financial year and 2012 financial year in the chart above. Refer to "Disclosures - Financial Information Definitions - Reclassification of Customer Reporting Segments" for further details.

(2) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" for further details. A reconciliation of the Net profit after tax ("cash basis") by business segment is provided in Note 28 to the 2014 Financial Statements".

June 2014 versus Restated June 2013

Corporate tax expense (“statutory basis”) for the year ended 30 June 2014 increased 11% on the prior year, representing a 27.1% effective tax rate.

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

As reported June 2013 versus June 2012

Corporate tax expense (“statutory basis”) for the year ended 30 June 2013 was $2,923 million, a 2% increase on the prior year, representing a 27.5% effective tax rate.

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

Review of Group Assets and Liabilities

Total Group Assets and Liabilities	Full Year Ended 30 Jun 14 $M	Restated 30 Jun 13 $M	Restated Jun 14 vs Jun 13 %	As reported 30 Jun 13 $M	As reported 30 Jun 12 $M	As reported Jun 13 vs Jun 12 %
Interest earning assets						
Home loans	**399,685**	372,840	7	372,840	352,981	6
Personal loans	**23,058**	22,013	5	22,013	21,057	5
Business and corporate loans	**183,930**	172,314	7	172,314	166,188	4
Loans, bills discounted and other receivables	**606,673**	567,167	7	567,167	540,226	5
Non-lending interest earning assets	**119,699**	106,060	13	106,060	104,304	2
Total interest earning assets	**726,372**	673,227	8	673,227	644,530	4
Other assets (1) (2)	**65,079**	80,630	(19)	80,649	74,329	9
Total assets	**791,451**	753,857	5	753,876	718,859	5
Interest bearing liabilities						
Transaction deposits	**102,086**	87,673	16	87,673	81,104	8
Savings deposits	**127,430**	106,935	19	106,935	91,279	17
Investment deposits	**195,529**	199,397	(2)	199,397	197,138	1
Other demand deposits	**60,832**	54,472	12	54,472	58,852	(7)
Total interest bearing deposits	**485,877**	448,477	8	448,477	428,373	5
Debt issues	**147,246**	138,871	6	138,871	134,429	3
Other interest bearing liabilities	**42,079**	44,306	(5)	44,306	38,704	14
Total interest bearing liabilities	**675,202**	631,654	7	631,654	601,506	5
Non-interest bearing liabilities (2)	**66,901**	76,666	(13)	76,730	75,781	1
Total liabilities	**742,103**	708,320	5	708,384	677,287	5

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

(2) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details. However, certain reclassifications among the Bank's customer segments have not been restated for the 2012 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2014 financial year and the 2013 financial year and "As reported" figures are presented for the 2013 financial year and 2012 financial year in the chart above. Refer to "Disclosures - Financial Information Definitions - Reclassification of Customer Reporting Segments" for further details.

June 2014 versus Restated June 2013

Asset growth of $38 billion, or 5%, on the prior year was due to increased home lending, business and corporate lending and higher cash and liquid asset balances.

The Group continued to satisfy a significant portion of its funding requirements from customer deposits. Customer deposits now represent 64% of total funding, a 1% increase since 30 June 2013.

Home loans

Home loan balances increased $27 billion to $400 billion, reflecting a 7% increase on the prior year. This includes a 1% increase due to the lower Australian dollar. Growth in Retail Banking Services was broadly in line with system growth within a competitive market environment, while Bankwest achieved above system growth.

Business and corporate loans

Business and corporate loans increased $12 billion to $184 billion, a 7% increase on the prior year. This includes a 1% increase due to the lower Australian dollar. This was driven by strong growth in commercial and institutional lending balances, higher leasing balances (mainly in the United Kingdom and Asia) and above system growth in New Zealand. This was partly offset by the continued reduction in higher risk pre-acquisition exposures in Bankwest.

Consumer finance

Personal loans, including credit cards and margin lending, increased 5% on the prior year to $23 billion due to continued growth in personal loan balances and above market credit card growth in Retail Banking Services and New Zealand.

Non-lending interest earning assets

Non-lending interest earning assets increased $14 billion to $120 billion, reflecting a 13% increase on the prior year. This includes a 2% increase due to the lower Australian dollar. This increase was driven by higher liquid asset balances held as a result of balance sheet growth and regulatory requirements.

Other assets

Other assets, including derivative assets, insurance assets and intangibles, decreased $16 billion to $65 billion, a 19% decrease on the prior year. This decrease reflected lower derivative asset balances.

Interest bearing deposits

Interest bearing deposits increased $37 billion to $486 billion, an 8% increase on the prior year.

This was driven by growth of $20 billion in savings deposits, a $14 billion increase in transaction deposits and a $6 billion increase in other demand deposits. This was partly offset by a $4 billion decrease in investment deposits.

Debt issues

Debt issues increased $8 billion to $147 billion, a 6% increase on the prior year.

Refer to page 52 of this Document for further information on debt programs and issuance for the year ended 30 June 2014.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through the income statement and amounts due to other financial institutions, decreased $2 billion to $42 billion, a 5% decrease on the prior year.

Non-interest bearing liabilities

Non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, decreased $10 billion to $67 billion, a 13% decrease on the prior year.

As reported June 2013 versus June 2012

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

The Group continued to satisfy a significant portion of its funding requirements from customer deposits. Customer deposits represented 63% of total funding at 30 June 2013, a 1% increase since 30 June 2012.

Home loans

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

Personal loans

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

Business and corporate loans

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

Non-lending interest earning assets

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

Other assets

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

Interest bearing deposits

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

Customer preference for lower risk investments together with targeted campaigns in a highly competitive market resulted in growth of $16 billion in savings deposits, a $7 billion increase in transaction deposits and a $2 billion increase in investment.

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Contents

Loan Impairment Provisions and Credit Quality

Provisions for Impairment

	As at				
	30 Jun 14 $M	30 Jun 13 $M	30 Jun 12 $M	Jun 14 vs Jun 13 %	Jun 13 vs Jun 12 %
Provisions for impairment losses					
Collective provision	**2,779**	2,858	2,837	(3)	1
Individually assessed provisions	**1,127**	1,628	2,008	(31)	(19)
Total provisions for impairment losses	**3,906**	4,486	4,845	(13)	(7)
Less: Off balance sheet provisions	**(40)**	(31)	(18)	29	72
Total provisions for loan impairment	**3,866**	4,455	4,827	(13)	(8)

June 2014 versus June 2013

Total provisions for impairment losses decreased 13% on the prior year to $3,906 million as at 30 June 2014. The movement in the level of provisioning reflects:

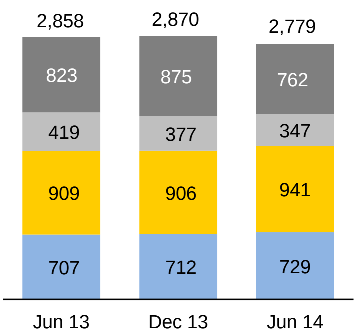
- Reduced individually assessed provisions as the level of impaired assets continues to reduce;
- A reduction of Bankwest collective provisions as troublesome loans continued to be refinanced or repaid; partly offset by
- Increased collective provisioning in the Commercial and Retail portfolios as a result of the annual review of factors and refinements to models; and
- Economic overlays remain unchanged on the prior year.

June 2013 versus June 2012

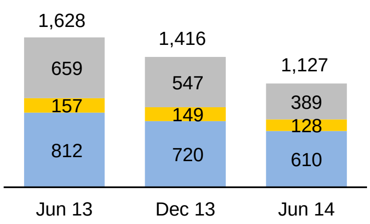
Total provisions for impairment losses decreased 7% on the prior year to $4,486 million as at 30 June 2013. The movement in the level of provisioning reflects:

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

Collective Provisions ($M)



Individually Assessed Provisions ($M)



Overlay Bankwest Consumer Commercial

Loan Impairment Provisions and Credit Quality

Credit Quality

Credit Quality Metrics	Full Year Ended					
		Restated		As reported		
	30 Jun 14	30 Jun 13	Jun 14 vs Jun 13 %	30 Jun 13	30 Jun 12	Jun 13 vs Jun 12 %
Gross loans and acceptances (GLAA) ($M)	**608,127**	568,821	7	568,821	542,097	5
Risk weighted assets (RWA) - Basel III ($M)	**337,768**	329,158	n/a	329,158	n/a	n/a
Risk weighted assets (RWA) - Basel 2.5 ($M)	**n/a**	n/a	n/a	n/a	302,787	n/a
Credit risk weighted assets - Basel III ($M)	**289,191**	279,674	n/a	279,674	n/a	n/a
Credit risk weighted assets - Basel 2.5 ($M)	**n/a**	n/a	n/a	n/a	261,429	n/a
Gross impaired assets ($M)	**3,367**	4,330	(22)	4,330	4,687	(8)
Net impaired assets ($M)	**2,101**	2,571	(18)	2,571	2,556	1
Provision Ratios						
Collective provision as a % of credit risk weighted assets - Basel III	**0. 96**	1. 02	n/a	1. 02	n/a	n/a
Total provision as a % of credit risk weighted assets - Basel III	**1. 35**	1. 60	n/a	1. 60	n/a	n/a
Collective provision as a % of credit risk weighted assets - Basel 2.5	**n/a**	n/a	n/a	n/a	1. 09	n/a
Total provision as a % of credit risk weighted assets - Basel 2.5	**n/a**	n/a	n/a	n/a	1. 85	n/a
Total provisions for impaired assets as a % of gross impaired assets	**37. 60**	40. 62	(302)bpts	40. 62	45. 47	(485)bpts
Total provisions for impairment losses as a % of GLAA's	**0. 64**	0. 79	(15)bpts	0. 79	0. 89	(10)bpts
Asset quality ratios						
Gross impaired assets as a % of GLAA's	**0. 55**	0. 76	(21)bpts	0. 76	0. 86	(10)bpts
Loans 90+ days past due but not impaired as a % of GLAA's (1)	**0. 39**	0. 39	-	0. 41	0. 53	(12)bpts
Loan impairment expense ("statutory basis") annualised as a % of average GLAA's	**0. 16**	0. 20	(4)bpts	0. 20	0. 21	(1)bpt

(1) Comparative information has been restated to conform to presentation in the current year. Credit cards 90+ days are now included in loans 90+ days past due but not impaired as a percentage of GLAA's.

Provision Ratios

Provision coverage ratios remain strong with collective provisions to Credit Risk Weighted Assets at 0.96% and Total Provisions to Credit Risk Weighted Assets at 1.35%.

Asset Quality

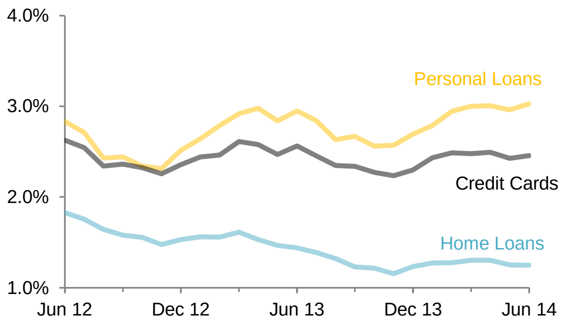
The low interest rate environment means that troublesome and impaired assets have continued to decline and the arrears for the retail portfolios remain relatively low.

Retail Portfolios – Arrears Rates

Retail arrears for home loans and credit card products improved during the year.

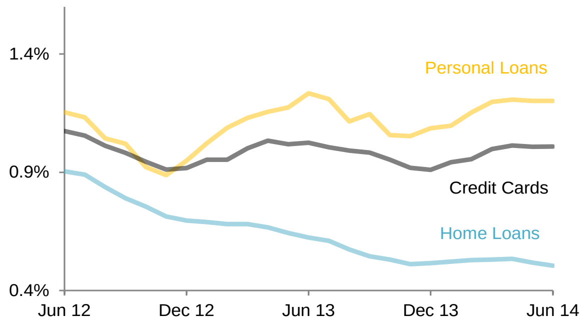
Home loan arrears declined over the year, with 30+ day arrears decreasing from 1.44% to 1.25%, and 90+ day arrears reducing from 0.62% to 0.50%. Credit card arrears also improved, with credit card 30+ day arrears falling from 2.56% to 2.46%, and 90+ day arrears reducing from 1.02% to 1.01%. Personal loan arrears were mixed over the year as 30+ day arrears increased from 2.95% to 3.03%, and 90+ day arrears reduced from 1.23% to 1.20%.

30+ Days Arrears Ratios (%) (1)



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

90+ Days Arrears Ratios (%) (1)

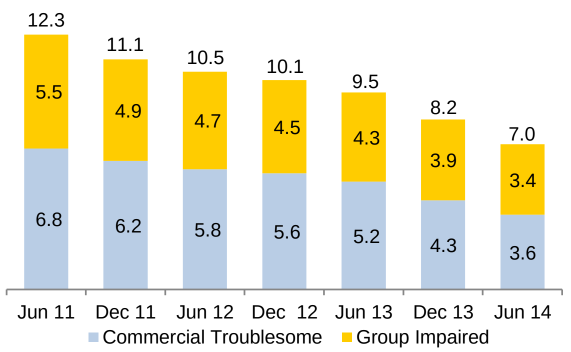


Troublesome and Impaired Assets

Commercial troublesome assets declined 31% during the year to $3,584 million.

Gross impaired assets decreased 22% on the prior year to $3,367 million. Gross impaired assets as a proportion of gross loans and acceptances of 0.55% decreased 21 basis points on the prior year, reflecting the improving quality of the corporate portfolios.

Troublesome and Impaired Assets ($B)



Group Operations and Business Settings

Basel Regulatory Framework

Background

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

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

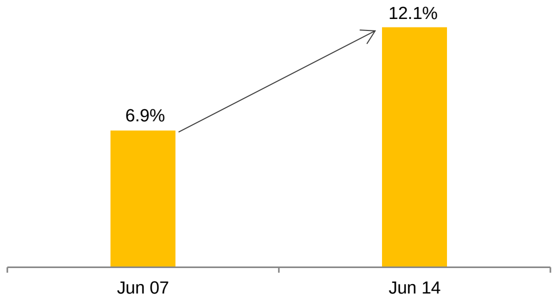
In September 2012, APRA published final standards relating to the implementation of the Basel III capital reforms in Australia. APRA has adopted a more conservative approach than the minimum standards published by the BCBS and a more accelerated timetable for implementation.

APRA Prudential Standards require a minimum CET1 ratio of 4.5% effective from 1 January 2013. An additional CET1 capital conservation buffer of 3.5%, which includes an additional buffer of 1% due to the Bank's designation as a Domestic Systemically Important Bank (DSIB), will be implemented on 1 January 2016, bringing the APRA CET1 requirement for the Group to 8%.

Internationally Harmonised Capital Position

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

As at 30 June 2014, the Group's CET1 ratio on an internationally harmonised basis was 12.1%. This is well in excess of the current prescribed minimum by BCBS of 4.5%.



The Group believes it has adopted a conservative and proactive approach to capital management and this is reflected in the overall strength of its capital position. The Group's CET1 ratio on an internationally harmonised basis has increased by 75% since the June 2007.

APRA Capital Requirements

As at 30 June 2014, the Group has an APRA CET1 ratio of 9.3%, well above the current APRA minimum ratio of 4.5%.

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

Deductions

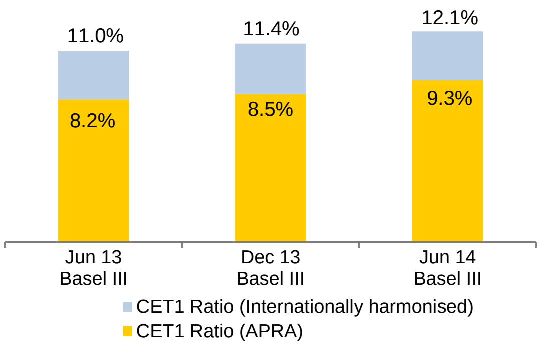
- APRA requires a full deduction to be taken against CET1 for equity investments (including investments in insurance and funds management operations) and deferred tax assets. On an internationally harmonised basis, such items are concessionally risk weighted if they fall below prescribed thresholds.

Risk Weighted Assets

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

Capital Position

The Group maintained a strong capital position with the capital ratios well in excess of regulatory minimum capital adequacy requirements at all times throughout the year ended 30 June 2014.



During the six months ended 30 June 2014, the Group's CET1 ratio on an internationally harmonised basis and APRA CET1 ratio increased by 70 and 80 basis points, respectively. The increase in capital was primarily driven by capital generated from earnings and the realisation of the benefits associated with the Property Transactions. These more than offset the impact of the December 2013 interim dividend payment (net of shares issued under the Dividend Reinvestment Plan (DRP)) and an increase in Credit Risk Weighted Assets.

During the June 2014 financial year, the Group's CET1 ratio on an internationally harmonised basis and APRA CET1 ratio both increased by 110 basis points, with the strong growth reflecting the sustained organic capital generation of the Group.

Capital Initiatives

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

- The DRP for the 2013 final dividend was satisfied in full by the on-market purchase of shares. The participation rate for the DRP was 22.4%; and
- The DRP in respect of the 2014 interim dividend was satisfied by the allocation of $707 million of ordinary shares, representing a participation rate of 24%.

Pillar 3 Disclosures

Full details on the market disclosures required under Pillar 3, per Prudential Standard APS 330 "Public Disclosure", are provided on the Group's U.S. investor website at: www.commbank.com.au/usinvestors.

Other Regulatory Changes

Composition of Level 2 ADI Groups

In May 2014, APRA provided more clarity in relation to the definition of the Level 2 Banking Group. Subsidiary intermediate holding companies are now considered part of the Level 2 Group, regardless of the nature of any activity undertaken by the operating subsidiary. As a result, the Group's capital benefits arising from the debt issued by the Colonial Group will be phased out.

APRA has advised that transition arrangements will apply to impacted capital ratios in line with the existing maturity profile of the debt.

Given the transitional arrangements and the maturity profile of the debt, there is no immediate effect on the Group's capital ratios. The impact on future periods is expected to be minimal given the Group's strong capital generation capabilities.

Conglomerate Groups

In May 2013, APRA released a discussion paper and draft Prudential Standards titled "Supervision of Conglomerate Groups" focusing on the requirements of risk management and capital adequacy. APRA is extending its current prudential supervision framework to Conglomerate Groups that have material operations in more than one APRA regulated industry and/or have one or more material unregulated entities. The aims of the Level 3 proposals are to ensure that a Conglomerate Group holds adequate capital to protect the APRA regulated entities from potential contagion and other risks within the Group. APRA has yet to release final standards, with implementation of these new requirements scheduled from 1 January 2015.

Leverage Ratio

In January 2014, the BCBS endorsed the leverage ratio framework and disclosure requirements. The ratio is defined as Tier 1 Capital as a percentage of exposures, with a proposed minimum of 3%.

Public disclosure of the leverage ratio will commence from 1 January 2015. The BCBS has advised that any final adjustments to the definition and calibration of the ratio will be made by 2017. Migration to a Pillar 1 (minimum capital requirement) is expected from 1 January 2018.

Group Operations and Business Settings

The tables below show the APRA Basel III capital adequacy calculation at 30 June 2014 together with prior period comparatives.

Risk Weighted Capital Ratios	APRA 30 Jun 14 %	APRA 31 Dec 13 %	APRA 30 Jun 13 %
Common Equity Tier 1	**9.3**	8.5	8.2
Tier 1	**11.1**	10.6	10.3
Tier 2	**0.9**	0.8	0.9
Total Capital	**12.0**	11.4	11.2

	APRA 30 Jun 14 $M	APRA 31 Dec 13 $M	APRA 30 Jun 13 $M
Ordinary Share Capital and Treasury Shares			
Ordinary Share Capital	**27,036**	26,327	26,323
Treasury Shares [1]	**290**	293	297
Ordinary Share Capital and Treasury Shares	**27,326**	26,620	26,620
Reserves			
Reserves	**2,009**	1,780	1,333
Reserves related to non consolidated subsidiaries [2]	**(47)**	(59)	56
Total Reserves	**1,962**	1,721	1,389
Retained Earnings and Current Period Profits			
Retained earnings and current period profits	**18,827**	17,455	16,405
Retained earnings adjustment from non consolidated subsidiaries [3]	**(368)**	(472)	(345)
Net Retained Earnings	**18,459**	16,983	16,060
Non controlling interest			
Non controlling interest [4]	**537**	536	537
ASB perpetual preference shares	**(505)**	(505)	(505)
Less other non controlling interests not eligible under Basel III	**(32)**	(31)	(32)
Minority Interest	**-**	-	-
Common Equity Tier 1 Capital before regulatory adjustments	**47,747**	45,324	44,069

(1) Represents shares held by the Group's life insurance operations ($129 million) and employee share scheme trusts ($162 million).

(2) Reserve balances associated with the Insurance and Funds Management entities and those entities through which securitisation of the Group's assets are conducted. These entities are classified as non-consolidated subsidiaries by APRA and are excluded from the Level 2 Regulatory Consolidated Banking Group.

(3) Cumulative current year profit and retained earnings adjustments for subsidiaries not consolidated for regulatory purposes.

(4) Non-controlling interests predominantly comprise ASB Perpetual Preference Shares of NZD$550 million issued by a New Zealand subsidiary entity. These are non-redeemable and carry limited voting rights. These are classified as Additional Tier 1 Capital.

	APRA Basel III 30 Jun 14 $M	APRA Basel III 31 Dec 13 $M	APRA Basel III 30 Jun 13 $M
Common Equity Tier 1 regulatory adjustments			
Goodwill	**(7,566)**	(7,694)	(7,723)
Other intangibles (excluding software) (1)	**(295)**	(644)	(682)
Capitalised costs	**(285)**	(275)	(272)
Capitalised software	**(1,854)**	(1,950)	(1,923)
General reserve for credit losses (2)	**(214)**	(198)	(208)
Deferred tax asset (3)	**(1,164)**	(1,248)	(1,400)
Cash flow hedge reserve (4)	**(224)**	(169)	(368)
Employee compensation reserve (4)	**(125)**	(79)	(132)
Equity investments (5)	**(2,589)**	(2,924)	(2,738)
Equity investments in non consolidated subsidiaries (6)	**(1,219)**	(1,218)	(1,196)
Shortfall of provisions to expected losses (7)	**(502)**	(236)	(271)
Deferred fees	**(103)**	7	59
Gain due to changes in own credit risk on fair valued liabilities	**(48)**	(6)	(11)
Other	**(148)**	(152)	(174)
Common Equity Tier 1 regulatory adjustments	**(16,336)**	(16,786)	(17,039)
Common Equity Tier 1	**31,411**	28,538	27,030
Additional Tier 1 Capital			
Basel III Complying Instruments (8)	**2,000**	2,000	2,000
Basel III non complying instruments net of transitional amortisation (9)	**4,196**	4,720	4,720
Additional Tier 1 Capital	**6,196**	6,720	6,720
Tier 1 Capital	**37,607**	35,258	33,750
Tier 2 Capital			
Basel III Complying Instruments (10)	**234**	-	-
Basel III non complying instruments net of transitional amortisation (11)	**2,530**	-	2,901
Holding of own Tier 2 Capital	**-**	-	(15)
Prudential general reserve for credit losses (12)	**171**	194	202
Total Tier 2 Capital	**2,935**	194	3,088
Total Capital	**40,542**	35,452	36,838

(1) Other intangibles (excluding capitalised software costs), net of any associated deferred tax liability.

(2) Adjustment to ensure the Group has sufficient provisions and capital to cover credit losses estimated to arise over the full life of individual facilities, as required by APRA Prudential Standard APS 220.

(3) Deferred tax assets net of deferred tax liabilities.

(4) Cash flow Hedge Reserve and Employee Compensation Reserve balances are ineligible for inclusion in CET1.

(5) Represents the Group's non-controlling interest in other entities.

(6) Represents the net tangible assets within the non-consolidated subsidiaries (primarily the insurance and funds management businesses operating within the Colonial Group). The adjustment is net of $1,250 million in non-recourse debt (31 December 2013: $1,215 million, 30 June 2013: $1,315 million) and $1,000 million in Colonial Group Subordinated Notes (31 December 2013: $1,000 million, 30 June 2013: $1,000 million). The Group's Insurance and fund management companies held $1,374 million of capital in excess of minimum regulatory capital requirements at 30 June 2014.

(7) Regulatory Expected Loss (pre-tax) using stressed loss given default assumptions associated with the loan portfolio in excess of eligible credit provisions (pre-tax).

(8) Comprises PERLS VI $2 billion issued in October 2012.

(9) Represents APRA Basel III non-compliant Additional Tier 1 Capital Instruments (PERLS III, PERLS V, Trust Preferred Securities (TPS) 03, TPS 06, ASB Perpetual Preference Shares, and Perpetual Exchangeable Floating Rate Note). These instruments are eligible for Basel III transitional relief.

(10) In April 2014, the Group issued NZD$400 million ASB Subordinated Notes through ASB, its New Zealand subsidiary. The notes are Basel III compliant Tier 2 securities and fully contribute towards ASB capital ratios. The amount of these notes that contributes to ASB capital in excess of its minimum regulatory requirements is not eligible for inclusion in the Group's capital (30 June 2014 ineligible amount, AUD$138 million).

(11) Includes both perpetual and term instruments subordinated to depositors and general creditors, having an original maturity of at least five years. APRA require these to be included as if they were unhedged. Term instruments are amortised 20% of the original amount during each of the last five years to maturity. These instruments are eligible for Basel III transitional relief. The June 2014 financial year included the redemption of $500 million in subordinated Tier 2 debt.

(12) Represents the collective provision and general reserve for credit losses for exposures in the Group which are measured for capital purposes under the Standardised approach to credit risk.

Risk Weighted Assets

Risk Weighted Assets	Risk Weighted Assets (1) Basel III 30 Jun 14 $M	Basel III 31 Dec 13 $M	Basel III 30 Jun 13 $M
Credit Risk			
Subject to Advanced IRB approach			
Corporate	**49,067**	48,331	53,468
SME Corporate	**22,478**	22,548	30,835
SME Retail	**4,831**	4,711	4,203
SME Retail secured by residential mortgage (2)	**3,992**	3,023	2,862
Sovereign	**5,330**	3,985	3,684
Bank	**10,131**	10,073	10,328
Residential mortgage	**65,986**	64,774	63,879
Qualifying revolving retail	**8,215**	6,553	6,683
Other retail	**12,757**	11,827	11,093
Impact of the regulatory scaling factor (3)	**10,967**	10,550	11,222
Total Risk Weighted Assets subject to Advanced IRB approach	**193,754**	186,375	198,257
Specialised lending exposures subject to slotting criteria	**48,935**	48,514	50,392
Subject to Standardised approach			
Corporate	**10,850**	11,087	3,684
SME Corporate	**4,924**	5,382	525
SME Retail	**5,207**	4,615	4,572
Sovereign	**124**	106	249
Bank	**220**	247	176
Residential mortgage	**6,040**	6,182	2,432
Other retail	**2,648**	2,571	2,224
Other assets	**4,214**	4,586	4,395
Total Risk Weighted Assets subject to Standardised approach	**34,227**	34,776	18,257
Securitisation	**5,010**	5,722	5,373
Credit valuation adjustment	**6,689**	6,381	7,395
Central counterparties	**576**	436	-
Total Risk Weighted Assets for Credit Risk Exposures	**289,191**	282,204	279,674
Traded market risk	**5,284**	5,970	5,151
Interest rate risk in the banking book	**14,762**	17,543	16,289
Operational risk	**28,531**	28,480	28,044
Total Risk Weighted Assets	**337,768**	334,197	329,158

(1) Effective 31 December 2013 APRA revoked the extension of the Group's AIRB accreditation to the Bankwest non-retail portfolio. This resulted in a reclassification of exposures and Risk Weighted Assets (RWA) from Advanced to Standardised. The impact on the Group's RWA and overall capital levels was not material.

(2) Advanced RWA for SME retail exposures secured by residential mortgages is calculated using the same method as advanced residential mortgages. From June 2014, unless specified otherwise, the Group will include these exposures under SME retail. Prior to that date, these exposures were included in residential mortgages.

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

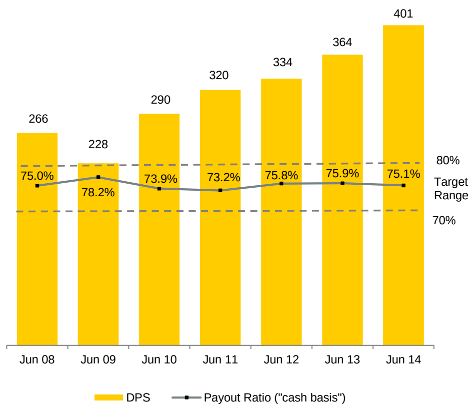
Dividends

Final Dividend for the Year Ended 30 June 2014

The final dividend declared was $2.18 per share, bringing the total dividend for the year ended 30 June 2014 to $4.01 per share. This represents a dividend payout ratio ("statutory basis") of 75.5% and is 10% above the prior full year dividend.

The final dividend will be fully franked and will be paid on 2 October 2014 to owners of ordinary shares at the close of business on 21 August 2014 (record date). Shares will be quoted ex-dividend on 19 August 2014.

Full Year Dividend History (cents per share)



Dividend Reinvestment Plan

The DRP will continue to operate but no discount will be applied to shares allocated under the plan for the final dividend. The DRP for the 2014 final dividend is anticipated to be satisfied in full by an on-market purchase of shares.

Dividend Policy

The Group will seek to:

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

Liquidity

	As at				
	30 Jun 14 $M	**30 Jun 13 $M**	**30 Jun 12 $M**	**Jun 14 vs Jun 13 %**	**Jun 13 vs Jun 12 %**
Internal RMBS	**51,864**	57,852	57,730	(10)	-
Bank, NCD, Bills, RMBS, Supra, Covered Bonds	**30,932**	29,540	32,429	5	(9)
Cash, Government and Semi-Government Bonds	**56,621**	49,324	44,418	15	11
Liquid Assets (1)	**139,417**	136,716	134,577	2	2

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

June 2014 versus June 2013

The Group holds what it believes to be a high quality, well diversified, liquid asset portfolio to prudently meet balance sheet liquidity needs and regulatory requirements.

Liquid assets increased $3 billion to $139 billion, a 2% increase on the prior year. The increase was driven by the growth in deposits, which increased the regulatory minimum requirement.

Excluding internal Residential Mortgage Backed Securities (RMBS), the Group held $88 billion of liquid assets, well above the regulatory minimum requirement of $69 billion.

June 2013 versus June 2012

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

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

Liquidity and Capital Resources

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 "stress" liquidity crisis scenarios, incorporating both systemic and "name" crisis assumptions, such that the Group expects to 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
- The Contingent Funding Plan is in place and regularly tested so that it can be initiated in case of need due to a liquidity event.

Recent Market Environment

In January 2014, APRA issued revised Prudential Standard APS210 to implement the Basel III liquidity reforms in Australia. APS210 requires ADIs to maintain a ratio of high quality liquid assets to projected 30 day cash outflows (LCR) of at least 100%. In addition, the standard requires ADIs to calculate "going concern" and "stress" funding and liquidity metrics. LCR compliance is required from 1 January 2015 until which time the Group is subject to the existing "name crisis".

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 on pages 46 – 47 of this Document.

Commitments for capital expenditure not provided for	2014 $M	2013 $M
Not later than one year	-	17
Total commitments for capital expenditure not provided for	**-**	17

Debt Issues (for further details see Note 21 to the 2014 Financial Statements)

	2014 $M	2013 $M	2012 $M
Medium term notes	**72,608**	71,039	69,923
Commercial paper	**32,905**	34,602	34,142
Securitisation notes	**11,426**	8,929	7,858
Covered bonds	**25,280**	18,238	12,789
Total debt issues	**142,219**	132,808	124,712
Short Term Debt Issues by currency			
USD	**32,155**	34,230	28,437
EUR	**178**	99	99
AUD	**164**	91	181
GBP	**333**	182	5,305
Other currencies	**75**	-	120
Long term debt issues with less than one year to maturity	**20,375**	20,116	15,983
Total short term debt issues	**53,280**	54,718	50,125
Long Term Debt Issues by currency			
USD	**28,298**	30,581	31,017
EUR	**22,748**	17,077	12,492
AUD	**16,334**	12,742	13,035
GBP	**5,975**	3,695	2,071
NZD	**2,910**	2,397	2,715
JPY	**6,353**	4,911	7,018
Other currencies	**5,875**	6,648	6,195
Offshore loans (all JPY)	**446**	39	44
Total long term debt issues	**88,939**	78,090	74,587
Maturity Distribution of Debt Issues (1)			
Less than three months	**14,666**	16,472	24,586
Between three and twelve months	**38,614**	38,246	25,539
Between one and five years	**66,649**	56,970	54,863
Greater than five years	**22,290**	21,120	19,724
Total debt issues	**142,219**	132,808	124,712

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

Debt Issues (continued)

The following table details the current debt programs and issuing shelves along with program or shelf size as at 30 June 2014. Access in a timely and flexible manner to a diverse range of debt markets and investors is provided by the following programs.

Debt Programs and Issuing Shelves

Program/Issue Shelf	Program/Issuing Shelf Type
Australia	
Unlimited	Domestic Debt Issuance Program
Unlimited	CHCL AS Debt Issuance Program
Euro Market	
EUR 7 billion	ASB Covered Bond Program
USD 7 billion	ASB Euro Commercial Paper Program
USD 20 billion	CBA Euro Commercial Paper Program
USD 70 billion	Euro Medium Term Note Program (1)(2)
USD 10 billion	ASB Extendible Notes Program
USD 9 billion	Bankwest Euro Commercial Paper Program
Asia	
JPY 500 billion	Uridashi shelf (2)
New Zealand	
Unlimited	ASB Domestic Medium Term Note Program
Unlimited	ASB Registered Certificate of Deposit Program
United States	
USD 7 billion (1)	ASB Commercial Paper Program
USD 35 billion	CBA Commercial Paper Program
USD 50 billion	U.S. Rule 144A/Regulation S Medium Term Note Program
USD 30 billion	CBA Covered Bond Program
USD 25 billion	CBA 3(a)(2) Program

(1) ASB Finance Limited, unconditionally and irrevocable guaranteed by ASB Bank Limited, is also an issuer under this program.
(2) Amounts are also reflected under the $70 billion Euro Medium Term Note Program.

An analysis of our borrowings and outstandings from existing debt programs and issuing shelves including the maturity profile, currency and interest rate structure can be found in Notes 21 and 23 to the 2014 Financial Statements.

Funding

Group Funding (1)	30 Jun 14 $M	30 Jun 13 $M	30 Jun 12 $M	Jun 14 vs Jun 13 %	Jun 13 vs Jun 12 %
	As at				
Customer deposits	**438,890**	405,377	379,299	8	7
Short term wholesale funding	**109,318**	107,758	108,491	1	(1)
Short sales	**4,103**	2,837	2,480	45	14
Long term wholesale funding - less than one year residual maturity	**30,892**	29,129	25,715	6	13
Long term wholesale funding - more than one year residual maturity (2)	**102,163**	96,611	103,638	6	(7)
IFRS MTM and derivative FX revaluations	**3,251**	1,837	(5,417)	77	large
Total wholesale funding	**249,727**	238,172	234,907	5	1
Total funding	**688,617**	643,549	614,206	7	5

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

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

June 2014 versus June 2013

Customer Deposits

Customer deposits accounted for 64% of total funding at 30 June 2014, compared to 63% in the prior year. Strong deposit growth has seen the Group satisfy a significant proportion of its funding requirements from customer deposits. The remaining 36% of total funding comprised various wholesale debt issuances.

Short Term Funding

Short term wholesale funding includes debt with an original maturity or call date of less than 12 months, and consists of Certificates of Deposit and Bank Acceptances, as well as debt issued under domestic, Euro and US Commercial paper programs by Commonwealth Bank of Australia and ASB. Short term funding (including short sales) accounted for 45% of total wholesale funding at 30 June 2014, down from 46% in the prior year.

Long Term Funding

Long term wholesale funding includes debt with an original maturity or call date of greater than 12 months. Long term wholesale funding conditions improved during the year compared to the prior year as northern hemisphere central banks provided ongoing support to their economies and banking systems. During the year, the Group issued $38 billion of long term wholesale debt in multiple currencies including AUD, USD, EUR, and GBP. Given improved funding conditions, most issuances were in senior unsecured format, although the Group also used RMBS and its covered bond program to provide cost, tenor and diversification benefits. The weighted average maturity (WAM) of new long term wholesale debt issued in the year was 3.9 years. The WAM of outstanding long term wholesale debt was 3.8 years at 30 June 2014.

Long term funding (including adjustment for IFRS MTM and derivative FX revaluations) accounted for 55% of total wholesale funding at 30 June 2014, compared to 54% in the prior year.

June 2013 versus June 2012

Customer Deposits

Customer deposits increased to $405 billion, which accounted for 63% of total funding at 30 June 2013, compared to 62% at prior year-end. Strong deposit growth allowed the Group to satisfy a significant proportion of its funding requirements from retail, business and institutional customer deposits. The remaining 37% of total funding comprised various wholesale debt issuances.

Short Term Wholesale Funding

Short term wholesale funding increased to $111 billion, and accounted for 46% of total wholesale funding at 30 June 2013, down from 47% in the prior year.

Long Term Wholesale Funding

During the year, the Group issued $25 billion of long term wholesale debt in multiple currencies including AUD, USD, EUR and GBP. Given improved funding conditions, most issuances were in senior unsecured format, although the Group also issued off of its covered bond program to provide cost, tenor and diversification benefits. The WAM of new long term wholesale debt issued in the June 2013 year was 4.8 years. The WAM of outstanding long term wholesale debt was 3.8 years at 30 June 2013.

Long term wholesale debt (including adjustment for IFRS MTM and derivative FX revaluations) decreased to $128 billion, which accounted for 54% of total wholesale funding at 30 June 2013, compared to 53% in the prior year.

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Contents

Divisional Performance

Retail Banking Services

	Full Year Ended					
		Restated			As reported	
	30 Jun 14	30 Jun 13 (1)	Jun 14 vs	30 Jun 13	30 Jun 12	Jun 13 vs
	$M	$M	Jun 13 %	$M	$M	Jun 12 %
Net interest income	**7,004**	6,425	9	6,427	5,939	8
Other banking income	**1,619**	1,504	8	1,520	1,451	5
Total banking income	**8,623**	7,929	9	7,947	7,390	8
Operating expenses	**(3,103)**	(2,992)	4	(3,063)	(2,965)	3
Loan impairment expense	**(566)**	(533)	6	(533)	(583)	(9)
Net profit before tax	**4,954**	4,404	12	4,351	3,842	13
Corporate tax expense	**(1,482)**	(1,315)	13	(1,297)	(1,139)	14
Cash net profit after tax	**3,472**	3,089	12	3,054	2,703	13
Statutory net profit after tax (2)	**3,472**	3,089	12	3,054	2,703	13
Income analysis:						
Net interest income						
Home loans	**3,346**	2,998	12	3,001	2,432	23
Consumer finance (3)	**1,749**	1,568	12	1,564	1,402	12
Retail deposits	**1,866**	1,811	3	1,803	2,055	(12)
Other (4)	**43**	48	(10)	59	50	18
Total net interest income	**7,004**	6,425	9	6,427	5,939	8
Other banking income						
Home loans	**207**	207	-	205	204	-
Consumer finance (3)	**530**	483	10	493	462	7
Retail deposits	**407**	386	5	386	392	(2)
Distribution (5)	**409**	364	12	373	333	12
Other (4)	**66**	64	3	63	60	5
Total other banking income	**1,619**	1,504	8	1,520	1,451	5
Total banking income	**8,623**	7,929	9	7,947	7,390	8

	As at					
		Restated			As reported	
	30 Jun 14	30 Jun 13 (1)	Jun 14 vs	30 Jun 13	30 Jun 12	Jun 13 vs
Balance Sheet	$M	$M	Jun 13 %	$M	$M	Jun 12 %
Home loans	**262,823**	246,147	7	246,629	234,134	5
Consumer finance (3)	**15,768**	15,014	5	15,017	13,883	8
Other interest earning assets	**1,631**	1,863	(12)	1,726	1,925	(10)
Total interest earning assets	**280,222**	263,024	7	263,372	249,942	5
Other assets	**840**	1,308	(36)	1,341	224	large
Total assets	**281,062**	264,332	6	264,713	250,166	6
Transaction deposits	**22,155**	17,879	24	18,707	17,979	4
Savings deposits	**81,487**	69,030	18	67,507	57,266	18
Investment deposits and other	**86,398**	89,043	(3)	88,512	86,067	3
Total interest bearing deposits	**190,040**	175,952	8	174,726	161,312	8
Non-interest bearing liabilities	**6,813**	6,334	8	6,396	5,706	12
Total liabilities	**196,853**	182,286	8	181,122	167,018	8

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details. However, certain reclassifications among the Bank's customer segments have not been restated for the 2012 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2014 financial year and the 2013 financial year and "As reported" figures are presented for the 2013 financial year and 2012 financial year in the chart above. Refer to "Disclosures - Financial Information Definitions - Reclassification of Customer Reporting Segments" for further details.

(2) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" for further details. A reconciliation of the Net profit after tax ("cash basis") by business segment is provided in Note 28 to the 2014 Financial Statements".

(3) Consumer finance includes personal loans and credit cards.

(4) Other includes asset finance, merchants and business lending.

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

Key Financial Metrics	Full Year Ended					
		Restated		As reported		
	30 Jun 14	30 Jun 13 (1)	Jun 14 vs Jun 13 %	30 Jun 13	30 Jun 12	Jun 13 vs Jun 12 %
Performance indicators						
Return on assets (%)	**1. 3**	1. 2	10 bpts	1. 2	1. 1	10 bpts
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 21**	0. 20	1 bpt	0. 20	0. 23	(3)bpts
Statutory operating expenses to total banking income (%)	**36. 0**	37. 7	(170)bpts	38. 5	40. 1	(160)bpts
Other asset/liability information						
Average interest earning assets ($M)	**270,911**	254,630	6	255,232	245,774	4
Average interest bearing liabilities ($M)	**185,164**	170,045	9	168,921	155,050	9

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details. However, certain reclassifications among the Bank's customer segments have not been restated for the 2012 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2014 financial year and the 2013 financial year and "As reported" figures are presented for the 2013 financial year and 2012 financial year in the chart above. Refer to "Disclosures - Financial Information Definitions - Reclassification of Customer Reporting Segments" for further details.

Retail Banking Services

Financial Performance and Business Review

This Retail Banking Services analysis contains forward-looking statements. See "Disclosures - Special Note Regarding Forward-Looking Statements" on page 5 of this Document. The presentation of the customer reporting segments in the Profit and Loss and Balance Sheet of this Document has been revised for the 2014 financial year and the 2013 financial year. Specifically, revenue, expenses and associated customer balances between customer reporting segments have been reallocated based on where the customer relationship is managed ("Restated" customer segment figures), rather than the business from which the product originated ("As reported" customer segment figures). In order to provide a meaningful comparison to the Group's historical operations, "Restated" customer segment figures are presented for the 2014 financial year and the 2013 financial year and "As reported" customer segment figures are presented for the 2013 financial year and the 2012 financial year in this Document. The management discussion and analysis below comparing the 2014 financial year and the 2013 financial year references "Restated" customer segment figures, while the management discussion and analysis comparing the 2013 financial year and the 2012 financial year that follows references "As reported" customer segment figures. Refer also to "Financial Information Definitions – Reclassification of Customer Reporting Segments".

June 2014 versus Restated June 2013

Retail Banking Services statutory net profit after tax for the full year ended 30 June 2014 was $3,472 million, an increase of 12% on the prior year. The result was driven by continued strong growth in net interest income and other banking income, partly offset by higher expenses, including inflationary increases, the one-off impact of capitalised software write-offs and increased loan impairment expense. Customer satisfaction levels remained a priority during the year, with the Retail bank maintaining the number one ranking amongst its peers for the full financial year[1].

Net Interest Income

Net interest income was $7,004 million, an increase of 9% on the prior year. This was supported by solid volume growth across all major product areas and an improved net interest margin.

Balance Sheet growth included:

- Home loan growth of 7%, broadly in line with system, driven by solid lending growth within a competitive market environment;
- Consumer finance growth of 5%, reflecting a solid performance relative to the broader market; and
- Deposit balance growth of 8%, driven by strong balance growth in savings and transaction accounts.

Net interest margin increased, reflecting:

- Improving margins across lending products, partly offset by a decrease in deposit margins driven by the lower cash rate environment, competition for deposits and growth in lower margin savings products.

Other Banking Income

Other banking income was $1,619 million, an increase of 8% on the prior year, reflecting:

- Growth in consumer finance fees of 10%, primarily driven by higher credit card transaction volumes as well as increased foreign currency purchases;
- A 5% increase in deposit fee income from an increase in the number of accounts and higher interchange revenue; and
- An increase in distribution income[2] of 12% due to strong performance of insurance and foreign exchange products, including the Travel Money Card.

Operating Expenses

Operating expenses for the year were $3,103 million, an increase of 4% on the prior year. The increase reflected the one-off write-off of capitalised software in the first half of the year, inflationary increases and higher credit card loyalty redemption activity.

The operating expense to total banking income ratio was 36.0%, a decrease of 170 basis points on the prior year.

Loan Impairment Expense

Loan impairment expense for the year ended 30 June 2014 was $566 million, an increase of 6% on the prior year.

This was driven by continued portfolio growth and an increase in write-offs in the unsecured portfolio, partly offset by reduced home loan losses as a result of improving quality of the portfolio and the strengthening housing market.

As reported June 2013 versus June 2012

Retail Banking Services statutory net profit after tax for the full year ended 30 June 2013 was $3,054 million, an increase of 13% on the prior year. The result was driven by continued strong growth in net interest income, management of operational expenses and an improvement in loan impairment expense. Customer satisfaction levels were at record levels during the year, with the Retail bank finishing the year ranked highest in customer satisfaction amongst its peers[1]. Products per customer increased from 2.83 to 3.00[2].

Net Interest Income

Net interest income was $6,427 million, an increase of 8% on the prior year. This was supported by solid volume growth across all major product areas and an improved net interest margin.

Balance Sheet growth included:

- Home loan growth of 5%, slightly above system, with the market environment remaining subdued;
- Strong growth in consumer finance, driven by successful new business campaigns and product innovation; and
- Deposit balance growth of 8%, driven by new transaction account openings, as well as strong account and balance growth in at-call savings products.

Net interest margin increased, reflecting:

- Recovering margins across lending products, as a result of variable rate repricing, and improving fixed rate margins as historic low margin business matures; partly offset by
- A significant decrease in deposit margins, impacted by the falling cash rate, continued competition for deposits and a slight mix impact from growth in lower margin products.

Other Banking Income

Other banking income was $1,520 million, an increase of 5% on the prior year, reflecting:

- A slight increase in home loan fees resulting from increased new business in the package product, partially offset by the ongoing run off of deferred establishment fees;

- Growth in consumer finance fees from credit card interchange and personal loans, driven by higher spending and new accounts; partly offset by
- A 2% fall in deposit fee income as customers continued to shift into low fee deposit accounts; and
- Distribution[2] income increasing 12% as foreign exchange products, including the Travel Money Card, continued to perform strongly.

Operating Expenses

Operating expenses for the year were $3,063 million, an increase of 3% on the prior year. The increase reflected continued investment in technology (with incremental CBM amortisation contributing to expense growth), and a rise in credit cards loyalty redemption activity. The ongoing focus on productivity largely offset inflationary staff and property cost increases.

The operating expense to total banking income ratio was 38.5%, a decrease of 160 basis points on the prior year.

Loan Impairment Expense

Loan impairment expense for the year ended 30 June 2013 was $533 million, a decrease of 9% on the prior year.

This was driven by reductions in arrears rates, particularly for home loans and credit cards. The arrears improvements have been assisted by a falling cash rate environment, which led to an increase in repayments.

Increased home loan volumes, together with continued strong growth across the unsecured portfolios partially offset the improving arrears impact.

(1) Roy Morgan Research, Retail Main Financial Institution (MFI) Customer Satisfaction, Australians 14+, % "Very Satisfied" or "Fairly Satisfied" with relationship with that MFI. Six month rolling average. Rank based on the major four Australian banks.

(2) Income associated with the sale of foreign exchange products, and commissions received from the distribution of Wealth Management products through the retail network.

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	Full Year Ended					
		Restated		As reported		
	30 Jun 14 $M	30 Jun 13 [1] $M	Jun 14 vs Jun 13 %	30 Jun 13 $M	30 Jun 12 $M	Jun 13 vs Jun 12 %
Net interest income	**2,997**	2,952	2	2,942	2,921	1
Other banking income	**859**	817	5	810	860	(6)
Total banking income	**3,856**	3,769	2	3,752	3,781	(1)
Operating expenses	**(1,426)**	(1,392)	2	(1,355)	(1,350)	-
Loan impairment expense	**(253)**	(280)	(10)	(280)	(266)	5
Net profit before tax	**2,177**	2,097	4	2,117	2,165	(2)
Corporate tax expense	**(651)**	(623)	4	(629)	(652)	(4)
Cash net profit after tax	**1,526**	1,474	4	1,488	1,513	(2)
Statutory net profit after tax [2]	**1,526**	1,474	4	1,488	1,513	(2)
Income analysis:						
Net interest income						
Corporate Financial Services	**932**	895	4	988	979	1
Regional & Agribusiness	**622**	614	1	541	515	5
Local Business Banking	**1,052**	1,053	-	1,007	952	6
Private Bank	**246**	242	2	241	225	7
Equities and Margin Lending	**145**	148	(2)	149	171	(13)
Other	**-**	-	-	16	79	(80)
Total net interest income	**2,997**	2,952	2	2,942	2,921	1
Other banking income						
Corporate Financial Services	**318**	285	12	296	310	(5)
Regional & Agribusiness	**105**	103	2	89	102	(13)
Local Business Banking	**217**	211	3	211	214	(1)
Private Bank	**53**	47	13	45	40	13
Equities and Margin Lending	**166**	171	(3)	168	188	(11)
Other	**-**	-	-	1	6	(83)
Total other banking income	**859**	817	5	810	860	(6)
Total banking income	**3,856**	3,769	2	3,752	3,781	(1)
Income by product:						
Business Products	**2,197**	2,141	3	2,181	2,254	(3)
Retail Products	**1,199**	1,157	4	1,096	996	10
Equities and Margin Lending	**283**	283	-	285	311	(8)
Markets	**125**	131	(5)	130	150	(13)
Other	**52**	57	(9)	60	70	(14)
Total banking income	**3,856**	3,769	2	3,752	3,781	(1)

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(2) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" for further details. A reconciliation of the Net profit after tax ("cash basis") by business segment is provided in Note 28 to the 2014 Financial Statements".Other assets include intangible assets and Non-interest bearing liabilities include non-interest bearing deposits.

Business and Private Banking

Balance Sheet	30 Jun 14 $M	Restated 30 Jun 13 [1] $M	Jun 14 vs Jun 13 %	As reported 30 Jun 13 $M	As reported 30 Jun 12 $M	Jun 13 vs Jun 12 %
Home loans	**39,659**	39,594	-	39,112	38,254	2
Consumer finance	**1,094**	1,070	2	1,043	1,125	(7)
Business loans	**60,013**	58,500	3	60,123	56,487	6
Margin loans	**2,731**	2,813	(3)	2,735	3,092	(12)
Total interest earning assets	**103,497**	101,977	1	103,013	98,958	4
Non-lending interest earning assets	**176**	247	(29)	426	365	17
Other assets [2]	**191**	208	(8)	166	463	(64)
Total assets	**103,864**	102,432	1	103,605	99,786	4
Transaction deposits	**22,468**	21,394	5	19,830	19,047	4
Savings deposits	**13,575**	11,303	20	12,826	11,415	12
Investment deposits and other	**28,021**	26,861	4	25,020	24,549	2
Total interest bearing deposits	**64,064**	59,558	8	57,676	55,011	5
Due to other financial institutions	**-**	-	-	2,016	1,042	93
Debt issues and other	**-**	-	-	5,926	9,070	(35)
Non-interest bearing liabilities [2]	**5,627**	5,282	7	6,049	5,408	12
Total liabilities	**69,691**	64,840	7	71,667	70,531	2

Key Financial Metrics	30 Jun 14	Restated 30 Jun 13 [1]	Jun 14 vs Jun 13 %	As reported 30 Jun 13	As reported 30 Jun 12	Jun 13 vs Jun 12 %
Performance indicators						
Return on assets (%)	**1. 5**	1. 4	10 bpts	1. 5	1. 5	-
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 25**	0. 28	(3)bpts	0. 28	0. 27	1 bpt
Statutory operating expenses to total banking income (%)	**37. 0**	36. 9	10 bpts	36. 1	35. 7	40 bpts
Other asset/liability information						
Average interest earning assets ($M)	**102,597**	99,893	3	101,645	97,835	4
Average interest bearing liabilities ($M)	**62,428**	58,850	6	67,701	64,303	5

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(2) Other assets include intangible assets and Non-interest bearing liabilities include non-interest bearing deposits.

Financial Performance and Business Review

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June 2014 versus Restated June 2013

Business and Private Banking achieved a statutory net profit after tax of $1,526 million for the year ended 30 June 2014, an increase of 4% on the prior year. The result was driven by growth in business and home lending income, partly offset by lower income from deposits. Growth in expenses of 2% reflected higher staff and amortisation expense, partly offset by disciplined cost management. Loan impairment expense decreased 10% on the prior year reflecting stable portfolio quality.

Net Interest Income

Net interest income of $2,997 million increased 2% on the prior year. This reflected strong growth in average deposit balances and solid growth in average business lending balances, partly offset by a slight decrease in net interest margin.

Balance Sheet growth included:

- Growth in customer deposits of 8% with the majority of the growth in transaction and savings products;

- Business lending growth of 3% reflecting continued customer demand for market rate linked products; and
- Subdued home loan balances, reflecting lending growth offset by higher levels of loan repayments.

Net interest margin decreased, with lower deposit margins, reflecting the impact of lower average cash rates, and continued customer demand for higher yield deposit products.

Other Banking Income

Other banking income of $859 million increased 5% on the prior year due to:

- Higher commercial lending fee revenue arising from volume growth in cash advance facilities;
- Higher foreign exchange revenue driven by volatility of the Australian Dollar; partly offset by
- A 3% decrease in equities trading volumes; and
- Lower income from the sale of risk management related products due to lower interest rate volatility.

Operating Expenses

Operating expenses of $1,426 million increased 2% on the prior year, due to higher staff expenses, and amortisation costs. A continued focus on productivity and expense management enabled selective investments to be made in projects, including digital infrastructure.

Loan Impairment Expense

Loan impairment expense of $253 million decreased 10% on the prior year reflecting stable portfolio quality in a low interest rate environment.

Loan impairment expense as a percentage of average gross loans and acceptances, decreased by three basis points to 25 basis points.

As reported June 2013 versus June 2012

Business and Private Banking achieved a statutory net profit after tax of $1,488 million for the year ended 30 June 2013, a decrease of 2% on the prior year. The result was driven by growth in business lending income offset by lower income from deposits products, risk management related products and equities trading. A continued focus on productivity measures and disciplined cost management resulted in stable operating expense.

Net Interest Income

Net interest income of $2,942 million increased 1% on the prior year. This reflected modest growth in average interest earning assets partly offset by a decrease in net interest margin as a result of lower cash rates and a competitive environment.

Balance Sheet growth included:

- Business lending growth of 6%, which reflected continued customer demand for market rate linked products such as commercial bills;
- Home loan growth of 2%, reflecting strong competitor activity in a subdued environment; and
- Growth in customer deposits of 5%, with the majority of growth in savings products.

Net interest margin decreased reflecting an environment of falling cash rates and continued customer demand for higher yield deposit products, partly offset by the management of asset margins.

Other Banking Income

Other banking income of $810 million decreased 6% on the prior year due to:

- A 12% decrease in equities trading volumes, partly offset by an improvement in yields;
- Lower income from the sale of risk management related products; partly offset by
- A significant increase in merchant acquiring income driven by higher volumes and targeted repricing activity in response to current market conditions.

Operating Expenses

Operating expenses of $1,355 million were flat on the prior year, with productivity initiatives and disciplined expense management offset by significantly higher amortisation costs associated with the implementation of the new CBM platform. Productivity initiatives included a continued focus on frontline capacity management and property consolidation, resulting in a 3% reduction in salary related costs, and a 5% reduction in occupancy costs.

Loan Impairment Expense

Loan impairment expense of $280 million increased 5% on the prior year due to the decrease of collateral values in the first half.

Loan impairment expense as a percentage of average gross loans and acceptances increased by 1 basis point to 28 basis points.

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	Full Year Ended					
		Restated		As reported		
	30 Jun 14 $M	30 Jun 13 (1) $M	Jun 14 vs Jun 13 %	30 Jun 13 $M	30 Jun 12 $M	Jun 13 vs Jun 12 %
Net interest income	**1,421**	1,341	6	1,344	1,489	(10)
Other banking income	**1,258**	1,238	2	1,289	901	43
Total banking income	**2,679**	2,579	4	2,633	2,390	10
Operating expenses	**(947)**	(871)	9	(901)	(840)	7
Loan impairment expense	**(61)**	(154)	(60)	(154)	(154)	-
Net profit before tax	**1,671**	1,554	8	1,578	1,396	13
Corporate tax expense	**(413)**	(359)	15	(368)	(298)	23
Cash net profit after tax	**1,258**	1,195	5	1,210	1,098	10
Bell Group litigation (after tax)	**25**	(45)	large	(45)	-	large
Statutory net profit after tax (2)	**1,283**	1,150	12	1,165	1,098	6
Income analysis:						
Net interest income						
Institutional Banking	**1,250**	1,138	10	1,141	1,211	(6)
Markets	**171**	203	(16)	203	278	(27)
Total net interest income	**1,421**	1,341	6	1,344	1,489	(10)
Other banking income						
Institutional Banking	**778**	791	(2)	842	771	9
Markets	**480**	447	7	447	130	large
Total other banking income	**1,258**	1,238	2	1,289	901	43
Total banking income	**2,679**	2,579	4	2,633	2,390	10
Income by product:						
Institutional Products	**1,738**	1,684	3	1,673	1,702	(2)
Asset Leasing	**238**	183	30	250	228	10
Markets	**651**	650	-	650	408	59
Other	**52**	62	(16)	60	52	15
Total banking income	**2,679**	2,579	4	2,633	2,390	10

	As at					
		Restated		As reported		
Balance Sheet	30 Jun 14 $M	30 Jun 13 (1) $M	Jun 14 vs Jun 13 %	30 Jun 13 $M	30 Jun 12 $M	Jun 13 vs Jun 12 %
Interest earning lending assets	**88,184**	78,009	13	76,754	73,425	5
Non-lending interest earning assets	**43,348**	34,872	24	34,661	34,267	1
Other assets (3)	**18,270**	33,526	(46)	33,398	35,463	(6)
Total assets	**149,802**	146,407	2	144,813	143,155	1
Transaction deposits	**45,578**	38,494	18	38,200	34,452	11
Investment deposits	**34,886**	39,335	(11)	42,121	40,090	5
Certificates of deposit and other	**12,478**	11,379	10	11,242	12,484	(10)
Total interest bearing deposits	**92,942**	89,208	4	91,563	87,026	5
Due to other financial institutions	**19,835**	17,272	15	15,256	15,856	(4)
Debt issues and other (4)	**11,075**	10,495	6	4,569	4,805	(5)
Non-interest bearing liabilities (3)	**21,605**	32,564	(34)	31,751	29,829	6
Total liabilities	**145,457**	149,539	(3)	143,139	137,516	4

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details. However, certain reclassifications among the Bank's customer segments have not been restated for the 2012 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2014 financial year and the 2013 financial year and "As reported" figures are presented for the 2013 financial year and 2012 financial year in the chart above. Refer to "Disclosures - Financial Information Definitions - Reclassification of Customer Reporting Segments" for further details.

(2) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" for further details. A reconciliation of the Net profit after tax ("cash basis") by business segment is provided in Note 28 to the 2014 Financial Statements".

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

(4) Debt issues and other includes bank acceptances, liabilities at fair value and loan capital.

Institutional Banking and Markets

Key Financial Metrics	Full Year Ended					
		Restated		As reported		
	30 Jun 14	30 Jun 13 (1)	Jun 14 vs Jun 13 %	30 Jun 13	30 Jun 12	Jun 13 vs Jun 12 %
Performance indicators						
Return on assets (%)	**0. 8**	0. 8	-	0. 8	0. 8	-
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 07**	0. 20	(13)bpts	0. 29	0. 22	7 bpts
Statutory operating expenses to total banking income (%)	**35. 3**	33. 8	150 bpts	34. 2	35. 1	(90)bpts
Other asset/liability information						
Average interest earning assets ($M)	**127,812**	108,876	17	106,647	106,538	-
Average interest bearing liabilities ($M)	**124,911**	115,997	8	108,383	105,766	2

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Financial Performance and Business Review

This Institutional Banking and Markets analysis contains forward-looking statements. See "Disclosures - Special Note Regarding Forward-Looking Statements" on page 5 of this Document. The presentation of the customer reporting segments in the Profit and Loss and Balance Sheet of this Document has been revised for the 2014 financial year and the 2013 financial year. Specifically, revenue, expenses and associated customer balances between customer reporting segments have been reallocated based on where the customer relationship is managed ("Restated" customer segment figures), rather than the business from which the product originated ("As reported" customer segment figures). In order to provide a meaningful comparison to the Group's historical operations, "Restated" customer segment figures are presented for the 2014 financial year and the 2013 financial year and "As reported" customer segment figures are presented for the 2013 financial year and the 2012 financial year in this Document. The management discussion and analysis below comparing the 2014 financial year and the 2013 financial year references "Restated" customer segment figures, while the management discussion and analysis comparing the 2013 financial year and the 2012 financial year that follows references "As reported" customer segment figures. Refer also to "Financial Information Definitions – Reclassification of Customer Reporting Segments".

June 2014 versus Restated June 2013

Institutional Banking and Markets achieved a statutory net profit after tax of $1,283 million for the year ended 30 June 2014, which represented a 12% increase on the prior year. The result was driven by a positive trading performance in Markets, growth in average lending balances, and lower loan impairment expense. This was partly offset by the non-recurrence of prior year positive counterparty fair value adjustments and lower deposits income.

Net Interest Income

Net interest income increased 6% on the prior year to $1,421 million, driven by growth in average balances. This was partly offset by lower deposit margins and lower interest income in the Markets business.

Average balance growth included:

- Average deposit volumes increased 9%, largely in transaction deposits;
- Average asset leasing balances increased 28%, largely in the United Kingdom and Asia, with growth mainly in the transport industry; and
- A 9% increase in average lending balances, particularly in the strategic focus industries of natural resources, utilities and financial institutions.

Net interest margin decreased, reflecting:

- Declining deposit margins impacted by competition for deposits, a low cash rate environment and a continuing shift in customer preference to lower margin deposits; and
- Lower amortisation of deferred fees; partly offset by
- Higher lending and asset leasing margins; and

Other Banking Income

Other banking income was $1,258 million, an increase of 2% on the prior year due to:

- A strong trading performance in Markets;
- Growth in offshore trade finance income; partly offset by
- Unfavourable counterparty fair value adjustments of $1 million for the year, compared to $94 million favourable in the prior year.

Operating Expenses

Operating expenses increased 9% on the prior year to $947 million. Excluding the impact of the lower Australian dollar and non-recurring expenses, operating expenses increased by 3%. The increase reflects higher amortisation and investment in IT platforms, and inflation-related salary increases. This was partly offset by a continued focus on productivity and disciplined cost management across the business.

Loan Impairment Expense

Loan impairment expense was $61 million, a decrease of 60% on the prior year, driven by a higher level of write-backs. The overall credit rating of the Institutional portfolio remained stable.

Corporate Tax Expense

The corporate tax expense for the year ended 30 June 2014 was $413 million. The effective tax rate of 24.8% was higher than the prior year due to lower dividend distributions in offshore jurisdictions.

As reported June 2013 versus June 2012

Institutional Banking and Markets achieved a statutory net profit after tax of $1,165 million for the year ended 30 June 2013, which represented a 6% increase on the prior year. The result was driven by favourable counterparty fair value adjustments, positive trading performance in Markets, higher Asset Leasing rental income and increased lending fee income. This was partly offset by increased depreciation and information technology expenses, and lower margins, which were impacted by higher funding costs.

Net Interest Income

Net interest income decreased 10% on the prior year to $1,344 million, driven by lower net interest margin, partly offset by growth in average balances.

Net interest margin decreased, reflecting:

- Higher funding costs leading to lower asset margins;
- Declining deposit margins due to competition for deposits and a continuing shift in customer preference to lower margin term deposit products; and
- Lower recognition of deferred fees from the early repayment of debt facilities.

Average balance growth included:

- Average interest bearing deposit volumes increased 8%, largely in domestic term deposits.

Other Banking Income

Other banking income was $1,289 million, an increase of 43% on the prior year, primarily due to:

- Gains in counterparty fair value adjustments of $94 million for the year ended 30 June 2013, compared to the losses in the prior year of $121 million. This reflects tightening credit spreads due to improved credit sentiment and the depreciation of the Australian dollar;
- A favourable trading performance in Markets compared to the prior year;
- Higher Asset Leasing and commitment fee income; and
- A rise in transaction banking revenue as a result of momentum from client mandates won and growth in Trade Finance and Merchants income.

Operating Expenses

Operating expenses increased 7% on the prior year to $901 million. Excluding the impact of higher depreciation expenses relating to growth in the Asset Leasing business, operating expenses increased by 6%. The increase reflects

the continued investment in strategic projects, including transaction banking technology, and increased amortisation costs, driven by enhancements to the Group's foreign exchange platform.

There has also been increased investment in the natural resources and transport industries to support growth in these sectors, although the number of employees has remained relatively unchanged overall.

Loan Impairment Expense

Loan impairment expense of $154 million remained consistent with the prior year. The overall credit rating of the institutional portfolio remained stable.

Corporate Tax Expense

The corporate tax expense for the year ended 30 June 2013 was $368 million. The effective tax rate of 23% was higher than the prior year due to lower dividend distributions in offshore jurisdictions.

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	Full Year Ended					
		Restated		As reported		
	30 Jun 14 $M	30 Jun 13 [1] $M	Jun 14 vs Jun 13 %	30 Jun 13 $M	30 Jun 12 $M	Jun 13 vs Jun 12 %
Funds management income	**1,700**	1,543	10	2,075	1,888	10
Insurance income	**575**	542	6	716	691	4
Total operating income	**2,275**	2,085	9	2,791	2,579	8
Volume expenses	**-**	-	-	(514)	(540)	(5)
Net operating income	**2,275**	2,085	9	2,277	2,039	12
Operating expenses	**(1,517)**	(1,393)	9	(1,494)	(1,369)	9
Net profit before tax	**758**	692	10	783	670	17
Corporate tax expense	**(184)**	(180)	2	(206)	(178)	16
Underlying profit after tax	**574**	512	12	577	492	17
Investment experience after tax	**118**	77	53	110	137	(20)
Cash net profit after tax (excluding Property)	**692**	589	17	687	629	9
Property net profit after tax	**101**	90	12	-	-	-
Cash net profit after tax (including Property)	**793**	679	17	687	629	9
Treasury shares valuation adjustment (after tax)	**(41)**	(53)	(23)	(53)	(15)	large
Gain on sale of management rights	**17**	-	large	-	-	-
Count Financial Limited acquisition costs (after tax)	**-**	-	-	-	(43)	large
Statutory net profit after tax [2]	**769**	626	23	634	571	11
Represented by:						
CFS Global Asset Management	**238**	221	8	313	258	21
Colonial First State [3]	**184**	144	28	153	76	large
CommInsure	**374**	320	17	320	346	(8)
Property [4]	**101**	90	12			-
Other	**(128)**	(149)	(14)	(152)	(109)	39
Statutory net profit after tax	**769**	626	23	634	571	11

	Full Year Ended					
		Restated		As reported		
Key Financial Metrics [5]	30 Jun 14	30 Jun 13 [1]	Jun 14 vs Jun 13 %	30 Jun 13	30 Jun 12	Jun 13 vs Jun 12 %
Performance indicators						
Statutory funds management income to average FUA (%) [6]	**0. 78**	0. 80	(2)bpts	0. 95	0. 97	(2)bpts
Statutory insurance income to average inforce premiums (%)	**32. 5**	34. 5	(200)bpts	43. 4	50. 2	large
Statutory operating expenses to net operating income (%)	**59. 1**	60. 6	(150)bpts	60. 3	63. 9	(360)bpts
FUA - average ($M) [6]	**241,405**	202,259	19	219,296	193,277	13
FUA - spot ($M) [6]	**253,483**	223,507	13	240,352	196,199	23
Assets under management - average ($M) [5]	**173,417**	147,661	17	165,216	149,908	10
Assets under management - spot ($M) [5]	**180,848**	162,331	11	179,563	150,275	19
Retail net funds flows (Australian Retail) ($M)	**3,188**	4,244	(25)	4,244	184	large
Annual Inforce Premiums - average ($M)	**2,237**	2,068	8	2,068	1,806	15
Annual Inforce Premiums - spot ($M)	**2,309**	2,165	7	2,165	1,971	10

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details. However, certain reclassifications among the Bank's customer segments have not been restated for the 2012 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2014 financial year and the 2013 financial year and "As reported" figures are presented for the 2013 financial year and 2012 financial year in the chart above. Refer to "Disclosures - Financial Information Definitions - Reclassification of Customer Reporting Segments" for further details.
(2) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" for further details. A reconciliation of the Net profit after tax ("cash basis") by business segment is provided in Note 28 to the 2014 Financial Statements".
(3) Colonial First State incorporates the results of all financial planning businesses including Commonwealth Financial Planning.
(4) Property includes the operations of the CFS Retail Property Trust, Commonwealth Property Office Fund, Kiwi Income Property Trust, unlisted property funds (the 'Trusts') and the asset management and development businesses. In addition, it includes the gain on the sale of the CPA units and distributions from the Trusts. Comparative information has been restated to separately disclose the Property transactions and businesses.
(5) Property is excluded from the calculation of the key financial metrics (as well as for comparative information).
(6) AUM and FUA include Realindex Investments and excludes the Group's interest in the China Cinda Joint Venture.

Wealth Management

	Full Year Ended											
	CFS Global Asset Management						Colonial First State [1]					
	Restated			As reported			Restated			As reported		
	Jun 14 $M	Jun 13 [2] $M	Jun 14 vs Jun 13 %	Jun 13 $M	Jun 12 $M	Jun 13 vs Jun 12 %	Jun 14 $M	Jun 13 [2] $M	Jun 14 vs Jun 13 %	Jun 13 $M	Jun 12 $M	Jun 13 vs Jun 12 %
Funds management income	**919**	817	12	1,010	883	14	**1,003**	913	10	914	845	8
Insurance income	**-**	-	-	-	-	-	**-**	-	-	-	-	-
Total operating income	**919**	817	12	1,010	883	14	**1,003**	913	10	914	845	8
Volume expenses	**(180)**	(170)	6	(171)	(140)	22	**(174)**	(134)	30	(134)	(192)	(30)
Net operating income	**739**	647	14	839	743	13	**829**	779	6	780	653	19
Operating expenses	**(468)**	(375)	25	(475)	(439)	8	**(591)**	(576)	3	(575)	(505)	14
Net profit before tax	**271**	272	-	364	304	20	**238**	203	17	205	148	39
Corporate tax expense	**(42)**	(55)	(24)	(81)	(70)	16	**(68)**	(60)	13	(61)	(42)	45
Underlying profit after tax	**229**	217	6	283	234	21	**170**	143	19	144	106	36
Investment experience after tax	**9**	4	large	30	24	25	**14**	1	large	9	13	(31)
Cash net profit after tax	**238**	221	8	313	258	21	**184**	144	28	153	119	29
Treasury shares valuation adjustment (after tax)	**-**	-	-	-	-	-	**-**	-	-	-	-	-
Count Financial Limited acquisition costs (after tax)	**-**	-	-	-	-	-	**-**	-	-	-	(43)	large
Statutory net profit after tax [3]	**238**	221	8	313	258	21	**184**	144	28	153	76	large

	Full Year Ended											
	CommInsure						Other					
	Restated			As reported			Restated			As reported		
	Jun 14 $M	Jun 13 [2] $M	Jun 14 vs Jun 13 %	Jun 13 $M	Jun 12 $M	Jun 13 vs Jun 12 %	Jun 14 $M	Jun 13 [2] $M	Jun 14 vs Jun 13 %	Jun 13 $M	Jun 12 $M	Jun 13 vs Jun 12 %
Funds management income	**165**	152	9	153	160	(4)	**-**	-	-	(2)	-	large
Insurance income	**725**	716	1	716	691	4	**-**	-	-	-	-	-
Total operating income	**890**	868	3	869	851	2	**-**	-	-	(2)	-	large
Volume expenses	**(183)**	(209)	(12)	(209)	(208)	-	**-**	-	-	-	-	-
Net operating income	**707**	659	7	660	643	3	**-**	-	-	(2)	-	large
Operating expenses	**(314)**	(318)	(1)	(318)	(292)	9	**(144)**	(124)	16	(126)	(133)	(5)
Net profit before tax	**393**	341	15	342	351	(3)	**(144)**	(124)	16	(128)	(133)	(4)
Corporate tax expense	**(111)**	(101)	10	(101)	(105)	(4)	**37**	36	3	37	39	(5)
Underlying profit after tax	**282**	240	18	241	246	(2)	**(107)**	(88)	22	(91)	(94)	(3)
Investment experience after tax	**92**	80	15	79	100	(21)	**3**	(8)	large	(8)	-	large
Cash net profit after tax	**374**	320	17	320	346	(8)	**(104)**	(96)	8	(99)	(94)	5
Treasury shares valuation adjustment (after tax)	**-**	-	-	-	-	-	**(41)**	(53)	(23)	(53)	(15)	large
Sale of management rights (after rights)	**-**	-	-	-	-	-	**17**	-	large	-	-	-
Statutory net profit after tax [3]	**374**	320	17	320	346	(8)	**(128)**	(149)	(14)	(152)	(109)	39

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

(2) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details. However, certain reclassifications among the Bank's customer segments have not been restated for the 2012 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2014 financial year and the 2013 financial year and "As reported" figures are presented for the 2013 financial year and 2012 financial year in the chart above. Refer to "Disclosures - Financial Information Definitions - Reclassification of Customer Reporting Segments" for further details.

(3) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" for further details. A reconciliation of the Net profit after tax ("cash basis") by business segment is provided in Note 28 to the 2014 Financial Statements".

Financial Performance and Business Review

This Wealth Management analysis contains forward-looking statements. See "Disclosures - Special Note Regarding Forward-Looking Statements" on page 5 of this Document. The presentation of the customer reporting segments in the Profit and Loss and Balance Sheet of this Document has been revised for the 2014 financial year and the 2013 financial year. Specifically, revenue, expenses and associated customer balances between customer reporting segments have been reallocated based on where the customer relationship is managed ("Restated" customer segment figures), rather than the business from which the product originated ("As reported" customer segment figures). In order to provide a meaningful comparison to the Group's historical operations, "Restated" customer segment figures are presented for the 2014 financial year and the 2013 financial year and "As reported" customer segment figures are presented for the 2013 financial year and the 2012 financial year in this Document. The management discussion and analysis below comparing the 2014 financial year and the 2013 financial year references "Restated" customer segment figures, while the management discussion and analysis comparing the 2013 financial year and the 2012 financial year that follows references "As reported" customer segment figures. Refer also to "Financial Information Definitions – Reclassification of Customer Reporting Segments".

June 2014 versus Restated June 2013

Statutory net profit after tax for the full year ended 30 June 2014 was $769 million, a 23% increase on the prior year. Excluding the Property Transactions, statutory net profit after tax for the full year increased 25%, reflecting continued investment market gains and strong investment performance. Total operating income increased 9% on the prior year with FUA, as at 30 June 2014, increasing 13% to $253 billion. Insurance Inforce Premiums increased 7% to $2.3 billion.

The Group has provided for the licensee conditions imposed on Commonwealth Financial Planning (CFP) and Financial Wisdom Limited (FWL), and has separately announced an Open Advice Review program for customers of CFP and FWL who received financial advice between 1 September 2003 and 1 July 2012. The final financial impact is not yet known; however, it is not expected to have a material impact on the Group.

During the period, the Group also completed the Property Transactions.

Funds Management Income

Funds management income was $1,700 million, an increase of 10% on the prior year.

Average AUM increased 17% to $173 billion, driven by a strong performance in investment markets and the benefit of a lower Australian dollar, with 84% of assets outperforming the three year benchmark. Weaker investor sentiment contributed to a $5.1 billion net outflow from emerging market funds during the year.

Australian Retail FUA reached a new milestone as it exceeded $100 billion at year-end. Colonial First State FirstChoice and Custom Solutions platforms captured $4.1 billion of net flows during the year, with Custom Solutions FUA growing 25%, reflecting the success from partnering with advisers and clients.

Funds management margin declined six basis points, largely due to business mix and higher volume expenses.

Insurance Income

Insurance income was $575 million, a 6% increase on the prior year.

Retail Life Insurance income increased 9% on the prior year. Lapse rates improved in Retail Life following the implementation of retention initiatives; however, this was partially offset by a weaker claims experience.

Wholesale Life income benefited from repricing, partly offset by a $61 million strengthening of reserves in the year.

General Insurance income benefited from higher premiums with strong sales via the Retail Bank network in the first half of the year. Improved event claims were partially offset by a deterioration in working claims experience.

Operating Expenses

Operating expenses increased 9%, reflecting the impact of a lower Australian dollar, inflation-related salary and performance-related increases and further investment in IT platforms. In addition, the business continued its focus on compliance and regulatory change programs.

A range of productivity initiatives have been implemented covering all businesses, with processes simplified across claims, operations, call centres and distribution channels.

Investment Experience

Investment experience includes the return on invested shareholder capital, which benefited from higher fixed interest returns from falling bond yields and changes to economic assumptions. This was partially offset by a lower mark to market revaluation gain on the Guaranteed Annuity portfolio.

As reported June 2013 versus June 2012

Statutory net profit after tax for the full year ended 30 June 2013 was $634 million, an 11% increase on the prior year, reflecting improved global investment markets and strong investment performance.

Net operating income increased 12% on the prior year and FUA, as at 30 June 2013, increased 23% to $240 billion. Insurance Inforce Premiums increased 10% to $2 billion.

Funds Management Income

Funds Management income was $2,075 million, an increase of 10% on the prior year.

CFSGAM average AUM increased 9% to $160 billion, driven by growth in equity markets and strong net flows. Domestic markets were strong with the average ASX200 up 10%, while the performance of offshore market indices was mixed. Investment performance was strong, with 79% of assets outperforming benchmark over a three year period. AUM net flows for the year were the highest in five years at $7 billion and the demand for cash products remained strong.

Colonial First State FirstChoice and Custom Solutions platforms performed well, capturing an estimated 27% of market net flows over the year[1]. Platform net flows were $6 billion, driven mainly by Custom Solutions, which reached a new milestone of $14 billion FUA. Demand for lower risk deposit and cash products remained strong over the year.

The contraction of the closed legacy investment business continued in line with expectations.

Funds management margins declined by two basis points, reflecting mix shifts to lower margin products and contraction of legacy portfolios.

(1) Plan for Life quarterly release.

Wealth Management

Insurance Income

Insurance income was $716 million, a 4% increase on the prior year.

Retail Life Insurance income increased 12%, driven by strong growth in Retail Bank network sales. Retail Advice lapse rates increased over the year, though this trend moderated in the second half. While claims experience improved overall, Wholesale Life net revenue declined significantly due to unfavourable claims experience and claims reserve increases.

General Insurance delivered a strong result with a 40% increase in income, driven by Inforce Premium growth of 18% and improved event and working claims.

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Operating Expenses

Operating expenses increased 9%, reflecting moderate ongoing expense growth and significantly higher project spending, including compliance and regulatory change programs. The result also incorporated the full period impact of the inclusion of the Count Financial Limited acquisition. Excluding project spending, ongoing expense growth was attributable to inflation-related salary increases and investment in the offshore business. Productivity programs progressed well and business activity has increased with a focus on claims transformation and call centre and administration centre efficiency.

Investment Experience

Investment Experience was impacted by falling cash rates. This was partly offset by unrealised mark-to-market revaluation gains on the Guaranteed Annuity portfolio.

Assets Under Management (AUM) [1]	Full Year Ended 30 Jun 14 $M	Restated 30 Jun 13 [2] $M	Jun 14 vs Jun 13 %	As reported 30 Jun 13 $M	30 Jun 12 $M	Jun 13 vs Jun 12 %
Australian equities	**28,247**	24,213	17	24,213	19,899	22
Global equities	**75,297**	68,834	9	68,834	52,525	31
Cash and fixed interest	**69,612**	62,489	11	62,489	54,242	15
Property and Infrastructure [3]	**7,692**	6,795	13	24,027	23,609	2
Total Wealth Management (excluding Property)	**180,848**	162,331	11	179,563	150,275	19
Property	**-**	17,232	large	-	-	-
Total Wealth Management (including Property)	**180,848**	179,563	1	179,563	150,275	19

Sources of Profit from CommInsure	Full Year Ended 30 Jun 14 $M	Restated 30 Jun 13 [1] $M	Jun 14 vs Jun 13 %	As reported 30 Jun 13 $M	30 Jun 12 $M	Jun 13 vs Jun 12 %
Life insurance operating margins						
Planned profit margins	**156**	167	(7)	167	170	(2)
Experience variations	**(40)**	(71)	(44)	(71)	(46)	54
Funds management operating margins	**89**	80	11	81	89	(9)
General insurance operating margins	**77**	64	20	64	33	94
Operating margins	**282**	240	18	241	246	(2)
Investment experience after tax	**92**	80	15	79	100	(21)
Cash net profit after tax	**374**	320	17	320	346	(8)
Non-cash adjustments (after tax)	**-**	-	-	-	-	-
Statutory net profit after tax	**374**	320	17	320	346	(8)

Annual Inforce Premiums - Risk Business	Full Year Ended 30 June 2014 Opening Balance 30 Jun 13 $M	Sales/New Business $M	Lapses $M	Closing Balance 30 Jun 14 $M
Retail life	875	195	(175)	895
Wholesale life	692	137	(72)	757
General insurance	598	168	(109)	657
Total	2,165	500	(356)	2,309

Annual Inforce Premiums - Risk Business	Full Year Ended 30 June 2013 Opening Balance 30 Jun 12 $M	Sales/New Business $M	Lapses $M	Closing Balance 30 Jun 13 $M
Retail life	815	240	(180)	875
Wholesale life	651	162	(121)	692
General insurance	505	159	(66)	598
Total	1,971	561	(367)	2,165

(1) AUM includes Realindex Investments and does not include the Group's interest in the China Cinda Joint Venture.
(2) Comparative information has been restated to separately disclose the Property Transactions.
(3) This asset class includes unlisted infrastructure holdings and global listed property securities.

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

Wealth Management

Funds Under Administration	Opening Balance 30 Jun 13 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [1] $M	Closing Balance 30 Jun 14 $M
	Full Year Ended 30 June 2014					
FirstChoice	58,787	15,589	(13,500)	2,089	6,605	67,481
Custom Solutions [2]	14,464	5,300	(3,313)	1,987	1,619	18,070
Standalone (including Legacy) [3]	19,684	7,363	(8,135)	(772)	1,813	20,725
Retail products [4]	92,935	28,252	(24,948)	3,304	10,037	106,276
Other retail [5]	1,007	30	(146)	(116)	99	990
Australian retail	93,942	28,282	(25,094)	3,188	10,136	107,266
Wholesale	60,675	29,254	(22,602)	6,652	5,100	72,427
Property	2,693	1,167	(339)	828	250	3,771
Other [6]	3,529	24	(135)	(111)	279	3,697
Domestically sourced	160,839	58,727	(48,170)	10,557	15,765	187,161
Internationally sourced	62,668	25,172	(29,461)	(4,289)	7,943	66,322
Total Wealth Management (excluding Property)	223,507	83,899	(77,631)	6,268	23,708	253,483
Property	16,845	384	(52)	332	(17,177)	-
Total Wealth Management (including Property)	240,352	84,283	(77,683)	6,600	6,531	253,483

Funds Under Administration	Opening Balance 30 Jun 12 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [1] $M	Closing Balance 30 Jun 13 $M
	Full Year Ended 30 June 2013 - Restated					
FirstChoice	50,014	14,291	(12,441)	1,850	6,923	58,787
Custom Solutions [2]	9,081	6,803	(2,663)	4,140	1,243	14,464
Standalone (including Legacy) [3]	18,137	7,263	(8,898)	(1,635)	3,182	19,684
Retail products [4]	77,232	28,357	(24,002)	4,355	11,348	92,935
Other retail [5]	1,001	30	(141)	(111)	117	1,007
Australian retail	78,233	28,387	(24,143)	4,244	11,465	93,942
Wholesale	47,167	32,688	(23,715)	8,973	4,535	60,675
Property	2,244	328	(6)	322	127	2,693
Other [6]	3,432	28	(143)	(115)	212	3,529
Domestically sourced	131,076	61,431	(48,007)	13,424	16,339	160,839
Internationally sourced	48,212	25,713	(23,232)	2,481	11,975	62,668
Total Wealth Management (excluding Property)	179,288	87,144	(71,239)	15,905	28,314	223,507
Property	16,911	116	(41)	75	(141)	16,845
Total Wealth Management (including Property)	196,199	87,260	(71,280)	15,980	28,173	240,352

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

Funds Under Administration	Opening Balance 31 Dec 12 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [1] $M	Closing Balance 30 Jun 14 $M
	Full Year Ended 30 June 2012 - As reported					
FirstChoice	49,118	13,955	(12,272)	1,683	(787)	50,014
Custom Solutions [2]	7,436	4,410	(2,739)	1,671	(26)	9,081
Standalone (including Legacy) [3]	21,457	2,733	(5,800)	(3,067)	(253)	18,137
Retail products [4]	78,011	21,098	(20,811)	287	(1,066)	77,232
Other retail [5]	1,105	35	(138)	(103)	(1)	1,001
Australian retail	79,116	21,133	(20,949)	184	(1,067)	78,233
Wholesale	43,535	23,001	(20,191)	2,810	822	47,167
Property	17,770	187	(311)	(124)	(127)	17,519
Other [6]	3,083	29	(140)	(111)	460	3,432
Domestically sourced	143,504	44,350	(41,591)	2,759	88	146,351
Internationally sourced	48,597	9,460	(8,294)	1,166	85	49,848
Total Wealth Management (excluding Property)	192,101	53,810	(49,885)	3,925	173	196,199
Property	-	-	-	-	-	-
Total Wealth Management (including Property)	192,101	53,810	(49,885)	3,925	173	196,199

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

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	Full Year Ended					
		Restated		As reported		
	30 Jun 14 A$M	30 Jun 13 [1] A$M	Jun 14 vs Jun 13 %	30 Jun 13 A$M	30 Jun 12 A$M	Jun 13 vs Jun 12 %
Net interest income	**1,378**	1,093	26	1,109	1,013	9
Other banking income [2]	**192**	237	(19)	240	214	12
Total banking income	**1,570**	1,330	18	1,349	1,227	10
Funds management income	**60**	49	22	54	44	23
Insurance income	**202**	171	18	247	227	9
Total operating income	**1,832**	1,550	18	1,650	1,498	10
Operating expenses	**(805)**	(686)	17	(767)	(724)	6
Loan impairment expense	**(51)**	(45)	13	(45)	(37)	22
Net profit before tax	**976**	819	19	838	737	14
Corporate tax expense	**(237)**	(203)	17	(208)	(180)	16
Underlying profit after tax	**739**	616	20	630	557	13
Investment experience after tax	**3**	5	(40)	5	(16)	large
Cash net profit after tax	**742**	621	19	635	541	17
Hedging and IFRS volatility (after tax)	**10**	(24)	large	(24)	28	large
Statutory net profit after tax [3]	**752**	597	26	611	569	7

	Full Year Ended					
		Restated		As reported		
	30 Jun 14 NZ$M	30 Jun 13 [1] NZ$M	Jun 14 vs Jun 13 %	30 Jun 13 NZ$M	30 Jun 12 NZ$M	Jun 13 vs Jun 12 %
Net interest income	**1,517**	1,360	12	1,380	1,299	6
Other banking income	**307**	311	(1)	315	287	10
Total banking income	**1,824**	1,671	9	1,695	1,586	7
Funds management income	**67**	61	10	67	57	18
Insurance income	**222**	212	5	306	292	5
Total operating income	**2,113**	1,944	9	2,068	1,935	7
Operating expenses	**(888)**	(854)	4	(954)	(928)	3
Loan impairment expense	**(56)**	(56)	-	(56)	(47)	19
Net profit before tax	**1,169**	1,034	13	1,058	960	10
Corporate tax expense	**(289)**	(255)	13	(264)	(236)	12
Underlying profit after tax	**880**	779	13	794	724	10
Investment experience after tax	**4**	6	(33)	6	(20)	large
Cash net profit after tax	**884**	785	13	800	704	14
Hedging and IFRS volatility (after tax)	**3**	(3)	large	(3)	27	large
Statutory net profit after tax [3]	**887**	782	13	797	731	9
Represented by :						
ASB	**779**	695	12	696	651	7
Sovereign	**103**	100	3	100	74	35
Other [4]	**5**	(13)	large	1	6	(83)
Statutory net profit after tax [3]	**887**	782	13	797	731	9

	Full Year Ended					
		Restated		As reported		
Key Financial Metrics [5]	30 Jun 14	30 Jun 13 [1]	Jun 14 vs Jun 13 %	30 Jun 13	30 Jun 12	Jun 13 vs Jun 12 %
Statutory funds management income to average FUA (%)	**0. 55**	0. 58	(3)bpts	0. 64	0. 59	5 bpts
Statutory insurance income to average inforce premiums (%)	**40. 2**	35. 3	490 bpts	49. 9	67. 7	large
Statutory operating expenses to total operating income (%)	**42. 8**	44. 9	(210)bpts	47. 1	44. 5	260 bpts

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details. However, certain reclassifications among the Bank's customer segments have not been restated for the 2012 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2014 financial year and the 2013 financial year and "As reported" figures are presented for the 2013 financial year and 2012 financial year in the chart above. Refer to "Disclosures - Financial Information Definitions - Reclassification of Customer Reporting Segments" for further details.

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

(3) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" for further details. A reconciliation of the Net profit after tax ("cash basis") by business segment is provided in Note 28 to the 2014 Financial Statements".

(4) Other includes ASB and Sovereign funding entities and elimination entries between Sovereign and ASB and foreign currency impacts on allocated capital charges.

(5) Key financial metrics are calculated in New Zealand dollar terms

Financial Performance and Business Review

This New Zealand analysis contains forward-looking statements. See "Disclosures - Special Note Regarding Forward-Looking Statements" on page 5 of this Document. The presentation of the customer reporting segments in the Profit and Loss and Balance Sheet of this Document has been revised for the 2014 financial year and the 2013 financial year. Specifically, revenue, expenses and associated customer balances between customer reporting segments have been reallocated based on where the customer relationship is managed ("Restated" customer segment figures), rather than the business from which the product originated ("As reported" customer segment figures). In order to provide a meaningful comparison to the Group's historical operations, "Restated" customer segment figures are presented for the 2014 financial year and the 2013 financial year and "As reported" customer segment figures are presented for the 2013 financial year and the 2012 financial year in this Document. The management discussion and analysis below comparing the 2014 financial year and the 2013 financial year references "Restated" customer segment figures, while the management discussion and analysis comparing the 2013 financial year and the 2012 financial year that follows references "As reported" customer segment figures. Refer also to "Financial Information Definitions – Reclassification of Customer Reporting Segments".

June 2014 versus Restated June 2013

New Zealand(1) statutory net profit after tax(2) for the year ended 30 June 2014 increased 13% on the prior year to NZ$887 million. The result was driven by a solid performance from ASB Bank with strong deposit volumes combined with improved margins and higher funds management income. Sovereign Assurance Company (Sovereign) profit increased on the prior year with strong persistency experience and solid growth in inforce premiums.

The Australian dollar equivalent line item growth rates were impacted by the appreciation of the New Zealand dollar and the mark to market movement in foreign exchange hedges relating to New Zealand earnings.

As reported June 2013 versus June 2012

New Zealand(1) statutory net profit after tax(2) for the year ended 30 June 2013 increased 9% on the prior year to NZ$797 million. The result was driven by a strong performance from ASB Bank with improved margins, volume growth and increases in other banking income offset by higher impairment expense. Strong profit growth for Sovereign compared to the prior year was primarily due to the non-recurrence of unfavourable interest rate impacts and policy valuation adjustments.

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

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

ASB Bank	Full Year Ended 30 Jun 14 NZ$M	Restated 30 Jun 13 (1) NZ$M	Jun 14 vs Jun 13 %	As reported 30 Jun 13 NZ$M	As reported 30 Jun 12 NZ$M	Jun 13 vs Jun 12 %
Net interest income	**1,498**	1,365	10	1,364	1,281	6
Other banking income	**337**	346	(3)	350	323	8
Total banking income	**1,835**	1,711	7	1,714	1,604	7
Funds management income	**64**	55	16	61	50	22
Total operating income	**1,899**	1,766	8	1,775	1,654	7
Operating expenses	**(769)**	(741)	4	(748)	(739)	1
Loan impairment expense	**(56)**	(56)	-	(56)	(47)	19
Net profit before tax	**1,074**	969	11	971	868	12
Corporate tax expense	**(298)**	(271)	10	(272)	(244)	11
Underlying profit after tax	**776**	698	11	699	624	12
Cash net profit after tax	**776**	698	11	699	624	12
Hedging and IFRS volatility (after tax)	**3**	(3)	large	(3)	27	large
Statutory net profit after tax (2)	**779**	695	12	696	651	7

Balance Sheet	As at 30 Jun 14 NZ$M	Restated 30 Jun 13 (1) NZ$M	Jun 14 vs Jun 13 %	As reported 30 Jun 13 NZ$M	As reported 30 Jun 12 NZ$M	Jun 13 vs Jun 12 %
Home loans	**41,581**	40,310	3	40,310	37,410	8
Assets at fair value through Income statement	**948**	1,433	(34)	1,433	2,200	(35)
Business and rural lending	**17,556**	16,291	8	-	-	-
Other interest earning assets	**1,641**	1,472	11	17,612	15,808	11
Total interest earning assets	**61,726**	59,506	4	59,355	55,418	7
Non-lending interest earning assets	**4,651**	5,090	(9)	5,090	4,841	5
Other assets	**1,918**	2,125	(10)	2,125	3,133	(32)
Total assets	**68,295**	66,721	2	66,570	63,392	5
Customer deposits	**40,152**	37,721	6	39,206	37,179	5
Debt issues	**9,612**	7,459	29	7,459	6,309	18
Other interest bearing liabilities (3)	**7,302**	10,835	(33)	10,835	11,139	(3)
Total interest bearing liabilities	**57,066**	56,015	2	57,500	54,627	5
Non-interest bearing liabilities	**4,246**	4,045	5	4,045	4,579	(12)
Total liabilities	**61,312**	60,060	2	61,545	59,206	4

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details. However, certain reclassifications among the Bank's customer segments have not been restated for the 2012 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2014 financial year and the 2013 financial year and "As reported" figures are presented for the 2013 financial year and 2012 financial year in the chart above. Refer to "Disclosures - Financial Information Definitions - Reclassification of Customer Reporting Segments" for further details.

(2) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" for further details. A reconciliation of the Net profit after tax ("cash basis") by business segment is provided in Note 28 to the 2014 Financial Statements".

(3) Includes NZD$4.1 billion due to Group companies (30 June 2013: NZD$4.1 billion).

New Zealand

Key Financial Metrics	30 Jun 14	Restated 30 Jun 13 (1)	Jun 14 vs Jun 13 %	As reported 30 Jun 13	As reported 30 Jun 12	Jun 13 vs Jun 12 %
	Full Year Ended					
Performance indicators						
Return on assets (%)	**1. 1**	1. 0	10 bpts	1. 1	1. 0	10 bpts
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 09**	0. 09	-	0. 09	0. 08	1 bpt
Statutory funds management income to average FUA (%)	**0. 55**	0. 58	(3)bpts	0. 63	0. 57	6 bpts
Statutory operating expenses to total operating income (%)	**42. 8**	44. 9	(210)bpts	42. 1	43. 7	(160)bpts
Other asset/liability information						
Average interest earning assets	**65,796**	62,837	5	62,697	61,939	1
Average interest bearing liabilities	**56,202**	54,808	3	56,029	55,751	-

New Zealand - Funds Under Administration	30 Jun 14 NZ$M	Restated 30 Jun 13 (1) NZ$M	Jun 14 vs Jun 13 %	As reported 30 Jun 13 NZ$M	As reported 30 Jun 12 NZ$M	Jun 13 vs Jun 12 %
	As at					
Opening balance	**11,080**	10,084	10	10,084	9,344	8
Inflows	**3,536**	2,387	48	2,387	2,256	6
Outflows	**(2,542)**	(2,413)	5	(2,413)	(1,498)	61
Net flows	**994**	(26)	large	(26)	758	large
Investment income & other	**929**	1,022	(9)	1,022	(18)	large
Closing balance	**13,003**	11,080	17	11,080	10,084	10

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details. However, certain reclassifications among the Bank's customer segments have not been restated for the 2012 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2014 financial year and the 2013 financial year and "As reported" figures are presented for the 2013 financial year and 2012 financial year in the chart above. Refer to "Disclosures - Financial Information Definitions - Reclassification of Customer Reporting Segments" for further details.

ASB Bank: June 2014 versus Restated June 2013

ASB Bank cash net profit after tax for the year ended 30 June 2014 increased 11% on the prior year to NZ$776 million. The result was driven by growth in operating income, partly offset by an increase in operating expenses.

Net Interest Income

Net interest income was NZ$1,498 million, an increase of 10%, with strong lending and deposit growth in key portfolios combined with an improvement in funding conditions.

Balance Sheet growth included:

- Home loan balances increased 3%, despite intense competition, with a continued shift to fixed rate loans;
- Business and rural loans increased 8%, significantly above system growth, due to the continued focus on growing the customer base and broadening specialist capability; and
- Customer deposit balances increased 6%, with strong growth in retail deposits.

Net interest margin increased, reflecting lower funding costs, partly offset by a decrease in home, business and rural lending margins driven by competitive pressures and strong growth in lower margin fixed rate home loans.

Other Banking and Funds Management Income

Other banking income decreased 3% to NZ$337 million, reflecting lower fixed rate loan prepayment fees and lower institutional trading performance, partly offset by higher card fee income due to volume growth. Funds management income increased 16% as a result of strong growth in FUA.

Operating Expenses

Operating expenses increased 4% to NZ$769 million. This increase was driven by higher staff expenses due to inflationary pressures combined with higher staff levels in order to grow frontline capacity. Occupancy costs increased primarily due to an increase in head office rental and depreciation costs.

The expense to income ratio for the Bank was 42.8%, an improvement of 210 basis points on the prior year.

Loan Impairment Expense

Loan impairment expense was flat at NZ$56 million. Home loan impairment expense decreased, driven by the continued strengthening of the New Zealand economy and housing market, resulting in lower arrears rates. This was offset by higher impairment expense across the unsecured portfolio and business and rural portfolios as a result of strong balance growth.

ASB Bank: As reported June 2013 versus June 2012

ASB Bank statutory net profit after tax for the year ended 30 June 2013 increased 7% on the prior year to NZ$696 million. The result was driven by 7% growth in operating income, partially offset by an increase in loan impairment expense.

Net Interest Income

Net interest income was NZ$1,364 million, an increase of 6% on the prior year, with strong lending growth in all key portfolios combined with improved margins.

Balance Sheet growth included:

- Home loan balances increased 8% in a competitive market, with strong growth in the fixed rate portfolio and improved customer retention;
- Business loans were up 12% on the prior year, significantly above system growth, due to the continued focus on enhanced customer experience and the leveraging of specialised products to drive growth; and
- Customer deposit balances increased 5% on the prior year, with the major contributor being savings deposits, driven by the expansion of the product suite.

Net interest margin increased, reflecting:

- Prudent margin management across business and personal lending portfolios in a competitive marketplace; partly offset by
- Slight reduction in home lending margins as a result of competitive pressures and an increasing customer preference for lower margin fixed rate loans; and
- Deposit portfolio margins reducing due to intense competition impacting the first half, particularly for investment accounts.

Other Banking and Funds Management Income

Other banking income increased 8% on the prior year to NZ$350 million. This increase was due to higher lending and card fee income as a result of volume growth and strong bancassurance income due to cross-sell initiatives. Funds management income increased 22% as a result of balance growth in the ASB KiwiSaver scheme.

Operating Expenses

Operating expenses increased 1% on the prior year to NZ$748 million. Disciplined cost management and the embedding of a productivity culture largely absorbed inflationary pressures. The expense to income ratio for the Bank was 42.1%, an improvement of 160 basis points on the prior year.

Loan Impairment Expense

Loan impairment expense increased 19% on the prior year to NZ$56 million. This was driven by an increase in retail provisioning due to underlying portfolio growth and a prior period low. This was partially offset by underlying improvement in the asset quality of the business lending portfolio and a reduction in net write-offs. Arrears rates across the retail portfolio continued to trend downwards.

New Zealand

Sovereign	30 Jun 14 NZ$M	Restated 30 Jun 13 (1) NZ$M	Jun 14 vs Jun 13 %	As reported 30 Jun 13 NZ$M	30 Jun 12 NZ$M	Jun 13 vs Jun 12 %
Insurance income	**201**	190	6	320	305	5
Operating expenses	**(119)**	(112)	6	(242)	(229)	6
Net profit before tax	**82**	78	5	78	76	3
Corporate tax benefit	**10**	9	11	9	9	-
Underlying profit after tax	**92**	87	6	87	85	2
Investment experience after tax	**11**	13	(15)	13	(11)	large
Cash net profit after tax	**103**	100	3	100	74	35
Statutory net profit after tax (2)	**103**	100	3	100	74	35
Sources of profit represented by:						
The margin on services profit from ordinary activities after income tax is represented by:						
Planned profit margins	**84**	80	5	80	82	(2)
Experience variations	**8**	7	14	7	3	large
Operating margins	**92**	87	6	87	85	2
Investment experience after tax	**11**	13	(15)	13	(11)	large
Statutory net profit after tax (2)	**103**	100	3	100	74	35

Full Year Ended

Key Financial Metrics	30 Jun 14	Restated 30 Jun 13 (1)	Jun 14 vs Jun 13 %	As reported 30 Jun 13	30 Jun 12	Jun 13 vs Jun 12 %
Performance indicators						
Statutory insurance income to average inforce premiums (%)	**40. 2**	53.6	large	53.6	71.5	large
Average inforce premiums (NZ$M)	**669**	639	5	639	604	6

As at

New Zealand - Annual Inforce Premiums	30 Jun 14 NZ$M	Restated 30 Jun 13 (1) NZ$M	Jun 14 vs Jun 13 %	As reported 30 Jun 13 NZ$M	30 Jun 12 NZ$M	Jun 13 vs Jun 12 %
Opening balance	**654**	623	5	623	584	7
Sales/new business	**103**	100	3	100	98	2
Lapses	**(73)**	(69)	6	(69)	(58)	19
Other movements	**-**	-	-	-	(1)	large
Closing balance	**684**	654	5	654	623	5

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details. However, certain reclassifications among the Bank's customer segments have not been restated for the 2012 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2014 financial year and the 2013 financial year and "As reported" figures are presented for the 2013 financial year and 2012 financial year in the chart above. Refer to "Disclosures - Financial Information Definitions - Reclassification of Customer Reporting Segments" for further details.

(2) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" for further details. A reconciliation of the Net profit after tax ("cash basis") by business segment is provided in Note 28 to the 2014 Financial Statements".Comparative information has been restated to conform to presentation in the current year. Refer to "Financial Information Definitions – 'Reclassification of certain Income Statement and Balance Sheet Information' and 'Reclassification of Customer Reporting Segments" for more details

Sovereign: June 2014 versus Restated June 2013

Sovereign cash net profit after tax increased 3% on the prior year to NZ$103 million, driven by strong persistency experience and solid growth in inforce premiums, offset by deterioration in claims experience and investment experience. The lower investment experience was primarily driven by an increase in New Zealand Government bond rates.

Insurance Income

Insurance income of NZ$201 million increased 6%, with annual inforce premium growth of 5% and a continuation of strong persistency, partly offset by deterioration in claims experience. Sovereign's risk and health lapse rate continues to be amongst the best in the industry and has improved 50 basis points compared to the prior year. The deterioration in claims experience has largely been driven by an unusually high claims expense at the beginning of the year; however, experience was favourable over the remainder of the year.

Operating Expenses

Operating expenses of NZ$119 million increased 6%, driven by restructuring costs and the write-off of internally capitalised software.

Sovereign: As reported June 2013 versus June 2012

Sovereign statutory net profit after tax for the year ended 30 June 2013 increased 35% on the prior year to NZ$100 million. Inforce growth continued to remain solid and persistency and claims experience were better than expected despite the competitive, low growth environment. Movement in interest rates together with an unfavourable actuarial policy valuation adjustment in the prior year[1] resulted in an improvement in investment experience.

Insurance Income

Insurance income of NZ$320 million was up 5% on the prior year, with annual inforce premium growth of 5%. Persistency and claims experience again exceeded expectation, although not to the extent achieved in the prior year when claims experience was unusually positive and lapse rates reached record lows. Lapse rates still remained low by industry standards.

Operating Expenses

Operating expenses of NZ$242 million were up 6% on the prior year. Growth was primarily driven by increased renewal commission expense due to the increase in annual inforce premiums and higher compliance costs due to legislative changes in the New Zealand insurance industry.

(1) The policy valuation adjustment made in the prior year was driven by reductions in New Zealand Government bond rates. This resulted in a decline in profit for the year ended 30 June 2012.

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	As at					
		Restated			As reported	
	30 Jun 14	30 Jun 13 [1]	Jun 14 vs	30 Jun 13	30 Jun 12	Jun 13 vs
	$M	$M	Jun 13 %	$M	$M	Jun 12 %
Net interest income	**1,577**	1,537	3	1,537	1,462	5
Other banking income	**206**	210	(2)	210	201	4
Total banking income	**1,783**	1,747	2	1,747	1,663	5
Operating expenses	**(799)**	(825)	(3)	(825)	(848)	(3)
Loan impairment expense	**(11)**	(118)	(91)	(118)	(61)	93
Net profit before tax	**973**	804	21	804	754	7
Corporate tax expense	**(293)**	(243)	21	(243)	(227)	7
Cash net profit after tax	**680**	561	21	561	527	6
Other non-cash items	**(56)**	(71)	(21)	(71)	-	large
Merger related amortisation and integration expenses (after tax)	**-**	-	-	-	(89)	large
Statutory net profit after tax [2]	**624**	490	27	490	438	12

	As at					
		Restated			As reported	
	30 Jun 14	30 Jun 13 [1]	Jun 14 vs	30 Jun 13	30 Jun 12	Jun 13 vs
Balance Sheet	$M	$M	Jun 13 %	$M	$M	Jun 12 %
Home loans	**58,251**	52,738	10	52,738	50,953	4
Other interest earning assets	**18,112**	20,308	(11)	20,308	22,253	(9)
Non-lending interest earning assets	**11**	25	(56)	25	32	(22)
Total interest earning assets	**76,374**	73,071	5	73,071	73,238	-
Other assets	**421**	710	(41)	811	725	12
Total assets	**76,795**	73,781	4	73,882	73,963	-
Transaction deposits	**9,037**	7,627	18	7,627	6,758	13
Savings deposits	**10,463**	9,300	13	9,300	9,631	(3)
Investment deposits	**25,052**	23,568	6	23,568	28,692	(18)
Certificates of deposit and other	**40**	36	11	36	265	(86)
Total interest bearing deposits	**44,592**	40,531	10	40,531	45,346	(11)
Other interest bearing liabilities	**103**	155	(34)	155	155	-
Non-interest bearing liabilities	**976**	1,239	(21)	1,321	1,332	(1)
Total liabilities	**45,671**	41,925	9	42,007	46,833	(10)

	As at					
		Restated			As reported	
	30 Jun 14	30 Jun 13 [1]	Jun 14 vs	30 Jun 13	30 Jun 12	Jun 13 vs
Key Financial Metrics	$M	$M	Jun 13 %	$M	$M	Jun 12 %
Performance indicators						
Return on assets (%)	**0. 9**	0. 8	10 bpts	0. 8	0. 7	10 bpts
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 01**	0. 16	(15)bpts	0. 2	0. 09	10 bpts
Statutory operating expenses to total banking income (%)	**49. 1**	52. 4	(330)bpts	52. 4	56.4	(400)bpts
Other asset/liability information						
Average interest earning assets ($M)	**74,568**	73,188	2	73,188	70,711	4
Average interest bearing liabilities ($M)	**42,608**	42,821	-	42,821	44,725	(4)

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(2) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" for further details. A reconciliation of the Net profit after tax ("cash basis") by business segment is provided in Note 28 to the 2014 Financial Statements".

Financial Performance and Business Review

This Bankwest analysis contains forward-looking statements. See "Disclosures - Special Note Regarding Forward-Looking Statements" on page 5 of this Document. The presentation of the customer reporting segments in the Profit and Loss and Balance Sheet of this Document has been revised for the 2014 financial year and the 2013 financial year. Specifically, revenue, expenses and associated customer balances between customer reporting segments have been reallocated based on where the customer relationship is managed ("Restated" customer segment figures), rather than the business from which the product originated ("As reported" customer segment figures). In order to provide a meaningful comparison to the Group's historical operations, "Restated" customer segment figures are presented for the 2014 financial year and the 2013 financial year and "As reported" customer segment figures are presented for the 2013 financial year and the 2012 financial year in this Document. The management discussion and analysis below comparing the 2014 financial year and the 2013 financial year references "Restated" customer segment figures, while the management discussion and analysis comparing the 2013 financial year and the 2012 financial year that follows references "As reported" customer segment figures. Refer also to "Financial Information Definitions – Reclassification of Customer Reporting Segments".

June 2014 versus Restated June 2013

Bankwest statutory net profit after tax for the year ended 30 June 2014 was $624 million, an increase of 27% on the prior year. The result was driven by a 2% increase in total banking income, a reduction in operating expenses of 3% and substantially lower loan impairment expense.

Net Interest Income

Net interest income of $1,577 million increased 3%, reflecting modest growth in average interest earning assets and an improved net interest margin.

Balance sheet movements included:

- Home loan growth of 10%, reflecting above system growth in a positive credit growth environment;
- Continued decrease in business lending due to run off of pre-acquisition higher risk exposures, a refocused East Coast target market and a subdued business credit growth environment;
- An increase of 18% in transaction deposits through strengthened customer relationships;
- Savings deposit increases of 13% reflecting online customer growth; and
- An increase of 6% in investment deposit balances through growth in Money Market Investment accounts.

Net interest margin increased, reflecting higher lending margins due to improved pricing on Money Market Investment deposits. This was partly offset by the impact of the lower cash rate on transaction deposit margins.

Other Banking Income

Other banking income of $206 million decreased 2% on the prior year due to lower business lending activity and decreased trading income.

Operating Expenses

Operating expenses of $799 million decreased 3% on the prior year, reflecting a continued focus on productivity and disciplined expense management. The decrease was mainly attributable to information technology savings, particularly from supplier contracts. The expense to income ratio of 49.1% decreased by 330 basis points compared to the prior year.

Loan Impairment Expense

Loan impairment expense of $11 million, decreased by $107 million on the prior year due to a significant reduction in individual provision charges compared to the prior year and run off of the historical troublesome and impaired portfolio.

As reported June 2013 versus June 2012

Bankwest statutory net profit after tax for the year ended 30 June 2013 was $490 million, an increase of 12% on the prior year. Total banking income increased 5% to $1,747 million and operating expenses decreased 3% to $825 million, which was partly offset by a $57 million increase in loan impairment expense.

Net Interest Income

Net interest income of $1,537 million increased 5% due to modest growth in average interest earning assets and higher lending margins, partly offset by lower deposit margins.

Balance Sheet growth included:

- Home loan balance growth of 4%, reflecting a subdued credit growth environment;
- Business lending decreased 10% due to continued run off of pre-acquisition higher risk exposures and low credit growth;
- Transaction deposits increased 13% driven by growth in retail deposits;
- Savings deposits decreased 3%, reflecting continued market competition; and
- Investment deposit balances decreased 18% due to a strategy of reducing lower margin Money Market Investment deposits.

Net interest margin increased reflecting:

- Higher lending margins due to the impact of selective repricing; partly offset by
- Lower deposit margins due to both continued price competition and the impact of the lower cash rate.

Other Banking Income

Other banking income of $210 million increased 4%, driven by higher sales of risk management related products, partly offset by lower lending fees and lower card fees.

Operating Expenses

Operating expenses of $825 million were down 3%, reflecting a focus on productivity and expense management. This decrease was mainly attributable to lower salary related costs and lower software amortisation costs.

Statutory expense to income ratio of 52.4% improved, down 400 basis points compared to the prior year.

Loan Impairment Expense

Loan impairment expense increased $57 million on the prior year as loan impairment expense returned to more typical levels for this part of the economic cycle. Home loan arrears improved during the year due to consumer de-leveraging.

	Full Year Ended					
		Restated		As reported		
	30 Jun 14	30 Jun 13 [1]	Jun 14 vs	30 Jun 13	30 Jun 12	Jun 13 vs
	$M	$M	Jun 13 %	$M	$M	Jun 12 %
IFS Asia	**81**	104	(22)	104	80	30
Corporate Centre	**65**	(1)	large	61	27	large
Eliminations/Unallocated	**63**	38	66	19	(5)	large
Cash net profit after tax	**209**	141	48	184	102	80
Hedging and IFRS volatility (after tax)	**(4)**	51	large	51	96	(47)
Other (after tax)	**-**	-	-	-	-	-
Statutory net profit after tax [2]	**205**	192	7	235	198	19

	Full Year Ended					
		Restated		As reported		
	30 Jun 14	30 Jun 13 [1]	Jun 14 vs	30 Jun 13	30 Jun 12	Jun 13 vs
IFS Asia [3]	$M	$M	Jun 13 %	$M	$M	Jun 12 %
Net interest income	**116**	102	14	102	101	1
Other banking income	**173**	190	(9)	190	146	30
Total banking income	**289**	292	(1)	292	247	18
Insurance income	**36**	30	20	75	67	12
Total operating income	**325**	322	1	367	314	17
Operating expenses	**(215)**	(194)	11	(239)	(212)	13
Loan impairment expense	**(7)**	(8)	(13)	(8)	(11)	(27)
Net profit before tax	**103**	120	(14)	120	91	32
Corporate tax expense	**(22)**	(15)	47	(15)	(8)	88
Non-controlling interests	**(5)**	(4)	25	(4)	(4)	-
Underlying profit after tax	**76**	101	(25)	101	79	28
Investment experience after tax	**5**	3	67	3	1	large
Cash net profit after tax	**81**	104	(22)	104	80	30
Statutory net profit after tax	**81**	104	(22)	104	80	30

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details. However, certain reclassifications among the Bank's customer segments have not been restated for the 2012 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2014 financial year and the 2013 financial year and "As reported" figures are presented for the 2013 financial year and 2012 financial year in the chart above. Refer to "Disclosures - Financial Information Definitions - Reclassification of Customer Reporting Segments" for further details.

(2) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" for further details. A reconciliation of the Net profit after tax ("cash basis") by business segment is provided in Note 28 to the 2014 Financial Statements".

(3) International Financial Services Asia (IFS Asia) incorporates the Asian retail and Small Medium Enterprises (SME) banking operations (Indonesia, China, Vietnam and India), investment 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.

Financial Performance and Business Review

This analysis contains forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 5 of this Document. The presentation of the customer reporting segments in the Profit and Loss and Balance Sheet of this Document has been revised for the 2014 financial year and the 2013 financial year. Specifically, revenue, expenses and associated customer balances between customer reporting segments have been reallocated based on where the customer relationship is managed ("Restated" customer segment figures), rather than the business from which the product originated ("As reported" customer segment figures). In order to provide a meaningful comparison to the Group's historical operations, "Restated" customer segment figures are presented for the 2014 financial year and 2013 financial year and "As reported" customer segment figures are presented for the 2013 financial year and 2012 financial year in this Document. The management discussion and analysis below comparing the 2014 financial year and the 2013 financial year references "Restated" customer segment figures, while the management discussion and analysis comparing the 2013 financial year and the 2012 financial year that follows references "As reported" customer segment figures. Refer also to "Financial Information Definitions – Reclassification of Customer Reporting Segments".

Year Ended June 2014 versus Restated June 2013

International Financial Services Asia (IFS Asia) statutory net profit after tax was $81 million, 22% below the prior year, due to the provision for impairment of the investment in Vietnam International Bank (VIB) of $50 million and investment in new business development. Excluding these, underlying cash net profit after tax increased by 35% to $140 million. The depreciation of the Vietnamese Dong, and the lower valuation of Vietnamese banks in general has led to the impairment of our investment. The key strategic IFS Asia businesses continued to grow strongly, and cash net profit after tax in China and the Indonesian proprietary banking and insurance businesses increased 41% and 27% on the prior year respectively.

The Group continued its expansion in Asia, with business licences issued to seven new County Bank outlets in China, the opening of the Beijing branch, and the addition of three new sales offices for PT Commonwealth Life. This brings the total number of China proprietary outlets and proprietary life insurance sales offices in Indonesia to 19 and 33 respectively. The total number of Commonwealth Bank of Australia branches and sales offices in Asia was 155 as at 30 June 2014, up from 145 as at 30 June 2013.

Total direct customer numbers in Asia have grown 13% since June 2013 to 414,000, with proprietary customers including multifinance and group insurance participants, now at

1.2 million. Customers outside Indonesia increased 60% on the prior year, and now represent 9% of total direct customers.

Significant investment was made in technology infrastructure during the year with the successful implementation of a new core banking platform in China and the commencement of a core banking platform replacement in Indonesia.

Net Interest Income

Net interest income of $116 million increased 14% on the prior year driven by strong lending balance growth in Indonesia and China County Banks. Net interest margin remained strong despite higher competition for deposits in Indonesia.

Total lending and deposit balances increased 32% and 31% (normalised for foreign currency fluctuations) respectively on the prior year. Key strategic Retail and Small-Medium Enterprises (SME) lending continued to outperform and now comprised 46% of total lending balances.

Consumer, business and SME lending balances in Indonesia increased by 24%, 26% and 28% in local currency respectively. Multifinance lending balances also increased 28% on the prior year as growth returned to this market following the impact of regulatory changes introduced in June 2012.

County Banks' lending balances continued to grow significantly faster than system. The proprietary banking businesses in India and Vietnam also continued to grow strongly, with 28% of total lending now originating from outside Indonesia, up from 20% as at 30 June 2013.

Other Banking Income

Other banking income, excluding the VIB impairment, increased 17% to $223 million, due to solid contributions from the Bank of Hangzhou and Qilu Bank. Bank of Hangzhou continued to perform well despite the slowing Chinese economy. Qilu Bank continued to grow strongly. Higher sales of foreign exchange products in PT Bank Commonwealth (Indonesia), was partly offset by lower wealth management product sales due to recent economic conditions in Indonesia.

Insurance Income

Insurance income from PT Commonwealth Life increased 20% to $36 million, from higher renewals and lower acquisition costs. New business sales decreased on the prior year driven by recent economic conditions. However, Inforce premiums increased 12% over the prior year to IDR2.4 trillion, and persistency remained strong at 89%.

BoCommLife in China continued to grow steadily and expand its footprint. Total premium income increased 183% from growth in new business sales and higher renewals.

Operating Expenses

Operating expenses increased by 11% to $215 million, including investment in new business development. Excluding this, operating expenses increased by 5% on the prior year reflecting footprint expansion in China, growth in the proprietary Indonesian businesses and core banking platform costs in China and Indonesia, partly offset by strong cost control.

As reported Year Ended June 2013 versus June 2012

International Financial Services Asia (IFS Asia) statutory net profit after tax for the year ended 30 June 2013 was $104 million, which represented an increase of 30% on the prior year. The result was driven by strong contributions from the proprietary businesses in Indonesia and from the Bank of Hangzhou in China.

The Group continued its expansion in Asia during the year with the opening of five new China County Banks in the second half of the year, bringing the total number of proprietary County banks in China to ten. PT Commonwealth Life added two new sales offices bringing the total number of proprietary life insurance sales offices in Indonesia to 30. Approval for a Beijing branch has also been received from the Chinese regulator.

Total direct customer numbers in Asia have grown 25% since June 2012 to 365,180. Total IFS Asia proprietary customers, including multifinance and group insurance participants, are 1.2 million.

Net Interest Income

Net interest income of $102 million was in line with the prior year. Lending balance growth in Indonesia and China County Banks was offset by the contraction in multifinance balances[3].

The consumer, business and small medium enterprises (SME) lending balances in Indonesia have grown by 45%, 76% and 42% respectively whilst multifinance lending balances have contracted 59%, reflecting the impact of recent regulatory changes in the multifinance industry.

While still a number of years away from achieving critical mass, County Banks are growing strongly. Lending balances continue to grow faster than system[4].

The proprietary banking businesses in China, India and Vietnam continue to grow in line with expectations, with a combined lending balance growth of 105%.

Other Banking Income

Other banking income increased 30% to $190 million. The result was mainly due to a strong contribution from the Bank of Hangzhou, reflecting solid lending balance growth.

Insurance Income

Insurance income increased 12% to $75 million, reflecting strong growth in new business volumes at PT Commonwealth Life in Indonesia. Inforce premiums grew 29%, reflecting 19% new business growth and improved persistency at 88%.

BoCommLife in China also grew steadily, with total premium income up 65% due to growth in new business income and a change in product mix from single premium to regular premium.

Operating Expenses

Operating expenses increased 13% to $239 million. Expense growth reflects higher volume related expenses in line with increased sales growth in the Indonesian Insurance business and costs associated with growth in the proprietary businesses in China and Indonesia.

(1) Multifinance lending is lending to customers by a non-bank financial institution engaged in financing vehicles, machinery and heavy equipment.

(2) Source: PBOC (China Central Bank) official website www.pbc.gov.cn.

Corporate Centre [2]	Full Year Ended					
		Restated		As reported		
	30 Jun 14 $M	30 Jun 13 [1] $M	Jun 14 vs Jun 13 %	30 Jun 13 $M	30 Jun 12 $M	Jun 13 vs Jun 12 %
Net interest income	**539**	450	20	427	216	98
Other banking income	**150**	81	85	81	143	(43)
Total operating income	**689**	531	30	508	359	42
Operating expenses	**(616)**	(556)	11	(447)	(348)	28
Net profit before tax	**73**	(25)	large	61	11	large
Corporate tax expense	**(8)**	24	large	-	16	large
Cash net profit after tax	**65**	(1)	large	61	27	large
Hedging and IFRS volatility	**(4)**	51	large	51	93	(45)
Other (after tax)	**-**	-	-	-	-	-
Statutory net profit after tax [3]	**61**	50	22	112	120	(7)

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details. However, certain reclassifications among the Bank's customer segments have not been restated for the 2012 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2014 financial year and the 2013 financial year and "As reported" figures are presented for the 2013 financial year and 2012 financial year in the chart above. Refer to "Disclosures - Financial Information Definitions - Reclassification of Customer Reporting Segments" for further details.

(2) Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Marketing, Secretariat and Treasury.
Treasury is primarily focused on the management of the Group's interest rate risk, funding and liquidity requirements, and management of the Group's capital.
The Treasury function includes:
- Portfolio Management: manages the interest rate risk of the Group's non-traded Balance Sheet using transfer pricing to consolidate risk into Treasury and hedging the residual mismatch between assets and liabilities using swaps, futures and options and the Group's prudent liquidity requirements;
- Group Funding & Liquidity : manages the Group's long term and short term wholesale funding requirements; and
- Capital and Regulatory Strategy: manages the Group's capital requirements.

(3) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" for further details. A reconciliation of the Net profit after tax ("cash basis") by business segment is provided in Note 28 to the 2014 Financial Statements".

Corporate Centre: June 2014 versus Restated June 2013

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

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

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

Corporate Centre statutory net profit after tax for the full year ended 30 June 2014 increased $11 million on the prior year to $61 million. Total operating income increased 30% to $689 million, driven by:

- Increased earnings on larger liquid asset holdings;
- Favourable Treasury earnings from management of interest rate risk; and
- Lower break fees related to debt buybacks in the prior year.

Operating expenses increased 11% to $616 million, primarily driven by increased project costs within support functions.

Corporate Centre: As reported June 2013 versus June 2012

Corporate Centre statutory net profit after tax for the full year ended 30 June 2013 decreased $8 million on the prior year to $112 million.

Total operating income increased 42%, to $508 million, driven by:

- Increased earnings on the liquid asset portfolio;
- Favourable Treasury earnings from management of short dated interest rate risk;
- Benefit of lower funding costs on centrally held assets due to the falling rate environment; partly offset by
- The impact on other banking income of debt buybacks.

Operating expenses increased 28% to $447 million, primarily driven by higher defined benefit superannuation expenses and increased investment spend within support functions.

IFS and Other

Eliminations/Unallocated [2]	Full Year Ended					
		Restated		As reported		
	30 Jun 14	30 Jun 13 [1]	Jun 14 vs	30 Jun 13	30 Jun 12	Jun 13 vs
	$M	$M	Jun 13 %	$M	$M	Jun 12 %
Net interest income	**59**	44	34	56	16	large
Other banking income	**(134)**	(121)	11	(119)	11	large
Total banking income	**(75)**	(77)	(3)	(63)	27	large
Funds management income	**36**	44	(18)	17	25	(32)
Insurance income	**6**	(4)	large	(4)	(25)	(84)
Total operating income	**(33)**	(37)	(11)	(50)	27	large
Loan impairment expense	**(4)**	56	large	56	23	large
Net profit before tax	**(37)**	19	large	6	50	(88)
Corporate tax expense	**97**	31	large	38	(10)	large
Non-controlling interests	**(14)**	(12)	17	(12)	(12)	-
Underlying profit after tax	**46**	38	21	32	28	14
Investment experience after tax	**17**	-	large	(13)	(33)	(61)
Cash net profit after tax	**63**	38	66	19	(5)	large
Hedging and IFRS volatility	**-**	-	-	-	3	large
Statutory net profit after tax [3]	**63**	38	66	19	(2)	large

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Disclosures - Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information", Note 1 of the 2014 Financial Report and Appendix C of this Document for further details. However, certain reclassifications among the Bank's customer segments have not been restated for the 2012 financial year. In order to provide a meaningful comparison to the Group's historical operations, "Restated" figures are presented for the 2014 financial year and the 2013 financial year and "As reported" figures are presented for the 2013 financial year and 2012 financial year in the chart above. Refer to "Disclosures - Financial Information Definitions - Reclassification of Customer Reporting Segments" for further details.

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

(3) Please refer to "Disclosures - Non-Cash Items Included in Statutory Profit" for further details. A reconciliation of the Net profit after tax ("cash basis") by business segment is provided in Note 28 to the 2014 Financial Statements".

Eliminations/Unallocated: June 2014 versus Restated June 2013

Eliminations/Unallocated statutory net gain after tax for the year ended 30 June 2014 increased $25 million on the prior year to $63 million. This was primarily driven by timing of recognition of unallocated revenue items, a reduction in centrally held loan impairment provisions and the release of tax provisions related to prior periods following settlements of certain long-standing issues.

Eliminations/Unallocated: As reported June 2013 versus June 2012

Eliminations/Unallocated statutory net profit after tax for the year ended 30 June 2013 increased $21 million on the prior year to $19 million. This was primarily driven by timing of recognition of unallocated revenue items, including the gain on the sale of Sydney CBD properties in the prior year, and a reduction in centrally held loan impairment provisions.

Group Operating Expenses

The following table sets out the Group's operating expenses for financial years 2014, 2013 and 2012.

	2014 $M	2013 $M	2012 $M
Staff Expenses			
Salaries and wages	**4,490**	4,250	4,136
Share-based compensation	**244**	192	185
Superannuation - defined contribution plans	**70**	58	42
Superannuation - defined benefit plan	**284**	288	273
Provisions for employee entitlements	**81**	96	101
Payroll tax	**239**	223	213
Fringe benefits tax	**36**	35	35
Other staff expenses	**98**	90	67
Total staff expenses	**5,542**	5,232	5,052
Occupancy and Equipment Expenses			
Operating lease rentals	**607**	580	585
Depreciation on property, plant and equipment	**244**	234	220
Repairs and maintenance	**94**	92	90
Other	**108**	112	111
Total occupancy and equipment expenses	**1,053**	1,018	1,006
Information Technology Services			
Application, maintenance and development	**412**	439	322
Data processing	**218**	236	241
Desktop	**101**	100	105
Communications	**189**	202	226
Amortisation and impairment of software assets	**398**	245	183
IT equipment depreciation	**62**	77	82
Total information technology services	**1,380**	1,299	1,159
Other Expenses			
Postage	**118**	114	112
Stationery	**70**	85	85
Fees and commissions:			
Professional fees	**257**	230	195
Other	**111**	120	108
Advertising, marketing and loyalty	**477**	463	459
Amortisation of intangible assets (excluding software and merger related amortisation)	**19**	20	18
Non-lending losses	**97**	67	81
Other	**375**	362	352
Total other expenses	**1,524**	1,461	1,410
Total expenses	**9,499**	9,010	8,627
Investment and restructuring			
Integration expenses (1)	**-**	-	60
Merger related amortisation (2)	**74**	75	75
Total investment and restructuring	**74**	75	135
Total operating expenses	**9,573**	9,085	8,762
Net hedging ineffectiveness comprises:			
Gain/(Loss) on fair value hedges:			
Hedging instruments	**59**	(614)	(337)
Hedged items	**(71)**	617	318
Cash flow hedge ineffectiveness	**(9)**	(28)	58
Net hedging ineffectiveness	**(21)**	(25)	39

(1) Integration expenses relate to the Count Financial Limited acquisition.
(2) Merger related amortisation relates to Bankwest core deposits and customer lists.

Risk Management

Risk Governance

Risk governance originates at Board level and cascades through to the CEO and businesses via Group and Business Unit risk appetite statements, Group policies, delegated authorities and committee structures.

The Group's Board has a comprehensive framework of Corporate Governance Guidelines (Guidelines), which are designed to properly balance performance and compliance and thereby allow the Group to undertake prudent risk-taking activities that are the basis of its business. The Guidelines and the practices of the Group are designed to comply with the "Corporate Governance Principles and Recommendations" published by the Australian Securities Exchange (ASX) Limited's Corporate Governance Council.

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

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

A key purpose of the Risk Committee is to help formulate the Group's risk appetite for consideration by the Board and recommend a risk management framework to the Board that is consistent with the approved risk appetite. This framework, which is designed to achieve portfolio outcomes consistent with the Group's risk/return expectations, includes:

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

The Risk Committee also makes recommendations on the key policies relating to capital (that underpin the ICAAP) and liquidity and funding, which are overseen and reviewed by the Board on at least an annual basis.

In overseeing the risk framework and through its dialogues with the risk leadership team and executive management, the Risk Committee also monitors the health of the Group's risk culture and reports any significant issues to the Board. To allow it to form a view on the independence of the function, the Risk Committee meets with the Group Chief Risk Officer (CRO) at the will of the Committee or the CRO.

The Risk Committee charter states that the Risk Committee will meet at least quarterly and as required; in practice this is at least eight times a year. The Chairman of the Risk Committee provides a report to the Board following each Risk Committee meeting.

Risk Management Organisation

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

This risk management 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, therefore business managers are responsible for managing the risks for their business. This includes implementing approaches to proactively manage their risk within risk appetite levels, and using risk management outcomes ("the costs of risks") and considerations as part of their day-to-day business making processes. They are to establish and maintain all appropriate risk controls.
- Line 2 - Risk Management - Group, Business Unit and Divisional Risk Management units provide independent risk management expertise and oversight for Business Management risk-taking activities. Risk management develop specialist policies and procedures for risk management and ensure they are embedded and in use as part of the day-to-day management of the business. Risk Management also 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 2 also monitors control testing by Line 1 and provides supplemental control testing.
- Line 3 - Group Audit and Assurance - Group Audit and Assurance provides 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.

The Group CRO, who heads up the risk management function, oversees independent risk management for the whole Group. This unit is comprised of both risk management teams embedded in the businesses and Group functional teams that develop policies and controls for each type of risk. It also helps the Group understand risk aggregation to enable enterprise wide risk management. The Group CRO reports to the CEO and has direct and unfettered reporting requirements to the Risk Committee.

The Group's risk appetite framework creates transparency over risk management and strategy decisions and, in turn, promotes a strong risk culture. Connected to the Group and business unit risk appetite statements are governance processes and disciplines. These promote independence of the risk management function from the Group's Business Units and the Group Audit function.

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

Risk Appetite

Risk Appetite Concept and Framework

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

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

This expectation is defined by a number of principles and metrics that are aligned to the Board's risk philosophy and define minimum standards and/or limits for capital, funding, asset/liability management, liquidity and other risk drivers.

Risk Appetite is dynamic in nature and is reviewed on a regular basis in conjunction with the Group's strategic plans and business actions. At least annually, validation of strategic plans are done such that the plans are aligned with Risk Appetite. Thus, the plans and Risk Appetite challenge each other. It also serves to identify emerging risks for the Group and provide an understanding of the trade-offs being made between risk and potential returns. This interaction of Risk Appetite with strategy is central to creating transparency over risk management and strategy decisions which in turn promotes a strong risk culture.

A Risk Appetite Framework (which includes the key elements of risk appetite, namely the Board approved Risk Appetite Statement and the related Risk Policies and Risk Tolerances, as well as the interaction of these elements with other key processes within the organisation) is illustrated below.

Risk Appetite Statement

The Risk Appetite Statement establishes the philosophy and the high-level boundaries for risk-taking activities across the Group. Risk Policies and Tolerances give more specific guidance/limits for particular risks, providing clarity for management in making day-to-day risk-return decisions.

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

- Operate responsibly, so as to excel at securing and enhancing the financial wellbeing of people, businesses and communities;
- Maintain impeccable professional standards and business ethics;
- Differentiate between risk (with a relatively clear discernible distribution of possible outcomes), which is to be assessed on its merits, and uncertainty (which has an unknown distribution of possible outcomes that is hard to discern), which is to be minimised;
- Make business decisions only after careful consideration of risk, including consideration of potential upside and downside scenarios;
- Impose a set of limits and operating controls aligned to this and each subordinate (e.g. Business Unit) risk appetite statement so that discipline in risk-taking is systematically maintained;
- Understand the risks it takes on (or the nature of uncertainties involved), undertaking strategic initiatives or exposure to new products and services only as sufficient experience and insight is gained;
- Exercise disciplined moderation in risk-taking; underpinned with strength in capital, funding and liquidity;
- Diligently strive to protect and enhance its reputation; and
- Maintain a control environment that, within practical constraints, minimises risks to the sustainability of its business.

The Group willingly accepts risks that are aligned with its risk culture and are contained within defined boundaries covering areas such as risks to which the Group is intolerant, capital resilience, debt rating, funding risk, asset/liability management, liquidity risk and profit volatility.

In conjunction with its risk culture and boundaries, the Group has a moderate appetite for each of the major risk types to which it is exposed, so as not to have an over-concentration in any one area. It also requires operational and compliance risks to be kept at low absolute levels. The specific appetite for each risk type is implemented and enforced by an extensive set of codified specific limits, controls, delegations and governance processes.

Risk policies and tolerances, which are reviewed and endorsed annually by the Risk Committee or Board, support the Group and business risk appetite statements by:

- Summarising risk management principles and practices;
- Quantifying the limits for major risks, principally credit risk, market risk (both traded and non-traded), funding, and liquidity risks; and
- Stating risk outcomes to which the Group is intolerant.

The principal risk types, their relevant governing policies and how they support risk appetite are outlined in the following table "Principal Risk Types".

Risk Management

Principal Risk Types

Risk Type	Description	Governing Policies	Key Limits and Approaches
Credit Risk	Credit risk is the potential of loss arising from failure of a debtor or counterparty to meet their contractual obligations. At a portfolio level, credit risk includes concentration risk arising from interdependencies between counterparties (large credit exposures), and concentrations of exposure to countries, industry sectors and geographical regions. Exposure to credit risk also arises through securitisation activities.	▪ The Group Credit Framework and Policies, (including: Large Credit Exposure Policy; Country Risk Exposure Policy; and Industry Sector Concentration Policy).	**Key quantitative limits/tolerances:** ▪ Exposures to a single or groups of related counterparties (differentiated by counterparty type, judgements on management quality, PD rating and security cover); ▪ Industry limits in terms of exposure and risk adjusted concentration; and ▪ Country exposure limits to control transfer/cross-border and sovereign default risks. The measurement of credit risk is based on an internal credit risk rating system, which uses judgements on management supported by analytical tools to estimate expected and unexpected loss within the credit portfolio.
Market Risk (including Equity Risk)	Market risk is the potential of an adverse impact on the Group's earnings or capital 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).	▪ Group Market Risk Policy; and ▪ Trading Book Policy Statement.	**Key quantitative limits/tolerances:** ▪ Traded Market Risk (VaR and Stress Testing limits); ▪ Interest Rate Risk in the Banking Book (Market Value Sensitivity and Net Interest Earnings at Risk limits); ▪ Seed Trust Market Risk limits; ▪ Lease Residual Value Risk limits; ▪ Market Risk in Insurance business (VaR limits); and ▪ Non-Traded Equity limits.
Liquidity & Funding Risk	Liquidity risk is the risk of being unable to meet financial obligations as they fall due. Funding risk is the risk of overreliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds.	▪ Group Liquidity and Funding Policy.	**Key quantitative limits/tolerances:** ▪ Liquid asset holdings under name crisis scenario; and ▪ Source of funding (e.g. wholesale) limits and term funding limits.
Operational Risk	Operational risk 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.	▪ Operational Risk Policy and Framework, (including a number of risk mitigating policies).	**Management via:** ▪ Reporting and case management of loss and near miss incidents; ▪ Comprehensive risk assessment and control assurance processes; ▪ Quantitative Risk Assessment Framework and Capital modelling; and ▪ Support from skilled risk professionals embedded across the Group.
Insurance Risk	Insurance risk is the risk of loss due to increases in policy benefits arising from variations in the incidence or severity of insured events. In the life insurance business this arises primarily through mortality (death) or morbidity (illness or injury) risks being greater than expected. In the general insurance business variability arises mainly through weather related incidents and similar calamities, as well as general variability in home, motor and travel insurance claim amounts.	▪ Risk Management Framework (including Risk Management Strategy and Risk Statement; and Underwriting and claims standards).	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 (as the insurance businesses retain the right to amend premiums on risk policies); ▪ Carrying out underwriting, so that the level of risk associated with an individual contract can be accurately assessed, charged and reserved for; ▪ Claims management, where an assessment is made such that only genuinely insured claims are admitted and paid; and ▪ Transferring a proportion of the risk carried to reinsurers.

Principal Risk Types (continued)

Risk Type	Description	Governing Policies	Key Limits and Approaches
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.	▪ Compliance Risk Management Framework (CRMF), which is consistent with the Australian Standard on Compliance Programs and 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.	**Management via:** ▪ CRMF Minimum Group Standards; ▪ Risk Management Obligations Register and Guidance Notes that detail specific requirements/ accountabilities for each Business Unit; ▪ Business Unit compliance frameworks; and ▪ Support from compliance professionals embedded across the Group.
Strategic Business Risk	Strategic Business Risk is defined as the risk of economic loss resulting from changes in the business environment caused by macroeconomic conditions, competitive forces at work or social trends.	▪ Strategic Framework.	**Management via:** Elements of other risk type policies and processes in addition to management controls including strategic planning, strategic implementation and financial management. The Board accepts or amends the Group's overall strategy and each key Business Unit's strategic plans. They do so as they simultaneously consider the Business Unit's Risk Appetite Statements, which include references to key risk limits.
Reputational Risk	Reputational risk arises from 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 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.	▪ Cultural Framework; and ▪ Statement of Professional Practice.	**Management via:** ▪ Setting of risk culture and behavioural standards set out in the Group's Risk Appetite Statement; ▪ Reinforcing Group-wide requirements on leadership values that support the Group's vision to excel at securing and enhancing the financial wellbeing of people, businesses and communities; ▪ Elements of other risk type policies and processes in addition to: Crisis management testing of leadership team; and Support from skilled risk professionals embedded across the Group.

Cross-Border Outstandings

Cross-border outstandings are based on the country of domicile of the borrower or guarantor of the ultimate risk. Outstandings include loans, acceptances and other monetary assets denominated in other than the counterparties' local currency. Local currency activities with local residents by foreign branches and controlled entities of the Group are excluded.

At 30 June 2014, bank cross-border outstanding exposures of $15.9 billion exceeded 1% of the Group's total assets. At 30 June 2014, the United States, with cross-border outstanding exposures of $6.2 billion, was the only country other than Australia that exceeded 0.75% of the Group's total assets.

At 30 June 2013, bank and sovereign cross-border outstanding exposures of $15.4 billion and $8.2 billion, respectively, exceeded 1% of the Group's total assets. At 30 June 2013, the United States, with cross-border outstanding exposures of $8.5 billion, was the only country other than Australia that exceeded 0.75% of the Group's total assets.

Off-Balance Sheet Arrangements

The Group is a full service financial institution that offers a range of on-balance sheet and off-balance sheet arrangements and commitments to customers in the normal course of business. In addition, the Group has a number of other arrangements that form part of its day-to-day business operations. Such activities include traditional off-balance sheet credit risk related instruments, commitments under capital and operating leases, long term debt issues, provision of liquidity facilities to securitisation programs and other contractual arrangements. These transactions combine varying levels of credit, interest rate, foreign exchange and liquidity risk. Risk Concentrations are managed by a combination of risk policies which limit exposures to individual counterparties, countries, industries, markets and liquidity risk. The impact on the Consolidated Income Statement from these off-balance sheet arrangements is not material.

Consolidated Entities

The Group is involved with a number of special purpose entities in the ordinary course of business, primarily to provide funding and financial services to our customers. Under accounting standards these entities are consolidated in the Financial Statements if they meet the definition of control. The definition of control depends upon substance rather than form and, accordingly, determination of the existence of control involves management judgment. The Group has no such off-balance sheet financing entities that it has determined falls within the control criteria.

Special Purpose Entities

The Group conducts a Loan Securitisation program through which it packages loans and issues securities to investors. The Group also has a Covered Bond Program whereby it issues securities to investors that are secured by a pool of residential mortgage loans originated and equitably assigned by the Group to a trust. The Group has a policy of funding diversification and assets are securitised to provide greater diversification of the Group's funding sources. The Group's funding strategy is designed to avoid over-reliance on funding from any one market sector (refer to Note 36 to the 2014 Financial Statements – Liquidity and Funding Risk). In addition, the Group's capital management benefits from reduced risk under APRA Prudential capital adequacy guidelines.

The Group securitises mortgage loans through Special Purpose Entities (SPEs). The SPEs are separate, bankruptcy-remote vehicles. The SPEs operate through segregated series and the securities issued in different series may have different credit ratings. The primary source of repayment of the securities issued is the cash flow from the pools of assets. Investors in the securities issued have no recourse to the general assets of the Group. Under accounting standards the assets and liabilities of the SPEs are deemed to be controlled and therefore consolidated into the Group's Balance Sheet.

Fee income is recognised on an accruals basis in relation to the period in which the costs of providing these services are incurred. The Group is entitled to any residual income of the programs after all payments due to investors and costs of the program have been met. The value of securitisation fees and residual income is not a material component of the Group's fee income.

Similarly, covered bonds issued under the Group's Covered Bond Program are guaranteed by a trust. The trust is a separate, bankruptcy-remote SPE and its assets comprise a pool of residential mortgage loans originated and equitably assigned to the trust by the Group. Investors in such securities have recourse against the general assets of the Group and also receive the benefit of a guarantee provided by the trust. Under applicable accounting standards, the residential mortgage loans sold to the trust have not been derecognized from the Group's Balance Sheet.

Interest rate swaps and liquidity facilities, as appropriate, are provided at arms length to the programs by the Group in accordance with APRA Prudential Guidelines.

Group Arrangements with Issuers	2014 $M	2013 $M	2012 $M
Liquidity facilities utilised by Issuers	**1,302**	1,128	884
Derivatives fair value provided to Issuers	**598**	1,106	1,519

Credit Risk Related Instruments

The Group 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 these items are contingent upon the clients default or drawdown of the commitment, the potential funded exposure is expected to be significantly less than the face value.

These transactions combine varying levels of credit, interest rate, foreign exchange and liquidity risk. In accordance with Bank policy, exposure to any of these transactions (net of collateral) is not carried at a level that would have material adverse effect on the financial condition of the Bank and its controlled entities.

The only material category of commitments is the $151 billion of commitments to provide credit (2013: $140 billion). These are committed but undrawn facilities available to borrowers at call. The commitment to provide cash under these instruments is managed within the Group's liquidity and funding policies under current APRA Prudential Standards.

Details of contingent liabilities and off-balance sheet business are set out in Note 32 to the 2014 Financial Statements – Contingent Liabilities, Contingent Assets and Commitments.

Off-Balance Sheet Arrangements

	Face Value			Credit Equivalent		
	2014	2013	2012	2014	2013	2012
	$M	$M	$M	$M	$M	$M
Credit risk related instruments						
Guarantees	**6,121**	5,696	5,358	**6,121**	5,696	5,357
Standby letters of credit	**171**	134	201	**171**	134	201
Bill endorsements	**16**	19	23	**16**	19	23
Documentary letters of credit	**4,729**	3,653	1,763	**4,546**	3,621	1,759
Performance related contingents	**1,585**	1,542	1,677	**1,409**	1,510	1,605
Commitments to provide credit	**151,135**	139,964	127,833	**143,270**	132,451	113,503
Other commitments	**2,175**	1,868	2,093	**1,714**	1,510	1,468
Total credit risk related instruments	**165,932**	152,876	138,948	**157,247**	144,941	123,916

Guarantees are undertakings given to support the obligations of a customer to third parties.

Standby letters of credit are undertakings to pay, against presentation of documents, an obligation in the event of a default by a customer.

Bills of exchange endorsed by the Group which represent liabilities in the event of default by the acceptor and the drawer of the bill.

Documentary letters of credit are undertakings by the Group to pay or accept drafts drawn by an overseas supplier of goods against presentation of documents in the event of payment default by a customer.

Performance-related contingents are undertakings that oblige the Group to pay third parties should a customer fail to fulfil a contractual non-monetary obligation.

Commitments to provide credit include all obligations on the part of the Group to provide credit facilities. As facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

Other commitments include underwriting facilities and commitments with certain drawdowns.

Fixed rate or fixed spread commitments extended to customers that allow net settlement of the change in the value of the commitment are written options and are recorded at fair value (Refer to Note 32 to the 2014 Financial Statements – Contingent Liabilities, Contingent Assets and Commitments).

Other commitments include the Group's obligations under sale and repurchase agreements, outright forward purchases and forward deposits and underwriting facilities. Other commitments also include obligations not otherwise disclosed above to extend credit that are irrevocable because they cannot be withdrawn at the discretion of the Group 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 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 the 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 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.

The carrying value of net future payments that may be required for Guarantees as defined in ASC Codification Topic 460: Guarantees, is set out by term in the table below:

	Carrying Value (1)		
	2014	2013	2012
	$M	$M	$M
Guarantees	**3**	6	-
Standby letters of credit	**-**	-	-
Bill endorsements	**1**	-	3
Documentary letters of credit	**4**	2	-
Performance related contingents	**21**	23	15
Total	**29**	31	18

(1) These instruments have a maturity profile within one year from the Balance Sheet date.

Securitisation of Assets

The Group conducts a Loan Securitisation program through which it packages loans and issues securities to investors. The Group has a policy of funding diversification and assets are securitised to provide greater diversification of the Group's funding sources. The Group is not over-reliant on funding from any one market sector (refer to Note 36 to the 2014 Financial Statements – Liquidity and Funding Risk). In addition, the Group's capital management benefits from reduced risk under APRA Prudential capital adequacy guidelines.

The Group securitises mortgage loans to an SPE. The SPE is a separate bankruptcy remote entity that operates under master series agreements. The SPE operates through segregated series and the securities issued in different series may have different credit ratings. The primary source of repayment of the securities issued is the cash flow from the pools of assets. Investors in the securities issued have no recourse to the general assets of the Group. Under AIFRS these loans are recorded on the Group's Consolidated Balance Sheet.

The outstanding balance of securitised loans at 30 June 2014 was $12,982 million (2013: $10,169 million). No credit losses were incurred by the Group in relation to these securitised loans during the financial years 2014 and 2013. The credit risk in respect of these loans is fully covered through mortgage insurance.

Interest rate swaps and liquidity facilities are provided at arms length to the program by the Group in accordance with APRA Prudential Guidelines.

Liquidity facilities and derivatives are disclosed in Note 43 of the 2014 Financial Statements. These commitments are considered minor in the totality of the Group's business.

Fee income is recognised in income on an accruals basis in relation to the period in which the costs of providing these services are incurred. 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. The value of securitisation fee and residual income is not a material component of the Group's fee income. For further information on the Group's securitisation activities refer to Note 43 of the 2014 Financial Statements.

Commitments

Commitments

This "Commitments" section contains certain forward-looking statements. See "Disclosures - Special Note Regarding Forward-Looking Statements" on page 5 of this Document.

At the end of financial years 2014 and 2013, the Group had commitments for capital expenditure (see Note 32 to the 2014 Financial Statements) and lease commitments (see Note 31 to the 2014 Financial Statements). These commitments are minor in the totality of the Group's commitments.

The Group also had various monetary contractual liabilities, such as deposits and other public borrowings, payables to other financial institutions, bank acceptances, life liabilities, debt issues and loan-capital, and other monetary liabilities. Refer to Note 36 to the 2014 Financial Statements for the maturity distribution of these monetary contractual liabilities. Details of the Group's contractual obligations are set out in the table below.

Contractual Obligations

	Payments due by period at 30 June 2014					
	Total	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Unspecified
	$M	$M	$M	$M	$M	$M
On-Balance Sheet (1)						
Debt Issues	155,844	56,549	47,243	25,220	26,832	-
Deposits and other Public Borrowings	502,507	478,011	14,252	9,660	584	-
Loan Capital	13,503	3,497	542	1,141	8,323	-
Total On-Balance Sheet	671,854	538,057	62,037	36,021	35,739	-
Off-Balance Sheet						
Credit risk related instruments (2)	151,135	151,135	-	-	-	-
Lease commitments - Property, Plant and Equipment (3)	3,009	561	819	635	994	-
Commitments for capital expenditure not provided for in the accounts (4)	19	19	-	-	-	-
Total Off-Balance Sheet	154,163	151,715	819	635	994	-

(1) Contractual on-balance sheet obligations also include contractual interest; refer to Note 36 to the 2014 Financial Statements.
(2) Credit risk related instruments, see page 98 of this Document.
(3) Refer Note 28 to the 2014 Financial Statements.
(4) Refer Note 32 to the 2014 Financial Statements.

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.

Failure to Settle Risk

The Group is subject to a credit risk exposure in the event that another financial institution fails to settle for its payments clearing activities, in accordance with the regulations and procedures of the following clearing systems of the Australian Payments Clearing Association Limited: The Australian Paper Clearing System, The Bulk Electronic Clearing System, The Consumer Electronic Clearing System and the High Value Clearing System (only if operating in "fallback mode"). This credit risk exposure is unquantifiable in advance, but is well understood, and is extinguished upon settlement at 9am each business day.

Capital Commitments

The Group is committed for capital expenditure on property, plant and equipment and computer software under contract of $19 million as at 30 June 2014 (2013: $17 million). The Bank is committed for $11 million (2013: $12 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 2014 was $4.9 million (2013: $5 million).

Transactions in Own Shares

The Group had the following employee share plans in place during the year ended 30 June 2014:

- Commonwealth Bank Employee Share Plan (ESP);
- Commonwealth Bank Group Leadership Reward Plan (GLRP);
- Commonwealth Bank Equity Participation Plan (EPP);
- Commonwealth Bank Group Leadership Share Plan (GLSP);
- Employee share Acquisition Plan (ESAP);
- Employee Salary Sacrifice Share Plan (ESSSP);
- Non Executive Directors Share Plan (NDSP); and
- Commonwealth Bank Equity Reward Plan (ERP).

The ERP arrangements were approved by Shareholders at the Annual General Meeting (AGM) on 26 October 2000. The GLSP was approved by Shareholders at the AGM on 7 November 2007. Shareholders' consent was not required for the EPP but details were included in the Explanatory Memorandum to the 2000 meeting to ensure Shareholders were fully informed. Shareholders' consent was not required for either the ESP or GLRP.

For further information regarding compensation arrangements and agreements with Group Key Management Personnel, see the Remuneration Report in the 2014 Financial Report.

Business Strategies and Future Developments

During the year the Group reinvested $1.2 billion into the business. Most of this investment was targeted at our long term strategic priorities – people, technology, strength and productivity.

The success of the Group is dependent above all on our people. This year's result is a tribute to their commitment and hard work as a team. All of our internal measures tell us that our people are highly engaged. At the same time, our customers are also telling us that we are getting better at working with them to assist them in enhancing their financial well-being. We believe our people are our defining competitive advantage. Put simply, we want to attract, retain and motivate the best people. That is why we continue to invest heavily in recruiting and development. And that is also why we encourage diversity throughout the Group. We aspire to be a place where people with good values, a strong work ethic and talent can thrive regardless of their gender, ethnicity, religion, sexual orientation, age or disability. We want to go much further than tolerating these differences – we want to celebrate them.

We again made significant progress this year on our aspiration to become a global leader in the application of technology to financial services. Having successfully completed our major platform replacement project, we are now the only major bank in Australia which provides all our customers with a 24 hour, 7 days a week real time banking experience. In addition to the customer and productivity benefits which are already being delivered, this investment provides us with a unique platform on which to build innovative business solutions. Some of the new products and services that we brought to market this year included our new Commbank App, which has 3 million registrations already, Comminsure's online motor insurance origination as well as ASB's PayTag, which is currently being trialled. For business customers, we introduced Daily IQ, a new mobile analytics app that gives business customers access to insights into their information, such as cash flow and sales, as well as our CommBank Small Business app, which when paired with "Emmy", a next generation payments terminal, turns Apple or Android devices into powerful payment tools. We also introduced new services for consumers including "Lock and Limit", which gives our credit card customers additional control over their card security and spending via the Commbank app, and "Cardless Cash", which enables customers to make ATM withdrawals using their mobile phone.

Productivity has been a continuing focus for the organisation. We are committed to ensuring that we have processes that allow our people to focus more on the customer, create a better customer experience and enhance efficiency. We believe that cultural change is core to this strategy; our people need to have a continuous improvement mindset that drives us to look at better ways of doing what we do every day. Our financial results show the benefit of our efforts in this area.

But even more importantly, the number of people who have been trained in productivity-enhancing skills, and are putting them into practice every day, is rising significantly. That gives us confidence that we can continue to become more productive over the long term. Through the successful implementation of this programme over several years, the Group intends to continue to avoid short term cost cutting initiatives that damage morale and thereby undermine long term value. We have not, and do not plan to; set targets for reduction in people numbers, nor do we plan to resort to offshoring of Australian jobs. Our final priority of strength also influenced our performance in the past year. Given that uncertainty remains in the global and local economies, we retained our conservative balance sheet throughout the year. However, we exist to support our customers. So we want to ensure that if growth is ahead of our expectations, we will have had the capacity to extend that support. Our capital, liquidity, funding and provisioning levels are all designed with those dual long-term goals in mind: conservatism and customer focus. Regulation has also continued to impact our balance sheet decisions. We have worked closely with our regulators and management believes that we are well positioned to meet new Basel III capital and liquidity requirements. These and other regulatory requirements will require us to adapt our business model and, in most instances, lead to increased costs and higher levels of investment. So, by way of example, in 2014 nearly one quarter of our $1.2 billion investment spending was on "risk and compliance".

History and Ownership

The Commonwealth Bank of Australia was founded under the Commonwealth Bank Act in 1911 and commenced operations in 1912, empowered to conduct both savings and general (trading) bank business with the security of a Federal Government guarantee. In 1920, responsibility for note issue was transferred to the Commonwealth Bank. The next two decades saw the Commonwealth Bank's responsibilities expand to encompass those of a central bank. These powers were codified by emergency legislation enacted during the early days of World War II. Subsequent legislative amendment in 1959 created a separate Reserve Bank of Australia to take over the central bank functions from the Bank.

In December 1990, the Commonwealth Bank's Restructuring Act 1990 was passed, which provided for:

- The conversion of the Bank into a public company with a share capital, governed by its Memorandum and Articles of Association but subject to certain overriding provisions of the Banking Act;
- The Bank to become the successor in law of the State Bank of Victoria (SBV); and
- The issue of shares in the Bank to the public.

On 17 April 1991, the organisation became a public company with share capital governed by the Corporations Law but subject to certain overriding provisions of the Commonwealth Banks Act 1959. The Commonwealth Bank was fully privatised in three stages from 1991 to July 1996.

The Commonwealth Bank has been involved in many mergers. These mergers include:

1913: State Savings Bank of Tasmania (1902-1913) incorporating: Post Office Savings Bank of Tasmania (1882-1902)

1920: Queensland Government Savings Bank (1916-1920) incorporating:

- Moreton Bay Savings Bank (1856-1865)
- Ipswich Savings Bank (1861-1866)
- Toowoomba Savings Bank (1862-1867)
- Government Savings Bank of Queensland (1865-1916)

1931: State Savings Bank of Western Australia (1926-1931) incorporating: Government Savings Bank of WA (1906-1926) which had previously incorporated Post Office Savings Bank of Western Australia (1863-1908)

1931: Government Savings Bank of NSW (1871-1931) incorporating: Savings Bank of NSW (1832-1914) which had previously incorporated NSW Savings Bank/Campbell's Bank (1819-1833) and Port Stephens Savings Bank (1830-1832)

1989: ASB Bank Ltd (1987-current) 75% holding expanded to 100% in 2000, incorporating:

- Auckland Savings Bank/ASB Trust Bank (1847-1987)
- Westland Bank
- Sovereign Ltd (1989-current)
- Retail stockbroking and fixed income operations from Warburg Dillion Read (1997-current) which had previously incorporated S G Warburg & Co and Dillion, Read & Co

1991: State Bank of Victoria/SBV (1842-1991) formerly Savings Bank of Victoria/SSB and Savings Bank of Port Phillip

2000: Colonial Limited, formerly Colonial Mutual (1873-2000) incorporating:

- Trust Bank (1991-1999) formed out of a merger between Hobart Savings Bank/Savings Bank of Tasmania (1845-1991) and the Tasmania Bank, formerly Launceston Bank for Savings (1835-1991) which had previously incorporated Tasmanian Permanent Building Society
- Legal & General, Australia (1953-1998)
- State Bank of New South Wales (1931-1994), formerly the Rural Bank
- Prudential Corporation – Australia & New Zealand (1925-1998)

2008: Bank of Western Australia Ltd. (Bankwest) and St Andrew's Australia Pty Ltd (St Andrew's) (Note: St Andrew's insurance business was sold effective 1 July 2010).

Australia

Financial Services

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

Banking

We intend to continue pursuing our vision to excel at securing and enhancing the financial wellbeing of people, businesses and communities.

We believe our strategy to achieve that has served our customers and shareholders well over recent years. We believe that there is still considerable upside yet to be realised in these key themes of customer focus, people, technology, productivity and strength.

Funds Management

Domestic markets were strong during the 2014 financial year, with the average ASX200 up 13%, whilst the performance of offshore market indices was mixed. In addition, the long term growth outlook of the Australian funds management industry is strong, underpinned by the increase in compulsory superannuation contributions from 9% to 12% by the 2020 financial year. The Australian Government has announced its intention for this to change to the 2023 financial year however this has not yet been legislated. Global funds management is also expected to continue to grow in the long term, driven by increasing wealth in developing countries.

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

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

Insurance

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

Advice-based product profitability is being affected by elevated lapse rates and rising loss ratios. Lapse rates remain elevated compared to historical levels, but have shown signs of improvement as insurers implement retention. Loss ratios have been increasing due to the current economic environment, leading to loss recognition and strengthening of reserves across the industry, in Wholesale Life schemes in particular.

The general insurance market remains highly competitive and concentrated amongst a few large players.

New Zealand

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

Competition

Competitive Landscape

Australia and New Zealand are strongly competitive financial services markets across the range of banking, funds management and insurance products. Competitors include the major Australian/NZ banks (Australia and New Zealand Banking Group (ANZ), National Australia Bank (NAB) and Westpac Banking Corporation (WBC)), regional banks, foreign banks and both local and international non-bank intermediaries.

Each of the major banks offer a full range of financial products and services through branch networks, electronic channels and third party intermediaries across Australia. The regional banks, while smaller than the majors, operate across state borders, or nationally, primarily in mortgage lending, facilitated by non-bank mortgage originators and brokers. Non-bank financial intermediaries such as building societies and credit unions operate in the areas of accepting deposits and residential mortgage lending, mainly for owner-occupied housing. Since 2008's credit crisis, regional banks and non-bank financial intermediaries have not been as active competitors of the major banks due to changes in markets and consumer preference since the start of the global financial crisis.

In addition, the Wealth Management businesses compete with both domestic and international funds management and insurance providers. The domestic competitors include AMP, ANZ, WBC, NAB, IAG, QBE, Suncorp and specialist providers.

The Australian and New Zealand financial services sector performed strongly in the decade ended in late 2008, largely driven by strong growth in lending. Since 2008 this trend has changed to lower credit growth and higher savings growth with the expectation that this trend will continue.

The funds management industry has experienced strong growth, especially within the superannuation (pension funds) industry. Future growth will be underpinned by the aging population, continued tax benefits of long-term saving through superannuation and compulsory employer pension contributions. This growth potential continues to attract new entrants to this market, from international fund managers and boutique players.

Changes in the financial needs of consumers, regulatory changes, and technology developments have also changed the competitive landscape. In particular, the development of electronic delivery channels and the reduced reliance on a physical network facilitate the entry of new players from related industries, such as retailers, telecommunication companies and utilities. Technological change has provided opportunities for new entrants with differing combinations of expertise and has enabled the unbundling of the value chain.

Employees

The Group employs approximately 45,000 people on a full-time equivalent basis.

The Group supports its people by continuing to invest in their development and in programs designed to create a diverse, safe and rewarding workplace.

Building a Diverse and Inclusive Workplace

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

The 2013-14 Diversity & Inclusion Strategy has three broad focus areas, each with goals and action plans. Specific members of the Executive Leadership Team take a hands-on and visible sponsorship of each area.

Inclusion and Respect

The Group is committed to building greater inclusion for employees from different cultural backgrounds and identities, including LGBTI (lesbian, gay, bisexual, transgender and intersex) employees, employees with disability and older workers.

In the reporting period:

- Unity, the LGBTI employees and allies' network celebrated its first anniversary. In 2014, 8.7% of the Group's employees disclosed they identified as LGBTI, up from 3.3% in the previous period. This increase can be seen as the result of the culture change work Unity supported to create an even safer and more comfortable workplace for LGBTI employees;
- Enable, an employee network for disability and accessibility was launched in July 2013 to support the implementation of the Group's fifth Disability Action Plan;
- Mosaic, an employee-led network for cultural diversity was launched in February 2014. The network aims to build greater inclusion and respect for culturally diverse employees - 40% of the Group's workforce is from a cultural background other than Australian;
- Through the Indigenous employment program, 137 career opportunities for Aboriginal and Torres Strait Islanders were created across the Group in the reporting period and an updated Indigenous Cultural awareness e-learning module, available to all employees, was also rolled out.

The Group's efforts were recognised in May 2014 with the Group being named the fourth most inclusive employer at the 2014 Australian Workplace Equality Index Awards.

Diversity in Leadership

A continued focus has seen the Group make significant progress towards its gender diversity target of 35% women in Executive Manager and above positions by December 2014. With females comprising 60% of its workforce, and 43% of those in management roles, the Group recognises the importance of building a strong female presence across all tiers of employment. Women are also increasingly represented in senior leadership roles: 33% of the Board, 27% of the Executive Committee and 32.8% of Executive Manager and above roles.

In accordance with the requirements of the Workplace Gender Equality Act 2012, in May 2014 the Group lodged its annual public report with the Workplace Gender Equality Agency. The report covers Australian domestic operations only (excluding Bankwest). Full disclosure of the Group's workforce profile is available at commbank.com.au/sustainability2014/engaged-and-talented-people. In addition Bankwest lodged its annual public report at the same time.

Adaptable Work Practices

More than 54% of the Group's people work flexibly, so support for flexibility is essential to productivity and engagement. The Group continues to support flexible ways of working such as working from different locations, altering start and finish times, reducing work hours and accessing a range of leave options. A key enabler is technology and innovations such as the recently launched app SideKick, which are helping staff access HR information remotely.

Financial System Regulation in Australia

The Australian Federal Government has established a Financial Services Inquiry to examine how best to position the Australian financial system to meet Australia's evolving needs and support Australia's economic growth. In December 2014, the Financial Services Inquiry is scheduled to make its recommendations to the Government.

Australia has, by international standards, what is recognised as a high quality financial system which aims to regulate financial products and services consistently, regardless of the type of financial institutions providing them.

The main regulators of financial services in Australia are the Reserve Bank of Australia (RBA), APRA, the Australian Securities and Investments Commission (ASIC), the Australian Transaction Reports and Analysis Centre (AUSTRAC) and the Australian Competition and Consumer Commission (ACCC).

Each agency has system-wide responsibilities for the different objectives of government oversight of the financial system. A description of these agencies and their general responsibilities and functions is set out below.

The RBA is responsible for monetary policy, financial system stability and regulation of the payments system. APRA has responsibility for the prudential supervision of banks, building societies and credit unions, life and general insurance companies, friendly societies and superannuation funds (pension funds). Unless an institution is authorised under the Banking Act 1959 or exempted by APRA, it is prohibited from engaging in the general business of deposit-taking.

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

The ACCC promotes competition and fair trade to benefit consumers, business and the community through the administration of the Competition and Consumer Protection Act 2010.

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

Australia implements United Nations Security Council (UNSC) sanctions regimes and Australian autonomous sanctions regimes under Australian sanction laws.

UNSC sanctions regimes are primarily implemented under the Charter of the United Nations Act 1945 (the United Nations Act) and its sets of regulations. There is a separate set of regulations under the United Nations Act for each UNSC sanctions regime.

Australian autonomous sanctions regimes are primarily implemented under the Autonomous Sanctions Act 2011 (the Autonomous Act) and the Australian Autonomous Sanctions Regulations 2011. There is only one set of regulations under the Autonomous Act. The Department of Foreign Affairs and Trade (DFAT) administers the United Nations Act, the Autonomous Act and their regulations.

Owing to the geographic reach of its activities and operations, the Group must also comply with the sanctions regimes in a number of different countries. These regimes include (but are not limited to) sanctions administered by the U.S. Office of Foreign Assets Control, Hong Kong Monetary Authority and Monetary Authority of Singapore.

Supervisory Arrangements

The Bank is an ADI under the Banking Act 1959 and is subject to prudential regulation by APRA.

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

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

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

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

(i) Capital, Funding and Liquidity

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

Details of the Group's regulatory capital position and capital management activities are disclosed in Note 27 to the 2014 Financial Statements.

APRA's prudential guidance for liquidity risk management requires ADIs to maintain a liquidity management policy, governance and management framework and funding strategy that complies with the requirement to prudently manage all liquidity risks. The Group's liquidity policy and management framework requires an appropriate level of high quality liquid assets be held to support both business as usual and under a stress scenario. The liquid assets holding requirements includes Certificates of Deposit, Bills of Exchange, securities issued by the Federal and State Governments, as well as selected securities issued by selected supranational agencies and specific mortgage backed securities available for repurchase by the RBA. The liquid asset definition also includes the cash balance of the CBA's Exchange Settlement Account with the RBA. APRA has implemented changes to liquidity management standards as part of the Basel III global banking reforms.

The Group will be required to meet a LCR from 1 January 2015 and revised definitions of eligible High Quality Liquid Asset holding requirements within these changes. More details on the Group's liquidity and funding risks are provided in Note 36 to the 2014 Financial Statements.

(ii) Large Credit Exposures

APRA requires banks to ensure that, other than in exceptional circumstances, individual credit exposures to non-bank, non-government clients do not exceed 25% of the capital base. Exposure to unrelated ADIs is not to exceed 50% of the capital base. Prior consultation must be held with APRA if a bank intends to exceed set thresholds. For information on the Group's large exposures refer to Note 34 to the 2014 Financial Statements.

(iii) Ownership and Control

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

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

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

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

(iv) Banks' Association with Non-Banks

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

(v) Fit and Proper and Governance

ADIs are subject to APRA's "Fit and Proper" and "Governance" Prudential Standards. ADIs are required to implement a Board approved Fit and Proper policy covering minimum requirements for the fitness and proprietary of their responsible persons, which include designated members of senior management. ADIs also have to comply with APRA's Governance Prudential Standards, which sets out requirements for Board size and composition, independence of directors, executive remuneration and other APRA governance matters.

(vi) Supervision of Non-Bank Group Entities

The Australian life insurance company subsidiaries, general insurance company subsidiaries and the superannuation trustees of the Group also come within the supervisory review of APRA, for further details please refer to "Insurance and Wealth Management Regulation" below.

Insurance and Wealth Management Regulation

The Group conducts general and life insurance business, funds management, asset management, custodial services, investor directed portfolio services, financial advice and superannuation (trustee) businesses through its Wealth Management division. The key regulators for the Group's wealth management businesses are APRA and ASIC. The Group's insurance and superannuation businesses are required to comply with relevant legislations including the Life Insurance Act 1995, Insurance Act 1973 and the Superannuation Industry (Supervision) Act 1993. They are also required to comply with APRA's Prudential Standards. These standards cover, amongst others, capital adequacy, governance and risk management and reporting standards. The Group's wealth management businesses are also governed by the Corporations Act 2001, which is administered by ASIC. In regard to the Group's life insurance business in Australia, the Life Insurance Act 1995 sets forth a two tiered framework for the calculation of regulatory capital requirements for life insurance companies – 'solvency' and 'capital adequacy'. The capital adequacy test for statutory funds is always equal to or greater than the solvency test[1].

There are no regulatory capital requirements for life insurance companies in New Zealand, though the directors of any company must certify its solvency under the Companies Act 1993. The Group determines the minimum capital requirements for its New Zealand life insurance business according to the professional standard, 'Solvency Reserving for Life Insurance Business', issued by the New Zealand Society of Actuaries. The Group's general insurance businesses are regulated by APRA under the Insurance Act 1973. The Group determines capital requirements for general insurance businesses in accordance with APRA Prudential Standards.

The Group's financial advice businesses are licensed and regulated by ASIC.

From 1 July 2013, APRA introduced additional Prudential Standards that introduce new financial, reporting and operational requirements for licensed superannuation trustees. ASIC has imposed new financial requirements that apply to all responsible entities that operate funds management businesses. New financial requirements imposed by ASIC also extend to custodial services and investor directed portfolio services. These new requirements apply to the Group's responsible entity, custodial services and investor directed portfolio services businesses with full effect from 1 July 2014.

Legal Proceedings

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 2014 included:

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). The majority of payments to affected investors under the ASIC settlement have been paid by CBA.

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 was completed in November 2013 and judgement is yet to be delivered.

The Group believes that appropriate provisions are held to cover any exposures arising from the program 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. The stay of two class actions has been extended from March 2014 to December 2014 (and may be extended again) pending the hearing of similar proceedings against another bank. The financial impact is not yet known however, it is not anticipated to have a material impact on the Group.

Open Advice Review program

On 3 July 2014, the Group announced an Open Advice Review program for customers of Commonwealth Financial Planning and Financial Wisdom, who received advice between 1 September 2003 and 1 July 2012. The program involves:

- A free review of past advice by a specialist Commonwealth Bank team for customers who have a concern;
- Customers having access to an independent customer advocate funded by the Group and an Independent Review Panel chaired by the Hon Ian Callinan AC
- The Group will be bound by any determinations made by the Independent Review Panel, however, customers will retain their rights to escalate their concerns to the Financial Ombudsman Service or otherwise pursue a claim; and
- Oversight by an independent expert.

Customer registrations opened on 3 July 2014 and will remain open for 12 months. As this program has only recently been announced, the results are uncertain. However, the Group considers that provisions held are adequate to ensure that the costs of managing this program will not be material to Group results.

Critical Accounting Policies and Estimates

Note 1 to the 2014 Financial Statements contains a summary of the Group's significant accounting policies. Certain of these policies are considered to be more important in the determination of the Group's financial position, since they require management to make difficult, complex or subjective judgements, some of which may relate to matters that are inherently uncertain. Management discusses the accounting policies which are sensitive to the use of judgement, estimates and assumptions with the Board Audit Committee. These policies include provisions for impairment, actuarial assumptions in determining life insurance policy liabilities, determining whether certain entities should be consolidated, determining the fair value of financial instruments, assessing goodwill for impairment and actuarial assumptions in determining defined benefit plan obligations. An explanation of these policies and the related judgements and estimates involved is set out in Note 1 to the 2014 Financial Statements.

Remuneration of Auditors

Disclosure of the Remuneration of Auditors is set out in Note 30 to the 2014 Financial Statements.

Introduction

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

Charter

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

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

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

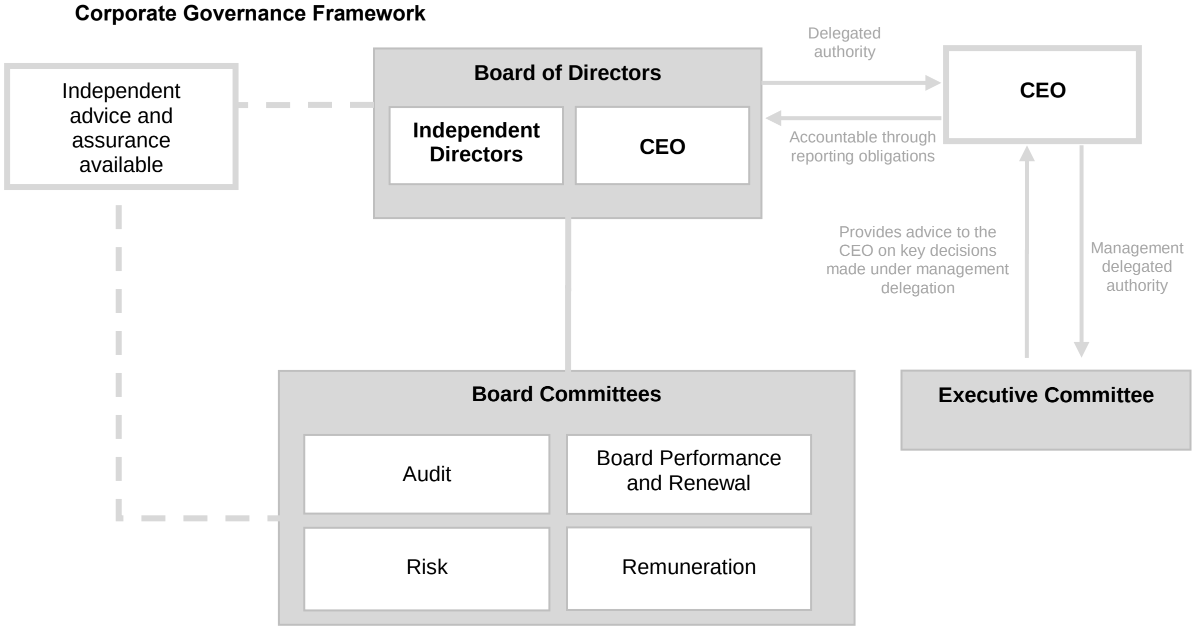
Delegation of Authority

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

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

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

Corporate Governance Framework



Composition

There are currently nine Directors of the Bank and details of their period of office, experience, qualifications, special responsibilities and attendance at meetings are set out in the 2014 Financial Statements on pages 42 to 46 of the Directors' Report.

Membership of the Board and Committees is set out below:

	Board Membership	**Position Title**	**Committee Membership**			
Director			**Board Performance and Renewal**	**Remuneration**	**Audit**	**Risk**
David J Turner	Non-Executive, Independent	Chairman	Chairman	Member	-	Member
Ian M Narev	Executive	Chief Executive Officer	-	-	-	Member
John A Anderson	Non-Executive, Independent	-	Member	-	-	Member
Shirish Apte	Non-Executive, Independent				Member	Member
Jane S Hemstritch	Non-Executive, Independent	-	-	Chairman	-	Member
Launa K Inman	Non-Executive, Independent	-	-	-	Member	Member
S Carolyn H Kay	Non-Executive, Independent	-	-	Member	Member	Member
Brian J Long	Non-Executive, Independent	-	-	-	Chairman	Member
Andrew M Mohl	Non-Executive, Independent	-	-	Member	-	Member
Harrison H Young	Non-Executive, Independent	-	Member	-	Member	Chairman

Constitution

The Constitution of the Bank specifies that:

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

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

Independence

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

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

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

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

- That no Non-Executive Director has a material contractual relationship with the Group other than as a Director of the Bank.

Education and Review

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

Board Performance and Renewal Committee

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

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

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

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

Performance evaluations in accordance with the above processes have been undertaken during the year. Details on management performance evaluations are contained in the Remuneration Report section of the Directors' Report, of the 2014 Financial Statements.

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

Selection of Directors

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

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

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

The Board Performance and Renewal Committee will assess the skills, experience and personal qualities of these candidates. It will also take into consideration other attributes including diversity to ensure that any appointment decisions adequately reflect the environment in which the Group operates.

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

The Chairman will provide a letter to all new Directors setting out the terms of appointment and relevant Board policies. These include time commitment, code of ethics and continuing education. All current Directors have been provided with a letter confirming the terms of their appointment.

Policies

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

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

Ethical Standards

Conflicts of Interest

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

Share Trading

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

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

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

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

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

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

Remuneration Arrangements

Details of the governance arrangements and policies relevant to remuneration are set out in the Remuneration Report in the 2014 Financial Statements.

Audit Arrangements

Audit Committee

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

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

These include:

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

Auditor

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

The PwC partner managing the Group's external audit will attend the 2014 AGM and be available to respond to shareholder questions relating to the external audit.

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

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

Non-Audit Services

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

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

- Assume the role of management or act as an employee;
- Become an advocate for the Group;
- Audit their own work;
- Create a mutual or conflicting interest between themselves and the Group;

- Require an indemnification from the Group to themselves;
- Seek contingency fees; nor
- Have a direct financial or business interest or a material indirect financial or business interest in the Group or any of its affiliates, or an employment relationship with the Group or any of its affiliates.

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

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

In general terms, the permitted services are:

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

Risk Management

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

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

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

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

Risk Committee

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

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

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

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

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

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

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

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

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

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

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

Risk Management Framework

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

A description of the functions of the framework and the nature of the risks is set out in Notes 33 to 36 to the 2014 Financial Statements.

Continuous Disclosure

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

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

Shareholder Communication

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

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

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

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

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

Ethical Policies

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

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

Statement of Professional Practice

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

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

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

Our People

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

- Fair Treatment Review;
- Equal Employment Opportunity;

- Occupational Health and Safety;
- Recruitment and selection;
- Performance management;
- Talent management and succession planning;
- Remuneration and recognition;
- Employee share plans; and
- Supporting Professional Development.

Behaviour Policy

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

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

Code of Conduct

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

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

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

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

Five Year Financial Summary

	2014	2013 (1)	2012	2011	2010
	$M	$M	$M	$M	$M
Net interest income (1)	**15,091**	13,944	13,157	12,645	12,008
Other operating income (2)	**7,310**	6,877	6,319	7,014	7,051
Total operating income	**22,401**	20,821	19,476	19,659	19,059
Operating expenses	**(9,499)**	(9,010)	(8,627)	(8,891)	(8,601)
Impairment expense	**(953)**	(1,082)	(1,089)	(1,280)	(2,075)
Net profit before tax	**11,949**	10,729	9,760	9,488	8,383
Corporate tax expense	**(3,250)**	(2,953)	(2,705)	(2,637)	(2,266)
Non-controlling interests	**(19)**	(16)	(16)	(16)	(16)
Net profit after tax ("cash basis")	**8,680**	7,760	7,039	6,835	6,101
Defined benefit superannuation plan expense (3)	**-**	-	-	-	-
Treasury shares valuation adjustment	**(41)**	(53)	(15)	(22)	(44)
Hedging and IFRS volatility	**6**	27	124	(265)	17
Tax on NZ structured finance transactions	**-**	-	-	-	(171)
Gain/(Loss) on disposal of controlled entities/investments	**17**	-	-	(7)	(23)
Bankwest non-cash items	**(56)**	(71)	(89)	(147)	(216)
Count Financial acquisition costs	**-**	-	(43)	-	-
Bell Group litigation	**25**	(45)	-	-	-
Net profit after income tax attributable to Equity holders of the Bank	**8,631**	7,618	7,016	6,394	5,664
Contributions to profit (after tax) (4)					
Retail Banking Services	**3,472**	3,089	2,703	2,854	2,461
Business and Private Banking	**1,526**	1,474	1,513	1,030	898
Institutional Banking and Markets	**1,258**	1,195	1,098	1,004	1,173
Wealth Management	**621**	577	492	581	592
New Zealand	**739**	616	557	469	387
Bankwest	**680**	561	527	463	(45)
IFS and Other	**187**	143	60	353	457
Net profit after tax ("underlying basis") (5)	**8,483**	7,655	6,950	6,754	5,923
Investment experience after tax	**197**	105	89	81	178
Net profit after tax ("cash basis")	**8,680**	7,760	7,039	6,835	6,101
Balance Sheet					
Loans, bills discounted and other receivables	**597,781**	556,648	525,682	500,057	493,459
Total assets (1)	**791,451**	753,857	718,839	667,899	646,330
Deposits and other public borrowings	**498,352**	459,429	437,655	401,147	374,663
Total liabilities (1)	**742,103**	708,320	677,219	630,612	610,760
Shareholders' equity	**49,348**	45,537	41,620	37,287	35,570
Net tangible assets	**38,080**	33,638	29,869	26,217	24,688
Risk weighted assets - Basel III (APRA)	**337,715**	329,158	n/a	n/a	n/a
Risk weighted assets - Basel II (APRA)	**n/a**	n/a	302,787	281,711	290,821
Average interest earning assets	**705,371**	653,637	629,685	597,406	577,261
Average interest bearing liabilities	**661,733**	609,557	590,654	559,095	543,824
Assets (on Balance Sheet) - Australia (1)	**669,293**	644,043	621,965	581,695	561,618
Assets (on Balance Sheet) - New Zealand	**69,110**	61,578	55,499	54,993	56,948
Assets (on Balance Sheet) - IFS and Other	**53,048**	48,236	41,375	31,211	27,764

(1) Comparative information has been restated to conform to presentation in the current year. Refer to “Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information”, Note 1 of the 2014 Financial Report and Appendix C of this Document for further details.

(2) Includes investment experience.

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

(4) Comparative information for 2013 only has been restated to reflect changes in the presentation of customer reporting segment results in the current period. The changes include the reallocation of revenue, expenses and associated customer balances between segments based on where the customer relationship is managed rather than the business from which the product originated. Refer to “Financial Information Definitions – Reclassification of Customer Reporting Segments” for more details.

(5) Please refer to “Disclosures - Non-Cash Items Included in Statutory Profit” for further details. A reconciliation of the Net profit after tax (“cash basis”) by business segment is provided in Note 28 to the 2014 Financial Statements.”

Five Year Financial Summary

	2014	2013 (1)	2012	2011	2010
Shareholder summary					
Dividends per share - fully franked (cents)	**401**	364	334	320	290
Dividend cover - statutory (times)	**1.3**	1.3	1.3	1.3	1.3
Dividend cover - cash (times)	**1.3**	1.3	1.3	1.4	1.4
Earnings per share (cents)					
Basic					
Statutory	**533.8**	474.2	444.2	411.2	367.9
Cash basis	**535.9**	482.1	444.7	438.7	395.5
Fully diluted					
Statutory	**521.9**	461.0	428.5	395.1	354.2
Cash basis	**524.0**	468.6	429.0	420.6	379.8
Dividend payout ratio (%)					
Statutory	**75.5**	77.4	76.0	78.3	79.7
Cash basis	**75.1**	75.9	75.8	73.2	73.9
Net tangible assets per share ($)	**23.5**	20.9	18.8	16.8	15.9
Weighted average number of shares (statutory basic) (M)	**1,608**	1,598	1,570	1,545	1,527
Weighted average number of shares (statutory fully diluted) (M)	**1,681**	1,686	1,674	1,668	1,640
Weighted average number of shares (cash basic) (M)	**1,611**	1,601	1,573	1,548	1,531
Weighted average number of shares (cash fully diluted) (M)	**1,684**	1,689	1,677	1,671	1,644
Number of shareholders	**791,564**	786,437	792,906	792,765	784,382
Share prices for the year ($)					
Trading high	**82.68**	74.18	53.80	55.77	60.00
Trading low	**64.49**	53.18	42.30	47.05	36.20
End (closing price)	**80.88**	69.18	53.10	52.30	48.64
Performance ratios (%)					
Return on average Shareholders' equity					
Statutory	**18.7**	18.0	18.5	18.4	17.5
Cash basis	**18.7**	18.2	18.4	19.5	18.7
Return on average total assets					
Statutory	**1.1**	1.0	1.0	1.0	0.9
Cash basis	**1.1**	1.1	1.0	1.0	1.0
Capital adequacy - Common Equity Tier One - Basel III (APRA)	**9.3**	8.2	n/a	n/a	n/a
Capital adequacy - Tier One - Basel III (APRA)	**11.1**	10.3	n/a	n/a	n/a
Capital adequacy - Tier Two - Basel III (APRA)	**0.9**	0.9	n/a	n/a	n/a
Capital adequacy - Total - Basel III (APRA)	**12.0**	11.2	n/a	n/a	n/a
Capital adequacy - Tier One - Basel II	**n/a**	n/a	10.0	10.0	9.2
Capital adequacy - Tier Two - Basel II	**n/a**	n/a	1.0	1.7	2.3
Capital adequacy - Total - Basel II	**n/a**	n/a	11.0	11.7	11.5
Net interest margin	**2.14**	2.13	2.09	2.12	2.08
Other information (numbers)					
Full-time equivalent employees	**44,329**	44,969	44,844	46,060	45,025
Branches/services centres (Australia)	**1,150**	1,166	1,167	1,160	1,147
Agencies (Australia)	**3,717**	3,764	3,818	3,795	3,884
ATM's (proprietary)	**4,340**	4,304	4,213	4,173	4,149
EFTPOS terminals	**200,733**	181,227	175,436	170,855	165,621
Productivity (2)					
Total income per full-time (equivalent) employee ($)	**500,034**	459,583	430,983	424,186	418,057
Employee expense/Total income (%)	**25.0**	25.3	25.1	24.5	24.1
Total operating expenses/Total income (%)	**42.9**	43.6	44.6	45.5	45.7

(1) Comparative information has been restated to conform to presentation in the current year. Refer to “Disclosures – Financial Information Definitions - Reclassification of certain Income Statement and Balance Sheet Information”, Note 1 of the 2014 Financial Report and Appendix C of this Document for further details.

(2) The productivity metrics have been calculated on a “cash basis”. Please refer to “Disclosures - Non-Cash Items Included in Statutory Profit” for further details. A reconciliation of the Net profit after tax (“cash basis”) by business segment is provided in Note 28 to the 2014 Financial Statements.”

For the purposes of providing investors with a thorough understanding of the Group's performance, this Appendix provides relevant financial year 2010 and 2011 information not provided within the 2014 Financial Report.

Provisions for Impairment

Provisions for impairment losses	2011 $M	2010 $M
Collective provision		
Opening balance	3,461	3,225
Acquisitions	-	-
Net collective provision funding	45	901
Impairment losses written off	(646)	(734)
Impairment losses recovered	206	77
Fair value and other	(23)	(8)
Closing balance	3,043	3,461
Individually assessed provisions		
Opening balance	1,992	1,729
Acquisitions	-	-
Net new and increased individual provisioning	1,602	1,862
Write-back of provisions no longer required	(367)	(384)
Discount unwind to interest income	(147)	(169)
Fair value and other	374	293
Impairment losses written off	(1,329)	(1,339)
Closing balance	2,125	1,992
Total provisions for impairment losses	5,168	5,453
Less: Off balance sheet provisions	(21)	(25)
Total provisions for loan impairment	5,147	5,428

Provision ratios	2011 %	2010 %
Collective provision as a % of credit risk weighted assets - Basel II	1. 23	1. 35
Total provision as a % of credit risk weighted assets - Basel II	2. 09	2. 12
Total provisions for impaired assets as a % of gross impaired assets	40. 7	38. 8
Total provisions for impairment losses as a % of gross loans and acceptances	1. 00	1. 06

Appendix A – Additional Historical Information

Credit Risk Management

The following tables set out the Group's impaired asset position by industry and asset class as at 30 June 2012, 2011 and 2010.

							2012
Industry	Loans $M	Gross Impaired Loans $M	Individually Assessed Provisions $M	Net Impaired Loans $M	Write-offs $M	Recoveries $M	Net Write-offs $M
Australia							
Sovereign	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
Personal	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	-	-	-	-	-	-
Personal	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

Credit Risk Management (continued)

Industry	Loans $M	Gross Impaired Loans $M	Individually Assessed Provisions $M	Net Impaired Loans $M	Write-offs $M	Recoveries $M	Net Write-offs $M
							2011
Australia							
Sovereign	2,212	-	-	-	-	-	-
Agriculture	5,278	191	(87)	104	10	-	10
Bank and other financial	9,986	387	(254)	133	107	(3)	104
Home Loans	306,250	734	(202)	532	84	(43)	41
Construction	2,877	233	(133)	100	89	-	89
Personal	22,144	10	(11)	(1)	567	(134)	433
Asset Financing	8,328	85	(37)	48	26	(2)	24
Other commercial and industrial	98,538	2,857	(1,307)	1,550	989	(17)	972
Total Australia	455,613	4,497	(2,031)	2,466	1,872	(199)	1,673
Overseas							
Sovereign	4,603	-	-	-	-	-	-
Agriculture	4,920	123	(11)	112	17	-	17
Bank and other financial	6,988	59	(1)	58	1	-	1
Home Loans	29,591	177	(25)	152	26	-	26
Construction	322	-	-	-	1	-	1
Personal	559	1	-	1	22	(7)	15
Asset Financing	1,256	-	-	-	-	-	-
Other commercial and industrial	3,489	293	(57)	236	36	-	36
Total overseas	51,728	653	(94)	559	103	(7)	96
Gross balances	507,341	5,150	(2,125)	3,025	1,975	(206)	1,769

Credit Risk Management (continued)

Industry	Loans $M	Gross Impaired Loans $M	Individually Assessed Provisions $M	Net Impaired Loans $M	Write-offs $M	Recoveries $M	Net Write-offs $M
							2010
Australia							
Sovereign	1,571	-	-	-	-	-	-
Agriculture	5,158	222	(75)	147	10	-	10
Bank and other financial	9,221	414	(254)	160	383	-	383
Home Loans	292,140	671	(150)	521	95	(3)	92
Construction	3,438	271	(132)	139	72	-	72
Personal	15,979	15	(21)	(6)	651	(59)	592
Asset Financing	8,621	81	(15)	66	72	(3)	69
Other commercial and industrial	108,818	2,947	(1,268)	1,679	604	(5)	599
Total Australia	444,946	4,621	(1,915)	2,706	1,887	(70)	1,817
Overseas							
Sovereign	1,213	-	-	-	-	-	-
Agriculture	5,450	193	(15)	178	7	-	7
Bank and other financial	6,344	4	(1)	3	50	-	50
Home Loans	31,433	165	(12)	153	25	-	25
Construction	472	-	-	-	-	-	-
Personal	822	4	-	4	18	(6)	12
Asset Financing	768	-	-	-	-	-	-
Other commercial and industrial	9,821	124	(49)	75	86	(1)	85
Total overseas	56,323	490	(77)	413	186	(7)	179
Gross balances	501,269	5,111	(1,992)	3,119	2,073	(77)	1,996

Credit Risk Management (continued)

The following tables set out the Group's credit risk by industry and asset class as at 30 June 2012, 2011 and 2010.

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

	At 30 June 2012									
	Sovereign $M	Agri-culture $M	Bank & Other Financial $M	Home Loans $M	Constr-uction $M	Personal $M	Asset Financing $M	Other Comm & Indust. $M	Other $M	Total $M
Australia										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	7,519	-	-	-	-	-	-	7,519
Receivables due from other financial institutions	-	-	6,135	-	-	-	-	-	-	6,135
Assets at fair value through Income Statement:										
Trading	5,560	-	975	-	-	-	-	2,416	-	8,951
Insurance (1)	929	-	8,476	-	-	-	-	3,413	-	12,818
Other	-	-	6	-	-	-	-	-	-	6
Derivative assets	311	66	30,138	-	31	-	-	4,846	-	35,392
Available-for-sale investments	25,639	-	26,604	-	-	-	-	479	-	52,722
Loans, bills discounted and other receivables	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 (2)	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	225	1	3,157	-	-	-	-	792	-	4,175
Available-for-sale investments	6,948	-	1,156	-	-	-	-	1	-	8,105
Loans, bills discounted and other receivables	10,235	5,198	3,156	30,063	345	656	468	5,134	-	55,255
Bank acceptances	-	-	-	-	-	-	-	2	-	2
Other assets (2)	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) Other assets predominantly comprises assets which do not give rise to credit exposure, including intangible assets, property, plant and equipment, and defined benefit superannuation plan surplus, which are shown in "Other" for the purpose of reconciling to the Balance Sheet.

Appendix A – Additional Historical Information

Credit Risk Management (continued)

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

At 30 June 2011	Sovereign $M	Agri-culture $M	Bank & Other Financial $M	Home Loans $M	Constr-uction $M	Personal $M	Asset Financing $M	Other Comm & Indust. $M	Other $M	Total $M
Australia										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	6,193	-	-	-	-	-	-	6,193
Receivables due from other financial institutions	-	-	5,203	-	-	-	-	-	-	5,203
Assets at fair value through Income Statement:										
Trading	11,129	-	670	-	-	-	-	3,430	-	15,229
Insurance [(1)]	844	-	9,871	-	109	-	-	2,559	-	13,383
Other	-	-	-	-	-	-	-	-	-	-
Derivative assets	143	33	23,055	-	43	-	-	3,669	-	26,943
Available-for-sale investments	14,851	-	23,184	-	-	-	-	641	-	38,676
Loans, bills discounted and other receivables	2,212	5,278	9,986	306,250	2,877	22,144	8,328	98,538	-	455,613
Bank acceptances	4	3,071	213	-	528	-	-	6,918	-	10,734
Other assets [(2)]	83	43	5,171	945	46	7	18	371	13,443	20,127
Total on balance sheet Australia	29,266	8,425	83,546	307,195	3,603	22,151	8,346	116,126	13,443	592,101
Credit risk exposures relating to off balance sheet assets:										
Guarantees	90	29	166	14	550	-	-	3,478	-	4,327
Loan commitments	3,258	967	1,802	54,015	2,897	17,907	-	30,154	-	111,000
Other commitments	42	20	1,803	259	909	-	-	2,003	-	5,036
Total Australia	32,656	9,441	87,317	361,483	7,959	40,058	8,346	151,761	13,443	712,464
Overseas										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	7,048	-	-	-	-	-	-	7,048
Receivables due from other financial institutions	-	-	5,190	-	-	-	-	-	-	5,190
Assets at fair value through Income Statement:										
Trading	1,961	-	1,201	-	-	-	-	2,078	-	5,240
Insurance [(1)]	-	-	1,615	-	-	-	-	-	-	1,615
Other	299	5	496	-	-	3	-	21	-	824
Derivative assets	222	-	2,502	-	-	-	-	650	-	3,374
Available-for-sale investments	4,793	-	1,046	-	-	-	-	656	-	6,495
Loans, bills discounted and other receivables	4,603	4,920	6,988	29,591	322	559	1,256	3,489	-	51,728
Bank acceptances	-	-	-	-	-	-	-	-	-	-
Other assets [(2)]	23	-	247	1	1	-	-	62	1,234	1,568
Total on balance sheet overseas	11,901	4,925	26,333	29,592	323	562	1,256	6,956	1,234	83,082
Credit risk exposures relating to off balance sheet assets:										
Guarantees	-	-	3	-	13	-	-	119	-	135
Loan commitments	4,341	367	289	3,370	154	1,164	-	5,649	-	15,334
Other commitments	31	1	-	-	2	-	-	268	-	302
Total overseas	16,273	5,293	26,625	32,962	492	1,726	1,256	12,992	1,234	98,853
Total gross credit risk	48,929	14,734	113,942	394,445	8,451	41,784	9,602	164,753	14,677	811,317

(1) In most cases the credit risk of insurance assets is borne by policyholders. However, on certain insurance contracts the Group retains exposure to credit risk.

(2) Other assets predominantly comprises assets which do not give rise to credit risk exposure, including intangible assets, property, plant and equipment, and defined benefit superannuation plan surplus, which are shown in "Other" for the purpose of reconciling to the Balance Sheet.

Credit Risk Management (continued)

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

	At 30 June 2010									
	Sovereign $M	Agri-culture $M	Bank & Other Financial $M	Home Loans $M	Constr-uction $M	Personal $M	Asset Financing $M	Other Comm & Indust. $M	Other $M	Total $M
Australia										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	6,343	-	-	-	-	-	-	6,343
Receivables due from other financial institutions	-	-	5,355	-	-	-	-	-	-	5,355
Assets at fair value through Income Statement:										
Trading	8,618	-	4,931	-	-	-	-	2,511	-	16,060
Insurance (1)	1,478	-	9,148	1,393	101	-	-	2,157	-	14,277
Other	-	-	-	-	-	-	-	-	-	-
Derivative assets	163	35	19,269	-	24	-	-	3,188	-	22,679
Available-for-sale investm	12,588	-	3,661	-	-	-	-	12,015	-	28,264
Loans, bills discounted and other receivables	1,571	5,158	9,221	292,140	3,438	15,979	8,621	108,818	-	444,946
Bank acceptances	5	3,090	263	-	529	-	-	7,682	-	11,569
Other assets (2)	5	39	5,442	4	40	14	13	378	13,630	19,565
Total on balance sheet Australia	24,428	8,322	63,633	293,537	4,132	15,993	8,634	136,749	13,630	569,058
Credit risk exposures relating to off balance sheet assets:										
Guarantees	73	16	236	24	370	-	-	2,791	-	3,510
Loan commitments	1,187	992	3,575	51,995	1,441	17,206	-	22,008	-	98,404
Other commitments	25	26	168	11	357	-	-	1,713	-	2,300
Total Australia	25,713	9,356	67,612	345,567	6,300	33,199	8,634	163,261	13,630	673,272
Overseas										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	3,776	-	-	-	-	-	-	3,776
Receivables due from other financial institutions	-	-	4,717	-	-	-	-	-	-	4,717
Assets at fair value through Income Statement:										
Trading	2,900	-	1,473	-	-	-	-	2,418	-	6,791
Insurance (1)	-	-	1,663	-	-	-	-	-	-	1,663
Other	-	6	584	-	-	3	-	61	-	654
Derivative assets	388	-	3,814	-	-	-	-	808	-	5,010
Available-for-sale investm	674	-	879	-	-	-	-	3,098	-	4,651
Loans, bills discounted and other receivables	1,213	5,450	6,344	31,433	472	822	768	9,821	-	56,323
Bank acceptances	-	-	-	-	-	-	-	-	-	-
Other assets (2)	12	-	95	1	-	-	-	67	1,322	1,497
Total on balance sheet overseas	5,187	5,456	23,345	31,434	472	825	768	16,273	1,322	85,082
Credit risk exposures relating to off balance sheet assets:										
Guarantees	15	-	2	-	38	-	-	93	-	148
Loan commitments	247	469	233	3,366	116	1,109	-	5,476	-	11,016
Other commitments	45	-	-	164	1	-	-	153	-	363
Total overseas	5,494	5,925	23,580	34,964	627	1,934	768	21,995	1,322	96,609
Total gross credit risk	31,207	15,281	91,192	380,531	6,927	35,133	9,402	185,256	14,952	769,881

(1) In most cases the credit risk of insurance assets is borne by policyholders. However, on certain insurance contracts the Group retains exposure to credit risk.

(2) Other assets predominantly comprises assets which do not give rise to credit exposure, including intangible assets, property, plant and equipment, and defined benefit superannuation plan surplus, which are shown in "Other" for the purpose of reconciling to the Balance Sheet.

Credit Risk Management (continued)

Large Exposures

Concentrations of exposure to any debtor or counterparty group are controlled by a large credit exposure policy. All exposures outside the policy 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):

	2012 Number	2011 Number	2010 Number
5% to less than 10% of the Group's capital resources	1	-	-
10% to less than 15% of the Group's capital resources	-	-	-

Asset Quality

Financial assets individually assessed as impaired

	2012			2011		
	Gross Impaired Assets $M	Total Provisions for Impaired Assets [(1)] $M	Net Impaired Assets $M	Gross Impaired Assets $M	Total Provisions for Impaired Assets [(1)] $M	Net Impaired Assets $M
Australia						
Loans and other receivables:						
Housing loans	919	(256)	663	734	(202)	532
Other personal	212	(131)	81	10	(120)	(110)
Asset financing	53	(14)	39	85	(37)	48
Other commercial and industrial	3,079	(1,639)	1,440	3,811	(1,781)	2,030
Financial assets individually assessed as impaired - Australia	4,263	(2,040)	2,223	4,640	(2,140)	2,500
Overseas						
Loans and other receivables:						
Housing loans	163	(28)	135	177	(25)	152
Personal	10	(3)	7	1	(3)	(2)
Asset financing	7	-	7	-	-	-
Other commercial and industrial	244	(60)	184	479	(69)	410
Financial assets individually assessed as impaired - overseas	424	(91)	333	657	(97)	560
Total financial assets individually assessed as impaired	4,687	(2,131)	2,556	5,297	(2,237)	3,060

	2011			2010		
	Gross Impaired Assets $M	Individually Assessed Provisions $M	Net Impaired Assets $M	Gross Impaired Assets $M	Individually Assessed Provisions $M	Net Impaired Assets $M
Australia						
Loans and other receivables:						
Housing loans	734	(202)	532	671	(150)	521
Other personal	10	(120)	(110)	15	(128)	(113)
Asset financing	85	(37)	48	81	(15)	66
Other commercial and industrial	3,811	(1,781)	2,030	3,959	(1,729)	2,230
Financial assets individually assessed as impaired - Australia	4,640	(2,140)	2,500	4,726	(2,022)	2,704
Overseas						
Loans and other receivables:						
Housing loans	177	(25)	152	165	(12)	153
Personal	1	(3)	(2)	4	(3)	1
Asset financing	-	-	-	-	-	-
Other commercial and industrial	479	(69)	410	321	(65)	256
Financial assets individually assessed as impaired - overseas	657	(97)	560	490	(80)	410
Total financial assets individually assessed as impaired	5,297	(2,237)	3,060	5,216	(2,102)	3,114

Appendix A – Additional Historical Information

Asset Quality (continued)

	Australia 2012 $M	Overseas 2012 $M	Total 2012 $M
Non-Performing Loans by Size of Loan			
Less than $1 million	1,108	186	1,294
$1 million to $10 million	1,359	110	1,469
Greater than $10 million	1,796	128	1,924
Total	4,263	424	4,687

	Australia 2011 $M	Overseas 2011 $M	Total 2011 $M	Australia 2010 $M	Overseas 2010 $M	Total 2010 $M
Non-Performing Loans by Size of Loan						
Less than $1 million	829	215	1,044	692	40	732
$1 million to $10 million	1,414	129	1,543	1,425	148	1,573
Greater than $10 million	2,397	313	2,710	2,609	302	2,911
Total	4,640	657	5,297	4,726	490	5,216

Euro-zone Exposures

This table includes exposures to Euro-zone countries that are currently experiencing significant economic, fiscal and/or political strains such that likelihood of default would be higher than would be anticipated when such factors do not exist.

The exposures below are represented gross unless cash collateral has been pledged which is the case for derivative exposures.

The total exposures to these countries are 100% funded. No further unfunded committed exposures exist.

The Group continues to monitor these exposures and notes, that due to their size and associated security, they are not considered significant to the Group as a whole.

It should be noted that the interest rate risk exposures on these positions is insignificant to the Group as a whole.

	As at 30 June 2014			
	Sovereign Exposure	Non Sovereign Exposure		Total Exposure
		Bank	Corporate	
Financial Instrument	$M	$M	$M	$M
Italy				
Loans and Leases	-	-	-	-
Available for Sale Assets	290	-	-	290
Derivative Assets	-	244	-	244
	290	244	-	534
Spain				
Loans and Leases	-	-	319	319
Derivative Assets	-	12	-	12
	-	12	319	331
Ireland				
Loans and Leases	-	-	649	649
Trading at Fair Value	-	-	-	-
Derivative Assets	1	-	-	1
	1	-	649	650
Greece				
Loans and Leases	-	-	-	-
Derivative Assets	-	-	-	-
	-	-	-	-
Total Exposure	291	256	968	1,515

Average Balances and Related Interest

			2012
	Avg Bal	Income	Yield
Net interest margin	$M	$M	%
Total interest bearing assets	629,685	38,301	6. 08
Total interest bearing liabilities	590,654	25,144	4. 26
Net interest income and interest spread		13,157	1. 82
Benefit of free funds			0. 27
Net interest margin			2. 09

Appendix A – Additional Historical Information

Loans, Advances and Other Receivables

	2012 $M	2011 $M	2010 $M
Australia			
Overdrafts	21,497	21,930	19,924
Home loans [(1)]	322,918	306,250	292,140
Credit card outstandings	11,149	10,798	10,200
Lease financing	4,250	4,404	4,657
Bills discounted	16,777	14,820	14,379
Term loans	99,902	96,097	101,794
Other lending	625	1,310	1,288
Other securities	7	4	564
Total Australia	477,125	455,613	444,946
Overseas			
Overdrafts	891	629	652
Home loans	30,063	29,591	31,433
Credit card outstandings	603	572	589
Redeemable preference share financing	-	-	-
Lease financing	478	468	570
Term loans	23,220	20,468	23,052
Other lending	-	-	27
Total overseas	55,255	51,728	56,323
Gross loans, bills discounted and other receivables	532,380	507,341	501,269
Less			
Provisions for Loan Impairment (Note 14 of the Financial Statements):			
Collective provision	(2,819)	(3,022)	(3,436)
Individually assessed provisions	(2,008)	(2,125)	(1,992)
Unearned income:			
Term loans	(1,032)	(1,153)	(1,213)
Lease financing	(839)	(984)	(1,169)
	(6,698)	(7,284)	(7,810)
Net loans, bills discounted and other receivables	525,682	500,057	493,459

(1) Home loans balance includes residential mortgages that have been assigned to securitisation vehicles and covered bond trusts. Liabilities of similar values are included in Debt Issues (Group).

Finance Leases	2012 $M	2011 $M	2010 $M
Minimum lease payments receivable:			
Not later than one year	1,235	1,389	1,360
Later than one year but not later than five years	2,592	2,516	2,803
Later than five years	901	967	1,064
Total finance leases	4,728	4,872	5,227

Deposits and Other Public Borrowings

	2012 $M
Australia	
Certificates of deposit	45,839
Term deposits	152,543
On demand and short term deposits	176,866
Deposits not bearing interest	7,530
Securities sold under agreements to repurchase	5,245
Total Australia	388,023
Overseas	
Certificates of deposit	7,256
Term deposits	28,976
On demand and short term deposits	11,648
Deposits not bearing interest	1,752
Securities sold under agreements to repurchase	-
Total overseas	49,632
Total deposits and other public borrowings	437,655

Appendix B – Market Share Definitions

Market Share Definitions

Retail Banking[1]

Home Loans (RBA)	CBA Loans to individuals that are Owner-Occupied and Investment Home Loans + Securitised Housing Loans as per APRA Banking Stats + separately reported subsidiaries: Wallaby Trust, Residential Group Mortgage Group P/L and Homepath P/L	RBA Total Housing Loans (incl securitisations) (includes Banks and non banks)
Credit Cards (RBA)	CBA Personal Credit Card Lending (APRA)	Credit Cards excluding those issued to Business, with Interest free period + without interest free period (from RBA market which includes NBFI's unlike APRA)
Personal Lending (Other Household Lending)	CBA Lending to Individuals which includes: Personal Loans, Margin Lending, Personal Leasing, Revolving credit	Loans to Households: Other (APRA Monthly Banking Statistics back series)
Household Deposits	Total CBA transaction and non-transaction account deposit balances from residents as reported under APRA definitions for Households (individuals) excluding Self -Managed Super Funds (as per deposit balances submitted to APRA in ARF 320.0)	Total Household Deposits (from APRA Monthly Banking Statistics back series)
Retail Deposits	CBA Deposits from Residents excluding those by Banks, other ADIs and Governments	Total RBA: Current Deposits with banks + Term (excl CD's) + Other with banks (from RBA monthly bulletin statistics)

Business Banking[1]

Business Lending (APRA)	CBA Total loans to residents as reported under APRA definitions for the non-financial corporation's sector (as per deposit balances submitted to APRA in ARF 320.0) (this includes some Housing Loans)	Total loans to the Non-Financial Corporations sector (from APRA Monthly Banking stats back series)
Business Lending (RBA)	CBA and CBFC (subsidiary) business lending and credit: specific 'business lending' categories in lodged APRA returns – ARF 320.0 Statement of Financial Position Domestic Book, ARF 320.1 Debt Securities Held and ARF 320.4 Accepted and Endorsed Bills, excluding sub categories of Banks, ADIs, RFCs and Govts	Total of business lending category of the RBA Aggregate Lending seasonally adjusted
Business Deposits (APRA)	CBA Total transaction and non-transaction account deposit balances from residents as reported under APRA definitions for the non-financial corporation's sector (as per deposit balances submitted to APRA in ARF 320.0)	Loans to Non-Financial Corporations (from APRA Monthly Banking Stats back series)
Asset Finance	CBA Leasing as reported to Australian Equipment Lessors Association (AELA)	Total AELA Leasing Market incl major competitors
Equities Trading	Twelve months rolling average of total value of equities trades	Twelve months rolling average of total value of equities market trades as measured by ASX

Wealth Management

Australian Retail Funds	Total funds in CBA Wealth Management retail investment products (including WM products badged by other parties)	Total funds in retail investment products market (from Plan for Life)
FirstChoice Platform	Total funds in FirstChoice platform	Total funds in platform/masterfund market (from Plan for Life)
Australia (Total Life Insurance Risk)	Total risk inforce premium of all CBA Group Australian life insurance companies	Total risk inforce premium for all Australian life insurance companies (from Plan for Life)
Australia (Individual Life Insurance Risk)	(Individual lump sum + individual risk income) inforce premium of all CBA Group Australian life insurance companies	Individual risk inforce premium for all Australian life insurance companies (from Plan for Life)

(1) For this purpose, "CBA" now includes balances relating to Bankwest following the relinquishing of the Bankwest banking license during October 2012.

Market Share Definitions (continued)

New Zealand

Home Loans	All ASB residential mortgages to personal customers for housing purposes (including off Balance Sheet) / Total New Zealand residential mortgages to personal customers for housing purposes (from New Zealand Reserve Bank)
Business Lending	All New Zealand dollar claims on ASB Balance Sheet excluding Agriculture, Finance, Insurance, Government, Household and Non-Resident sector loans / Total New Zealand dollar credit to the resident business sector, based on Australia New Zealand Standard Industrial Classification (ANZSIC) excluding the following: Agriculture, Finance, Insurance, General Government, Household and Non-Resident sector loans (from New Zealand Reserve Bank)
Retail Deposits	All New Zealand dollar retail deposits on ASB Balance Sheet / Total New Zealand dollar retail deposits of all New Zealand registered banks (from New Zealand Reserve Bank)
Retail FUA	Total ASB FUA + Sovereign FUA / Total Market net Retail FUA (from Fund Source Research Limited)
Inforce Premiums	Total Sovereign inforce premiums excluding health (opening inforce annual premium income + new business – exits – other) / Total inforce premium for New Zealand (from Financial Services Council of New Zealand statistics)

Appendix C – Disclosure Changes

Disclosure Changes

The Group has made a number of changes to disclosures within this Profit Announcement.

During the current year, the Group has made the following changes to financial reporting:

- **Reclassification of volume-related expenses** – the Group has reviewed the presentation of broker commissions paid within the funds management and insurance businesses together with other volume-related expenses. These expenses vary directly with the amount of associated revenue generated, and will now be reclassified from operating expenses to operating income. This is in line with recent industry practice and the relevant accounting requirements. While this reclassification does not impact Cash Net Profit After Tax (NPAT) it results in changes to the presentation of the Profit and Loss of the Group and affected business segments (Institutional Banking and Markets, Wealth Management, New Zealand and International Financial Services).
- **Defined benefit superannuation expense** – as highlighted during the June 2013 Profit Announcement, revisions to AASB 119 Employee Benefits became effective for the Group from 1 July 2013 and resulted in the recognition of a higher accounting expense due primarily to a change in the discount rate applied in the calculation of expected return on plan assets. These changes apply retrospectively and financial comparatives have been adjusted accordingly.
- **Other changes** – minor refinements have been made to the allocation of customer balances and associated revenue and expenses between business segments.

The impact of these changes on each segment's Statutory NPAT, Balance Sheet and cost to income ratios for the comparative period is set out below:

Segment Statutory NPAT (impact by adjustment type)

	Full Year Ended 30 June 2013							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Group $M
Statutory NPAT - as published	3,054	1,488	1,165	634	611	490	235	**7,677**
Restatements:								
Defined benefit superannuation expense	-	-	-	-	-	-	(59)	**(59)**
Other	35	(14)	(15)	(8)	(14)	-	16	**-**
Statutory NPAT - as restated	**3,089**	**1,474**	**1,150**	**626**	**597**	**490**	**192**	**7,618**

Segment Statutory NPAT (impact by P&L line item)

	Full Year Ended 30 June 2013							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Group $M
Statutory NPAT - as published	3,054	1,488	1,165	634	611	490	235	**7,677**
Restatements:								
Increase/(decrease) in Total operating income	(18)	17	(54)	(514)	(100)	-	(9)	**(678)**
(Increase)/decrease in Operating expenses	71	(37)	30	514	81	-	(64)	**595**
(Increase)/decrease in Loan impairment expense	-	-	-	-	-	-	-	**-**
Increase/(decrease) in Investment experience	-	-	-	(12)	-	-	12	**-**
(Increase)/decrease in Corporate tax expense	(18)	6	9	4	5	-	18	**24**
Statutory NPAT - as restated	**3,089**	**1,474**	**1,150**	**626**	**597**	**490**	**192**	**7,618**

Segment Balance Sheet

	As at 30 June 2013							
	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Man-agement	New Zealand	Bankwest	IFS and Other	Group
	$M	$M	$M	$M	$M	$M	$M	$M
Total Assets - as published	264,713	103,605	144,813	20,508	58,060	73,882	88,295	**753,876**
Increase/(decrease)	(381)	(1,173)	1,594	-	127	(101)	(85)	**(19)**
Total Assets - as restated	**264,332**	**102,432**	**146,407**	**20,508**	**58,187**	**73,781**	**88,210**	**753,857**
Total Liabilities - as published	181,122	71,667	143,139	22,882	52,793	42,007	194,774	**708,384**
Increase/(decrease)	1,164	(6,827)	6,400	-	(1,252)	(82)	533	**(64)**
Total Liabilities - as restated	**182,286**	**64,840**	**149,539**	**22,882**	**51,541**	**41,925**	**195,307**	**708,320**

Segment Cost to Income Ratios

	Full Year Ended 30 June 2013							
	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Man-agement	New Zealand	Bankwest	IFS and Other	Group
	%	%	%	%	%	%	%	%
Statutory operating expenses to total operating income - as published	38. 5	36. 1	34. 2	60. 3	47. 1	52. 4	n/a	**44. 9**
Statutory operating expenses to total operating income - as restated	37. 7	36. 9	33. 8	60. 6	44. 9	52. 4	n/a	**43. 5**