Commonwealth Bank of Australia
Annual U.S. Disclosure Document

For the Full Year ended 30 June 2013

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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 2012 and 2013 Financial Reports (as defined below). In particular, Note 39 to the 2013 Financial Statements (2012: 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 2013 (this "Document") should be read in conjunction with:

- 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");
- The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2012 which contains the Financial Statements for the years ended 30 June 2011 and 2012 and as at 30 June 2011 and 2012 (the "2012 Financial Report"); and
- The Commonwealth Bank of Australia Basel III Pillar 3 Capital Adequacy and Risks Disclosures as at 30 June 2013;

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 2013 Financial Report and references to the "Financial Reports" are to the 2012 Financial Report and the 2013 Financial Report.

Except as otherwise stated, all figures herein relate to the financial year ended 30 June 2013 and comparatives for the Balance Sheet and Income Statement are to the financial year ended 30 June 2012, '$' 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 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 2011 financial year are to the financial year ended 30 June 2011.

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 31 to the Financial Statements.

Special Note Regarding Forward-Looking Statements

Certain statements under the captions “Highlights”, “Capital”, “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; 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 14 to 18 of this Document.

Financial Information Definitions

Basis of preparation

The consolidated Financial Statements of the Group for the years ended 30 June 2013, 2012 and 2011 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 complete list of items excluded from statutory profit is provided in the reconciliation of the Net profit after tax ("cash basis") on page 17 of the 2013 Financial Statements.

Appendix A supplies certain 2009, 2010 and 2011 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 2013 Financial Report and the 2012 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 reconciliation of the Group's Net profit after tax from "statutory basis" to "cash basis" is set out on page 11.
- 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 Information

For the 2013 financial year and the 2012 financial year, the Group has reclassified the following items:

- Bank acceptance facility fees have been reclassified from other banking income to net interest income, in order to align the accounting and economic treatment of these fees, which constitute part of the total effective yield of the underlying bank bills;
- Net accrual swap costs of economic hedges not in IFRS hedge accounting relationships have been reclassified from other banking income to net interest income, in order to align the accounting treatment to the economic purpose of these hedges; and
- Securitised home loans, debt issues and related interest income/expense have been reclassified into interest earning assets and interest bearing liabilities, in order to align the accounting and economic disclosure of these instruments for reporting net interest margin (NIM). Net interest income used in the NIM calculation aligns to the presentation in the Income Statement.

In order to provide a meaningful comparison to the Group's historical operations, the Group has also reclassified these items in the financial information for the 2011 financial year and other comparative information presented in 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 2013 financial year and the 2012 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 2013 financial year and the 2012 financial year and "As reported" customer segment figures are presented for the 2012 financial year and 2011 financial year at various places in this Document. In particular, the management discussion and analysis comparing the 2013 financial year and the 2012 financial year references "Restated" customer segment figures, while the management discussion and analysis comparing the 2012 financial year and the 2011 financial year references “As reported” customer segment figures.

Basel III Information

The Basel III capital disclosures provided in this Document have been prepared based on the Group’s interpretation of the Basel III rules defined by the Basel Committee on Banking Supervision and the final prudential standards released by APRA in September 2012 relating to the implementation of the Basel III capital reforms in Australia. In November 2012, APRA released updated prudential standards which incorporated the Basel III requirements in relation to counterparty credit risk. The November 2012 release represented the final measures to complete implementation of the Basel III capital reforms in Australia. The Group adopted the Basel III measurement and monitoring of regulatory capital effective 1 January 2013. Refer to “Group Operations and Business Setting – Capital”.

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Highlights

Highlights

Group Performance Highlights

	Full Year Ended ("statutory basis")				Full Year Ended ("cash basis")			
	30 Jun 13	30 Jun 12	30 Jun 11	Jun 13 vs Jun 12 %	30 Jun 13	30 Jun 12	30 Jun 11	Jun 13 vs Jun 12 %
Net profit after tax ($M)	**7,677**	7,090	6,394	8	**7,819**	7,113	6,835	10
Return on equity (%)	**18. 2**	18. 7	18. 4	(50)bpts	**18. 4**	18. 6	19. 5	(20)bpts
Earnings per share - basic (cents)	**477. 9**	448. 9	411. 2	6	**485. 8**	449. 4	438. 7	8
Dividends per share (cents)	**364**	334	320	9	**364**	334	320	9

These "Highlights" contain forward-looking statements. See "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 2013 increased 8% on the prior year to $7,677 million.

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

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

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

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

Operating expenses increased reflecting a continued investment in technology and other growth initiatives, together with the impact of costly regulatory change and compliance initiatives, partly offset by productivity initiatives.

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

Capital

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

The Group believes this compares favourably to its international and domestic peers and is well above the regulatory minimum levels applicable to the Group.

Funding

The majority of the Group's lending growth was funded by growth in customer deposits. Customer deposits constituted 63% of the Group's funding base at 30 June 2013, up from 62% at 30 June 2012.

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

Dividends

The final dividend declared was $2.00 per share, bringing the total dividend for the year ended 30 June 2013 to $3.64 per share, an increase of 9% on the prior year. This represents a dividend payout ratio ("statutory basis") of 76.8%.

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

Outlook

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

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

Group Performance Summary

Group Performance Summary	Full Year Ended ("cash basis") 30 Jun 13 $M	30 Jun 12 $M	30 Jun 11 $M	Full Year Ended ("statutory basis") 30 Jun 13 $M	30 Jun 12 $M	30 Jun 11 $M
Net interest income (1)	**13,944**	13,157	12,645	**13,934**	13,122	12,594
Other banking income (1)	**4,221**	3,927	3,996	**4,237**	4,089	3,643
Total banking income	**18,165**	17,084	16,641	**18,171**	17,211	16,237
Funds management income	**2,146**	1,957	2,041	**2,165**	1,940	2,042
Insurance income	**1,034**	960	856	**1,218**	1,233	1,118
Total operating income	**21,345**	20,001	19,538	**21,554**	20,384	19,397
Investment experience	**154**	149	121	**n/a**	n/a	n/a
Total income	**21,499**	20,150	19,659	**21,554**	20,384	19,397
Operating expenses	**(9,605)**	(9,196)	(8,891)	**(9,680)**	(9,331)	(9,060)
Loan impairment expense	**(1,082)**	(1,089)	(1,280)	**(1,146)**	(1,089)	(1,280)
Net profit before tax	**10,812**	9,865	9,488	**10,728**	9,964	9,057
Corporate tax expense (2)	**(2,977)**	(2,736)	(2,637)	**(3,035)**	(2,858)	(2,647)
Non-controlling interests (3)	**(16)**	(16)	(16)	**(16)**	(16)	(16)
Net profit after tax ("cash basis")	**7,819**	7,113	6,835	**n/a**	n/a	n/a
Hedging and IFRS volatility (4)	**27**	124	(265)	**n/a**	n/a	n/a
Other non-cash items	**(169)**	(147)	(176)	**n/a**	n/a	n/a
Net profit after tax ("statutory basis")	**7,677**	7,090	6,394	**7,677**	7,090	6,394
Represented by: (5)						
Retail Banking Services				**3,054**	2,703	2,854
Business and Private Banking				**1,488**	1,513	1,030
Institutional Banking and Markets				**1,165**	1,098	1,004
Wealth Management				**634**	571	608
New Zealand				**611**	569	454
Bankwest				**490**	438	293
IFS and Other				**235**	198	151
Net profit after tax ("statutory basis")				**7,677**	7,090	6,394

(1) The 2011 financial year information has been reclassified to conform with presentation in the 2013 and 2012 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 footnote 5 below.

(2) For purposes of presentation, policyholder tax expense components of corporate tax expense are shown on a net basis (30 June 2013: $112 million; 30 June 2012: $122 million; 30 June 2011: $166 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) Hedging and IFRS volatility includes unrealised fair value and losses on economic hedges that do not qualify for hedge accounting under IFRS.

(5) Comparative information for 2012 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 from which the product originated. Refer to "Financial Information Definitions – Reclassification of Customer Reporting Segments" for more details. For a comparison of the restated customer reporting segment results and the as reported customer segment results, please refer to "Divisional Performance".

Highlights continued

Key Performance Indicators	Full Year Ended 30 Jun 13	30 Jun 12	30 Jun 11
Group			
Statutory net profit after tax ($M)	**7,677**	7,090	6,394
Net interest margin (%) (1)	**2. 13**	2. 09	2. 12
Average interest earning assets ($M) (1)	**653,637**	629,685	597,406
Average interest bearing liabilities ($M) (1)	**609,557**	590,654	559,095
Statutory funds management income to average Funds Under Administration (FUA) (%) (2)	**0. 95**	0. 97	1. 04
FUA - average ($M) (2)	**227,780**	200,792	196,254
Statutory insurance income to average inforce premiums (%)	**43. 0**	50. 3	54. 2
Average inforce premiums ($M) (3)	**2,834**	2,450	2,063
Statutory operating expenses to total operating income (%)	**44. 9**	45. 8	46. 7
Statutory effective corporate tax rate (%)	**27. 5**	27. 8	27. 9
Retail Banking Services (4)			
Statutory net profit after tax ($M)	**3,054**	2,703	2,854
Statutory operating expenses to total banking income (%)	**38. 5**	40. 1	38. 6
Business and Private Banking (4)			
Statutory net profit after tax ($M)	**1,488**	1,513	1,030
Statutory operating expenses to total banking income (%)	**36. 1**	35. 7	43. 9
Institutional Banking and Markets (4)			
Statutory net profit after tax ($M)	**1,165**	1,098	1,004
Statutory operating expenses to total banking income (%)	**34. 2**	35. 1	33. 6
Wealth Management (4)			
Statutory net profit after tax ($M)	**634**	571	608
FUA - average ($M)	**219,296**	193,277	188,866
Average inforce premiums ($M)	**2,068**	1,806	1,612
Statutory funds management income to average FUA (%)	**0. 95**	0. 97	1. 05
Statutory insurance income to average inforce premiums (%)	**43. 4**	50. 2	48. 8
Statutory operating expenses to net operating income (%) (5)	**60. 3**	63. 9	57. 4
New Zealand (4)			
Statutory net profit after tax ($M)	**611**	569	454
FUA - average ($M)	**8,484**	7,515	7,388
Average inforce premiums ($M)	**516**	470	451
Statutory funds management income to average FUA (%)	**0. 64**	0. 59	0. 54
Statutory insurance income to average inforce premiums (%)	**49. 9**	67. 7	61. 0
Statutory operating expenses to total operating income (%)	**47. 1**	44. 5	49. 7
Bankwest (4)			
Statutory net profit after tax ($M)	**490**	438	293
Statutory operating expenses to total banking income (%)	**52. 4**	56. 4	64. 7
Capital (Basel III)			
Common Equity Tier One Internationally Harmonised (%)	**11. 0**	9. 8	n/a
Common Equity Tier One APRA (%)	**8. 2**	7. 5	n/a
Capital (Basel II)			
Common Equity Tier One Internationally Harmonised (%)	**n/a**	7. 8	7. 7
Common Equity Tier One APRA (%)	**n/a**	10. 0	10. 0

(1) The 2011 financial year information has been reclassified to conform with presentation in the 2013 and 2012 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 footnote 3 below.

(2) Comparative information has been reclassified to conform with presentation for the year ended 30 June 2013.

(3) Includes IFS Asia.

(4) Comparative information for 2012 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 from which the product originated. Refer to "Financial Information Definitions – Reclassification of Customer Reporting Segments" for more details. For a comparison of the restated customer reporting segment results and the as reported customer segment results, please refer to "Divisional Performance".

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

Shareholder Summary

Shareholder Summary	Full Year Ended 30 Jun 13	30 Jun 12	30 Jun 11
Dividends per share - fully franked (cents)	**364**	334	320
Dividend cover - statutory (times)	**1. 3**	1. 3	1. 3
Dividend cover - cash (times)	**1. 3**	1. 3	1. 4
Earnings per share (cents) (1)			
Statutory basis - basic	**477. 9**	448. 9	411. 2
Statutory basis - fully diluted	**464. 5**	432. 9	395. 1
Cash basis - basic	**485. 8**	449. 4	438. 7
Cash basis - fully diluted	**472. 0**	433. 4	420. 6
Dividend payout ratio (%) (2)			
Statutory basis	**76. 8**	75. 2	78. 3
Cash basis	**75. 4**	75. 0	73. 2
Weighted average no. of shares ("statutory basis") - basic (M) (3)	**1,598**	1,570	1,545
Weighted average no. of shares ("cash basis") - basic (M) (4)	**1,601**	1,573	1,548
Return on equity ("statutory basis") (%) (5)	**18. 2**	18. 7	18. 4
Return on equity ("cash basis") (%) (6)	**18. 4**	18. 6	19. 5

(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 7 of the 2013 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.

Market Share Percentage

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

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

Credit Ratings

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

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. Notes 37 – 40 of the 2013 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.

Global credit and equity markets continue to be characterised by uncertainty and volatility. We believe these challenging market conditions have resulted, primarily, from the ongoing sovereign debt concerns in Europe, the tepid recovery of the US economy, and investor concerns regarding China's slowing economic growth. In recent years, various central banks have undertaken substantial measures to stimulate economic activity; market speculation around the timing of the withdrawal of these measures by these central banks (particularly the US Federal Reserve) is also impacting 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 these 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.

The Group may also face challenges from how the sovereign debt crisis in Europe is resolved. While the Group's assessment is that its direct exposure to troubled European sovereigns and financial institutions is immaterial, by the nature of its operations, the Group faces the risk of financial contagion and its results of operations could be adversely impacted if the economic crisis in Europe worsens and sovereign or non-sovereign entities default on their debt obligations. The Group may be impacted by disruptions to the global funding markets and the global financial system more generally, or the Group may be impacted indirectly through its counterparties that have more direct exposure to these European sovereigns and financial institutions. The Group continues to monitor industry and company specific developments and the state of the global and Australian economies.

During the 2013 financial year, the value of the Australian dollar depreciated against some of the world's major currencies, with the Australian dollar depreciating by more than 10% against the US dollar. There are some sectors of the Australian economy (and therefore some of the Group's customers), that would be adversely affected by a declining Australian dollar; yet there are others that have had to weather a high Australian dollar that are seeing some notable relief at this stage.

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 funding and 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. During the 2013 financial year, domestic growth in the resources, business and household sectors has slowed. The Australian and New Zealand economies are currently projected to slow primarily due to a slowdown in the mining sector. 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 within and outside Australia and New Zealand, which are outside of its control.

Internationally, concerns about sovereign debt and weaknesses in some advanced economies continue to affect business and consumer sentiment in Australia and elsewhere. During the 2013 financial year, China recorded a historically low growth rate; a continued downturn in China's economic growth could adversely affect the Australian economy given the current dependence Australia (particularly in the mining and resources sectors) has on the performance of the Chinese economy, particularly due to its significant trade relationship.

During the 2013 financial year, the fundamentals of the Australian economy remained sound; however, uncertainty in the outlook for the Australian economy resulted in higher rates of savings, lower demand for credit and lower discretionary spending. 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.

The global debt and equity markets have experienced significant volatility due to the European sovereign debt crisis and the downgrade of European sovereigns and banks by the ratings agencies. The Group remains reliant on offshore wholesale funding markets, however, the Group has increased its levels of deposit funding (in comparison to pre-2008 levels), which helps reduce its reliance on offshore wholesale funding. Competition for deposits in Australia has driven increases in the cost of this funding. If the Group is unable to pass its 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 our business. As such, the Group may be forced to issue securities with shorter tenors than it prefers, or pay higher interest rates, thereby increasing its interest expense, decreasing its profitability or 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.

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. Such limited access may adversely affect the Group's business. Further, 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 minima). 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 funds 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 we are unable to maintain adequate levels of liquid assets (if for example financial markets were closed for an extended period of time), it could have adverse effects on the Group's operations and financial condition. Note 40 to the 2013 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, bribery, 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. Specifically, 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 events in the financial services industry and, more generally, in the international financial markets and the global economy over the past five years, have led to various proposals for changes in the regulation of the financial services industry. In Australia, the Australian Prudential Regulation Authority (APRA) has announced that it has adopted regulations (in stages, beginning 1 January 2013) designed to enhance the capital adequacy of, and liquidity and funding risk management by, authorised deposit-taking institutions (ADIs), which are based on the proposals ultimately adopted by the Basel Committee on Banking Supervision (BCBS).

In July 2012, the BCBS also published a discussion paper on domestic "systemically important financial institutions" which may ultimately be adopted by APRA and may subject the Group to additional capital requirements.

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 and may be subject to additional regulatory requirements once final implementing rules for such entities are adopted. Further, if it were to be named a "systemically important financial institution", the Group would be subject to additional capital, liquidity and other regulatory requirements.

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 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.

A federal election for the House of Representatives is scheduled to be held on 7 September 2013. If elected to form a government, the Opposition has announced it will establish an independent inquiry into the financial services sector to examine the appropriateness of regulatory policy settings, at the moment, and for the next decade to fifteen years. The inquiry would likely run throughout 2014 and during that period the coalition government would limit the amount of additional regulatory intervention into the sector. A re-elected Labor Government is unlikely to have an extensive reform agenda given the significant amount of regulation that it has introduced since 2011. Either side has the capacity to introduce legislation that could impact the industry. For example the Labor Government has announced that it will establish a Financial Stability Fund to strengthen Australia's financial crisis response capability. The Financial Stability Fund would be funded by a levy on bank deposits in 2016.

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 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 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, 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, rating methodology or the Australian sovereign rating, or from the manifestation of one or more of the Risk Factors highlighted in this section.

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. 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.

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.

The Group could be significantly impacted if its employees undertake unauthorised activities (e.g. inappropriate selling techniques and rogue trading) that are in breach of policy, regulations or community standards. If stakeholders perceive that the Group has been behaving inappropriately, significant reputational and financial impacts could also be incurred.

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.

The Group maintains an Operational Risk Management Framework in order to manage its operational risk exposures. The Operational Risk Management Framework aims to identify, assess and report operational risks on a consistent and reliable basis but there can be no assurance such framework will 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.

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. 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. An information security failure could have serious consequences for the Group including operational disruption, financial losses, 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, prospects and market position. These issues could include a failure to meet 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 39 to the 2013 Financial Statements.

Insurance risk could adversely impact the Group's results.

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 37 to the 2013 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 93.

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

The Group has the stated focus of having a capabilities-led acquisition strategy, and from time to time, the Group evaluates and undertakes acquisitions of businesses. With acquisitions there is a risk that we may mis-value the acquisition and/or 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, the Group's management's time may be diverted to facilitate the integration 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 significant levels of 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					
	2013	2013	2012	2011	2010	2009
	USD$M (1)	(AUD$ millions, except where indicated)				
Interest income (2)	31,838	34,739	38,258	37,477	32,472	31,642
Interest expense (2)	19,067	20,805	25,136	24,883	20,410	21,343
Net interest income (2)	12,771	13,934	13,122	12,594	12,062	10,299
Impairment expense	1,050	1,146	1,089	1,280	2,379	3,048
Non-interest income (2)	6,984	7,620	7,262	6,803	7,226	6,175
Operating expenses	8,873	9,680	9,331	9,060	8,716	7,960
Net profit before income tax	9,832	10,728	9,964	9,057	8,193	5,466
Income tax expense	2,782	3,035	2,858	2,647	2,513	1,696
Net profit after income tax	7,050	7,693	7,106	6,410	5,680	3,770
Non-controlling interests	(15)	(16)	(16)	(16)	(16)	(30)
Net profit attributable to Equity holders of the Bank	7,035	7,677	7,090	6,394	5,664	3,740
Dividend declared (3)	2,955	3,224	3,137	2,930	2,633	1,747
Weighted average number of shares (basic) (M)		1,598	1,570	1,545	1,527	1,420
Earnings per share, basic (cents)	438. 0	477. 9	448. 9	411. 2	367. 9	328. 5
Earnings per share, fully diluted (cents)	425. 7	464. 5	432. 9	395. 1	354. 2	313. 4
Dividends per share (cents)	334	364	334	320	290	228
Dividend payout ratio (%) (4)		76. 8	75. 2	78. 3	79. 7	73. 1

(1) USD translated from AUD using 30 June 2013 month end Noon Buying Rate, as described below.
(2) Comparative information has been reclassified to conform with presentation in the 2013 and 2012 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".
(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 2013, 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 2013, the 30 June 2013 month end Noon Buying Rate has been used.

	Full Year Ended 30 June				
	2013	2012	2011	2010	2009
	(expressed in USD$ per AUD$1.00)				
Period End	0.9165	1.0236	1.0732	0.8480	0.8055
Average Rate	1.0272	1.0323	0.9905	0.8820	0.7546

	Month Ended 2013					
	August (1)	July	June	May	April	March
	(expressed in USD$ per AUD$1.00)					
High	0.9187	0.9259	0.9770	1.0313	1.0564	1.0484
Low	0.8901	0.8957	0.9165	0.9608	1.0255	1.0164
Month End Noon Buying Rates	0.9093	0.8957	0.9165	0.9608	1.0372	1.0409

(1) Represents the most current August 2013 exchange rate data ended 13 August 2013.

Consolidated Balance Sheet Data	Full Year Ended 30 June 2013 USD$M (1)	2013	2012	2011	2010	2009
		(AUD$ millions, except where indicated)				
Assets						
Cash and liquid assets	**18,911**	**20,634**	19,666	13,241	10,119	11,340
Receivables due from other financial institutions	**7,097**	**7,744**	10,886	10,393	10,072	14,421
Assets at fair value through income statement:						
Trading	**17,979**	**19,617**	13,816	20,469	22,851	25,401
Insurance	**13,160**	**14,359**	14,525	14,998	15,940	17,260
Other	**831**	**907**	980	824	654	1,677
Derivative assets (2)	**41,554**	**45,340**	39,567	30,317	27,689	26,358
Available-for-sale investments	**54,624**	**59,601**	60,827	45,171	32,915	21,504
Loans, bills discounted and other receivables	**510,168**	**556,648**	525,682	500,057	493,459	466,631
Bank acceptances of customers	**5,557**	**6,063**	9,717	10,734	11,569	14,728
Property, plant and equipment	**2,491**	**2,718**	2,503	2,366	2,351	2,472
Investments in associates	**2,091**	**2,281**	1,898	1,712	1,490	1,047
Intangible assets	**9,553**	**10,423**	10,281	9,603	9,420	9,245
Deferred tax assets	**857**	**935**	980	1,300	1,270	1,653
Other assets	**6,047**	**6,598**	7,517	6,681	6,482	6,070
	690,920	**753,868**	718,845	667,866	646,281	619,807
Assets held for sale	**7**	**8**	14	33	49	565
Total Assets	**690,927**	**753,876**	718,859	667,899	646,330	620,372
Liabilities						
Deposits and other public borrowings	**421,067**	**459,429**	437,655	401,147	374,663	368,721
Payables due to other financial institutions	**23,758**	**25,922**	22,126	15,899	12,608	15,109
Liabilities at fair value through income statement	**7,974**	**8,701**	6,555	10,491	15,342	16,596
Derivative liabilities (2)	**35,359**	**38,580**	39,851	33,976	24,884	32,134
Bank acceptances	**5,557**	**6,063**	9,717	10,734	11,569	14,728
Current tax liabilities	**1,401**	**1,529**	1,537	1,222	1,056	883
Deferred tax liabilities	**432**	**471**	338	301	221	168
Other provisions	**1,145**	**1,249**	1,224	1,277	1,197	1,243
Insurance policy liabilities	**11,918**	**13,004**	12,994	13,652	14,592	16,056
Debt issues	**121,719**	**132,808**	124,712	118,652	130,210	101,819
Managed fund units on issue	**817**	**891**	995	1,048	880	914
Bills payable and other liabilities	**9,209**	**10,050**	9,561	10,652	10,025	8,520
Total Liabilities	**640,356**	**698,697**	667,265	619,051	597,247	576,891
Loan capital (3)	**8,878**	**9,687**	10,022	11,561	13,513	12,039
Total liabilities and loan capital	**649,234**	**708,384**	677,287	630,612	610,760	588,930
Net Assets	**41,693**	**45,492**	41,572	37,287	35,570	31,442
Total Shareholders' Equity	**41,693**	**45,492**	41,572	37,287	35,570	31,442
Other equity instruments	**861**	**939**	939	939	939	939
Total Shareholders' Equity excluding other equity instruments	**40,832**	**44,553**	40,633	36,348	34,631	30,503

(1) USD translated from AUD at 30 June 2013 (see month end Noon Buying Rate in the table on page 19).
(2) Comparative information has been reclassified to conform with presentation for the year ended 30 June 2013.
(3) Represents interest bearing liabilities qualifying as regulatory capital.

Consolidated Ratios and Operating Data	2013	2013	2012	2011	2010	2009
		Full Year Ended 30 June				
	USD$M [1]	(AUD$ millions, except where indicated)				
Profitability						
Net interest margin (%) [2] [3]		**2. 13**	2. 09	2. 12	2. 08	1. 99
Interest spread (%) [2] [4]		**1. 91**	1. 82	1. 83	1. 86	1. 76
Return on average Shareholders' Equity (%) [5]		**18. 2**	18. 7	18. 4	17. 5	16. 8
Return on average total assets (%) [5]		**1. 0**	1. 0	1. 0	0. 9	0. 9
Productivity						
Total operating income per full-time staff equivalent [6]	**439,286**	**479,308**	454,554	421,125	428,384	394,794
Staff expense/total operating income (%)		**23. 9**	24. 3	24. 7	23. 5	22. 9
Total operating expenses/total operating income (%) [6]		**44. 9**	45. 8	46. 7	45. 2	45. 6
Ratio of earnings to fixed charges [7]		**1. 5**	1. 4	1. 4	1. 4	1. 3
Capital Adequacy (at year end)						
Basel III						
Risk weighted assets	**301,673**	**329,158**	n/a	n/a	n/a	n/a
Tier One capital	**30,891**	**33,705**	n/a	n/a	n/a	n/a
Tier Two capital	**2,830**	**3,088**	n/a	n/a	n/a	n/a
Total capital	**33,721**	**36,793**	n/a	n/a	n/a	n/a
Tier One capital/risk weighted assets (%)		**10. 2**	n/a	n/a	n/a	n/a
Tier Two capital/risk weighted assets (%)		**1. 0**	n/a	n/a	n/a	n/a
Total capital/risk weighted assets (%)		**11. 2**	n/a	n/a	n/a	n/a
Average Shareholders' Equity/average total assets (%)		**6. 0**	n/a	n/a	n/a	n/a
Basel II						
Risk weighted assets	**n/a**	**n/a**	302,787	281,711	290,821	288,836
Tier One capital	**n/a**	**n/a**	30,299	28,213	26,601	23,311
Tier Two capital	**n/a**	**n/a**	2,939	4,749	6,819	6,784
Total capital [8]	**n/a**	**n/a**	33,238	32,962	33,420	30,095
Tier One capital/risk weighted assets (%)		**n/a**	10. 0	10. 0	9. 2	8. 1
Tier Two capital/risk weighted assets (%)		**n/a**	1. 0	1. 7	2. 3	2. 3
Total capital/risk weighted assets (%)		**n/a**	11. 0	11. 7	11. 5	10. 4
Average Shareholders' Equity/average total assets (%)		**n/a**	5. 6	5. 5	5. 2	5. 2

(1) USD translated from AUD at 30 June 2013 (see month end Noon Buying Rate in the table on page 19).
(2) Comparative information has been reclassified to conform with presentation in the 2013 and 2012 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”.
(3) Net interest income divided by average interest earning assets for the year.
(4) Difference between the average interest rate earned and the average rate paid on funds.
(5) 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.
(6) Total operating income represents net interest income before deducting loan impairment expense plus non-interest income.
(7) Net profit before tax and fixed charges (interest expense and rental costs) divided by fixed charges.
(8) 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	Full Year Ended 30 June					
	2013	2013	2012	2011	2010	2009
	USD$M [1]	(AUD$ millions, except where indicated)				
Asset Quality Data [2]						
Non-accrual loans [3]	**3,229**	**3,523**	4,218	4,923	4,864	3,900
Gross impaired assets [4] [5]	**3,968**	**4,330**	4,687	5,502	5,419	4,210
Individually assessed provisions for impairment	**1,492**	**1,628**	2,008	2,125	1,992	1,729
Collective provisions for impairment	**2,619**	**2,858**	2,837	3,043	3,461	3,225
Net impaired assets (net of interest reserved)	**2,356**	**2,571**	2,556	3,265	3,317	2,481
Total provisions for impairment/average credit risk (%) [4]		**0. 5**	0. 6	0. 7	0. 7	0. 7
Loan impairment expense/average credit risk (%) [6]		**0. 1**	0. 1	0. 2	0. 3	0. 4
Gross impaired assets/credit risk (%) [7]		**0. 5**	0. 5	0. 7	0. 7	0. 6
Net impaired assets/total Shareholders' Equity (%)		**5. 7**	6. 1	8. 8	9. 3	7. 9
Collective provision for impairment/risk weighted assets (%) Basel III		**0. 9**	n/a	n/a	n/a	n/a
Collective provision for impairment/risk weighted assets (%) Basel II		**n/a**	0. 9	1. 1	1. 2	1. 1

(1) USD translated from AUD at 30 June 2013 (see month end Noon Buying Rate for 2013 financial year in the table on page 19).
(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) Comparatives from 2010 onwards have been restated to conform to presentation in the current year.
(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 14 to the 2013 Financial Statements less unearned income as presented in Note 13 to the 2013 Financial Statements.

Summary Cash Flows Data

Further details of the Group's cash flows are found in the 2013 Financial Statements and Notes to the Financial Statements.

Summary Cash Flows [1]	Full Year Ended 30 June					
	2013	2013	2012	2011	2010	2009
	USD$M [2]	(AUD$ millions, except where indicated)				
Net Cash (used in)/provided by operating activities	**6,028**	**6,577**	8,847	14,445	(26,928)	(8,510)
Net Cash (used in)/provided by investing activities	**(1,151)**	**(1,256)**	(1,281)	(1,041)	(511)	(3,214)
Net Cash (used in)/provided by financing activities [3]	**(4,863)**	**(5,306)**	(1,688)	(13,117)	30,170	11,645
Net (decrease)/increase in cash and cash equivalents	**14**	**15**	5,878	287	2,731	(79)
Cash and cash equivalents at beginning of period	**11,550**	**12,603**	6,725	6,438	2,186	2,265
Cash and cash equivalents at end of period	**11,564**	**12,618**	12,603	6,725	4,917	2,186

(1) Comparative information has been reclassified to conform with presentation in the 2013 and 2012 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".
(2) USD translated from AUD at 30 June 2013 (see month end Noon Buying Rate for 2013 financial year in the table on page 19).
(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 "Special Note Regarding Forward-Looking Statements" on page 5.

Year Ended June 2013 versus Restated 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, whilst 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, demonstrates that its strategic focus on creating long term value for customers, shareholders and people has 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, driven by higher staff costs from salary increases, higher defined benefit superannuation expenses and higher IT expenses. IT costs increased due to enhancement of system capabilities and compliance with new regulatory obligations impacting the Wealth business, together with increased software amortisation driven by the Core Banking Modernisation (CBM) initiative. This was partly offset by the continued realisation of operational efficiencies from productivity initiatives; and
- **Loan impairment expense** 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 in arrears in Retail Banking Services, particularly in the credit card and home loan portfolios.

As reported Year Ended June 2012 versus June 2011

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

Earnings per share ("statutory basis") increased 9% on the prior year to 448.9 cents per share and return on equity ("statutory basis") increased 30 basis points to 18.7%.

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

- **Net interest income** increased 4% to $13,122 million, reflecting a 5% increase in average interest earning assets, partly offset by a three basis point decline in net interest margin;
- **Other banking income** increased 12% to $4,089 million, driven by favourable hedging and IFRS volatility, higher credit card interchange income and Institutional lending fee growth, partly offset by lower equities trading volumes and Markets trading income, including an unfavourable counterparty fair value adjustment;
- **Funds management income** decreased 5% to $1,940 million, impacted by declining investment markets, a higher proportion of customer funds invested in cash, fixed interest and deposit products, reflecting cautious investor sentiment and the managed contraction of the CommInsure closed investment portfolios;
- **Insurance income** increased 10% to $1,233 million, driven by 10% average inforce premium growth, partly offset by higher domestic claims;
- **Operating expenses** increased 3% to $9,331 million, driven by inflation-related salary increases, property transition costs related to the new Sydney CBD office premises and higher compliance costs. This was partly offset by the continued focus on productivity initiatives to improve customer experience and Group efficiency; and
- **Loan impairment expense** decreased 15% to $1,089 million, mainly reflecting a reduction in new impaired single name exposures within Institutional Banking and Markets. Economic overlays remain unchanged reflecting the Group's relatively conservative approach to provisioning as business conditions remained challenging for some of the Group's customers.

More comprehensive disclosure of performance highlights by key business segments is contained on pages 48-79.

Net Interest Income

	Full Year Ended					
		Restated		As reported		
	30 Jun 13	30 Jun 12	Jun 13 vs	30 Jun 12	30 Jun 11	Jun 12 vs
	$M	$M	Jun 12 %	$M	$M	Jun 11 %
Net interest income ("cash basis") (1)	**13,944**	13,157	6	13,157	12,645	4
Hedging and IFRS volatility	**20**	(9)	large	(9)	(25)	(64)
Bankwest non-cash items	**(30)**	(26)	15	(26)	(26)	-
Net interest income ("statutory basis") (1)	**13,934**	13,122	6	13,122	12,594	4
Average interest earning assets (1)						
Home loans (2)	**360,319**	345,544	4	343,022	327,939	5
Personal loans	**21,395**	20,870	3	20,870	20,673	1
Business and corporate loans (3)	**168,296**	162,409	4	164,931	161,633	2
Total average lending interest earning assets	**550,010**	528,823	4	528,823	510,245	4
Non-lending interest earning assets	**103,627**	100,862	3	100,862	87,161	16
Total average interest earning assets (1)	**653,637**	629,685	4	629,685	597,406	5
Net interest margin ("statutory basis") (%) (1)	**2.13**	2.09	4 bpts	2.09	2.12	(3)bpts

(1) The 2011 financial year information has been reclassified to conform with presentation for the 2013 and 2012 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".

(2) The 2011 financial year information has been restated for the reclassification of Securitised home loans from Other assets to Home loans to conform with presentation in the 2013 and 2012 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".

(3) The 2011 financial year information has been restated for the reclassification of Bank acceptances of customers from Other assets to Business and corporate to conform with presentation in the 2013 and 2012 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".

Year Ended June 2013 versus Restated 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.

The Group has realigned comparative product balances as part of changes in segment allocations in the 2013 and 2012 financial years (Restated net interest income figures). The management discussion and analysis that follows refers to Restated net interest income figures. Refer to "Financial Information Definitions – Reclassification of certain Income Statement Information" for more details.

Average Interest Earning Assets

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

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

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

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

Net Interest Margin ("statutory basis")

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 domestic deposit funding.

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

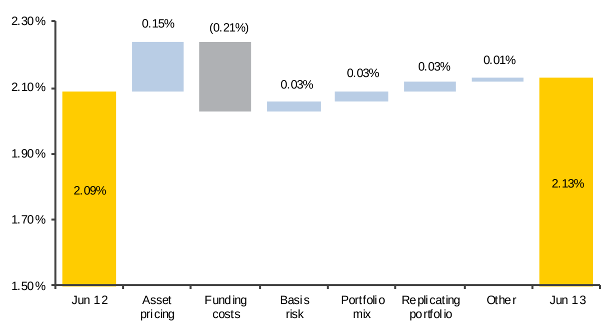
Basis risk: Basis risk arises from funding assets which are priced relative to the cash rate with liabilities priced relative to the bank bill swap rate. The margin increased by three basis points as a result of a reduction in the spread between the cash rate and the bank bill swap rate during the year.

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

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

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

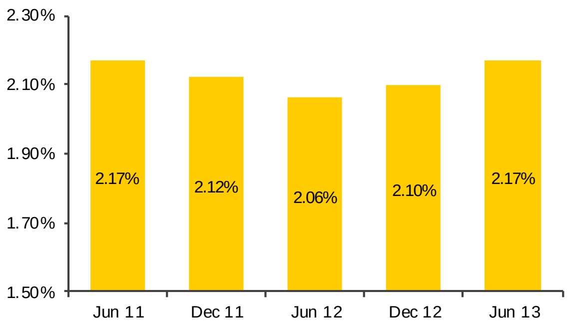
NIM movement since June 2012



(1) For information on the Liquid Assets held by the Group refer to the Liquidity table on page 41.

Net Interest Income (continued)

Group NIM (Half Year Ended)



As reported Year Ended June 2012 versus June 2011

Net interest income ("statutory basis") increased by 4% on the prior year to $13,122 million. This was a result of growth in average interest earning assets of 5% partly offset by a three basis point decline in net interest margin to 2.09%.

The presentation in the 2012 and 2011 financial years includes figures that do not include the realigned product balances as part of changes in segment allocation (As reported net interest income figures). The management discussion and analysis that follows refers to As reported net interest income figures. Refer to "Financial Information Definitions – Reclassification of certain Income Statement Information" for more details.

Average Interest Earning Assets

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

Home loan average balances increased by $15 billion or 5% over the year ended 30 June 2011 to $343 billion.

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

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

Net Interest Margin ("statutory basis")

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

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

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

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

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

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

Other Banking Income

	Full Year Ended				
	30 Jun 13 $M	30 Jun 12 $M	30 Jun 11 $M	Jun 13 vs Jun 12 %	Jun 12 vs Jun 11 %
Commissions	**1,990**	1,997	1,946	-	3
Lending fees (1)	**1,053**	997	982	6	2
Trading income	**863**	522	717	65	(27)
Other income	**315**	411	351	(23)	17
Other banking income ("cash basis")	**4,221**	3,927	3,996	7	(2)
Hedging and IFRS volatility	**16**	162	(346)	(90)	large
Gain/loss on disposal of controlled entities	**-**	-	(7)	-	large
Other banking income ("statutory basis")	**4,237**	4,089	3,643	4	12

(1) The 2011 financial year information has been restated for the reclassification of bank bill facility fee income to net interest income to conform with presentation in the 2013 and 2012 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".

Year Ended June 2013 versus Restated 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;

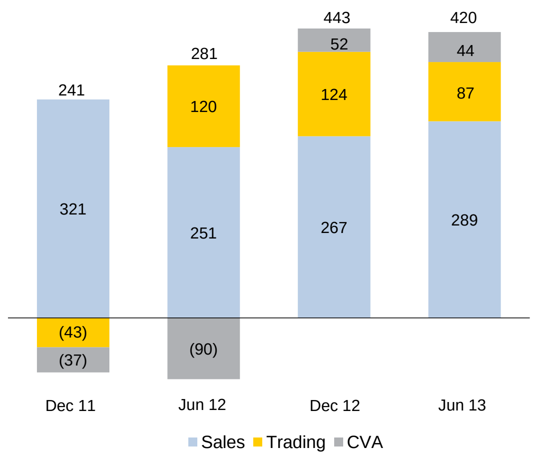
Trading income increased 65% on the prior year to $863 million. This was primarily due to the Markets business performance, which included the benefit of favourable counterparty fair value adjustments due to narrowing credit spreads and higher trading income;

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.

Other Banking Income (continued)

Net Trading Income ($M)



Year Ended June 2012 versus June 2011

Other banking income ("statutory basis") increased 12% on the prior year to $4,089 million driven by:

Commissions increased 3% on the prior year to $1,997 million, including higher credit card interchange income with the continued success of the Diamond Awards card driving customer growth, increased foreign exchange volumes and higher home loan package fee income. This was partly offset by a decrease in brokerage income due to lower retail trading volumes, reflecting subdued market trading conditions;

Lending fees increased 2% on the prior year to $997 million, driven by higher fees from strong balance growth in Institutional lending, higher syndication fees and customer growth in overdrafts. This was partly offset by the abolition of home loan switching and deferred establishment fees;

Trading income decreased 27% on the prior year to $522 million. This was due to lower Markets income impacted by adverse trading conditions and unfavourable counterparty fair value adjustments from widening credit spreads and the decreasing interest rate environment;

Other income increased 17% on the prior year to $411 million mainly due to gains from the sale of Sydney CBD properties previously held by the Group, and higher equity accounted income from the Bank of Hangzhou; 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				
	30 Jun 13 $M	30 Jun 12 $M	30 Jun 11 $M	Jun 13 vs Jun 12 %	Jun 12 vs Jun 11 %
CFS Global Asset Management (CFSGAM)	**1,010**	883	907	14	(3)
Colonial First State	**914**	845	860	8	(2)
CommInsure	**153**	160	208	(4)	(23)
New Zealand	**54**	44	40	23	10
Other	**15**	25	26	(40)	(4)
Funds management income ("cash basis")	**2,146**	1,957	2,041	10	(4)
Treasury shares valuation adjustment	**(64)**	(15)	(24)	large	(38)
Policyholder tax	**77**	(9)	62	large	large
Investment experience	**6**	7	(37)	(14)	large
Funds management income ("statutory basis")	**2,165**	1,940	2,042	12	(5)

Year Ended June 2013 versus June 2012

Funds management income 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 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.

Year Ended June 2012 versus June 2011

Funds management income decreased 5% on the prior year to $1,940 million impacted by:

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

Insurance Income

	Full Year Ended				
	30 Jun 13 $M	30 Jun 12 $M	30 Jun 11 $M	Jun 13 vs Jun 12 %	Jun 12 vs Jun 11 %
CommInsure	716	691	625	4	11
New Zealand	247	227	211	9	8
IFS Asia	75	67	47	12	43
Other	(4)	(25)	(27)	(84)	(7)
Insurance income ("cash basis")	1,034	960	856	8	12
Policyholder tax	35	131	104	(73)	26
Investment experience	149	142	158	5	(10)
Insurance income ("statutory basis")	1,218	1,233	1,118	(1)	10

Year Ended June 2013 versus June 2012

Insurance income 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.

Year Ended June 2012 versus June 2011

Insurance income increased by 10% on the prior year to $1,233 million driven by:

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

Operating Expenses

	Full Year Ended				
	30 Jun 13 $M	30 Jun 12 $M	30 Jun 11 $M	Jun 13 vs Jun 12 %	Jun 12 vs Jun 11 %
Staff expenses	5,148	4,947	4,787	4	3
Occupancy and equipment expenses	1,082	1,056	993	2	6
Information technology services expenses	1,299	1,159	1,193	12	(3)
Other expenses	2,076	2,034	1,918	2	6
Operating expenses ("cash basis")	9,605	9,196	8,891	4	3
Bankwest non-cash items	75	75	75	-	-
Count Financial Limited acquisition costs	-	60	94	large	(36)
Operating expenses ("statutory basis")	9,680	9,331	9,060	4	3
Statutory operating expenses to total operating income (%)	44. 9	45. 8	46. 7	(90)bpts	(90)bpts
Statutory banking expense to operating income (%)	40. 5	41. 3	43. 3	(80)bpts	(200)bpts

Year Ended June 2013 versus June 2012

Operating expenses increased 4% on the prior year to $9,680 million with the realised benefit of productivity initiatives being 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, impacted by 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 productivity initiatives. The banking expense to income ratio improved 80 basis points on the prior year to 40.5%.

Year Ended June 2012 versus June 2011

Operating expenses increased 3% on the prior year to $9,331 million. The key drivers were:

Staff expenses increased by 3% to $4,947 million, driven by inflation-related salary increases, growth in offshore businesses and higher defined benefit superannuation plan expense, partly offset by productivity improvements;

Occupancy and Equipment expenses increased by 6% to $1,056 million, largely impacted by the transition to the new office premises at Darling Quarter in the Sydney CBD and Bankwest Place in Perth, inflation-related rent reviews and higher operating lease depreciation;

Information technology services expenses decreased by 3% to $1,159 million, driven by disciplined vendor expense management, efficiency gains from on demand infrastructure improvements and de-commissioning of legacy systems; and

Other expenses increased by 6% to $2,034 million, impacted by higher compliance and credit card rewards program expenses.

Operating Expenses (continued)

Staff Numbers

Full-Time Equivalent Staff	Full Year Ended 2013	2012	2011
Australia	**35,749**	35,964	37,504
Total	**44,969**	44,844	46,060

Investment Spend

	Full Year Ended				
	30 Jun 13 $M	**30 Jun 12 $M**	**30 Jun 11 $M**	**Jun 13 vs Jun 12 %**	**Jun 12 vs Jun 11 %**
Expensed investment spend (1)	**566**	502	693	13	(28)
Capitalised investment spend	**671**	784	486	(14)	61
Investment spend	**1,237**	1,286	1,179	(4)	9
Comprising:					
Productivity and growth	**651**	586	482	11	22
Core Banking Modernisation	**200**	368	354	(46)	4
Risk and compliance	**234**	188	166	24	13
Branch refurbishment and other	**152**	144	177	6	(19)
Investment spend	**1,237**	1,286	1,179	(4)	9

(1) Included within Operating Expense disclosure on page 28.

The Group continued to invest strongly in the business with $1,237 million incurred in the full year to 30 June 2013, a decrease of 4% on the prior year. Lower spend on the CBM[2] initiative was partly offset by increased investment in Productivity and Growth initiatives. In addition, spend on risk and compliance projects increased as systems are implemented to assist in satisfying new regulatory obligations, including Stronger Super and Future of Financial Advice (FOFA) reforms.

(2) CBM initiative was completed in full year 30 June 2013.

During the 2013 financial year, the Group invested $200 million in the CBM initiative to deliver the final major scope items. Highlights for the year included:

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

Loan Impairment Expense

	Full Year Ended				
	30 Jun 13 $M	**30 Jun 12 $M**	**30 Jun 11 $M**	**Jun 13 vs Jun 12 %**	**Jun 12 vs Jun 11 %**
Retail Banking Services	**533**	583	558	(9)	4
Business and Private Banking	**280**	266	261	5	2
Institutional Banking and Markets	**218**	154	324	42	(52)
New Zealand	**44**	37	54	19	(31)
Bankwest	**118**	61	109	93	(44)
IFS and Other	**(47)**	(12)	(26)	large	(54)
Loan impairment expense ("statutory basis")	**1,146**	1,089	1,280	5	(15)

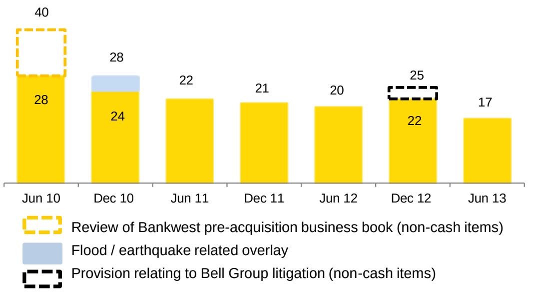
Year Ended June 2013 versus June 2012

Loan impairment expense increased 5% on the prior year to $1,146 million. The decrease is 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.

Loan Impairment Expense (continued)

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



Year Ended June 2012 versus June 2011

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

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

Taxation Expense

	Full Year Ended				
	30 Jun 13	30 Jun 12	30 Jun 11	Jun 13 vs	Jun 12 vs
Income Tax	**$M**	**$M**	**$M**	**Jun 12 %**	**Jun 11 %**
Retail Banking Services	**1,297**	1,139	1,206	14	(6)
Business and Private Banking	**629**	652	413	(4)	58
Institutional Banking and Markets	**368**	298	311	23	(4)
Wealth Management	**253**	235	240	8	(2)
New Zealand	**209**	185	150	13	23
Bankwest	**243**	227	199	7	14
IFS and Other	**(22)**	-	118	large	large
Total income tax expense ("cash basis")	**2,977**	2,736	2,637	9	4
Non-cash tax expense	**(54)**	122	10	large	large
Total income tax expense ("statutory basis")	**2,923**	2,858	2,647	2	8

	2013	2012	2011
Effective Tax	**%**	**%**	**%**
Retail Banking Services	29.8	29.6	29.7
Business and Private Banking	29.7	30.1	28.6
Institutional Banking and Markets	23.1	21.3	23.7
Wealth Management	27.7	27.6	28.1
New Zealand	24.6	25.7	24.0
Bankwest	29.8	33.0	34.7
Total – corporate	**27.5**	27.8	27.9

Year Ended June 2013 versus June 2012

Corporate tax expense 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 unit and offshore jurisdictions that have lower corporate tax rates.

Year Ended June 2012 versus June 2011

The income tax expense was $2,858 million, representing an effective tax rate of 27.8%.

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

Review of Group Assets and Liabilities

Total Group Assets and Liabilities	30 Jun 13 $M	Restated 30 Jun 12 $M	Jun 13 vs Jun 12 %	As reported 30 Jun 12 $M	As reported 30 Jun 11 $M	Jun 12 vs Jun 11 %
Interest earning assets						
Home loans (1)	**372,840**	352,981	6	350,633	335,841	4
Personal loans	**22,013**	21,057	5	21,057	20,943	1
Business and corporate loans (2)	**172,314**	166,188	4	168,536	159,154	6
Loans, bills discounted and other receivables	**567,167**	540,226	5	540,226	515,938	5
Non-lending interest earning assets	**106,060**	104,304	2	104,304	88,142	18
Total interest earning assets	**673,227**	644,530	4	644,530	604,080	7
Other assets (1) (2) (3)	**80,649**	74,329	9	73,699	63,819	15
Total assets	**753,876**	718,859	5	718,229	667,899	8
Interest bearing liabilities						
Transaction deposits (1)	**87,673**	81,104	8	83,401	79,466	5
Savings deposits (1)	**106,935**	91,279	17	88,982	81,680	9
Investment deposits	**199,397**	197,138	1	197,138	176,100	12
Other demand deposits	**54,472**	58,852	(7)	58,852	54,613	8
Total interest bearing deposits	**448,477**	428,373	5	428,373	391,859	9
Debt issues (4)	**138,871**	134,429	3	134,429	129,386	4
Other interest bearing liabilities	**44,306**	38,704	14	38,704	37,950	2
Total interest bearing liabilities	**631,654**	601,506	5	601,506	559,195	8
Non-interest bearing liabilities (4)	**76,730**	75,781	1	75,151	71,417	5
Total liabilities	**708,384**	677,287	5	676,657	630,612	7

Full Year Ended

(1) The 2011 financial year information has been restated for the reclassification of Securitised home loans from Other assets to Home loans to conform with presentation in the 2013 and 2012 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".

(2) The 2011 financial year information has been restated for the reclassification of Bank acceptances of customers from Other assets to Business and corporate to conform with presentation in the 2013 and 2012 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".

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

(4) The 2011 financial year information has been restated for the reclassification of Bank acceptances and Securitised debt issues from Non-interest bearing liabilities to Debt issues in the 2013 and 2012 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".

Year Ended June 2013 versus June 2012

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

The Group continued to satisfy a significant portion of its funding requirements from customer deposits. Customer deposits represented 63% of total funding at 30 June 2013 (30 June 2012: 62%).

The Group has realigned comparative product balances as part of changes in segment allocations in the 2013 and 2012 financial years (Restated assets and liabilities figures). The management discussion and analysis that follows refers to Restated assets and liabilities figures. Refer to "Financial Information Definitions – Reclassification of certain Income Statement Information" for more details.

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

Review of Group Assets and Liabilities

(continued)

deposits. This was partly offset by a $4 billion decrease in other demand deposits.

Debt issues

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

Refer to page 44 for further information on debt programs and issuance for the year ended 30 June 2013.

Other interest bearing liabilities

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

Non-interest bearing liabilities

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

Year Ended June 2012 versus June 2011

Asset growth of $50 billion or 8% since 30 June 2011 was driven by an increase in home lending, business and corporate lending, and non-lending interest earning assets, as a result of higher liquid asset holdings held by the Group.

The presentation in the 2012 and 2011 financial years includes figures that do not include the realigned product balances as part of changes in segment allocation ("As reported" assets and liabilities figures). The management discussion and analysis that follows refers to "As reported" assets and liabilities figures. Refer to "Financial Information Definitions – Reclassification of certain Income Statement Information" for more details.

Home loans

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

Personal loans

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

Business and corporate loans

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

Non-lending Interest earning assets

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

Other Assets

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

Interest bearing deposits

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

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

Debt issues

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

Other interest bearing liabilities

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

Non-interest bearing liabilities

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

Contents

Group Operations and Business Settings

Loan Impairment Provisions and Credit Quality

Provisions for Impairment

	As at				
	30 Jun 13 $M	30 Jun 12 $M	30 Jun 11 $M	Jun 13 vs Jun 12 %	Jun 12 vs Jun 11 %
Provisions for impairment losses					
Collective provision	**2,858**	2,837	3,043	1	(7)
Individually assessed provisions	**1,628**	2,008	2,125	(19)	(6)
Total provisions for impairment losses	**4,486**	4,845	5,168	(7)	(6)
Less: Off balance sheet provisions	**(31)**	(18)	(21)	72	(14)
Total provisions for loan impairment	**4,455**	4,827	5,147	(8)	(6)

Year Ended June 2013 versus June 2012

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

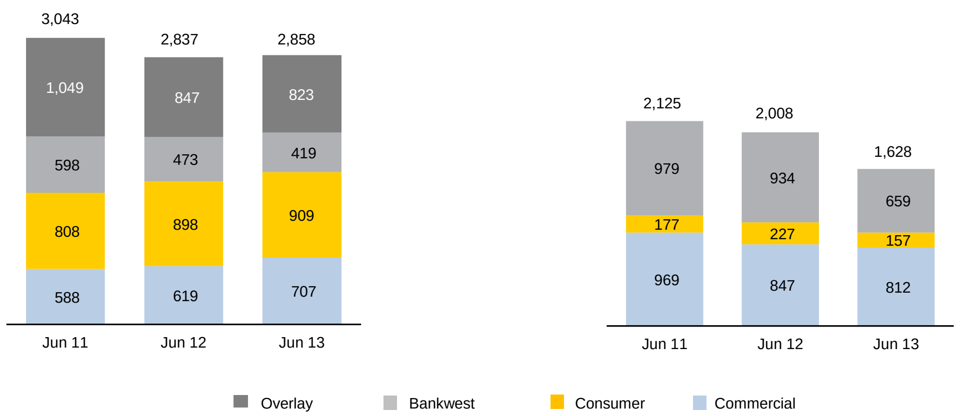
- Reduced individually assessed provisions across all portfolios as a result of the settlement and completion of a number of impaired loans;
- A reduction of Bankwest collective provisions as pre-acquisition troublesome loans continued to be refinanced, run-off or move to impaired; and
- Management overlays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

Year Ended June 2012 versus June 2011

Total provisions for impairment losses were $4,845 million as at 30 June 2012, which is a 6% reduction on 30 June 2011. The movement in the level of provisioning reflected:

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

Collective Provisions ($M) **Individually Assessed Provisions ($M)**



Loan Impairment Provisions and Credit Quality (continued)

Credit Quality

Credit Quality Metrics	Full Year Ended					
		Restated		As reported		
	30 Jun 13	30 Jun 12	Jun 13 vs Jun 12 %	30 Jun 12	30 Jun 11	Jun 12 vs Jun 11 %
Gross loans and acceptances (GLAA) ($M)	**568,821**	542,097	5	542,097	518,075	5
Risk weighted assets (RWA) - Basel III ($M)	**329,158**	n/a	n/a	n/a	n/a	n/a
Risk weighted assets (RWA) - Basel 2.5 ($M)	**n/a**	302,787	n/a	302,787	281,711	7
Credit risk weighted assets - Basel III ($M)	**279,674**	n/a	n/a	n/a	n/a	n/a
Credit risk weighted assets - Basel 2.5 ($M)	**n/a**	261,429	n/a	261,429	246,742	6
Gross impaired assets ($M) [1]	**4,330**	4,687	(8)	4,499	5,297	(15)
Net impaired assets ($M) [1]	**2,571**	2,556	1	2,491	3,172	(21)
Provision Ratios						
Collective provision as a % of credit risk weighted assets - Basel III	**1. 02**	n/a	n/a	n/a	n/a	n/a
Total provision as a % of credit risk weighted assets - Basel III	**1. 60**	n/a	n/a	n/a	n/a	n/a
Collective provision as a % of credit risk weighted assets - Basel 2.5	**n/a**	1. 09	n/a	1. 09	1. 23	(14)bpts
Total provision as a % of credit risk weighted assets - Basel 2.5	**n/a**	1. 85	n/a	1. 85	2. 09	(24)bpts
Total provisions for impaired assets as a % of gross impaired assets	**40. 62**	45. 47	(485)bpts	45. 47	40. 66	481 bpts
Total provisions for impairment losses as a % of GLAA's	**0. 79**	0. 89	(10)bpts	0. 89	1. 00	(11)bpts
Asset quality ratios						
Gross impaired assets as a % of GLAA's	**0. 76**	0. 86	(10)bpts	0. 83	1. 02	(19)bpts
Loans 90+ days past due but not impaired as a % of GLAA's	**0. 41**	0. 53	(12)bpts	0. 55	0. 73	(18)bpts
Loan impairment expense ("statutory basis") annualised as a % of average GLAA's	**0. 20**	0. 21	(1)bpt	0. 20	0. 25	(5)bpts

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

Provision Ratios

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

Asset Quality

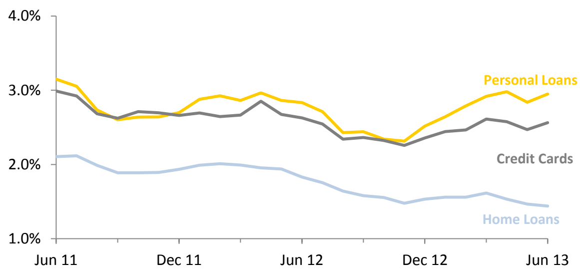
The asset quality ratios show the continued improvement in the quality of the book with both the level of impaired assets and 90 days past due loans which are not impaired continuing to reduce. The credit quality of both the retail and corporate portfolios remained sound.

Retail Portfolios – Arrears Rates [1]

Retail arrears for home loans and credit card products reduced during the year ended 30 June 2013, in part driven by reducing interest rates.

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

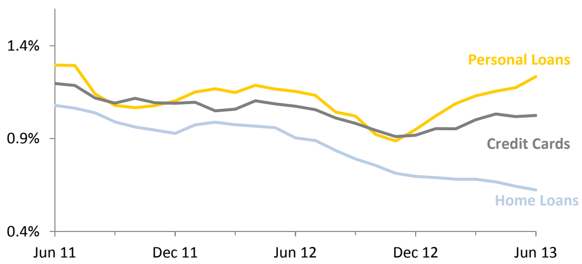
30+ Days Arrears Ratios (%) [2]



(1) The June and December 2011 comparative information has been restated to conform to presentation in other periods. Refer to "Financial Information Definitions-Reclassification of certain Income Statement Information" for more details.

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

90+ Days Arrears Ratios (%) [2]

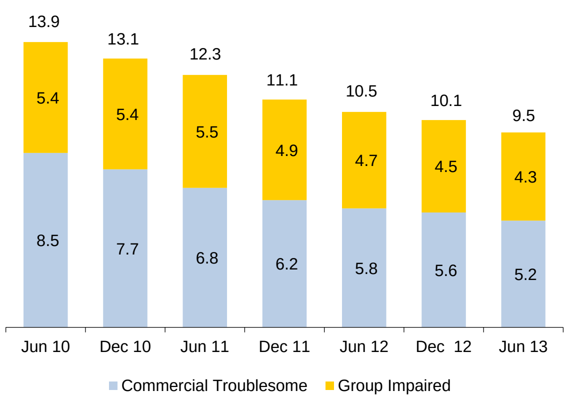


Troublesome and Impaired Assets

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

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

Troublesome and Impaired Assets ($B) [1]



Capital

Basel Regulatory Framework

Background

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

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

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

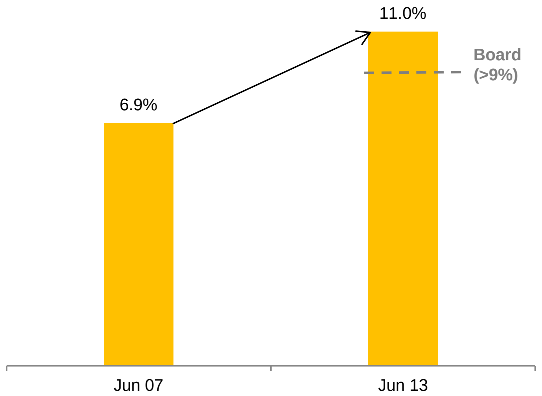
The APRA prudential standards require a minimum CET1 ratio of 4.5% effective from 1 January 2013. An additional CET1 capital conservation buffer of 2.5% will be implemented on 1 January 2016, bringing the minimum CET1 requirement to 7%. The BCBS advocates the same minimum requirements, but implementation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

Internationally Harmonised Capital Position

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

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

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



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

APRA Capital Requirements

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

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

Deductions

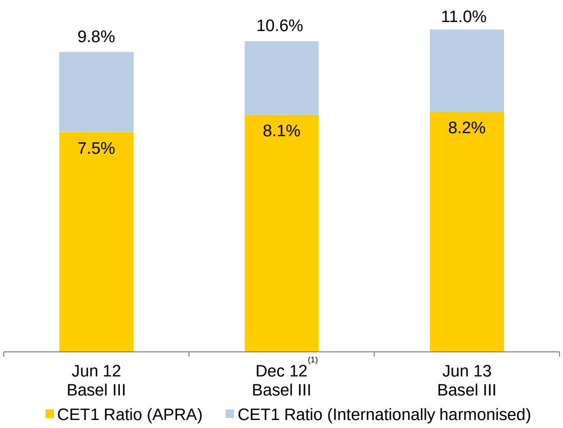
- APRA requires a full deduction to be taken against CET1 for equity investments (including investments in insurance and funds management operations) and deferred tax assets. On an internationally harmonised basis, such items are concessionally risk weighted if they fall below prescribed thresholds.

Risk Weighted Assets

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

Capital Position

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



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

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

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

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

Capital Initiatives

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

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

Bankwest

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

Pillar 3 Disclosures

Full details on the market disclosures required under Pillar 3, per prudential standard APS 330 "Public Disclosure", are provided on the "U.S. Investor Website" (http://www.commbank.com.au/usinvestors).

Other Regulatory Changes

General and Life Insurers

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

Superannuation Funds Management

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

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

Conglomerate Groups

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

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

Risk Weighted Capital Ratios	APRA Basel III 30 Jun 13 %	APRA Basel III 1 Jan 13 %	APRA Basel 2.5 31 Dec 12 %	APRA Basel 2.5 30 Jun 12 %
Common Equity Tier One	**8.2**	8.1	8.3	7.8
Tier One	**10.2**	10.2	10.5	10.0
Tier Two	**1.0**	1.0	0.7	1.0
Total Capital	**11.2**	11.2	11.2	11.0

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

(1) Represents shares held by the Group's life insurance operations ($130 million) and employee share scheme trusts ($167 million).
(2) Asset Revaluation Reserve eligible for inclusion in CET1 under APRA Basel III methodology.
(3) Available-for-Sale Reserve eligible for inclusion in CET1 under APRA Basel III methodology.
(4) Reserve balances associated with the Insurance and Funds Management entities and those entities through which securitisation of the Group's assets are conducted. These entities are classified as non-consolidated subsidiaries by APRA and are excluded from the Level 2 Regulatory Consolidated Banking Group.
(5) Dividends are only deducted from CET1 when declared under APRA Basel III methodology. Basel II required expected dividends to be deducted from capital.
(6) The Dividend Reinvestment Plan (DRP) in respect of the 31 December 2012 interim dividend was satisfied in full by an on market purchase of shares. The DRP in respect of the June 2012 final dividend was satisfied in full by the issue of shares.
(7) Cumulative current year profit and retained earnings adjustments for subsidiaries not consolidated for regulatory purposes.
(8) Primarily relates to unrealised equity accounted earnings required to be excluded under APRA Basel II methodology. Under APRA Basel III methodology these items are excluded from CET1 through the adjustment for equity investments.
(9) Non-controlling interests predominantly comprise ASB Perpetual Preference Shares of NZ$550 million issued by a New Zealand subsidiary entity. These are non-redeemable and carry limited voting rights. These are classified as Additional Tier One Capital.

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

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

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

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

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

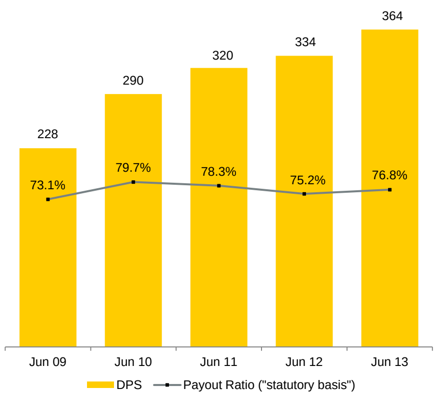
Dividends

Final Dividend for the Year Ended 30 June 2013

The final dividend declared was $2.00 per share, bringing the total dividend for the year ended 30 June 2013 to $3.64 per share. This represents a dividend payout ratio ("statutory basis") of 76.8% and is 9% above the prior full year dividend.

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

Full Year Dividend History (cents per share)



Dividend Reinvestment Plan (DRP)

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

Dividend Policy

The Group will seek to:

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

Liquidity

	As at				
	30 Jun 13 $M	30 Jun 12 $M	30 Jun 11 $M	Jun 13 vs Jun 12 %	Jun 12 vs Jun 11 %
Internal RMBS	57,852	57,730	39,646	-	46
Bank, NCD, Bills, RMBS, Supra, Covered Bonds	29,540	32,429	29,927	(9)	8
Cash, Government and Semi-Government Bonds	49,324	44,418	31,390	11	42
Liquid Assets (1)	136,716	134,577	100,963	2	33

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

Year Ended June 2013 versus June 2012

The Group holds what it believes to be a quality, well diversified liquid asset portfolio to meet Balance Sheet liquidity needs and regulatory requirements.

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

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

Year Ended June 2012 versus June 2011

Liquid assets increased $34 billion to $135 billion, a 33% increase on the prior year. The increase was mainly driven by the expansion of the internal Residential Mortgage-Backed Securitisation vehicle (internal RMBS) which provides the Group with the ability to borrow on a secured basis from the Reserve Bank of Australia and growth in deposits which increased the regulatory minimum requirement.

Excluding internal RMBS, the Group maintained $77 billion of liquid assets, well above the regulatory minimum requirement of $61 billion.

Liquidity and Capital Resources

The Group's key funding tools include:

- Its consumer retail funding base, which includes a wide range of retail transaction accounts, savings accounts and term deposits for individual consumers;
- Its small business customer and institutional deposit base; and
- Its wholesale international and domestic funding programs, which include its Australian dollar Negotiable Certificates of Deposit; Australian dollar bank bills; Asian Transferable Certificates of Deposit program; Australian, U.S. and Euro Commercial Paper programs; U.S. Extendible Notes programs; Australian dollar Domestic Debt Program; U.S.144A and 3(a)(2) Medium Term Note Programs; Euro Medium Term Note Program, multi jurisdiction Covered Bond program, and Medallion securitisation program.

At 30 June 2013 virtually all of the Group's Australian dollar liquid assets qualified for repurchase by the RBA at any time.

Recent Market Environment

In May 2013, APRA released a discussion paper and draft prudential standards for implementing Basel III liquidity reforms in Australia. APRA confirmed its intention to introduce the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) requirements from 1 January 2015 and 1 January 2018 respectively. APRA will issue final prudential standards in the second half of 2013. The Group will update its liquidity and funding policies as appropriate to comply with the new standards.

The Group's wholesale funding costs generally improved over the course of the 2013 financial year as relatively 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 covered bond debt markets.

Details of the Group's regulatory capital position and capital management activities are disclosed on pages 38 – 40 of this Document.

Commitments for capital expenditure not provided for	2013 $M	2012 $M
Not later than one year	**17**	54
Total commitments for capital expenditure not provided for	**17**	54

Debt Issues (for further details see Note 23 to the 2013 Financial Statements)

	2013 $M	2012 $M	2011 $M
Medium term notes	**71,039**	69,923	73,107
Commercial paper	**34,602**	34,142	36,121
Securitisation notes	**8,929**	7,858	9,424
Covered bonds	**18,238**	12,789	-
Total debt issues	**132,808**	124,712	118,652
Short Term Debt Issues by currency			
USD	**34,230**	28,437	28,937
EUR	**99**	99	2,005
AUD	**91**	181	123
GBP	**182**	5,305	4,913
Other currencies	**-**	120	143
Long term debt issues with less than one year to maturity	**20,116**	15,983	15,342
Total short term debt issues	**54,718**	50,125	51,463
Long Term Debt Issues by currency			
USD	**30,581**	31,017	31,389
EUR	**17,077**	12,492	7,973
AUD	**12,742**	13,035	9,507
GBP	**3,695**	2,071	1,707
NZD	**2,397**	2,715	2,384
JPY	**4,911**	7,018	8,265
Other currencies	**6,648**	6,195	5,922
Offshore loans (all JPY)	**39**	44	42
Total long term debt issues	**78,090**	74,587	67,189
Maturity Distribution of Debt Issues (1)			
Less than three months	**16,472**	24,586	27,721
Between three and twelve months	**38,246**	25,539	23,742
Between one and five years	**56,970**	54,863	48,259
Greater than five years	**21,120**	19,724	18,930
Total debt issues	**132,808**	124,712	118,652

(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 2013. 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	CFL A$ 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)
USD 5 billion	Asian Transferable Certificates of Deposit Program
New Zealand	
Unlimited	ASB Domestic Medium Term Note Program
Unlimited	ASB Registered Certificate of Deposit Program
Unlimited	CBA Domestic Medium Term Note 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 23 and 25 to the 2013 Financial Statements.

Funding

Group Funding (1)	30 Jun 13 $M	30 Jun 12 $M	30 Jun 11 $M	Jun 13 vs Jun 12 %	Jun 12 vs Jun 11 %
	As at				
Customer deposits	**405,377**	379,299	349,223	7	9
Short term wholesale funding	**110,595**	108,491	104,915	2	3
Long term wholesale funding - less than one year residual maturity	**29,129**	25,715	28,674	13	(10)
Long term wholesale funding - more than one year residual maturity (2)	**96,611**	103,638	97,622	(7)	6
IFRS MTM and derivative FX revaluations	**1,837**	(5,417)	(11,011)	large	(51)
Total wholesale funding	**238,172**	232,427	220,200	2	6
Total funding	**643,549**	611,726	569,423	5	7

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

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

Year Ended June 2013 versus June 2012

Customer Deposits

Customer deposits 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 has seen the Group satisfy a significant proportion of its funding requirements from retail, business and institutional customer deposits. The remaining 37% of total funding comprised various wholesale debt issuances.

Short Term Wholesale Funding

Short term wholesale funding includes debt with an original maturity or call date of less than 12 months, and consists of Certificates of Deposit and Bank Acceptances, as well as debt issued under domestic, Euro and US Commercial paper programs by Commonwealth Bank of Australia and ASB. Short term wholesale funding 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

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

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

Year Ended June 2012 versus June 2011

Customer Deposits

Customer deposits increased to $379 billion, which accounted for 62% of total funding at 30 June 2012, compared to 61% at prior year end. Strong deposit growth has seen the Group satisfy a significant proportion of its funding requirements from retail, business and institutional customer deposits. The remaining 38% of total funding comprised various wholesale debt issuances.

Short Term Wholesale Funding

Short term wholesale funding increased to $108 billion, which accounted for 47% of total wholesale funding at 30 June 2012, down from 48% in the prior year.

Long Term Wholesale Funding

Long term wholesale debt (including adjustment for IFRS MTM and derivative FX revaluation) increased to $124 billion, which accounted for 53% of total wholesale funding at 30 June 2012, compared to 52% in the prior year.

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Contents

Divisional Performance

Retail Banking Services

	Full Year Ended					
		Restated		As reported		
	30 Jun 13 $M	30 Jun 12 [(1)] $M	Jun 13 vs Jun 12 %	30 Jun 12 $M	30 Jun 11 $M	Jun 12 vs Jun 11 %
Net interest income	**6,427**	5,939	8	6,342	6,209	2
Other banking income	**1,520**	1,451	5	1,410	1,312	7
Total banking income	**7,947**	7,390	8	7,752	7,521	3
Operating expenses	**(3,063)**	(2,965)	3	(2,957)	(2,903)	2
Loan impairment expense	**(533)**	(583)	(9)	(623)	(558)	12
Net profit before tax	**4,351**	3,842	13	4,172	4,060	3
Corporate tax expense	**(1,297)**	(1,139)	14	(1,238)	(1,206)	3
Cash net profit after tax	**3,054**	2,703	13	2,934	2,854	3
Statutory net profit after tax	**3,054**	2,703	13	2,934	2,854	3
Income analysis:						
Net interest income						
Home loans	**3,001**	2,432	23	2,703	2,706	-
Consumer finance [(2)]	**1,564**	1,402	12	1,424	1,281	11
Retail deposits	**1,803**	2,055	(12)	2,215	2,222	-
Business products	**59**	50	18	-	-	-
Total net interest income	**6,427**	5,939	8	6,342	6,209	2
Other banking income						
Home loans	**205**	204	-	189	198	(5)
Consumer finance [(2)]	**493**	462	7	472	422	12
Retail deposits	**386**	392	(2)	397	387	3
Business products	**63**	60	5	-	-	-
Distribution	**373**	333	12	352	305	15
Total other banking income	**1,520**	1,451	5	1,410	1,312	7
Total banking income	**7,947**	7,390	8	7,752	7,521	3

	As at					
		Restated		As reported		
Balance Sheet	30 Jun 13 $M	30 Jun 12 [(1)] $M	Jun 13 vs Jun 12 %	30 Jun 12 $M	30 Jun 11 $M	Jun 12 vs Jun 11 %
Home loans	**246,629**	234,134	5	269,543	260,583	3
Consumer finance [(2)]	**15,017**	13,883	8	15,035	13,989	7
Other interest earning assets	**1,726**	1,925	(10)	-	-	-
Total interest earning assets	**263,372**	249,942	5	284,578	274,572	4
Other assets	**1,341**	224	large	176	201	(12)
Total assets	**264,713**	250,166	6	284,754	274,773	4
Transaction deposits	**18,707**	17,979	4	19,505	19,357	1
Savings deposits	**67,507**	57,266	18	63,311	59,127	7
Investment deposits and other	**88,512**	86,067	3	96,742	83,951	15
Total interest bearing deposits	**174,726**	161,312	8	179,558	162,435	11
Non-interest bearing liabilities	**6,396**	5,706	12	5,844	5,983	(2)
Total liabilities	**181,122**	167,018	8	185,402	168,418	10

	Full Year Ended					
		Restated		As reported		
Key Financial Metrics	30 Jun 13	30 Jun 12 [(1)]	Jun 13 vs Jun 12 %	30 Jun 12	30 Jun 11	Jun 12 vs Jun 11 %
Performance indicators						
Return on assets (%)	**1. 2**	1. 1	10 bpts			
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 20**	0. 23	(3)bpts			
Statutory operating expenses to total banking income (%)	**38. 5**	40. 1	(160)bpts	38. 1	38. 6	(50)bpts
Other asset/liability information						
Average interest earning assets ($M)	**255,232**	245,774	4			
Average interest bearing liabilities ($M)	**168,921**	155,050	9			

(1) Comparative information has been reclassified to conform to presentation in the current year. Refer to "Financial Information Definitions – Reclassification of Customer Reporting Segments" for more details.

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

Financial Performance and Business Review

This Retail Banking Services 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 2013 financial year and the 2012 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 2013 financial year and the 2012 financial year and "As reported" customer segment figures are presented for the 2012 financial year and the 2011 financial year in this Document. The management discussion and analysis below comparing the 2013 financial year and the 2012 financial year references "Restated" customer segment figures, while the management discussion and analysis comparing the 2012 financial year and the 2011 financial year that follows references "As reported" customer segment figures. Refer to "Financial Information Definitions – Reclassification of Customer Reporting Segments" for more details.

Year Ended June 2013 versus Restated 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(3) income increasing 12% as foreign exchange products, including 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.

As reported Year Ended June 2012 versus June 2011

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

Net Interest Income

Net interest income for the year ended 30 June 2012 was $6,342 million, an increase of 2% on the prior year. The consumer finance portfolio had strong volume growth, resulting from product innovation and in-branch and online campaigns. Lower demand for secured credit, and increased wholesale funding costs coupled with competitive pricing resulted in flat net interest income growth for both home lending and deposits.

Other Banking Income

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

(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 to June 2013.
(2) Roy Morgan Research, Australians 18+, Average Banking and Finance products held at the bank per Banking and Finance customers, 6 months to June 2013. Major banks include the Commonwealth Bank of Australia, Westpac, NAB and ANZ.
(3) 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.

Operating Expenses

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

Customer satisfaction reached at the highest level in CBA's history, with strong performance across all retail channels.

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

Loan Impairment Expense

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

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

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Business and Private Banking

	Full Year Ended					
		Restated		As reported		
	30 Jun 13	30 Jun 12 (1)	Jun 13 vs	30 Jun 12	30 Jun 11	Jun 12 vs
	$M	$M	Jun 12 %	$M	$M	Jun 11 %
Net interest income	**2,942**	2,921	1	2,231	2,134	5
Other banking income	**810**	860	(6)	866	905	(4)
Total banking income	**3,752**	3,781	(1)	3,097	3,039	2
Operating expenses	**(1,355)**	(1,350)	-	(1,344)	(1,335)	1
Loan impairment expense	**(280)**	(266)	5	(227)	(261)	(13)
Net profit before tax	**2,117**	2,165	(2)	1,526	1,443	6
Corporate tax expense	**(629)**	(652)	(4)	(459)	(413)	11
Cash net profit after tax	**1,488**	1,513	(2)	1,067	1,030	4
Statutory net profit after tax	**1,488**	1,513	(2)	1,067	1,030	4
Income analysis:						
Net interest income						
Corporate Financial Services	**988**	979	1	819	760	8
Regional & Agribusiness	**541**	515	5	397	373	6
Local Business Banking	**1,007**	952	6	611	580	5
Private Bank	**241**	225	7	187	186	1
Equities and Margin Lending	**149**	171	(13)	168	179	(6)
Other	**16**	79	(80)	49	56	(13)
Total net interest income	**2,942**	2,921	1	2,231	2,134	5
Other banking income						
Corporate Financial Services	**296**	310	(5)	267	224	19
Regional & Agribusiness	**89**	102	(13)	92	75	23
Local Business Banking	**211**	214	(1)	239	233	3
Private Bank	**45**	40	13	64	63	2
Equities and Margin Lending	**168**	188	(11)	194	234	(17)
Other	**1**	6	(83)	10	76	(87)
Total other banking income	**810**	860	(6)	866	905	(4)
Total banking income	**3,752**	3,781	(1)	3,097	3,039	2
Income by product:						
Business Products	**2,181**	2,254	(3)			
Retail Products	**1,096**	996	10			
Equities and Margin Lending	**285**	311	(8)			
Markets	**130**	150	(13)			
Other	**60**	70	(14)			
Total banking income	**3,752**	3,781	(1)			

	As at					
		Restated		As reported		
	30 Jun 13	30 Jun 12 (1)	Jun 13 vs	30 Jun 12	30 Jun 11	Jun 12 vs
Balance Sheet	$M	$M	Jun 12 %	$M	$M	Jun 11 %
Home loans	**39,112**	38,254	2			
Consumer finance	**1,043**	1,125	(7)			
Business loans	**60,123**	56,487	6	78,029	77,545	1
Margin loans	**2,735**	3,092	(12)	3,287	4,213	(22)
Total interest earning assets	**103,013**	98,958	4	81,316	81,758	(1)
Non-lending interest earning assets	**426**	365	17	365	480	(24)
Other assets (2)	**166**	463	(64)	476	690	(31)
Total assets	**103,605**	99,786	4	82,157	82,928	(1)
Transaction deposits	**19,830**	19,047	4	51,973	49,309	5
Savings deposits	**12,826**	11,415	12	5,669	5,720	(1)
Investment deposits and other	**25,020**	24,549	2	41,509	41,707	-
Total interest bearing deposits	**57,676**	55,011	5	99,151	96,736	2
Due to other financial institutions	**2,016**	1,042	93	1,042	403	large
Debt issues and other (3)	**5,926**	9,070	(35)	9,070	9,808	(8)
Non-interest bearing liabilities (2)	**6,049**	5,408	12	5,738	6,341	(10)
Total liabilities	**71,667**	70,531	2	115,001	113,288	2

(1) Comparative information has been reclassified to conform to presentation in the current year. Refer to "Financial Information Definitions – Reclassification of Customer Reporting Segments" for more details.
(2) Other assets include intangible assets and Non-interest bearing liabilities include non-interest bearing deposits.
(3) Debt issues include Bank acceptances.

Key Financial Metrics	30 Jun 13	Restated 30 Jun 12 (1)	Jun 13 vs Jun 12 %	As reported 30 Jun 12	As reported 30 Jun 11	Jun 12 vs Jun 11 %
Performance indicators						
Return on assets (%)	**1. 5**	1. 5	-			
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 28**	0. 27	1 bpt			
Statutory operating expenses to total banking income (%)	**36. 1**	35. 7	40 bpts	43. 4	43. 9	(50)bpts
Other asset/liability information						
Average interest earning assets ($M)	**101,645**	97,835	4			
Average interest bearing liabilities ($M)	**67,701**	64,303	5			

(1) Comparative information has been reclassified to conform to presentation in the current year. Refer to "Financial Information Definitions – Reclassification of Customer Reporting Segments" for more details.

Financial Performance and Business Review

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Year Ended June 2013 versus Restated 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 expenses.

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.

As reported Year Ended June 2012 versus June 2011

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

Business and Private Banking continued

Net Interest Income

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

Other Banking Income

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

Operating Expenses

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

Loan Impairment Expense

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

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Institutional Banking and Markets

	Full Year Ended					
		Restated		As reported		
	30 Jun 13	30 Jun 12 (1)	Jun 13 vs	30 Jun 12	30 Jun 11	Jun 12 vs
	$M	$M	Jun 12 %	$M	$M	Jun 11 %
Net interest income	**1,344**	1,489	(10)	1,409	1,331	6
Other banking income	**1,289**	901	43	937	1,136	(18)
Total banking income	**2,633**	2,390	10	2,346	2,467	(5)
Operating expenses	**(901)**	(840)	7	(851)	(828)	3
Loan impairment expense	**(154)**	(154)	-	(153)	(324)	(53)
Net profit before tax	**1,578**	1,396	13	1,342	1,315	2
Corporate tax expense	**(368)**	(298)	23	(282)	(311)	(9)
Cash net profit after tax	**1,210**	1,098	10	1,060	1,004	6
Bell Group litigation (after tax)	**(45)**	-	large	-	-	-
Statutory net profit after tax	**1,165**	1,098	6	1,060	1,004	6
Income analysis:						
Net interest income						
Institutional Banking	**1,141**	1,211	(6)	1,172	1,112	5
Markets	**203**	278	(27)	237	219	8
Total net interest income	**1,344**	1,489	(10)	1,409	1,331	6
Other banking income						
Institutional Banking	**842**	771	9	801	748	7
Markets	**447**	130	large	136	388	(65)
Total other banking income	**1,289**	901	43	937	1,136	(18)
Total banking income	**2,633**	2,390	10	2,346	2,467	(5)
Income by product:						
Institutional Products	**1,673**	1,702	(2)			
Asset Leasing	**250**	228	10			
Markets	**650**	408	59			
Other	**60**	52	15			
Total banking income	**2,633**	2,390	10			

	As at					
		Restated		As reported		
	30 Jun 13	30 Jun 12 (1)	Jun 13 vs	30 Jun 12	30 Jun 11	Jun 12 vs
Balance Sheet	$M	$M	Jun 12 %	$M	$M	Jun 11 %
Interest earning lending assets	**76,754**	73,425	5	56,466	49,022	15
Non-lending interest earning assets	**34,661**	34,267	1	34,267	32,664	5
Other assets (2)	**33,398**	35,463	(6)	35,463	30,342	17
Total assets	**144,813**	143,155	1	126,196	112,028	13
Transaction deposits	**38,200**	34,452	11	-	-	-
Investment deposits	**42,121**	40,090	5	12,200	6,982	75
Certificates of deposit and other	**11,242**	12,484	(10)	12,440	8,241	51
Total interest bearing deposits	**91,563**	87,026	5	24,640	15,223	62
Due to other financial institutions	**15,256**	15,856	(4)	15,856	13,457	18
Debt issues and other (3)	**4,569**	4,805	(5)	4,805	9,193	(48)
Non-interest bearing liabilities (2)	**31,751**	29,829	6	29,361	25,758	14
Total liabilities	**143,139**	137,516	4	74,662	63,631	17

	Full Year Ended					
		Restated		As reported		
			Jun 13 vs			Jun 12 vs
Key Financial Metrics	30 Jun 13	30 Jun 12 (1)	Jun 12 %	30 Jun 12	30 Jun 11	Jun 11 %
Performance indicators						
Return on assets (%)	**0. 8**	0. 8	-			
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 29**	0. 22	7 bpts			
Statutory operating expenses to total banking income (%)	**34. 2**	35. 1	(90)bpts	36. 3	33. 6	270 bpts
Other asset/liability information						
Average interest earning assets ($M)	**106,647**	106,538	-			
Average interest bearing liabilities ($M)	**108,383**	105,766	2			

(1) Comparative information has been reclassified to conform to presentation in the current year. Refer to "Financial Information Definitions – Reclassification of Customer Reporting Segments" for more details.
(2) Other assets include intangible assets and derivative assets. Non-interest bearing liabilities include derivative liabilities.
(3) Debt issues and other includes bank acceptances, liabilities at fair value and loan capital.

Financial Performance and Business Review

This Institutional Banking and Markets 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 2013 financial year and the 2012 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 2013 financial year and the 2012 financial year and "As reported" customer segment figures are presented for the 2012 financial year and the 2011 financial year in this Document. The management discussion and analysis below comparing the 2013 financial year and the 2012 financial year references "Restated" customer segment figures, while the management discussion and analysis comparing the 2012 financial year and the 2011 financial year that follows references "As reported" customer segment figures. Refer to "Financial Information Definitions – Reclassification of Customer Reporting Segments" for more details.

Year Ended June 2013 versus Restated 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 impacted by 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; and
- Positive momentum in interest earning lending assets, with average balances increasing 4% since 30 June 2012, particularly in the transport and storage, natural resources and investment grade commercial property industries.

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.

As reported Year Ended June 2012 versus June 2011

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

Net Interest Income

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

Other Banking Income

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

Operating Expenses

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

Loan Impairment Expense

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

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

Corporate Tax Expense

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

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Wealth Management

	Full Year Ended					
		Restated		As reported		
	30 Jun 13 $M	30 Jun 12 (1) $M	Jun 13 vs Jun 12 %	30 Jun 12 $M	30 Jun 11 $M	Jun 12 vs Jun 11 %
Funds management income	**2,075**	1,888	10	1,888	1,975	(4)
Insurance income	**716**	691	4	691	625	11
Total operating income	**2,791**	2,579	8	2,579	2,600	(1)
Volume expenses	**(514)**	(540)	(5)	(540)	(521)	4
Net operating income	**2,277**	2,039	12	2,039	2,079	(2)
Operating expenses	**(1,494)**	(1,369)	9	(1,369)	(1,280)	7
Net profit before tax	**783**	670	17	670	799	(16)
Corporate tax expense	**(206)**	(178)	16	(178)	(218)	(18)
Underlying profit after tax	**577**	492	17	492	581	(15)
Investment experience after tax	**110**	137	(20)	77	61	26
Cash net profit after tax	**687**	629	9	569	642	(11)
Treasury shares valuation adjustment (after tax)	**(53)**	(15)	large	(15)	(22)	(32)
Count Financial Limited acquisition costs (after tax)	**-**	(43)	large	(43)	(12)	large
Statutory net profit after tax	**634**	571	11	511	608	(16)
Represented by:						
CFS Global Asset Management	**313**	258	21	245	281	(13)
Colonial First State	**153**	76	large	76	143	(47)
CommInsure	**320**	346	(8)	299	293	2
Other	**(152)**	(109)	39	(109)	(109)	-
Statutory net profit after tax	**634**	571	11	511	608	(16)

	Full Year Ended					
		Restated		As reported		
Key Financial Metrics	30 Jun 13	30 Jun 12 (1)	Jun 13 vs Jun 12 %	30 Jun 12	30 Jun 11	Jun 12 vs Jun 11 %
Performance indicators						
Statutory funds management income to average FUA (%)	**0. 95**	0. 97	(2)bpts	0. 99	1. 05	(6)bpts
Statutory insurance income to average inforce premiums (%)	**43. 4**	50. 2	large	45. 4	48. 8	(340)bpts
Statutory operating expenses to net operating income (%)	**60. 3**	63. 9	(360)bpts	66. 4	57. 4	large
FUA - average ($M)	**219,296**	193,277	13	189,699	188,866	-
FUA - spot ($M)	**240,352**	196,199	23	192,781	188,511	2
Assets under management - average ($M) (2)	**165,216**	149,908	10	146,742	150,396	(2)
Assets under management - spot ($M)	**179,563**	150,275	19	146,220	148,639	(2)
Retail net funds flows (Australian Retail) ($M)	**4,244**	184	large	194	(349)	large
Annual Inforce Premiums - average ($M)	**2,068**	1,806	15	1,806	1,612	12
Annual Inforce Premiums - spot ($M)	**2,165**	1,971	10	1,971	1,640	20

(1) Comparative information has been restated to conform to presentation in the current year. Refer to “Financial Information Definitions – Reclassification of Customer Reporting Segments” for more details.

(2) AUM and FUA include Realindex Investments and do not include the Group’s interest in the China Cinda JV.

	Full Year Ended											
	CFS Global Asset Management						Colonial First State [(1)]					
	Restated			As reported			Restated			As reported		
	Jun 13 $M	Jun 12 [(2)] $M	Jun 13 vs Jun 12 %	Jun 12 $M	Jun 11 $M	Jun 12 vs Jun 11 %	Jun 13 $M	Jun 12 [(2)] $M	Jun 13 vs Jun 12 %	Jun 12 $M	Jun 11 $M	Jun 12 vs Jun 11 %
Funds management income	**1,010**	883	14	883	907	(3)	**914**	845	8	845	860	(2)
Insurance income	**-**	-	-	-	-	-	**-**	-	-	-	-	-
Total operating income	**1,010**	883	14	883	907	(3)	**914**	845	8	845	860	(2)
Volume expenses	**(171)**	(140)	22	(140)	(151)	(7)	**(134)**	(192)	(30)	(192)	(171)	12
Net operating income	**839**	743	13	743	756	(2)	**780**	653	19	653	689	(5)
Operating expenses	**(475)**	(439)	8	(439)	(391)	12	**(575)**	(505)	14	(505)	(489)	3
Net profit before tax	**364**	304	20	304	365	(17)	**205**	148	39	148	200	(26)
Corporate tax expense	**(81)**	(70)	16	(70)	(90)	(22)	**(61)**	(42)	45	(42)	(59)	(29)
Underlying profit after tax	**283**	234	21	234	275	(15)	**144**	106	36	106	141	(25)
Investment experience after tax	**30**	24	25	11	6	83	**9**	13	(31)	13	2	large
Cash net profit after tax	**313**	258	21	245	281	(13)	**153**	119	29	119	143	(17)
Treasury shares valuation adjustment (after tax)	**-**	-	-	-	-	-	**-**	-	-	-	-	-
Count Financial Limited acquisition costs (after tax)	**-**	-	-	-	-	-	**-**	(43)	large	(43)	-	large
Statutory net profit after tax	**313**	258	21	245	281	(13)	**153**	76	large	76	143	(47)

	Full Year Ended											
	CommInsure						Other					
	Restated			As reported			Restated			As reported		
	Jun 13 $M	Jun 12 [(2)] $M	Jun 13 vs Jun 12 %	Jun 12 $M	Jun 11 $M	Jun 12 vs Jun 11 %	Jun 13 $M	Jun 12 [(2)] $M	Jun 13 vs Jun 12 %	Jun 12 $M	Jun 11 $M	Jun 12 vs Jun 11 %
Funds management income	**153**	160	(4)	160	209	(23)	**(2)**	-	large	-	(1)	large
Insurance income	**716**	691	4	691	625	11	**-**	-	-	-	-	-
Total operating income	**869**	851	2	851	834	2	**(2)**	-	large	-	(1)	large
Volume expenses	**(209)**	(208)	-	(208)	(199)	5	**-**	-	-	-	-	-
Net operating income	**660**	643	3	643	635	1	**(2)**	-	large	-	(1)	large
Operating expenses	**(318)**	(292)	9	(292)	(276)	6	**(126)**	(133)	(5)	(133)	(124)	7
Net profit before tax	**342**	351	(3)	351	359	(2)	**(128)**	(133)	(4)	(133)	(125)	6
Corporate tax expense	**(101)**	(105)	(4)	(105)	(105)	-	**37**	39	(5)	39	36	8
Underlying profit after tax	**241**	246	(2)	246	254	(3)	**(91)**	(94)	(3)	(94)	(89)	6
Investment experience after tax	**79**	100	(21)	53	51	4	**(8)**	-	large	-	2	large
Cash net profit after tax	**320**	346	(8)	299	305	(2)	**(99)**	(94)	5	(94)	(87)	8
Treasury shares valuation adjustment (after tax)	**-**	-	-	-	-	-	**(53)**	(15)	large	(15)	(22)	(32)
Other (after tax)	**-**	-	-	-	(12)	large	**-**	-	-	-	-	-
Statutory net profit after tax	**320**	346	(8)	299	293	2	**(152)**	(109)	39	(109)	(109)	-

(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 "Financial Information Definitions – Reclassification of Customer Reporting Segments" for more details.

Financial Performance and Business Review

This Wealth Management 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 2013 financial year and the 2012 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 2013 financial year and the 2012 financial year and "As reported" customer segment figures are presented for the 2012 financial year and the 2011 financial year in this Document. The management discussion and analysis below comparing the 2013 financial year and the 2012 financial year references "Restated" customer segment figures, while the management discussion and analysis comparing the 2012 financial year and the 2011 financial year that follows references "As reported" customer segment figures. Refer to "Financial Information Definitions – Reclassification of Customer Reporting Segments" for more details.

Year Ended June 2013 versus Restated 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 Assets Under Management (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%, whilst 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.

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.

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 Count Financial Limited. Excluding project spend, 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 includes the return on invested shareholder capital which has been impacted by falling cash rates. This has been partly offset by unrealised mark-to-market revaluation gains on the Guaranteed Annuity portfolio.

As reported Year Ended June 2012 versus June 2011

Statutory net profit after tax for the year ended 30 June 2012 was $511 million, which represented a 16% decrease on the prior year. The result reflects continued weakness in global investment markets and costs involved in the acquisition of Count Financial Limited (Count Financial) effective 29 November 2011, which was partly offset by a solid insurance performance. The funds businesses delivered a resilient result with FUA up 2% to $193 billion, despite significant pressure on investment markets. Market conditions resulted in strong investor flows weighted towards less volatile asset classes, reflecting low investor risk appetite. The insurance businesses experienced inforce premium growth of 20% to $1,971 million, benefitting from new business and improved cross-sell in aligned retail channels.

CFS Global Asset Management (CFSGAM)

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

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

AUM as at 30 June 2012 was $146 billion, down 2% on the prior year, reflecting the uncertainty in global equity markets. This performance compared favourably with the ASX200 and MSCI Emerging Markets indices, which fell 11% and 14% respectively over the same period.

(1) Plan for Life quarterly release.

Investment performance was sound with 67% of funds outperforming investment benchmarks over a three year period. During the year, the business continued to diversify and expanded its footprint globally, opening offices in Paris, Frankfurt and New York, with 55% of revenue now sourced offshore. Despite the global economic conditions, Global Equities FUA was resilient and the newly formed Emerging Markets Debt team sourced over $500 million in FUA in its first nine months.

Colonial First State (CFS)

Statutory net profit after tax of $76 million represented a decrease of 47% on the prior year.

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

The CFS flagship platforms FirstChoice and FirstWrap continued to grow market share, attracting 34% share of market net flows. FirstChoice retained the position of the largest platform and increased its Australian market share to 11.6% as at 31 March 2012.

Equity market weakness contributed to strong investment flows into cash, fixed interest and deposit products.

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

CommInsure

Statutory net profit after tax of $299 million represented an increase of 2% on the prior year.

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

Retail Life Insurance results were mixed, with premium income up 11% on the prior year. Inforce premiums as at 30 June 2012 were $815 million, up 10% on the prior year, supported by solid sales from Bank channels, with overall sales growing by 21%. The Wholesale Life Insurance business generated strong inforce premiums growth of 41%, mainly due to the acquisition of new business and solid organic growth in existing business.

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

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

Operating Expenses

Operating expenses increased 7% on the prior year to $1,369 million. This reflects organic offshore growth in CFSGAM, preparation for regulatory changes and the acquisition of Count Financial effective 29 November 2011. Employee numbers increased on the prior year as distribution investment gained momentum.

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

Assets Under Management (AUM) [2]	Full Year Ended 30 Jun 13 $M	Restated 30 Jun 12 [1] $M	Jun 13 vs Jun 12 %	As reported 30 Jun 12 $M	As reported 30 Jun 11 $M	Jun 12 vs Jun 11 %
Australian equities	**24,213**	19,899	22	18,366	22,336	(18)
Global equities	**68,834**	52,525	31	50,003	50,860	(2)
Cash and fixed interest	**62,489**	54,242	15	54,242	50,946	6
Property and Infrastructure [3]	**24,027**	23,609	2	23,609	24,497	(4)
Total	**179,563**	150,275	19	146,220	148,639	(2)

Sources of Profit from CommInsure	Full Year Ended 30 Jun 13 $M	Restated 30 Jun 12 [1] $M	Jun 13 vs Jun 12 %	As reported 30 Jun 12 $M	As reported 30 Jun 11 $M	Jun 12 vs Jun 11 %
Life insurance operating margins						
Planned profit margins	**167**	170	(2)	170	164	4
Experience variations	**(71)**	(46)	54	(46)	(36)	28
Funds management operating margins	**81**	89	(9)	89	112	(21)
General insurance operating margins	**64**	33	94	33	14	large
Operating margins	**241**	246	(2)	246	254	(3)
Investment experience after tax	**79**	100	(21)	53	51	4
Cash net profit after tax	**320**	346	(8)	299	305	(2)
Non-cash adjustments (after tax)	**-**	-	-	-	(12)	large
Statutory net profit after tax	**320**	346	(8)	299	293	2

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

Annual Inforce Premiums - Risk Business	Full Year Ended 30 June 2012 - Restated [1] 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

Annual Inforce Premiums - Risk Business	Full Year Ended 30 June 2012 - As reported 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

(1) Comparative information has been restated to conform to presentation in the current year. Refer to "Financial Information Definitions – Reclassification of Customer Reporting Segments" for more details.
(2) AUM and FUA include Realindex Investments and do not include the Group's interest in the China Cinda JV.
(3) This asset class includes listed and wholesale property trusts, and Australian and global property securities funds.

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

Funds Under Administration	Full Year Ended 30 June 2013					
	Opening Balance 30 Jun 12 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other (1) $M	Closing Balance 30 Jun 13 $M
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	17,519	444	(47)	397	(166)	17,750
Other (6)	3,432	28	(143)	(115)	212	3,529
Domestically sourced	146,351	61,547	(48,048)	13,499	16,046	175,896
Internationally sourced	49,848	25,713	(23,232)	2,481	12,127	64,456
Total Wealth Management	196,199	87,260	(71,280)	15,980	28,173	240,352

Funds Under Administration	Full Year Ended 30 June 2012 - Restated (7)					
	Opening Balance 30 Jun 11 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other (1) $M	Closing Balance 30 Jun 12 $M
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	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.
(7) Comparative information has been restated to conform to presentation in the current year. Refer to "Financial Information Definitions – Reclassification of Customer Reporting Segments" for more details.

Wealth Management continued

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

Funds Under Administration	Full Year Ended 30 June 2011 - As reported					
	Opening Balance 31 Dec 12 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [1] $M	Closing Balance 30 Jun 13 $M
FirstChoice	43,640	13,690	(11,194)	2,496	2,982	49,118
Custom Solutions [2]	6,114	2,496	(1,599)	897	425	7,436
Standalone (including Legacy) [3]	22,942	3,589	(7,210)	(3,621)	1,319	20,640
Retail products [4]	72,696	19,775	(20,003)	(228)	4,726	77,194
Other retail [5]	1,153	39	(160)	(121)	73	1,105
Australian retail	73,849	19,814	(20,163)	(349)	4,799	78,299
Wholesale	41,050	18,658	(23,069)	(4,411)	2,985	39,624
Property	17,167	1,948	(352)	1,596	145	18,908
Other [6]	3,033	33	(156)	(123)	173	3,083
Domestically sourced	135,099	40,453	(43,740)	(3,287)	8,102	139,914
Internationally sourced	44,515	12,857	(9,462)	3,395	687	48,597
Total Wealth Management	179,614	53,310	(53,202)	108	8,789	188,511

(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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New Zealand

	Full Year Ended					
		Restated		As reported		
	30 Jun 13	30 Jun 12 [1]	Jun 13 vs	30 Jun 12	30 Jun 11	Jun 12 vs
	A$M	A$M	Jun 12 %	A$M	A$M	Jun 11 %
Net interest income	**1,109**	1,013	9	944	840	12
Other banking income [2]	**240**	214	12	214	286	(25)
Total banking income	**1,349**	1,227	10	1,158	1,126	3
Funds management income	**54**	44	23	44	40	10
Insurance income	**247**	227	9	227	211	8
Total operating income	**1,650**	1,498	10	1,429	1,377	4
Operating expenses	**(767)**	(724)	6	(727)	(704)	3
Loan impairment expense	**(45)**	(37)	22	(37)	(54)	(31)
Net profit before tax	**838**	737	14	665	619	7
Corporate tax expense	**(208)**	(180)	16	(159)	(150)	6
Underlying profit after tax	**630**	557	13	506	469	8
Investment experience after tax	**5**	(16)	large	(16)	1	large
Cash net profit after tax	**635**	541	17	490	470	4
Hedging and IFRS volatility (after tax)	**(24)**	28	large	28	(16)	large
Statutory net profit after tax	**611**	569	7	518	454	14

	Full Year Ended					
		Restated		As reported		
	30 Jun 13	30 Jun 12 [1]	Jun 13 vs	30 Jun 12	30 Jun 11	Jun 12 vs
	NZ$M	NZ$M	Jun 12 %	NZ$M	NZ$M	Jun 11 %
Net interest income	**1,380**	1,299	6	1,210	1,097	10
Other banking income	**315**	287	10	287	337	(15)
Total banking income	**1,695**	1,586	7	1,497	1,434	4
Funds management income	**67**	57	18	57	52	10
Insurance income	**306**	292	5	292	276	6
Total operating income	**2,068**	1,935	7	1,846	1,762	5
Operating expenses	**(954)**	(928)	3	(932)	(919)	1
Loan impairment expense	**(56)**	(47)	19	(47)	(72)	(35)
Net profit before tax	**1,058**	960	10	867	771	12
Corporate tax expense	**(264)**	(236)	12	(209)	(185)	13
Underlying profit after tax	**794**	724	10	658	586	12
Investment experience after tax	**6**	(20)	large	(20)	2	large
Cash net profit after tax	**800**	704	14	638	588	9
Hedging and IFRS volatility (after tax)	**(3)**	27	large	36	(20)	large
Statutory net profit after tax	**797**	731	9	674	568	19
Represented by :						
ASB	**696**	651	7	616	484	27
Sovereign	**100**	74	35	52	86	(40)
Other [3]	**1**	6	(83)	6	(2)	large
Statutory net profit after tax	**797**	731	9	674	568	19

	Full Year Ended					
		Restated		As reported		
Key Financial Metrics	30 Jun 13	30 Jun 12 [1]	Jun 13 vs Jun 12 %	30 Jun 12	30 Jun 11	Jun 12 vs Jun 11 %
Statutory funds management income to average FUA (%)	**0. 64**	0. 59	5 bpts	0. 52	0. 54	(2)bpts
Statutory insurance income to average inforce premiums (%)	**49. 9**	67. 7	large	67. 9	61. 0	large
Statutory operating expenses to total operating income (%)	**47. 1**	44. 5	260 bpts			

(1) Comparative information has been reclassified to conform to presentation in the current year. Refer to “Financial Information Definitions – Reclassification of Customer Reporting Segments” for more details.
(2) Other banking income disclosed in AUD includes realised gains or losses associated with the hedge of the New Zealand operations.
(3) Other includes ASB and Sovereign funding entities and elimination entries between Sovereign and ASB.

Financial Performance and Business Review

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Year Ended June 2013 versus Restated 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. Underlying business performance remained sound.

As reported Year Ended June 2012 versus June 2011

New Zealand(1) statutory net profit after tax(2) for the year ended 30 June 2012 was NZ$674 million, which represented an increase of 19% on the prior year. The result was driven by a solid performance from ASB Bank with net interest margin improvement and lower loan impairment expenses. This was partly offset by a lower contribution from Sovereign due to the impact of unfavourable actuarial policy liability valuations.

(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	30 Jun 13 NZ$M	Restated 30 Jun 12 (1) NZ$M	Jun 13 vs Jun 12 %	As reported 30 Jun 12 NZ$M	As reported 30 Jun 11 NZ$M	Jun 12 vs Jun 11 %
	Full Year Ended					
Net interest income	1,364	1,281	6	1,223	1,107	10
Other banking income	350	323	8	323	367	(12)
Total banking income	1,714	1,604	7	1,546	1,474	5
Funds management income	61	50	22	50	54	(7)
Total operating income	1,775	1,654	7	1,596	1,528	4
Operating expenses	(748)	(739)	1	(743)	(733)	1
Loan impairment expense	(56)	(47)	19	(47)	(72)	(35)
Net profit before tax	971	868	12	806	723	11
Corporate tax expense	(272)	(244)	11	(226)	(219)	3
Underlying profit after tax	699	624	12	580	504	15
Cash net profit after tax	699	624	12	580	504	15
Hedging and IFRS volatility (after tax)	(3)	27	large	36	(20)	large
Statutory net profit after tax	696	651	7	616	484	27

Balance Sheet	30 Jun 13 $M	Restated 30 Jun 12 (1) $M	Jun 13 vs Jun 12 %	As reported 30 Jun 12 $M	As reported 30 Jun 11 $M	Jun 12 vs Jun 11 %
	As at					
Home loans	40,310	37,410	8			
Assets at fair value through Income statement	1,433	2,200	(35)			
Other interest earning assets	17,612	15,808	11			
Total interest earning assets	59,355	55,418	7			
Non-lending interest earning assets	5,090	4,841	5			
Other assets	2,125	3,133	(32)			
Total assets	66,570	63,392	5	63,392	63,050	1
Customer deposits	39,206	37,179	5			
Debt issues	7,459	6,309	18			
Other interest bearing liabilities (2)	10,835	11,139	(3)			
Total interest bearing liabilities	57,500	54,627	5			
Non-interest bearing liabilities	4,045	4,579	(12)			
Total liabilities	61,545	59,206	4	59,206	59,103	-

Key Financial Metrics	30 Jun 13	Restated 30 Jun 12 (1)	Jun 13 vs Jun 12 %	As reported 30 Jun 12	As reported 30 Jun 11	Jun 12 vs Jun 11 %
	Full Year Ended					
Performance indicators						
Return on assets (%)	1. 1	1. 0	10 bpts			
Statutory impairment expense annualised as a % of average GLAA's (%)	0. 09	0. 08	1 bpt			
Statutory funds management income to average FUA (%)	0. 63	0. 57	6 bpts			
Statutory operating expenses to total operating income (%)	42. 1	43. 7	(160)bpts	46. 6	48. 0	(140)bpts
Other asset/liability information						
Average interest earning assets	62,697	61,939	1			
Average interest bearing liabilities	56,029	55,751	-			

New Zealand - Funds Under Administration	30 Jun 13 NZ$M	Restated 30 Jun 12 (1) NZ$M	Jun 13 vs Jun 12 %	As reported 30 Jun 12 NZ$M	As reported 30 Jun 11 NZ$M	Jun 12 vs Jun 11 %
	Full Year Ended					
Opening balance	10,084	9,344	8	10,407	8,771	19
Inflows	2,387	2,256	6	2,477	2,528	(2)
Outflows	(2,413)	(1,498)	61	(1,627)	(1,529)	6
Net flows	(26)	758	large	850	999	(15)
Investment income & other	1,022	(18)	large	120	637	(81)
Closing balance	11,080	10,084	10	11,377	10,407	9

(1) Comparative information has been reclassified to conform to presentation in the current year. Refer to “Financial Information Definitions – Reclassification of Customer Reporting Segments” for more details.

(2) Includes NZ$4.1 billion due to Group companies (30 June 2012: NZ$6.6 billion).

ASB Bank Year Ended June 2013 versus Restated 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 is 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 have seen inflationary pressures largely absorbed. 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 is driven by an increase in retail provisioning due to underlying portfolio growth and a prior period low. This has been 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 continue to trend downwards and are currently at the lowest level seen in recent years.

As reported ASB Bank Year Ended June 2012 versus June 2011

ASB Bank statutory net profit after tax for the year ended 30 June 2012 was NZ$616 million, up 27% on the prior year, primarily driven by an improved net interest margin and lower loan impairment expense.

Net Interest Income

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

Other Banking and Funds Management Income

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

Operating Expenses

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

Loan Impairment Expense

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

Sovereign	Full Year Ended					
		Restated		As reported		
	30 Jun 13 NZ$M	30 Jun 12 (1) NZ$M	Jun 13 vs Jun 12 %	30 Jun 12 NZ$M	30 Jun 11 NZ$M	Jun 12 vs Jun 11 %
Insurance income	320	305	5	274	257	7
Operating expenses	(242)	(229)	6	(229)	(218)	5
Net profit before tax	78	76	3	45	39	15
Corporate tax benefit	9	9	-	18	34	(47)
Underlying profit after tax	87	85	2	63	73	(14)
Investment experience after tax	13	(11)	large	(11)	13	large
Cash net profit after tax	**100**	74	35	52	86	(40)
Statutory net profit after tax	**100**	74	35	52	86	(40)
Sources of profit represented by:						
The margin on services profit from ordinary activities after income tax is represented by:						
Planned profit margins	80	82	(2)	60	58	3
Experience variations	7	3	large	3	15	(80)
Operating margins	87	85	2	63	73	(14)
Investment experience after tax	13	(11)	large	(11)	13	large
Statutory net profit after tax	**100**	74	35	52	86	(40)

Key Financial Metrics	Full Year Ended					
		Restated		As reported		
	30 Jun 13	30 Jun 12 (1)	Jun 13 vs Jun 12 %	30 Jun 12	30 Jun 11	Jun 12 vs Jun 11 %
Performance indicators						
Statutory insurance income to average inforce premiums (%)	53. 6	71.5	large			
Average inforce premiums (NZ$M)	639	604	6			

New Zealand - Annual Inforce Premiums	Full Year Ended					
		Restated		As reported		
	30 Jun 13 NZ$M	30 Jun 12 (1) NZ$M	Jun 13 vs Jun 12 %	30 Jun 12 NZ$M	30 Jun 11 NZ$M	Jun 12 vs Jun 11 %
Opening balance	623	584	7	584	554	5
Sales/new business	100	98	2	98	87	13
Lapses	(69)	(58)	19	(58)	(55)	5
Other movements	-	(1)	large	(1)	(2)	(50)
Closing balance	**654**	623	5	623	584	7

(1) Comparative information has been reclassified to conform to presentation in the current year. Refer to "Financial Information Definitions – Reclassification of Customer Reporting Segments" for more details.

Sovereign Year Ended June 2013 versus Restated 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 continues to remain solid and persistency and claims experience have been 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) has resulted in an improvement in investment experience.

Insurance Income

Insurance income of NZ$320 million is 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 remain low by industry standards and there are no statistically significant claims trends of note.

Operating Expenses

Operating expenses of NZ$242 million are 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.

As reported Sovereign Year Ended June 2012 versus June 2011

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

Insurance Income

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

Operating Expenses

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

(1) The 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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Bankwest

	Full Year Ended					
		Restated		As reported		
	30 Jun 13	30 Jun 12 (1)	Jun 13 vs	30 Jun 12	30 Jun 11	Jun 12 vs
	$M	$M	Jun 12 %	$M	$M	Jun 11 %
Net interest income	**1,537**	1,462	5	1,457	1,420	3
Other banking income	**210**	201	4	207	220	(6)
Total banking income	**1,747**	1,663	5	1,664	1,640	1
Operating expenses	**(825)**	(848)	(3)	(852)	(869)	(2)
Loan impairment expense	**(118)**	(61)	93	(61)	(109)	(44)
Net profit before tax	**804**	754	7	751	662	13
Corporate tax expense	**(243)**	(227)	7	(227)	(199)	14
Cash net profit after tax	**561**	527	6	524	463	13
Hedging and IFRS volatility (after tax)	**-**	-	-	(4)	(33)	(88)
Other non-cash items	**(71)**	-	large	-	-	-
Merger related amortisation and integration expenses (after tax)	**-**	(89)	large	(89)	(137)	(35)
Statutory net profit after tax	**490**	438	12	431	293	47

	As at					
		Restated		As reported		
	30 Jun 13	30 Jun 12 (1)	Jun 13 vs	30 Jun 12	30 Jun 11	Jun 12 vs
Balance Sheet	$M	$M	Jun 12 %	$M	$M	Jun 11 %
Home loans	**52,738**	50,953	4	50,998	45,673	12
Other interest earning assets	**20,308**	22,253	(9)	22,255	22,722	(2)
Non-lending interest earning assets	**25**	32	(22)	-	-	-
Total interest earning assets	**73,071**	73,238	-	73,253	68,395	7
Other assets	**811**	725	12	9,342	8,433	11
Total assets	**73,882**	73,963	-	82,595	76,828	8
Transaction deposits	**7,627**	6,758	13	9,055	8,731	4
Savings deposits	**9,300**	9,631	(3)	7,333	7,033	4
Investment deposits	**23,568**	28,692	(18)	28,692	26,956	6
Certificates of deposit and other	**36**	265	(86)	264	59	large
Total interest bearing deposits	**40,531**	45,346	(11)	45,344	42,779	6
Other interest bearing liabilities	**155**	155	-	2,958	3,068	(4)
Non-interest bearing liabilities	**1,321**	1,332	(1)	28,268	25,708	10
Total liabilities	**42,007**	46,833	(10)	76,570	71,555	7

	Full Year Ended					
		Restated		As reported		
			Jun 13 vs			Jun 12 vs
Key Financial Metrics	30 Jun 13	30 Jun 12 (1)	Jun 12 %	30 Jun 12	30 Jun 11	Jun 11 %
Performance indicators						
Return on assets (%)	**0. 8**	0. 7	10 bpts			
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 16**	0. 09	7 bpts			
Statutory operating expenses to total banking income (%)	**52. 4**	56. 4	(400)bpts	56.8	64.7	large
Other asset/liability information						
Average interest earning assets ($M)	**73,188**	70,711	4			
Average interest bearing liabilities ($M)	**42,821**	44,725	(4)			

(1) Comparative information has been reclassified to conform to presentation in the current year. Refer to “Financial Information Definitions – Reclassification of Customer Reporting Segments” for more details.

Financial Performance and Business Review

This Bankwest 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 2013 financial year and the 2012 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 2013 financial year and the 2012 financial year and "As reported" customer segment figures are presented for the 2012 financial year and the 2011 financial year in this Document. The management discussion and analysis below comparing the 2013 financial year and the 2012 financial year references "Restated" customer segment figures, while the management discussion and analysis comparing the 2012 financial year and the 2011 financial year that follows references "As reported" customer segment figures. Refer to "Financial Information Definitions – Reclassification of Customer Reporting Segments" for more details.

Year Ended June 2013 versus Restated 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% has 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.

As reported Year Ended June 2012 versus June 2011

Bankwest statutory net profit after tax for the year ended 30 June 2012 was $431 million, up 47% on the prior year. The result was driven by a 1% increase in banking income due to strong home lending growth, a 2% decrease in operating expenses benefitting from productivity initiatives, a 44% decrease in loan impairment expense supported by improved business lending credit quality and a 35% reduction in merger related amortisation and integration expenses (after tax). Balance and margin movements have been discussed below.

Net Interest Income

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

Other Banking Income

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

Operating Expenses

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

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

Loan Impairment Expense

Loan impairment expense was $61 million, down 44% compared to the prior year. This reflects the improving credit quality of Bankwest's loan portfolio.

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

IFS and Other

	Full Year Ended					
		Restated		As reported		
	30 Jun 13	30 Jun 12 (1)	Jun 13 vs	30 Jun 12	30 Jun 11	Jun 12 vs
	$M	$M	Jun 12 %	$M	$M	Jun 11 %
IFS Asia	**104**	80	30	79	53	49
Corporate Centre	**61**	27	large	386	403	(4)
Eliminations/Unallocated	**19**	(5)	large	4	(84)	large
Cash net profit after tax	**184**	102	80	469	372	26
Hedging and IFRS volatility (after tax)	**51**	96	(47)	100	(216)	large
Other (after tax)	**-**	-	-	-	(10)	large
Statutory net profit after tax	**235**	198	19	569	146	large

	Full Year Ended					
		Restated		As reported		
	30 Jun 13	30 Jun 12 (1)	Jun 13 vs	30 Jun 12	30 Jun 11	Jun 12 vs
IFS Asia (2)	$M	$M	Jun 12 %	$M	$M	Jun 11 %
Net interest income	**102**	101	1	99	80	24
Other banking income	**190**	146	30	146	124	18
Total banking income	**292**	247	18	245	204	20
Insurance income	**75**	67	12	67	47	43
Total operating income	**367**	314	17	312	251	24
Operating expenses	**(239)**	(212)	13	(212)	(184)	15
Loan impairment expense	**(8)**	(11)	(27)	(11)	(10)	10
Net profit before tax	**120**	91	32	89	57	56
Corporate tax expense	**(15)**	(8)	88	(7)	(5)	40
Non-controlling interests	**(4)**	(4)	-	(4)	(2)	large
Underlying profit after tax	**101**	79	28	78	50	56
Investment experience after tax	**3**	1	large	1	3	(67)
Cash net profit after tax	**104**	80	30	79	53	49
Statutory net profit after tax	**104**	80	30	79	53	49

(1) Comparative information has been reclassified to conform to presentation in the current year. Refer to "Financial Information Definitions – Reclassification of Customer Reporting Segments" for more details.

(2) 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

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Year Ended June 2013 versus Restated 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).

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

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

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.

As reported Year Ended June 2012 versus June 2011

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

Net Interest Income

Net interest income increased 24% over the prior year to $99 million, primarily due to strong lending growth and higher margins in PT Bank Commonwealth in Indonesia. Lending balances increased 37% during the year, and were in excess of $1 billion at 30 June 2012. The consumer, business and SME portfolio balance growth during 2012 amounted to 93%, 89% and 62% respectively. Expansion of the Group's footprint in Indonesia continued during the year with eight new PT Bank Commonwealth branches being opened, bringing the total number of branches to 92.

Two additional China County banks were opened during the year, bringing the total number of CBA's proprietary banks in China to five. Lending balances continued to grow strongly.

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

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

Other Banking Income

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

Insurance Income

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

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

Operating Expenses

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

Corporate Centre (2)	Full Year Ended 30 Jun 13 $M	Restated 30 Jun 12 (1) $M	Jun 13 vs Jun 12 %	As reported 30 Jun 12 $M	As reported 30 Jun 11 $M	Jun 12 vs Jun 11 %
Net interest income	**427**	216	98	729	718	2
Other banking income	**81**	143	(43)	138	94	47
Total operating income	**508**	359	42	867	812	7
Operating expenses	**(447)**	(348)	28	(344)	(267)	29
Net profit before tax	**61**	11	large	523	545	(4)
Corporate tax expense	**-**	16	large	(137)	(142)	(4)
Cash net profit after tax	**61**	27	large	386	403	(4)
Hedging and IFRS volatility	**51**	93	(45)	100	(216)	large
Other (after tax)	**-**	-	-	-	(10)	large
Statutory net profit after tax	**112**	120	(7)	486	177	large

(1) Comparative information has been reclassified to conform to presentation in the current year. Refer to "Financial Information Definitions – Reclassification of Customer Reporting Segments" for more 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.

Corporate Centre Year Ended June 2013 versus Restated June 2012

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 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.

As reported Corporate Centre Year Ended June 2012 versus June 2011

Corporate Centre statutory net profit after tax for the year ended 30 June 2012 was $486 million, a significant increase on the prior year.

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

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

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

Favourable hedging and IFRS volatility movements also significantly contributed to the increase in statutory net profit after tax.

Eliminations/Unallocated [2]	Full Year Ended					
		Restated		As reported		
	30 Jun 13	30 Jun 12 [1]	Jun 13 vs	30 Jun 12	30 Jun 11	Jun 12 vs
	$M	$M	Jun 12 %	$M	$M	Jun 11 %
Net interest income	**56**	16	large	(54)	(87)	(38)
Other banking income	**(119)**	11	large	9	(81)	large
Total banking income	**(63)**	27	large	(45)	(168)	(73)
Funds management income	**17**	25	(32)	25	26	(4)
Insurance income	**(4)**	(25)	(84)	(25)	(27)	(7)
Total operating income	**(50)**	27	large	(45)	(169)	(73)
Loan impairment expense	**56**	23	large	23	36	(36)
Net profit before tax	**6**	50	(88)	(22)	(133)	(83)
Corporate tax expense	**38**	(10)	large	11	47	(77)
Non-controlling interests	**(12)**	(12)	-	(12)	(14)	(14)
Underlying profit after tax	**32**	28	14	(23)	(100)	(77)
Investment experience after tax	**(13)**	(33)	(61)	27	16	69
Cash net profit after tax	**19**	(5)	large	4	(84)	large
Hedging and IFRS volatility	**-**	3	large	-	-	-
Statutory net profit after tax	**19**	(2)	large	4	(84)	large

(1) Comparative information has been reclassified to conform to presentation in the current year. Refer to "Financial Information Definitions – Reclassification of Customer Reporting Segments" for more details.

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

Year Ended June 2013 versus Restated 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.

As reported Year Ended June 2012 versus June 2011

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

Group Operating Expenses

The following table sets out the Group's operating expenses for financial years 2013, 2012 and 2011.

	2013 $M	2012 $M	2011 $M
Staff Expenses			
Salaries and wages	**4,250**	4,136	4,015
Share-based compensation	**192**	185	156
Superannuation - defined contribution plans	**58**	42	48
Superannuation - defined benefit plan	**204**	168	137
Provisions for employee entitlements	**96**	101	120
Payroll tax	**223**	213	213
Fringe benefits tax	**35**	35	38
Other staff expenses	**90**	67	60
Total staff expenses	**5,148**	4,947	4,787
Occupancy and Equipment Expenses			
Operating lease rentals	**580**	585	532
Depreciation on property, plant and equipment	**298**	270	262
Repairs and maintenance	**92**	90	87
Other	**112**	111	112
Total occupancy and equipment expenses	**1,082**	1,056	993
Information Technology Services			
Application, maintenance and development	**439**	322	324
Data processing	**236**	241	267
Desktop	**100**	105	120
Communications	**202**	226	221
Amortisation and impairment of software assets	**245**	183	183
IT equipment depreciation	**77**	82	78
Total information technology services	**1,299**	1,159	1,193
Other Expenses			
Postage	**114**	112	112
Stationery	**85**	85	84
Fees and commissions:			
Fees payable on trust and other fiduciary activities	**539**	563	537
Professional fees	**230**	188	204
Other	**129**	122	114
Advertising, marketing and loyalty	**463**	459	457
Amortisation of intangible assets (excluding software and merger related amortisation)	**20**	18	16
Non-lending losses	**67**	81	83
Other	**429**	406	311
Total other expenses	**2,076**	2,034	1,918
Total expenses	**9,605**	9,196	8,891
Investment and restructuring			
Integration expenses (1)	**-**	60	94
Merger related amortisation (2)	**75**	75	75
Total investment and restructuring	**75**	135	169
Total operating expenses	**9,680**	9,331	9,060
Net hedging ineffectiveness comprises:			
Gain/(Loss) on fair value hedges:			
Hedging instruments	**(614)**	(337)	(417)
Hedged items	**617**	318	427
Cash flow hedge ineffectiveness	**(28)**	58	(6)
Net hedging ineffectiveness	**(25)**	39	4

(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".

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 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.

At 30 June 2012, 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 2012, the United States, with cross-border outstandings of $8.2 billion, was the only country other than Australia that exceeded 0.75% of the Group’s total assets.

Off-Balance Sheet Arrangements

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 40 to the 2013 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	2013 $M	2012 $M	2011 $M
Liquidity facilities utilised by Issuers	**1,128**	884	1,061
Derivatives fair value provided to Issuers	**1,106**	1,519	1,978

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 $140 billion of commitments to provide credit (2012: $128 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 35 to the 2013 Financial Statements – Contingent Liabilities, Contingent Assets and Commitments.

	Face Value			Credit Equivalent		
	2013	2012	2011	2013	2012	2011
	$M	$M	$M	$M	$M	$M
Credit risk related instruments						
Guarantees	**5,696**	5,358	4,462	**5,696**	5,357	4,462
Standby letters of credit	**134**	201	236	**134**	201	237
Bill endorsements	**19**	23	28	**19**	23	28
Documentary letters of credit	**3,653**	1,763	1,723	**3,621**	1,759	1,719
Performance related contingents	**1,542**	1,677	1,996	**1,510**	1,605	1,910
Commitments to provide credit	**139,964**	127,833	126,334	**132,451**	113,503	111,016
Other commitments	**1,868**	2,093	1,355	**1,510**	1,468	1,159
Total credit risk related instruments	**152,876**	138,948	136,134	**144,941**	123,916	120,531

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 35 to the 2013 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 below:

	Carrying Value (1)		
	2013	2012	2011
	$M	$M	$M
Guarantees	**6**	-	-
Standby letters of credit	**-**	-	2
Bill endorsements	**-**	3	1
Documentary letters of credit	**2**	-	-
Performance related contingents	**23**	15	18
Total	**31**	18	21

(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 40 to the 2013 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 a special purpose entity (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 2013 was $10,169 million (2012: $9,279 million). No credit losses were incurred by the Group in relation to these securitised loans during the financial years 2013 and 2012. 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 47 of the 2013 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 47 of the 2013 Financial Statements.

Forward-Looking Statements

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

Commitments

At the end of financial years 2013 and 2012 the Group had commitments for capital expenditure (see Note 35 to the 2013 Financial Statements) and lease commitments (see Note 34 to the 2013 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 40 to the 2013 Financial Statements for the maturity distribution of these monetary contractual liabilities. Details of the Group's contractual obligations are set out in the following table:

Contractual Obligations

	Payments due by period at 30 June 2013					
	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	146,443	57,988	39,225	23,038	26,192	-
Deposits and other Public Borrowings	463,959	439,779	15,685	8,063	432	-
Loan Capital	13,169	450	3,319	1,815	7,585	-
Total On-Balance Sheet	623,571	498,217	58,229	32,916	34,209	-
Off-Balance Sheet						
Credit risk related instruments (2)	139,964	139,964	-	-	-	-
Lease commitments - Property, Plant and Equipment (3)	3,065	565	827	600	1,073	-
Commitments for capital expenditure not provided for in the accounts (4)	17	17	-	-	-	-
Total Off-Balance Sheet	143,046	140,546	827	600	1,073	-

(1) Contractual on-balance sheet obligations also include contractual interest; refer to Note 40 to the 2013 Financial Statements.
(2) Credit risk related instruments, see page 87.
(3) Refer Note 34 to the 2013 Financial Statements.
(4) Refer Note 35 to the 2013 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 $17 million as at 30 June 2013 (2012: $54 million). The Bank is committed for $12 million (2012: $14 million). These commitments are expected to be extinguished within 12 months.

Services Agreements

The maximum contingent liability for termination benefits in respect of service agreements with the Chief Executive Officer and other Group Key Management Personnel at 30 June 2013 was $5 million (2012: $4.7 million).

Transactions in Own Shares

The Group had the following employee share plans in place during the year ended 30 June 2013:

- 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 2013 Financial Report.

Forward-Looking Statements

This "Description of Business Environment" contains certain forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 5.

Overview

Commonwealth Bank of Australia provides a comprehensive range of banking, financial, life and risk business insurance and Funds Management services in Australia, New Zealand, throughout Asia and in the United Kingdom. The Bank is Australia's largest bank in terms of housing loans and retail deposits. At 30 June 2013, the Group had total consolidated assets of $754 billion and loans outstanding of $557 billion. The Group's statutory net profit after tax was $7,677 million for the 2013 financial year.

The address of the Bank's principal executive office is Ground Floor, Tower 1, 201 Sussex Street, Sydney, New South Wales 2000, Australia and its telephone number is (612) 9118 4500.

The Group conducts its operations primarily through the following business units: Retail Banking Services through which the Group conducts its Australian retail business; Business and Private Banking through which the Group conducts its Corporate Financial Services, Regional and Agribusiness, Local Business, Private Bank, and Equities and Margin Lending businesses; Institutional Banking and Markets through which the Group conducts its Institutional Banking and Markets businesses; Wealth Management, through which the Group conducts its Australian Funds Management and insurance businesses; New Zealand, through which the Group conducts its New Zealand banking and insurance businesses, Bankwest, through which the Group conducts retail and commercial banking services within Australia under the Bankwest brand and IFS Asia, through which the Group conducts banking and insurance business in Asia. Each of these business groups is discussed in more detail below.

Operating Divisions

Retail Banking Services (RBS)

Retail Banking Services includes both the origination of home loan, consumer finance and retail deposit products and the sales and servicing of all Retail bank customers. In addition, commission is received for the distribution of business and wealth management products through the retail distribution network.

RBS contributed 40% of the Group's statutory net profit after tax for the financial year ended 30 June 2013 and represented 35% of its total assets at that date.

Business and Private Banking (BPB)

Business and Private Banking provides specialised banking services to relationship managed business and Agribusiness customers, private banking to high net worth individuals and margin lending and trading through CommSec. In addition, commission is received for the distribution of retail banking products through the Business and Private Banking network.

BPB contributed 19% of the Group's statutory net profit after tax for the financial year ended 30 June 2013 and represented 14% of its total assets at that date.

Institutional Banking and Markets (IB&M)

Institutional Banking and Markets services the Group's major corporate, institutional and government clients, creating customised solutions based on specific needs, industry trends and market conditions. The Total Capital Solutions offering includes debt and equity capital raising, financial and commodities risk management and transactional banking capabilities. This segment has international operations in London, Malta, New York, New Zealand, Singapore, Hong Kong, Japan and Shanghai.

IB&M contributed 15% of the Group's statutory net profit after tax for the financial year ended 30 June 2013 and represented 19% of its total assets at that date.

Wealth Management

Wealth Management includes the Global Asset Management (including operations in Asia and Europe), Platform Administration and Financial Advice, as well as Life and General Insurance businesses of the Australian operations.

Wealth Management contributed 8% of the Group's statutory net profit after tax for the financial year ended 30 June 2013 and represented 3% of its total assets at that date. As of 30 June 2013, Wealth Management had $240 billion of funds under administration and $2,165 million of inforce insurance premiums.

New Zealand

New Zealand includes the Banking, Funds Management and Insurance businesses operating in New Zealand (excluding the international business of Institutional Banking and Markets).

New Zealand contributed 8% of the Group's statutory net profit after tax for the financial year ended 30 June 2013 and represented 9% of its total assets at that date.

Bankwest

Bankwest is active in all domestic market segments, with lending diversified between the business, rural, housing and personal markets, including a full range of deposit products.

Bankwest contributed 6% of the Group's statutory net profit after tax for the financial year ended 30 June 2013 and represented 10% of its total assets as at that date.

IFS and Other

The following parts of the business are included in IFS and Other divisions:

- International Financial Services Asia incorporates the Asian retail and SME banking operations (Indonesia, China, Vietnam and India), investments in Chinese and Vietnamese retail banks, the joint venture Chinese life insurance business and the life insurance operations in Indonesia. It does not include the Business and Private Banking, Institutional Banking and Markets and Colonial First State Global Asset Management business in Asia;
- Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Group Tax, Secretariat and Treasury; and
- Group wide eliminations/unallocated includes intra-group elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.

Business Strategies and Future Developments

Our strategy of customer focus is built around the application of four capabilities (people, technology, productivity and strength) to growth opportunities. This starts with our domestic financial services businesses, where we see an opportunity for continued growth by deepening our relationships with our customers. Our "One Commbank" initiative aims to make it easy for our customers to get the products they need, however they choose to do so. This initiative builds on our industry-leading customer reach, our customer-focused technology systems, and above all, customer-focused and collaborative people. One example of how these three areas of advantage can work together is the roll-out of video conferencing, which we now have in all our CBA branches.

This makes it easier for our customers to get expert advice and access a much wider range of financial products. Again, though it is a multi-year effort, we have already seen the benefits in the 2013 financial year. We have again seen an increase in products per customer, and have retained our leadership position relative to our peers.

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

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

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

While the Australian economy has performed well relative to developed economies over our 2013 financial year, ongoing uncertainty in global markets has resulted in some early signs of weakness. The Reserve Bank of Australia has proactively sought to address domestic pressures by reducing the official cash rate by 0.75% to 2.75% during the 2013 financial year.

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

These challenging operating conditions have resulted in subdued growth in operating income across the banking sector. Despite these difficult conditions, major banks have retained strong capital and liquidity positions, which has seen them well placed when adopting Basel III requirements.

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

Funds Management

Domestic markets were strong during the 2013 financial year, with the average ASX200 up 10%, 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. 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, insurance manufacturers are placing a greater emphasis on technology and service efficiency.

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

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

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

New Zealand

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

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

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.

Trends

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. In the current financial year the Group's people remained highly engaged, as shown by the Group's recent Employee Engagement score of 80%.

Building a Diverse and Inclusive Workplace

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

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

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

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

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

Spotlight on Gender Diversity

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

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

Adaptable Work Practices and Training

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

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

Financial System Regulation in Australia

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

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

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

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

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

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

From 7 March 2012 all autonomous sanctions applying controls on trade in goods and services and financial restrictions against persons and entities designated by the Minister for Foreign Affairs (including those previously administered by the Reserve Bank of Australia) are administered by the Department of Foreign Affairs and Trade (DFAT) under the Autonomous Sanctions Regulations 2011. Any person holding assets owned or controlled by designated persons or entities must freeze these assets (i.e. they are prohibited from using or dealing with these assets without authorisation). In addition it is prohibited to directly or indirectly make an asset available to, or for the benefit of, a designated person or entity without authorisation.

Additionally, DFAT has responsibility for the administration of restrictions imposed by UN Security Council (UNSC) sanctions. As a UN member state, Australia is obliged to implement UNSC sanctions domestically.

Supervisory Arrangements

The Bank is an Authorised Deposit-taking Institution (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 30 to the 2013 Financial Statements.

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

The liquid assets held are assets that are available for repurchase by the RBA (over and above those required to meet the Real-time Gross Settlement obligations) include Certificates of Deposit/Bills of Exchange of other banks, securities issued by the Federal and State Governments, as well as selected securities issued by selected supranationals, specific mortgage backed securities, and other highly liquid marketable securities. The liquid asset definition also includes overnight interbank loans, and the balance of the CBA's Exchange Settlement Account with the Reserve Bank of Australia. More details on the Group's liquidity and funding risks are provided in Note 40 to the 2013 Financial Statements.

In May 2013, APRA released a discussion paper and draft prudential standards for implementing Basel III liquidity reforms in Australia. APRA confirmed its intention to introduce the LCR and NSFR requirements from 1 January 2015 and 1 January 2018 respectively. APRA will issue final prudential standards in the second half of 2013. The Group will update its liquidity and funding policies as appropriate to comply with the new standards.

(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 38 to the 2013 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 standard, 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.

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

Life insurance and general insurance companies are subject to prudential standards including capital adequacy, risk management and reinsurance arrangements. From 1 July 2013, RSEs are subject to prudential standards including operational risk financial requirements, risk management and investment governance. Compliance with APRA regulation is monitored through regular returns, independent actuarial investigations, auditor certification and supervisory inspections.

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

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. 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 includes a two tiered framework for the calculation of regulatory capital requirements for life insurance companies – 'solvency' and 'capital adequacy'. The capital adequacy test for statutory funds is always equal to or greater than the solvency test[1].

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

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

In November 2011, the Australian Securities and Investments Commission (ASIC) released new financial requirements that apply to Responsible Entities. These new requirements became effective on 1 November 2012. These new requirements became effective on 1 November 2012. Additional requirements were released in June 2013 and also extend to custodial services and investor directed portfolio services. The additional requirements apply 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 2013:

Storm Financial

The Australian Securities and Investments Commission (ASIC) commenced legal proceedings against the Bank in relation to Storm Financial, a Queensland-based financial planning firm that collapsed and went into receivership in March 2009. These proceedings were settled in September 2012 with CBA agreeing, without admission of liability, to pay affected investors up to approximately $136 million (in addition to payments under CBA's resolution scheme).

In addition, class action proceedings have been commenced against the Group in relation to Storm Financial. At this stage only the damages sought on behalf of the four lead applicants have been quantified on a number of alternate bases, thus quantification of the claims of all group members is not possible. The hearing of the proceedings commenced in March 2013 and is scheduled to conclude in September 2013.

The Group believes that appropriate provisions are held to over any exposures arising from the class action referred to above.

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

Exception Fee Class Action

In May 2011, Maurice Blackburn announced that it intended to sue 12 Australian banks, including Commonwealth Bank of Australia and Bankwest, with respect to exception fees. On 16 December 2011 proceedings were issued against Commonwealth Bank of Australia, and on 18 April 2012 proceedings were issued against Bankwest. Both proceedings are stayed until March 2014 pending the hearing of similar proceedings against another bank. The financial impact cannot be reliably measured at this stage; however, it is not anticipated to have a material impact on the Group.

Critical Accounting Policies and Estimates

Note 1 to the 2013 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 2013 Financial Statements.

Remuneration of Auditors

Disclosure of the Remuneration of Auditors is set out in Note 33 to the 2013 Financial Statements.

Corporate Governance

Introduction

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

Charter

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

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

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.

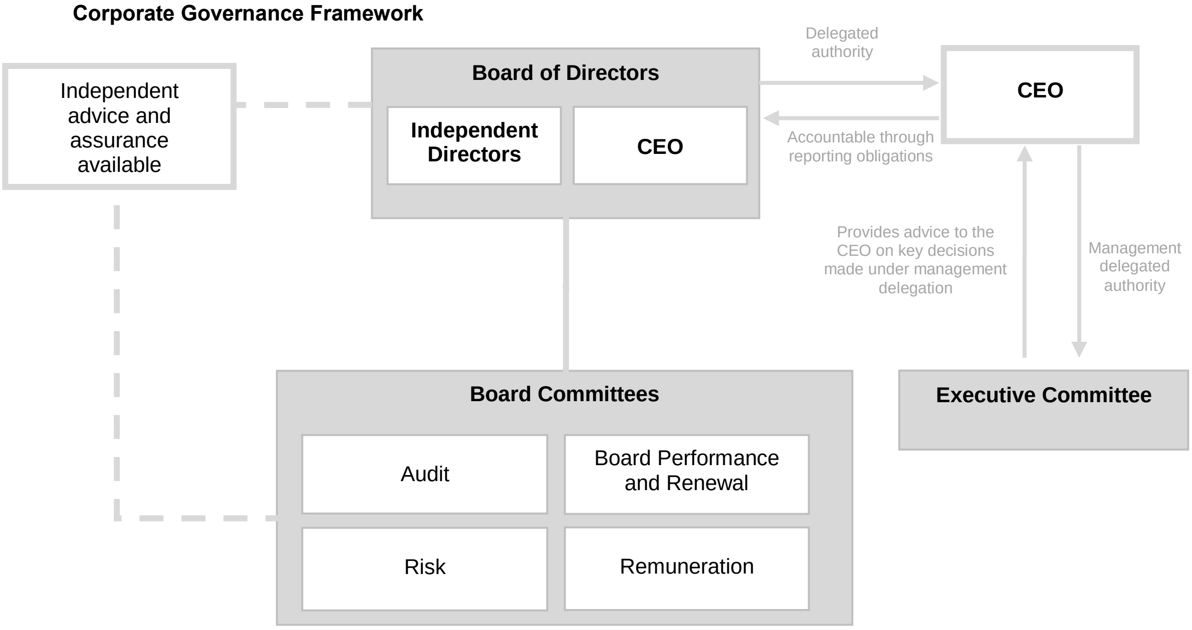
Delegation of Authority

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 2013 Financial Statements on pages 3 to 7 of the Directors' Report.

Membership of the Board and Committees is set out below:

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

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

Constitution

The Constitution of the Bank specifies that:

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

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

Independence

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

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

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

- The specific disclosures made by each Director;
- Where applicable, the related party dealings referrable to each Director;
- That no Director is, or has been associated directly with, a substantial shareholder of the Bank;
- That no Non-Executive Director has ever been employed by the Bank or any of its subsidiaries;
- That no Director is, or has been associated with, a supplier, professional adviser, consultant to or customer

of the Group which is material under the accounting standards;

- That no Non-Executive Director personally carries on any role for the Group otherwise than as a Director of the Bank; and
- That no Non-Executive Director has a material contractual relationship with the Group other than as a Director of the Bank.

Education and Review

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

Board Performance and Renewal Committee

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

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

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

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

Performance evaluations in accordance with the above processes have been undertaken during the year. Details on management performance evaluations are contained in the Remuneration Report section of the Directors' Report, of the 2013 Financial Statements on pages 47 to 64.

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

Selection of Directors

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

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

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

The Board Performance and Renewal Committee will assess the skills, experience and personal qualities of these candidates. It will also take into consideration other attributes including diversity to ensure that any appointment decisions adequately reflect the environment in which the Group operates. Information on the Group's diversity strategy more generally can also be found in the Sustainability section of the 2013 Financial Statements on pages 30 to 33.

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

The Chairman will provide a letter to all new Directors setting out the terms of appointment and relevant Board policies. These include time commitment, code of ethics and continuing education. All current Directors have been provided with a letter confirming the terms of their appointment.

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 2013 Financial Statements on pages 10 to 27.

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 2013 AGM and be available to respond to shareholder questions relating to the external audit.

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

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

Non-Audit Services

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

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

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

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

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

In general terms, the permitted services are:

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

Risk Management

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

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

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

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

Risk Committee

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

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

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

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

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

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

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

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

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

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

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

Risk Management Framework

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

A description of the functions of the framework and the nature of the risks is set out in Notes 37 to 40 to the 2013 Financial Statements on pages 104 to 127.

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.

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

(1) Comparative information has been reclassified to conform with presentation in the 2013 and 2012 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 footnote 4 below.

(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 2012 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.

Five Year Financial Summary continued

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

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

Appendix A – Additional Historical Information

For the purposes of providing investors with a thorough understanding of the Group's performance, this Appendix provides relevant financial year 2009 and 2010 information not provided within the 2013 Financial Report.

Provisions for Impairment

Provisions for impairment losses	2010 $M	2009 $M
Collective provision		
Opening balance	3,225	1,466
Acquisitions	-	250
Net collective provision funding	901	1,176
Impairment losses written off	(734)	(472)
Impairment losses recovered	77	73
Fair value and other	(8)	732
Closing balance	3,461	3,225
Individually assessed provisions		
Opening balance	1,729	279
Acquisitions	-	380
Net new and increased individual provisioning	1,862	1,686
Write-back of provisions no longer required	(384)	(179)
Discount unwind to interest income	(169)	(45)
Fair value and other	293	279
Impairment losses written off	(1,339)	(671)
Closing balance	1,992	1,729
Total provisions for impairment losses	5,453	4,954
Less: Off balance sheet provisions	(25)	(30)
Total provisions for loan impairment	5,428	4,924

Provision ratios	2010 %	2009 %
Collective provision as a % of credit risk weighted assets - Basel II	1. 35	1. 12
Total provision as a % of credit risk weighted assets - Basel II	2. 12	1. 92
Total provisions for impaired assets as a % of gross impaired assets	38. 8	n/a
Total provisions for impairment losses as a % of gross loans and acceptances	1. 06	1. 01

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 2011, 2010 and 2009.

							2011
	Loans	Gross Impaired Loans	Individually Assessed Provisions	Net Impaired Loans	Write-offs	Recoveries	Net Write-offs
Industry	$M	$M	$M	$M	$M	$M	$M
Australia							
Sovereign	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)

							2010
		Gross	Individually	Net			
		Impaired	Assessed	Impaired			Net
	Loans	Loans	Provisions	Loans	Write-offs	Recoveries	Write-offs
Industry	$M	$M	$M	$M	$M	$M	$M
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)

							2009
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	1,539	-	-	-	-	-	-
Agriculture	4,717	257	(77)	180	2	(1)	1
Bank and other financial	9,900	878	(483)	395	110	(1)	109
Home Loans	261,504	246	(82)	164	36	(1)	35
Construction	4,072	242	(104)	138	4	-	4
Personal	15,148	42	(23)	19	496	(52)	444
Asset Financing	7,923	46	(31)	15	58	(5)	53
Other commercial and industrial	108,570	1,901	(760)	1,141	255	(10)	245
Total Australia	413,373	3,612	(1,560)	2,052	961	(70)	891
Overseas							
Sovereign	1,466	-	-	-	-	-	-
Agriculture	5,483	60	(9)	51	-	-	-
Bank and other financial	7,619	109	(68)	41	86	-	86
Home Loans	30,702	196	(10)	186	18	-	18
Construction	635	-	-	-	4	-	4
Personal	743	1	-	1	14	(3)	11
Asset Financing	717	-	-	-	-	-	-
Other commercial and industrial	13,034	211	(82)	129	60	-	60
Total overseas	60,399	577	(169)	408	182	(3)	179
Gross balances	473,772	4,189	(1,729)	2,460	1,143	(73)	1,070

Credit Risk Management (continued)

The following tables set out the Group's credit risk by industry and asset class as at 30 June 2011, 2010 and 2009.

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 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 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 2009

	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	-	-	5,509	-	-	-	-	-	-	5,509
Receivables due from other financial institutions	-	-	8,590	-	-	-	-	-	-	8,590
Assets at fair value through Income Statement:										
Trading	3,473	-	14,438	-	-	-	-	2,291	-	20,202
Insurance (1)	1,631	-	5,134	-	295	-	-	8,509	-	15,569
Other	-	60	1	-	-	-	-	29	-	90
Derivative assets	284	33	15,441	-	43	-	-	6,372	-	22,173
Available-for-sale investm	7,237	-	1,384	-	-	-	-	7,281	-	15,902
Loans, bills discounted and other receivables	1,539	4,717	9,900	261,504	4,072	15,148	7,923	108,570	-	413,373
Bank acceptances	7	2,972	327	-	547	-	-	10,874	-	14,727
Other assets (2)	233	66	6,674	11	13	17	141	723	11,076	18,954
Total on balance sheet Australia	14,404	7,848	67,398	261,515	4,970	15,165	8,064	144,649	11,076	535,089
Credit risk exposures relating to off balance sheet assets:										
Guarantees	64	22	197	26	279	-	-	2,625	296	3,509
Loan commitments	900	1,286	2,415	52,253	1,348	16,413	-	31,208	718	106,541
Other commitments	26	21	145	12	443	-	1	2,174	28	2,850
Total Australia	15,394	9,177	70,155	313,806	7,040	31,578	8,065	180,656	12,118	647,989
Overseas										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	5,831	-	-	-	-	-	-	5,831
Receivables due from other financial institutions	-	-	5,831	-	-	-	-	-	-	5,831
Assets at fair value through Income Statement:										
Trading	2,476	-	1,543	-	-	-	-	1,180	-	5,199
Insurance (1)	1,370	-	321	-	-	-	-	-	-	1,691
Other	228	7	1,286	-	-	3	-	63	-	1,587
Derivative assets	173	77	3,408	-	3	-	-	524	-	4,185
Available-for-sale investm	435	-	1,694	-	-	-	-	3,473	-	5,602
Loans, bills discounted and other receivables	1,466	5,483	7,619	30,702	635	743	717	13,034	-	60,399
Bank acceptances	-	-	-	-	-	-	-	1	-	1
Other assets (2)	185	1	125	2	-	-	-	111	1,674	2,098
Total on balance sheet overseas	6,333	5,568	27,658	30,704	638	746	717	18,386	1,674	92,424
Credit risk exposures relating to off balance sheet assets:										
Guarantees	24	1	-	-	29	-	-	79	-	133
Loan commitments	159	390	74	2,936	238	1,165	-	6,380	-	11,342
Other commitments	24	1	-	133	2	-	-	174	-	334
Total overseas	6,540	5,960	27,732	33,773	907	1,911	717	25,019	1,674	104,233
Total gross credit risk	21,934	15,137	97,887	347,579	7,947	33,489	8,782	205,675	13,792	752,222

(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):

	2011 Number	2010 Number	2009 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

	2011			2010		
	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	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

(1) Comparative information has been reclassified to conform with presentation in the 2013 and 2012 financial years.

	2010			2009		
	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	671	(150)	521	274	(82)	192
Other personal	15	(21)	(6)	27	(23)	4
Asset financing	81	(15)	66	72	(31)	41
Other commercial and industrial	3,959	(1,729)	2,230	3,260	(1,424)	1,836
Financial assets individually assessed as impaired - Australia	4,726	(1,915)	2,811	3,633	(1,560)	2,073
Overseas						
Loans and other receivables:						
Housing loans	165	(12)	153	203	(10)	193
Personal	4	-	4	1	-	1
Asset financing	-	-	-	-	-	-
Other commercial and industrial	321	(65)	256	373	(159)	214
Financial assets individually assessed as impaired - overseas	490	(77)	413	577	(169)	408
Total financial assets individually assessed as impaired	5,216	(1,992)	3,224	4,210	(1,729)	2,481

Asset Quality (continued)

	Australia 2011 $M	Overseas 2011 $M	Total 2011 $M
Non-Performing Loans by Size of Loan			
Less than $1 million	829	215	1,044
$1 million to $10 million	1,414	129	1,543
Greater than $10 million	2,397	313	2,710
Total	4,640	657	5,297

	Australia 2010 $M	Overseas 2010 $M	Total 2010 $M	Australia 2009 $M	Overseas 2009 $M	Total 2009 $M
Non-Performing Loans by Size of Loan						
Less than $1 million	692	40	732	493	172	665
$1 million to $10 million	1,425	148	1,573	843	171	1,014
Greater than $10 million	2,609	302	2,911	2,297	234	2,531
Total	4,726	490	5,216	3,633	577	4,210

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 2013			
	Sovereign Exposure	Non Sovereign Exposure		Total Exposure
		Bank	Corporate	
Financial Instrument	$M	$M	$M	$M
Italy				
Loans and Leases	-	135	-	135
Available for Sale Assets	277	-	-	277
Derivative Assets	-	-	-	-
	277	135	-	412
Spain				
Loans and Leases	-	-	317	317
Derivative Assets	-	-	-	-
	-	-	317	317
Ireland				
Loans and Leases	0	-	664	664
Trading at Fair Value	-	-	10	10
Available for Sale Assets	34	-	-	34
	34	-	674	708
Greece				
Loans and Leases	-	-	-	-
Derivative Assets	-	-	-	-
	-	-	-	-
Total Exposure	311	135	991	1,437

Average Balances and Related Interest

	2011		
	Avg Bal	Income	Yield
Net interest margin	$M	$M	%
Total interest bearing assets	597,406	37,503	6. 28
Total interest bearing liabilities	559,095	24,858	4. 45
Net interest income and interest spread		12,645	1. 83
Benefit of free funds			0. 29
Net interest margin			2. 12

Appendix A – Additional Historical Information

Loans, Advances and Other Receivables

	2011 $M	2010 $M	2009 $M
Australia			
Overdrafts	21,930	19,924	17,829
Home loans (1)	306,250	292,140	261,504
Credit card outstandings	10,798	10,200	9,055
Lease financing	4,404	4,657	4,572
Bills discounted	14,820	14,379	10,936
Term loans	96,097	101,794	107,337
Other lending	1,310	1,288	1,616
Other securities	4	564	524
Total Australia	455,613	444,946	413,373
Overseas			
Overdrafts	629	652	744
Home loans	29,591	31,433	30,702
Credit card outstandings	572	589	573
Redeemable preference share financing	-	-	744
Lease financing	468	570	541
Term loans	20,468	23,052	27,079
Other lending	-	27	16
Total overseas	51,728	56,323	60,399
Gross loans, bills discounted and other receivables	507,341	501,269	473,772
Less			
Provisions for Loan Impairment (Note 14 of the Financial Statements):			
Collective provision	(3,022)	(3,436)	(3,195)
Individually assessed provisions	(2,125)	(1,992)	(1,729)
Unearned income:			
Term loans	(1,153)	(1,213)	(1,134)
Lease financing	(984)	(1,169)	(1,083)
	(7,284)	(7,810)	(7,141)
Net loans, bills discounted and other receivables	500,057	493,459	466,631

(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	2011 $M	2010 $M	2009 $M
Minimum lease payments receivable:			
Not later than one year	1,389	1,360	1,479
Later than one year but not later than five years	2,516	2,803	2,554
Later than five years	967	1,064	1,080
Total finance leases	4,872	5,227	5,113

Deposits and Other Public Borrowings

	2011 $M
Australia	
Certificates of deposit	45,544
Term deposits	137,192
On demand and short term deposits	169,190
Deposits not bearing interest	7,630
Securities sold under agreements to repurchase	3,696
Total Australia	363,252
Overseas	
Certificates of deposit	4,700
Term deposits	22,304
On demand and short term deposits	8,866
Deposits not bearing interest	1,658
Securities sold under agreements to repurchase	367
Total overseas	37,895
Total deposits and other public borrowings	401,147

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)