Annual Report 2017

CommonwealthBank

Commonwealth Bank of Australia | ACN 123 123 124

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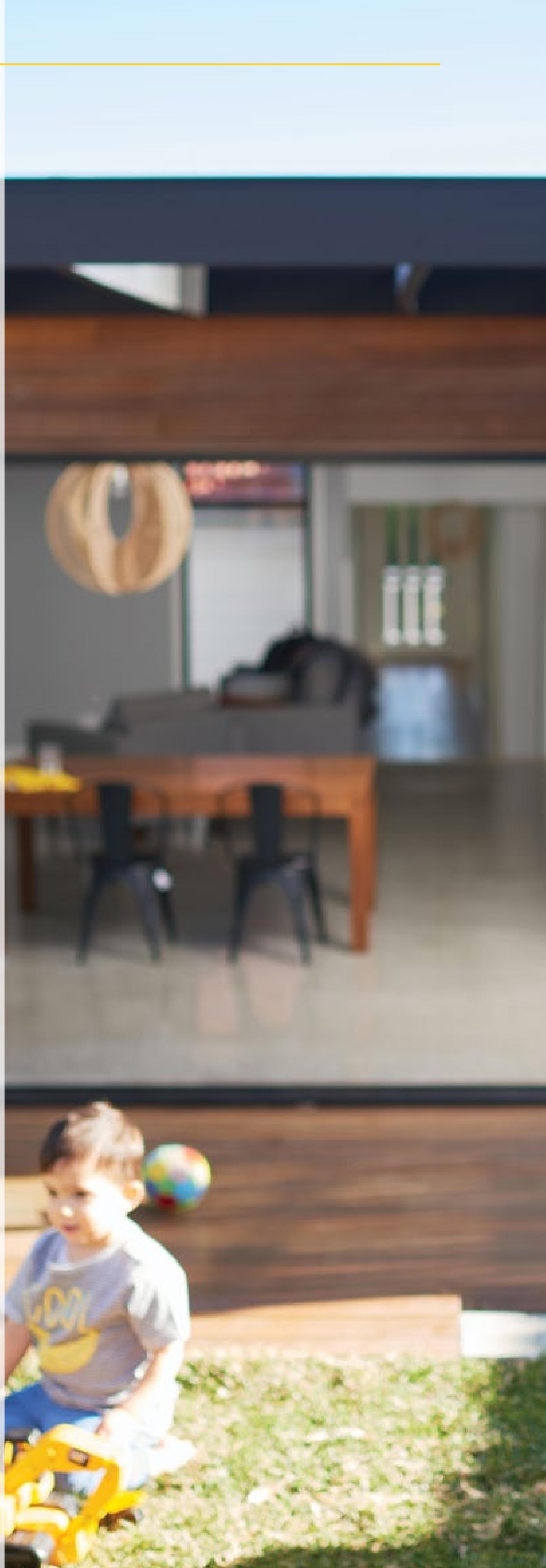
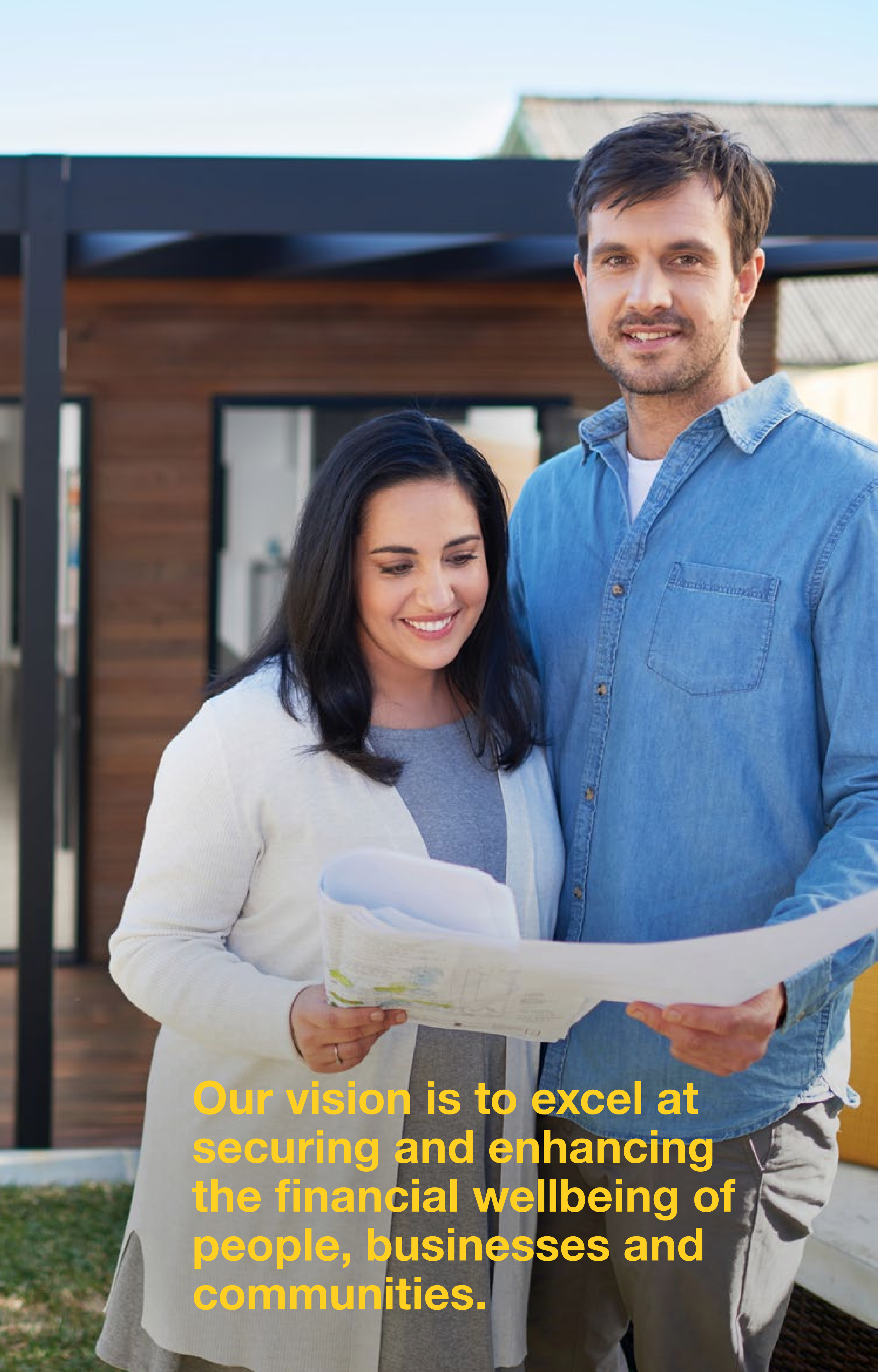




Our vision is to excel at securing and enhancing the financial wellbeing of people, businesses and communities.

Who we are

Commonwealth Bank is a leading provider of integrated financial services. We provide retail, business and institutional banking and wealth management products and services.

1 in 3 Australians call us their main financial institution.

CBA Group

Banking

Insurance

Securities

Investment

Our vision

Our vision is to excel at securing and enhancing the financial wellbeing of people, businesses and communities.

Our values

We are guided by our values in every interaction with our customers, colleagues and the broader community.

- **Integrity**
- **Accountability**
- **Collaboration**
- **Excellence**
- **Service**

Our strategy

Customer focus is the overarching priority of our strategy.

To support our customers we invest in four capabilities:

People	Vibrant customer-focused culture and people
Technology	Application of world-leading technology to financial services
Productivity	Productivity and efficiency for better customer service
Financial strength	Strength and flexibility of our balance sheet

This strategy enables us to create long-term value for customers, shareholders, our people and the broader community.

2017 highlights

Customers, shareholders, our people and the community all benefit from our performance.

Our customers

16.6m
customers
6.2m customers using digital channels

#1
customer satisfaction
Retail, internet
Equal #1 in **business**

330,000
new home loans
30,000 loans for Australian first home buyers

Our shareholders

800,000+
shareholders
plus millions more hold CBA shares through their superannuation funds

$9,881m
net profit
after tax (cash), **up 5%**
10.1% Common Equity Tier 1 capital ratio (APRA basis)

$4.29
dividend
per share, fully franked
16.0% return on equity

Our people

51,800
employees
across **11** countries

44%
management roles held by women
40% of Board Directors are women

69%
staff working flexibly
39.1 hours of training per employee

Our community

$3.9bn
in taxes
Australia's largest taxpayer

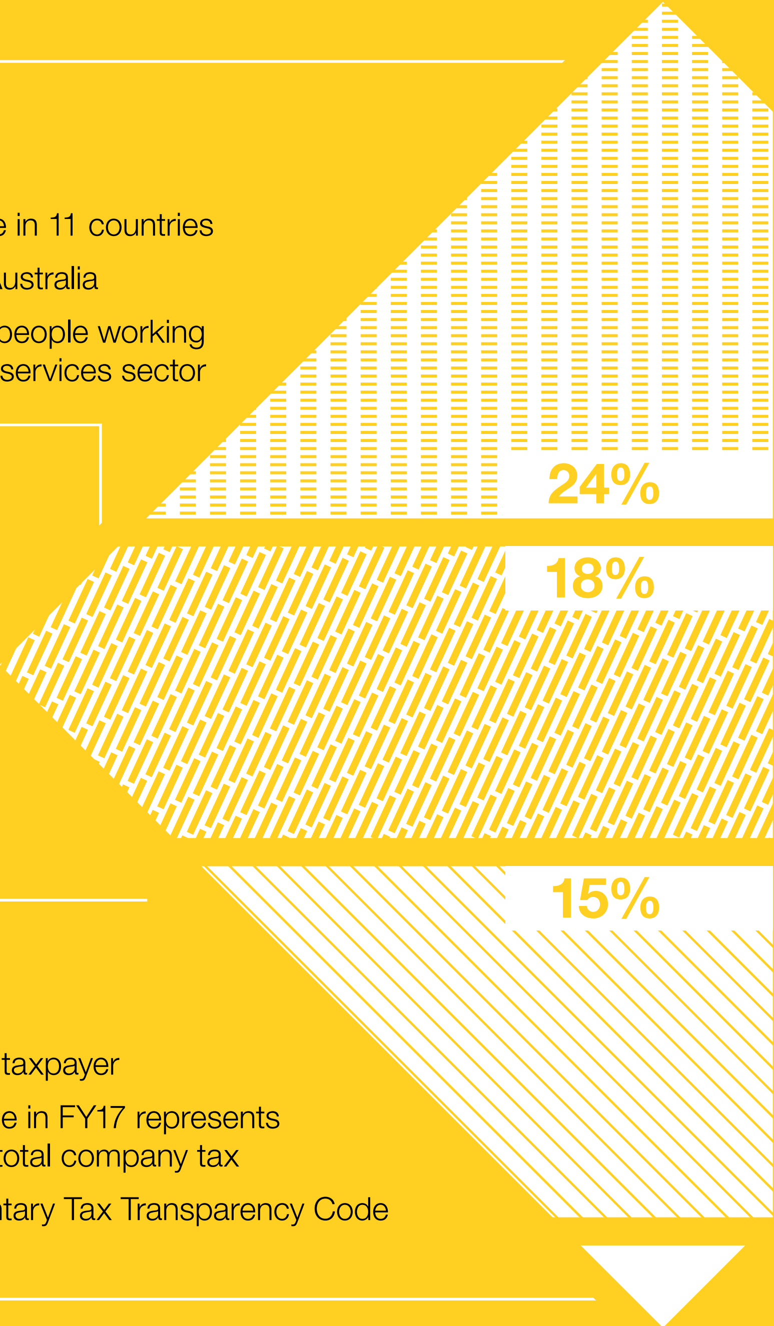
$272m
total community investment
574,246 students enrolled in Start Smart
326,146 School Banking students
Launched **Teaching Awards**

$2.8bn
lending to renewable energy projects
48.5% reduction in direct emissions since 2009
Committed to playing our part in limiting climate change to well below 2º Celsius

Where our income and profits go

In 2017, Commonwealth Bank earned income of $26bn

$16.1bn was spent on:



$6.3bn
Salaries

- we employ 51,800 people in 11 countries
- 41,600 are employed in Australia
- we employ 1 in every 10 people working in the Australian financial services sector

$4.8bn
Expenses

- includes payments to more than 5,000 SME partners and suppliers
- 90% of our suppliers are Australian businesses
- 1,350 branches

$3.9bn
Tax

- we are Australia's largest taxpayer
- our Australian tax expense in FY17 represents around 5% of Australia's total company tax
- we have signed the Voluntary Tax Transparency Code

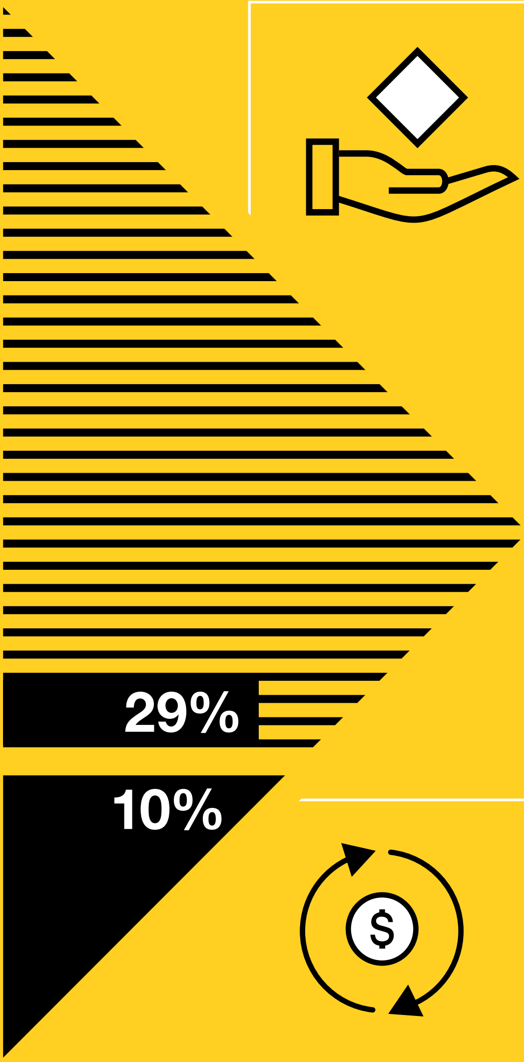
$1.1bn
Loan impairment

- the cost of lending across the economy

From profit of

$9.9bn

three quarters goes to shareholders and the rest is invested:



$7.4bn
Dividends

- 75% of profits returned to shareholders
- the average retail shareholder will receive approximately $3,820 in dividends this year
- almost 800,000 retail shareholders hold CBA shares directly, millions more hold CBA shares through their superannuation funds

$2.5bn
Reinvested

- we invest profit back into the business to make it better for our customers

Chairman and CEO statement

Commonwealth Bank has again delivered strong financial performance, guided by our vision to excel at securing and enhancing the financial wellbeing of customers, shareholders, our people, and the broader community.

In 2017, your bank served 16.6 million customers, returned 75% of cash profits to our shareholders, employed 51,800 people, and paid $3.9 billion in tax.

We provided $197 billion in new lending to businesses and individual customers to help them grow their businesses and buy a home, insured more than 6 million customers, and helped 1.8 million customers invest for the future. We sourced goods and services worth $4.8 billion, including from more than 5,000 SME partners and suppliers. Remaining profits were invested back into the business, to fund innovation and growth.

Commonwealth Bank also continued to play its role in helping secure a strong economy – as an enabler of employment, business opportunity, financial security, innovation and growth.

Delivering for our shareholders

This year we have especially appreciated the ongoing support of our shareholders: the almost 800,000 retail shareholders who own CBA shares directly, and the millions more who own CBA shares through their superannuation funds.

We understand that many shareholders depend on the income they receive from their investment in Commonwealth Bank, so our aim is to deliver sector-leading earnings growth and returns, and a stable dividend stream.

Ownership of Commonwealth Bank is first and foremost with the people of Australia, so when we do well as a company, millions of Australians also prosper.

For the 2017 financial year, cash net profit was $9,881 million, up 5% on the prior year. Your Board determined a final dividend of $2.30 per share, taking the total dividend to $4.29 per share, up 9 cents on 2016. In total, $7.4bn of your company's profits is being returned to shareholders as dividends. Return on equity for the year was 16%.

Operating income increased by 4%, excluding the sale of our remaining investment in Visa Inc. This was driven by 4% higher net interest income from our lending activities and 5% higher other banking income which includes commissions, lending fees and trading. Funds management and insurance income was flat.

Costs were kept under control, with expenses increasing by 2%, excluding the accelerated amortisation taken as a one-off expense this year. The Group's cost-to-income ratio on an underlying basis was reduced by a further 60 basis points, to 41.8%.

The credit quality of our loan portfolio was sound and loan impairment expense remained low, with the ratio of loan impairment expense to average gross loans and acceptances at 15 basis points.

Capital and funding

In 2017 we maintained our commitment to financial strength across all capital, funding and liquidity metrics.

From 1 July 2016, the Australian Prudential Regulation Authority (APRA) requirement to hold additional capital for Australian residential mortgages came into effect. This regulatory change was the driver of our capital raising during the 2016 financial year. The mortgage risk weight change ultimately had a 114 basis point negative impact on our Common Equity Tier 1 (CET1) ratio in 2017.

We continued to strengthen our capital position during the year through organic capital growth, resulting in a CET1 ratio of 10.1% on an APRA basis as at 30 June 2017.

Our CET1 ratio on an internationally comparable basis was 15.6%, so we have maintained our position in the top quartile of international peer bank capital rankings.

After the financial year end, in July 2017, APRA provided clarity on the additional capital required for the Australian banking sector to have capital ratios that are considered 'unquestionably strong'. APRA's expectation is that the major Australian banks will operate with a CET1 ratio average benchmark of 10.5% or more by 1 January 2020.

Our strong organic capital generation and commitment to financial strength give us confidence that we will meet APRA's benchmark.

As at year end, the Group's Liquidity Coverage Ratio was 129%, our Net Stable Funding Ratio was 107%, customer deposits provided 67% of funding, and the tenor of our long-term wholesale funding was 4.1 years.

Chairman and CEO statement continued

Our performance at a glance

Total shareholder return
Source: Bloomberg

5 years
104.8%

3 years 20.3%

1 year 17.4%

Dividends
Fully franked, per share

2017 ▲ 2%
$4.29

2016 $4.20

2015 $4.20

2014 $4.01

Earnings
Cash basic earnings per share

2017 ▲ 4%
574.4c

2016 554.8c

2015 556.9c

2014 532.7c

Efficiency ratio
Cost-to-income

2017*
41.8%

2016 42.4%

2015 42.8%

2014 42.9%

*underlying basis

Margins
Net interest margin

2017
2.11%

2016 2.14%

2015 2.15%

2014 2.19%

Capital ratio
Common Equity Tier 1 (APRA)

2017
10.1%

2016 10.6%

2015 9.1%

2014 9.3%

Returns
Cash return on equity

2017
16.0%

2016* 16.5%

2015 18.2%

2014 18.7%

*Impacted by $5.1bn capital raising

Further detail on financial performance at a Group and business unit level can be found in the Performance Overview section.

Delivering for our customers

These sound financial outcomes are the result of continued execution of our long-term strategy. The overarching priority of our strategy is customer focus, so we are pleased that we ranked number one for retail customer satisfaction and equal first for business customer satisfaction as at 30 June 2017.[1]

Customer satisfaction is achieved by providing customers with the best possible products and services. We believe this is underpinned by four capabilities – technology, people, productivity and strength. Through consistent focus and investment we have built these capabilities over many years, making them our sources of competitive advantage, as we deploy them to drive growth over the long-term.

Our industry-leading technology position is a critical competitive advantage. This lead was further strengthened in 2017 with the release of innovative digital products and services for our retail customers, and the application of data and analytics for our business customers.

6.2 million customers are now active users of NetBank, our online banking service, and CommBank, our mobile banking app. We have won Canstar's *Bank of the Year-Online Banking* award for eight years in a row.

Our online channels also provide us with new opportunities to secure and enhance our customers' financial wellbeing.

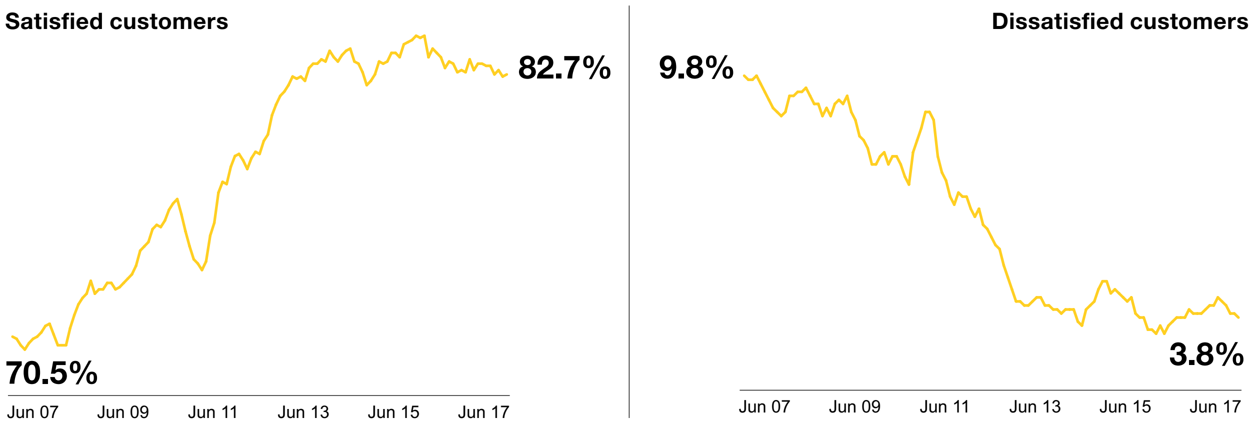
Research undertaken by the retail bank shows that one in three Australian households would struggle to access $500 in an emergency, and more than a third of Australians are spending more than they earn each month.

While we help millions of Australians to save, spend and invest, there are millions more who feel uncertain and anxious about their financial future.

We have been working to use our resources to improve community financial wellbeing more broadly.

(1) Roy Morgan Research Main Financial Institution Customer Satisfaction Survey, DBM Business Financial Services Monitor.

Retail bank customer satisfaction



Source: Roy Morgan Research Retail Main Financial Institution Customer Satisfaction. Excludes neutral responses, "can't say" and "n/a".

This has led to the launch of new digital tools including Savings Jar, Savings Challenge, Spend Tracker and Transactions Notifications which encourage good financial habits and help people manage their everyday finances. The new tools have already been used by over 1 million customers and we are now sending out more than 420,000 transaction notifications each day.

To help our younger customers develop good saving and spending habits at an early age, we have launched a Youth app. The app teaches children the value of money in an increasingly digital and cashless society, and has been downloaded more than 22,000 times since it was launched earlier this year.

Business and Private Banking (BPB) is also using our technology advantage to help our business customers. Earlier this year BPB launched an update to Daily IQ, an insights and analytics dashboard that helps our customers manage and grow their businesses by providing them with insights into their cash flow, performance and customers. 230,000 clients have access to Daily IQ. We have used our scale to give small businesses access to insights that used to be available only to big businesses.

Our commitment to our customers

Despite our commitment to always do our best for every customer, there have been times when we have let our customers down, and we have not met the community's expectations.

During the past year we have continued our focus on learning from these cases. We have listened to the experiences of our customers, thoroughly investigated what happened in each instance, put things right when mistakes were made and changed our policies, processes and practices to make sure such mistakes are not made again.

Following media allegations of misconduct at CommInsure in 2016, CommInsure commissioned independent experts, Deloitte, DLA Piper and EY, to investigate the concerns. Having regard to all of the work that was completed, including the independent expert reviews, the CommInsure Board concluded there is no evidence to support the concerns of wilful or widespread misconduct.

These reviews and reports were provided to APRA and ASIC. APRA said the investigations were robust, complete and independent. In March, ASIC released the findings of its investigations into CommInsure. ASIC also found no evidence of wilful or widespread misconduct relating to key allegations, and no breaches of the law in respect of claims handling.

Nevertheless, at CommInsure's request, Deloitte analysed and identified opportunities to improve elements of the claims process to improve the customer experience, and we are now implementing the recommendations. We have updated and backdated our heart attack definitions and established a Claims Review Panel that includes independent members to review complex claims.

In June 2017, the seventh and final report on the Open Advice Review program was released. The report confirmed that the program to assess advice provided to customers of Commonwealth Financial Planning and Financial Wisdom between 2003 and 2012 is nearly complete. Around 8,600 advice assessments were issued to customers and more than 90 per cent have been finalised; and approximately $31 million (including interest) has been offered or paid to customers to date. The program has provided reassurance to the large majority of customers who received appropriate advice and we have since made improvements to the way we run our advice businesses, including raising the skills and qualification requirements for advisers and their managers.

In June 2017, we also completed our review of customers potentially entitled to a refund in connection with ongoing service packages. The vast majority of reviews sought to identify customers of Commonwealth Financial Planning and BW Financial Advice who may not have received an annual review as part of their ongoing service package with their adviser. All assessments have now been completed and all affected customers have now been contacted to provide full refunds with interest. Measures have also been taken to improve our processes to prevent similar issues from occurring in the future.

On 3 August 2017, the Australian Transaction Reports and Analysis Centre (AUSTRAC) brought civil proceedings against the bank. The proceedings focus on the use of the bank's Intelligent Deposit Machines. We have been in discussions with AUSTRAC for an extended period and have cooperated fully with their requests. We have invested more than $230 million in our anti-money laundering compliance and reporting processes and systems, and all of our people are required to complete mandatory training on the Anti-Money Laundering and Counter-Terrorism Financing Act. We take our regulatory obligations extremely seriously. We remain committed to continuously improve our compliance with the AML/CTF Act and will continue to keep AUSTRAC abreast of those efforts.

We are also committed to ensuring that industry standards are raised, to restore community trust in the banking sector generally. To this end, we strongly support the Australian Bankers' Association Better Banking initiatives and have committed to implementing all 21 recommendations from the ABA initiated Sedgwick Review into retail bank staff remuneration.

Furthermore, we have both signed the Banking and Finance Oath as a mark of our personal commitment to doing everything we can to ensure that the banking profession earns and preserves society's trust and confidence.

Chairman and CEO statement continued

Delivering for our people

Ultimately, our people are the key driver of customer satisfaction, and of your company's performance.

Our people's dedication to our customers and to our vision and values gives us tremendous confidence in the Group's future.

To ensure that our people remain engaged and realise their potential we supported ongoing skills development and training throughout the year.

We also continued to emphasise the importance of a customer-centric culture, including through the launch of Our Commitments in 2017. Our Commitments summarises our values and the behaviours we expect of our people, simply and clearly. This will enable us to strengthen trust with customers, shareholders, regulators, suppliers, colleagues and the communities in which we operate.

In 2017 we also continued to enhance the diversity of our workforce, having regard to gender, culture, age, sexual orientation and disability. We believe that a workforce that mirrors the communities we serve will improve the quality of our decisions, and improve our engagement with customers.

Board and key executive changes

Your Board and Group Executive team have a common goal – achieving sustainable performance for all of our stakeholders.

In December 2016, we farewelled David Turner who retired after six years in the role of Chairman and 10 years' service as a Director. We would like to thank him for his tremendous contribution over this time. His tenure was marked by decisive leadership, but also compassion and humility. His commitment to long-term investment and passion for driving diversity continues to stand us in good stead.

Sir John Anderson KBE retired from the Board in November 2016 after serving over nine years as a Director, during which time he brought expansive business knowledge and sound judgement to Board deliberations.

At the end of June 2017, our long-serving Group Executive, Financial Services and Chief Financial Officer, David Craig, retired after 11 years of unswerving dedication to the best interests of Commonwealth Bank.

Rob Jesudason, who previously ran the Group's International Financial Services (IFS) and Strategy divisions, assumed the role of Chief Executive, Financial Services and CFO on 1 July 2017.

Coen Jonker, the co-founder and CEO of TYME, and most recently responsible for IFS' digital transformation, has been appointed to the role of Group Executive, IFS.

Further details of the Board and Group Executive team's skills and experience are provided on pages 50-56.

Changes to executive remuneration

At our 2016 Annual General Meeting the resolution to adopt the Group's FY16 Remuneration Report was not passed by shareholders. Your Board has listened intently to and discussed at length the concerns raised by shareholders which contributed to this "first strike".

In response, your Board has undertaken a comprehensive review of the Group's Executive remuneration strategy, framework and governance, with the objective of providing more transparency, greater accountability, and better clarity of alignment with shareholder goals and value creation, and business strategy.

For more information on the new proposed remuneration framework, please see the Remuneration report on page 70.

Environmental stewardship

We actively consider the environmental impacts of our activities, and are committed to operating sustainably and making a positive contribution beyond our core business.

We recognise that climate change is both a risk and opportunity for our business, for our customers and for the community.

This month we released our Climate Policy Position Statement. It outlines our commitment to playing our part in limiting climate change to well below two degrees in line with the Paris Agreement, and how we will support the responsible global transition to net zero emissions by 2050.

In addition to having the necessary policies, we have embedded climate considerations firmly into our lending, investing, and property decision-making.

Mandatory environmental, social and governance (ESG) risk assessments are applied to all Institutional Banking lending as well as larger loans across the Group, and there is compulsory ESG lending training for all relevant business bankers and risk executives.

Additional sustainable and ethical investment options have been added to our product range. We also have a Sustainable Property Strategy with targets for energy use and carbon emission reductions.

As at June 2017, our total lending exposure to the renewable energy sector was $2.8 billion. This year we have arranged $1.02 billion of climate bonds. In March we issued the largest Australian dollar climate bond from an Australian bank, raising $650 million. The bond is backed by Australian renewable and low-carbon assets.

We also recognise the importance of transparency and disclosure on climate risk.

We currently measure and disclose the emissions intensity of our entire business lending portfolio, and in the coming year will be undertaking scenario analysis to more fully understand the implications of climate change for our business.

Importantly, the Board has oversight of climate change driven risks as part of the Risk Management Framework.

An overview of our new Climate Policy Position Statement and related activities are provided in the Corporate responsibility section on pages 39-48.

Looking ahead

This year, after 26 years of economic growth without recession, Australia became the economy with the longest-running economic expansion on record.

This is the result of many factors, including our natural and human resources and our proximity to centres of global growth. It has also been supported by sound public policies, designed to encourage free enterprise and to promote innovation and employment. Companies like Commonwealth Bank have also played our part in helping secure Australia's stability, growth and prosperity.

Australia remains a country rich in potential, with strong foundations, and the economy shows continued flexibility in adapting to new circumstances.

We believe Commonwealth Bank is similarly positioned. We have a consistent strategy based on customer focus, we are evolving our capabilities in anticipation of changes in customer preferences, competition and the external environment, and we are creating new growth opportunities through technology and innovation.

What the Australian economy and Commonwealth Bank also have in common, especially given the nation's dependence on foreign capital, is the need for a policy environment that provides certainty to investors and that reduces sovereign risk.

Australia's economy is heavily reliant on the strength of the banks, because the capital and credit that enables growth is mostly extended through the domestic banking system. Our relatively small population and the capital intensity of many of our industries also mean that the demand for investment exceeds local savings, so we need overseas capital. The banks are the most critical intermediaries of this capital.

We have therefore been disappointed by the introduction of government policy which creates uncertainty and which singles out Australia's largest banks for discriminatory tax treatment through a bank levy.

To fulfil our role in the economy, Commonwealth Bank must be a healthy and profitable organisation, with the necessary certainty to source funding and capacity to invest. We also need to operate as part of a strong and stable banking system.

Ultimately, our reputation and our customers' and the community's trust are our greatest assets. We, and the broader banking industry, recognise that we need to rebuild trust, and this is now a critical focus.

At Commonwealth Bank we are determined to drive better customer outcomes, and so have built reputation into the Group's new remuneration structure. If passed at our 2017 AGM, reputation will be an important benchmark against which we judge our performance.

Your Board and management team are committed to evolving your company to ensure it is future-fit and can continue to deliver outperformance for customers, shareholders, our people and the community. We are also committed to doing all that we can to secure a strong and stable banking system for Australia.

We thank you for your ongoing support.

C.B. Livingstone

Catherine Livingstone AO
Chairman

8 August 2017

Ian Narev

Ian Narev
Chief Executive Officer

8 August 2017

Our strategy focuses on creating long-term value for our customers, shareholders and people.

Our strategy

Our strategy focuses on creating long-term value for our customers, shareholders and people. It is firmly anchored to our vision to 'excel at securing and enhancing the financial wellbeing of people, businesses and communities'.

Customer focus

Putting our customers first is our strategic priority, serving and satisfying them so that they continue to turn to us as their bank of choice.

To support our focus on the customer, we invest in four key capabilities: people, technology, productivity, and financial strength.

People

Our people are central to our success. They are engaged, customer-focused and operate in a culture that emphasises integrity. It is our people who set us apart from our peers.

- Our 1,350 branches are evolving to serve the changing needs of our 16.6 million customers;
- Thanks to the commitments of our diverse workforce of 51,800 people, we have maintained our position as:
  - First in retail customer satisfaction;
  - Equal first in business customer satisfaction;
  - First in wealth for platform satisfaction; and
- We are an employer of choice for gender equality, with women in 44% of management roles.

Technology

We apply world-class technologies to meet the ever-evolving needs of our customers and our people.

- Our real-time core banking system makes us one of the first banks in the world – and the first bank in Australia – to go real-time;
- We have the #1 free financial app in Australia, with 30 million logons a week;
- We have 6.2 million active online customers;
- Our customers can open a new savings or transaction account online in less than 3 minutes;
- We use our extensive data and analytics capabilities to enhance the customer experience; and
- We have made significant investments in cyber security to protect our customers' financial interests.

Productivity

We continuously simplify and standardise the way we do things, to achieve better outcomes for our customers and our people and to give us the ability to invest in the future.

- Our cost-to-income ratio was 41.8% on an underlying basis, reflecting our focus on cost management and efficiency;
- We consistently invest in productivity and growth initiatives, with $681 million invested in the financial year; and
- We are improving customer convenience and reducing our cost to serve by providing more self-service options.

Financial strength

Our strength lies in our consistent performance, deep expertise in financial and risk management, and long-term operational stability. That's why people, businesses and communities trust us to look after their financial wellbeing.

- We are Australia's largest company by market capitalisation, with total assets of $976 billion;
- We have over 800,000 shareholders, and have paid out on average 76% of annual profits as dividends since 2001;
- Common Equity Tier 1 ratio 10.1% APRA basis, 15.6% international basis;
- 67% deposit funded; and
- Solid credit ratings: AA- / Aa3 / AA- (S&P, Moody's and Fitch).

Customer focus

Our ongoing commitment to enhance financial wellbeing, provide exceptional service, and deliver iconic experiences remains the heart of our strategy. We strive to meet our customers' needs by providing solutions they value and trust.

Enabling Agribusinesses to grow

Our agribusiness customers trust us to continually support them as their businesses go through change. Our Agribusiness Relationship Executives are valued for the industry expertise and ideas they provide, helping customers simplify operations, boost productivity, and grow their businesses.

Making banking simple

With the consistent application of simple and innovative technology and services, we are making banking fast, easy, and secure, no matter how customers choose to bank with us.

Delivering unique digital experiences

- The **CommBank app** and **NetBank** are continuing to evolve, with customers experiencing many first-to-market innovations that make banking with us easier. From opening accounts on the go, and getting instant receipts when they make a payment, we are delivering an engaging and simple experience for customers wherever, and however they choose to bank;
- **Bankwest** launched real-time mortgage application tracking, which allows customers to track home loan applications from lodgement through to the first repayment. This includes proactive customer notifications about changes to the status of loan applications; and
- **ASB** launched a new mobile-first digital banking experience, making use of real-time information and advanced personalisation capabilities for our customers in New Zealand.

Making share trading more accessible

Our leading online broking service, CommSec, has made it easier and more affordable to trade shares, with the cost of trades under $1,000 now halved to $10. We also provide free tutorials, teaching the basics of selecting and managing investments, and the benefits of investment quality and diversification.

Making retirement easy

We made understanding retirement easier for our customers, with the launch of new superannuation statements that offer more personalised and action-oriented content. We also refreshed FirstNet, our secure online and mobile service, to ensure our customers can access investment information and statements when they need it.

Providing new self-service options for businesses

We launched the BetterBusiness Loan online redraw facility, enabling our business customers to redraw funds whenever, and wherever they choose. Our customers have embraced the capability, with more than 85% of redraws now being completed online. We also launched online facilities for the Market Rate Loan product, allowing business customers to manage their finances digitally, and transact with convenience.

Offering self-service banking in emerging markets

With our South African fintech company, TYME, and our new self-service kiosks, we are addressing the needs of communities in emerging markets by creating low-cost access to basic financial services. Customers can now securely open an account and begin transferring money within four minutes.

Providing personalised guidance

Every day, our dedicated specialists help guide our customers to make the right decisions to enhance their financial futures. The improvements we have implemented are making each conversation more meaningful and personalised.

Revising our approach to quality conversations

We seek a deeper understanding of our customers' goals through Financial Health Checks (FHCs) that help us better identify and meet their needs. We provided over 1.7 million free FHCs to customers during the year, and our enhanced conversation tools provide us with information to help more customers achieve their financial goals.

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Having more relevant interactions

Our new customer data analysis system (the Customer Engagement Engine) helps us understand our customers, supporting us to have over 10 million meaningful and relevant interactions. The more we understand our customers, the better we can help them meet their financial goals.

Giving Australian businesses access to analytics to enhance their success

In April 2017 we released Daily IQ 2.0, a world-leading business insights toolkit, which provides business clients with customised insights to enhance their success. Daily IQ enables our clients to identify opportunities to optimise their cash flow, compare their key performance metrics to their industry, identify business risks and discover more about their customers, including demographics, customer loyalty and spending patterns.

Designing new toolkits for financial advisors

In 2017 we made the shift to objectives based financial planning, which focuses on our customer's lifestyle aspirations. We help our customers achieve their personal objectives, with goals that can be tracked and adjusted over time.

Innovating for our agribusiness customers

In partnership with software developer Figured, we are bringing farmers, accountants, advisors and our bankers together for a more collaborative approach to agricultural financial management. Our pilot with agribusiness clients is trialling the use of industry-specific, cloud-based accounting software. With richer and more up-to-date data that is shared by all parties, we are helping farmers plan ahead in the face of uncertainty, to respond quickly when conditions change.

The home buying experience

We deliver home buying experiences that help Australians achieve their property dream. Customers value us for the expertise, support and personalised guidance we offer them through every step of their home buying journey.

Delivering service excellence

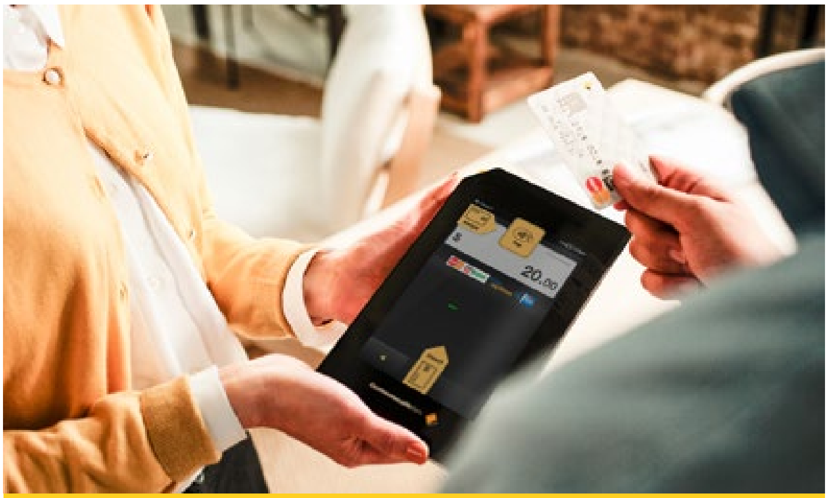
We strive to make our customers the centre of everything that we do, by delivering excellent service, and making them feel recognised, respected and valued with each interaction.

Our customers trust us to do the right thing by them, ensuring their money, personal information and privacy are always safe.

Protecting customer information

We are constantly upgrading our customer-facing and back-end technology platforms to ensure our customers' information remains safe. During the year we officially launched the Cyber Security Centre, a global, next generation cyber defence capability, to defend the Group through the detection, prevention and management of sophisticated cyber threats.

Our strategy continued



Great customer experiences with the power of Albert

Utilising Albert across their 72-strong fleet of commuter and leisure vessels, SeaLink can now do everything with the one device – ticket selection, printing and payments. SeaLink customers receive a better, more flexible experience, leading to greater customer satisfaction.

Recognition of our efforts in delivering exceptional service

Our efforts to deliver exceptional customer service were consistently recognised over the financial year:

- We ranked first or equal first among the major banks for retail customer satisfaction, a position we've held for 11 out of the past 12 months;
- We were also number one for internet banking, and maintained first or equal first position for business customer satisfaction in most key segments;
- We were first in wealth for overall adviser satisfaction. Commonwealth Financial Planning was also recognised for exceptional service, receiving the CoreData/Professional Planner Institutionally Branded Licensee Award for 2017;
- Our prioritised and continued focus on clients led our Institutional Banking & Markets division to achieve leading positions for overall satisfaction, industry analysis, and creative ideas and solutions, in a survey by Peter Lee Associates; and
- In the KangaNews Fixed-Income Research Poll 2017, institutional investors confirmed we provide the best overall fixed-income research, and ranked first in nine out of eleven categories overall, highlighting the value our unique insights and depth of expertise brings to our clients.
- Colonial First State Global Asset Management achieved A+ ratings in five of eight categories in the Responsible Investment Association Australasia's 2016 benchmark of investment managers. We were also awarded the 'Best Responsible Investor, Asset Manager' at the 2016 Asia Asset Management Best of the Best Awards; and
- Our Indonesian subsidiary, PT Bank Commonwealth, was recognized as the 'The Best Reputation' bank and 'The Most Reliable' bank for joint venture category at the Indonesia Best Banking Brand Award 2016, held by Warta Ekonomi Magazine.

We make tracking and paying bills easy

New features in the CommBank App and NetBank mean our customers can easily capture bills and automate payments, giving them greater visibility, flexibility, and control.

Strengthening our accountability

In August 2016 we established an independent Customer Advocate function, to champion fairness for all customers and provide independent complaint reviews. Specialising in helping those who are disadvantaged or face challenging circumstances, the Advocate's work to date includes: i) research and analysis to improve outcomes for customers in vulnerable situations, ii) community engagement, and iii) improving product design and distribution, and remediation processes.

1
2 3

We ranked first or equal first among the major banks for **retail customer satisfaction** for 11 out of the past 12 months.

1

We also ranked first or equal first for **business customer satisfaction** in all key segments, and FirstChoice was ranked number one for **overall satisfaction** by financial advisers.

People

Our people are an important asset to us and are essential to secure the trust of our stakeholders at all times. We strive to be an employer of choice, and are fully committed to improving the diversity and safety of our people.

Our vision recognises the important role that we have in the economies and communities in which we operate. To achieve our vision we must earn and retain the trust of our stakeholders, which relies on our honesty, capabilities and genuine concern for their financial wellbeing.

Our values, and the common principles set out in 'Our Commitments', form the framework that guides our people's conduct, decisions and actions. Embracing these standards enables all of our people to enhance our stakeholder's trust, and live up to our vision.

Commitment to our people initiatives

We continue to make progress on initiatives that will positively impact our people, and the customers, businesses and communities that we serve. Our focus in these areas has meant that:

40% of our people come from a cultural background other than Australian

44% of management roles are held by women

39.1 hours of training on average per employee

Our People Capabilities

Our People Capabilities are the skills that support our people in their development, to help them reach their full potential.

Customer focus
Creating value in each customer interaction and focusing on the total customer experience.

Team and culture
Inspiring others to demonstrate the Group's values and working together to create a passionate, high performing culture.

Continuous improvement
Continuously improving and innovating what we do to make things simple and easy for our customers and each other.

Effective communication
Communicating clearly and with impact to ensure understanding, engagement and commitment to action.

Judgement
Making sound decisions based on understanding business, analysing data and applying common sense.

Drive results
Initiating action and committing to achieving business outcomes by taking accountability for goals.

Recognised as an employer of choice

We have implemented a range of policies and programs that have laid the foundations for an inclusive workplace, making significant progress by ensuring diversity and inclusion is part of our approach to talent practices, and by encouraging our people to develop and lead diversity and inclusion initiatives. As a result, we received the 2016 Employer of Choice for Gender Equality citation by the Workplace Gender Equality Agency.

Commonwealth Bank and Bankwest were also named Gold employers in the Australian Workplace Equality Index Awards, recognising our efforts to include employees identifying as LGBTI. ASB also received the 'MBIE Diversity Leadership Award' for its efforts by Deloitte in December 2016.

Enhancing our performance review process

Our performance review process has been enhanced to recognise our employees delivering on our vision. We have incorporated an assessment of how we demonstrate our values, manage risk in our roles and measure achievement using a balanced performance scorecard. We provide our people with guidance and clear expectations on what living our values means, and encourage regular coaching conversations throughout the year to support their achievements, behaviours, development and career aspirations.

Providing greater workplace flexibility

To support our people's need for greater flexibility, our iCAN Flex approach ensures we are able to accommodate the diverse needs of employees, so they can be mobile, agile and accessible, whilst focusing on what is important to them. In the financial year, 69% of our workforce worked flexibly.

Creating indigenous opportunities

We provide career opportunities for Aboriginal and Torres Strait Islander people, including school-based traineeships, university student internships and partnerships with community groups. During the year we recruited 54 Aboriginal or Torres Strait Islander people into direct employment placements, taking Indigenous employment to 0.8% of our workforce.

Technology

We continue to focus on the use of technology for the benefit of our customers, communities and our people, delivering what matters to provide the best value.

Through the financial year, we invested in our technology to create new ways for our customers to interact with us, generate efficiencies, and protect ourselves and stakeholders from risk.

Investing in the next generation of banking

In partnership with 40 global banks, we have continued our investment in R3, a US-based technology company leading the world's largest financial institutions in research and development into distributed ledger technology. It promises to help cut costs, keep things secure, and improve the customer experience, while supporting a robust, safe and trusted financial services system.

Bringing innovation to life

Our Innovation Labs have been working alongside clients, technology companies and universities to turn ideas into innovative solutions and providing industry thought leadership. We were awarded 'Best Innovation Centre by Financial Institutions in Australia' under The Asian Banker Annual Technology Innovation Awards Program 2017.

Building sophisticated analytics for tomorrow

We have built a sophisticated analytics and big data capability, to deliver more customer value and support better risk management. We also appointed a Chief Analytics Officer to oversee the development of our information and analytics capability.

Supporting the development of leading-edge technologies

We have investigated over 39 use cases for blockchain technology with our partners since 2016. In the financial year we launched a cyber security engineering lab, and created new PhD scholarships in partnership with the University of New South Wales, to uplift the number of cyber security graduates and professionals in Australia.

We have also collaborated with leading universities on a number of research initiatives, to develop:

- The world's first silicon-based quantum computer with the University of New South Wales;
- Predictive machine learning to understand and predict customer behaviour, with the University of Technology, Sydney; and
- New ways to enhance our customers' financial wellbeing with Harvard University's STAR Lab.

Leading with world-class data management

We invested in our data management technology to ensure that our customer information is secure, that services such as NetBank are continuously available, and that we continue to meet our customers' future needs and expectations. Our recent data centre modernisation has led to greater levels of security, efficiency and a reduced environmental footprint.

Expanding our innovation network

We extended our Innovation Labs outside of our existing network of Sydney and Hong Kong, and opened our doors in London. The Labs provide a home for collaboration with our business customers, partners, and researchers, leveraging our innovation assets to rapidly explore ideas, solve problems, and develop innovative products and services.

Building Australia's technology ecosystem

We invested in Australia's Internet of Things (IoT) ecosystem. In October, we were the main sponsor for the Everything IoT Global Leadership Summit, a conference that hosted 500 industry, government, universities and entrepreneurial attendees.

Promoting national cyber resilience

We continue to support efforts to make the Australian digital economy safer and more resilient. During the year we participated in the Prime Minister's cyber security roundtable and continue to be an active advisor to government. We were also a founding participant and steering committee member of the Government's inaugural Joint Cyber Security Centre, launched in Brisbane in 2017.

Facilitating new trade flows

We partnered with Wells Fargo and Brighann Cotton to successfully complete the first trade smart contract between two independent banks, combining the emerging technologies of blockchain, smart contracts and Internet of Things.

Partnering with leading technology providers

We recently partnered with Alipay, the world's largest mobile and online payment platform, to deliver payment solutions that benefit Australian and Chinese consumers and retailers. This will give inbound Chinese travellers frictionless payment experiences.

We have also piloted a new way for our customers to securely verify their identity and enhance their digital reputation on AirTasker, adding a 'CommBank Identified' badge to user's profiles once their details have been authenticated.

Hosting technology hackathons

During the year we ran hackathons with Australian universities, our partners, and local communities to test and learn Quantum Computing simulator technologies, and to design innovative customer solutions for real agribusiness challenges. Participants from across industries and the community were mentored by our experts, and received innovation masterclasses to design, validate, prototype and pitch their ideas.

Innovation in digital banking services

A number of standout features were delivered across our digital ecosystem through the financial year:

- Camera Pay, Photo-a-bill, Instant Receipts, and Spend Tracker were all made available on the CommBank app;
- Youth app – helping children under 14 learn how to earn, save and spend money responsibly, with simple controls for parents in the CommBank app;
- Skype a Lender – an Australian first, customers can chat face to face with expert lenders from a smartphone, computer or tablet; and
- Clever Kash, ASB's digital moneybox for children, won the Canstar 'Innovation Excellence Award' in 2017.

Australia's leading technology bank

#1 **Online banking, 8 years in a row**

#1 **Mobile banking, 2 years in a row**

#1 **Internet banking (NetBank)**

#1 **Business banking platform (CommBiz)**

#1 **Best feature packed broker (CommSec), 10 years in a row**

6.2 million of our customers use digital channels to bank with us

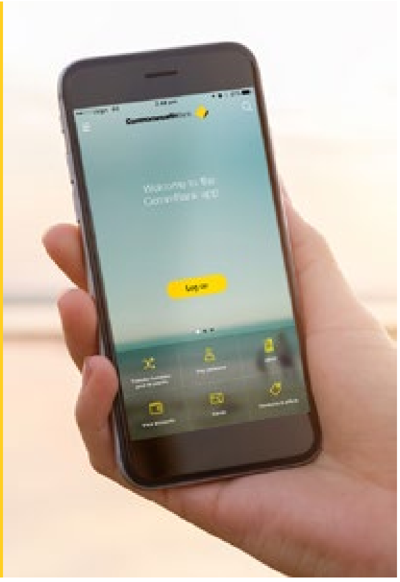
54% of all transactions by value occur digitally

29,000 video conferencing and 'Skype a Lender' discussions

85,000 Albert devices have been rolled out

150,000 pension customers are able to view their new statements online with enhanced security

Source: Canstar, Finder Innovation, Peter Lee Associates, Money Magazine



Productivity

Productivity remains critical to our long-term success. We constantly analyse our businesses, to unlock efficiencies, and find new ways to reduce turnaround times, minimise errors, and lower unit costs.

Delivering end-to-end digital property settlement experiences

We were the first bank to integrate with the Property Exchange Australia (PEXA) settlement platform, giving our customers the certainty of completing property settlements digitally, and removing the need for bank cheques.

Commonwealth Bank and Bankwest now process over 25% of settlements through PEXA, with over $15 billion of property transactions completed on the platform to date.

Innovating with efficiency

We have developed a more cost efficient way to innovate through the CommBank Labs app. The app is a place where our people's ideas can come to life, where customers can try new features and share their experiences with us. Having our customers collaborate with us in an efficient and engaging way means we can shape the future of banking together.

Embedding agile ways of working

In striving to deliver products and services that matter most for our customers, we are increasing the adoption of agile ways of working across our businesses. During the year we introduced a new agile delivery framework, which is enabling our teams to drive greater business speed and innovation.

Recognition for productivity excellence

- We accepted the CEO of the Year Award at the 12th annual Process Excellence Week conference, by the International Quality and Productivity Centre in July 2016. This is the second time in 12 years the award has been presented to a bank;
- We were awarded the 'Platinum Award of Excellence in Facilities Management' by Global Facilities Management; and
- Our efforts to improve efficiency in our Indonesian subsidiary PT Bank Commonwealth, were rewarded when we were named 'The Most Efficient Bank' for the category of banks in BUKU 2, at the Bisnis Indonesia Banking Award 2016 in October 2016.

2%
underlying expense growth
in FY17

41.8%
cost-to-income ratio
down 60 bps on an underlying basis, through a focus on efficiency and cost management

53%
of our investment spend
was on productivity and growth initiatives

Financial strength

Our expertise in financial and risk management ensures we continue to support individuals, businesses, our shareholders, and the communities in which we operate.

We strive to build and defend a strong and dependable franchise, and closely manage the business for superior financial and operational outcomes. As at 30 June 2017 we are the largest company on the Australian Securities Exchange (ASX), and are listed on the MSCI ACWI Index.

Our financial strength

We aim to provide shareholders with stable returns, which are achieved through a resilient balance sheet and rigorous management of capital, funding and liquidity levels. As one of Australia's largest employers and corporate taxpayers, and with more than 800,000 shareholders who directly own Commonwealth Bank shares, and the millions more who own shares through superannuation funds, we are proud of the contribution we make to the Australian economy.

Our competitive advantages are complementary to sustaining this performance, and include:

Our franchise

We have a strong franchise that supports the largest customer base in the Australian financial services sector, with leading market share in many segments. We:

- Support 13.8 million customers in Australia;
- Are the Main Financial Institution for one in three Australians;
- Have the largest market share of earlier stage segments in Australia, including youth, young adults and migrants, and the largest share of the Australian home loan market; and
- Meet an average of over three retail product needs per customer, a leading position amongst our peer group.

Our brands

With some of Australia's most recognised and valued brands, we are consistently the organisation that customers and communities turn to as their bank of choice. Our collection of brands have helped identify us for over 100 years, reinforcing our position in ensuring individuals and businesses can meet their goals, now and into the future.

- The Commonwealth Bank is Australia's most valuable banking brand, according to the BrandZ Top 100 Most Valuable Global Brands 2017 rankings. Globally, we ranked 60th most valuable across all industries;
- Bankwest was named 'Bank of the Year' in Money Magazine's annual Consumer Finance Awards;
- Colonial First State is trusted with over $100bn of Australia's savings and investments, and FirstChoice was recognised as Australia's most popular investment platform;
- One in every two retail trades are completed through CommSec (non-advised); and
- One in every four new Commonwealth Bank home loan customers are insured through CommInsure.

Our distribution capabilities

We operate the largest financial services distribution network in Australia, supporting millions of customers whenever, wherever and however they wish to interact with us. With award-winning digital offerings, we also have the largest physical distribution network in Australia.

- We have 1,121 branches, and 4,398 ATMs in Australia. We also operate 123 branches and 427 ATMs in New Zealand (through ASB), and 106 branches and 166 ATMs elsewhere in the world;
- We support Australian businesses and institutions across Australia, leveraging our relationship excellence and leading products and services; and
- Our shift to the digital revolution has meant NetBank and the CommBank App now handles 54% of total transactions by value.

Our information and analytical capabilities

Our unique position enables us to employ a wide range of information management and data analytics capabilities to develop insights that empower our customers.

- Our real-time information capability, developed under the Core Banking Modernisation program, continues to deliver tangible benefits for our customers;
- As Australia's largest financial services provider, in order to make sense of our extensive data assets, we employ dedicated data engineers and scientists who continuously help improve customer experiences and business performance;

We operate Australia's largest financial services distribution network.

- The Customer Engagement Engine looks at over 15 million customer interactions a day across channels, ensuring we remain highly responsive to our customers' needs, and each week, we generate over 100,000 unique insights; and
- Over 230,000 NetBank and CommBiz users have 24/7 access to insights about their business through Daily IQ.

Our risk management

We constantly monitor our environment to assess the risks in our businesses, and use our expertise to manage these risks and prepare for the potential impacts on our stakeholders.

Our approach to risk management seeks to balance risk, returns and growth for the benefit of our customers and stakeholders, by:

- Establishing frameworks to manage material risk types, which are consistent with our business objectives and responsibilities to customers and stakeholders;
- Optimising risk and return outcomes within our risk appetite, as approved by the Board;
- Assessing the impact of proposed changes to laws, regulations and industry codes; and
- Reporting risks to the Board, Risk and Audit Committees, the Executive Committee and within each of our business areas.

Business risks

This section describes the risks that could materially impact our ability to serve our customers and/or deliver our strategy, and the actions we are taking to mitigate these risks. These risks are not listed in order of materiality and the section should be read in conjunction with the Notes to the Financial Statements relevant to Risk Management.

Competition and industry disruption

The risk and its impact

Meeting customer needs with innovative solutions and superior experiences is critical to maintaining high-quality relationships with our customers.

As customer expectations continue to evolve, competitors are finding alternative ways to deliver financial services, and emerging technologies present new sources of competitive advantage. A failure to recognise and adapt to changing competitive forces in a timely manner could erode our earnings and our market position over the long term.

How we are responding

- We actively monitor changes in customer preferences, products, technologies and distribution channels and continuously improve customer experiences with market leading innovation.
- We invest in people and key areas of technology capability that are critical to our value proposition to customers, including cyber-security, digital channels, data and analytics.
- We are investing in emerging technologies such as Quantum Computing, Blockchain, and Artificial Intelligence to ensure that the way we operate and the solutions we provide to our customers are industry leading.
- We invest in productivity to optimise our cost base and continue to remain competitive for our customers.

Business resilience

The risk and its impact

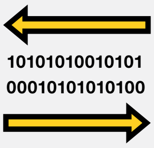
The resilience and continuity of our operations is critical to providing our customers with the products, services and experiences that they expect.

Events driven by our external environment, including cyber-attacks, extreme weather conditions, natural disasters, war, political instability, pandemics or critical failures with our third-party suppliers can significantly disrupt the systems and processes that enable us to serve and protect our customers. Such disruptions can affect our trusted relationships with customers, our reputation, and our operating costs.

How we are responding

- We monitor the health of all systems and perform contingency planning for disruptions to critical systems and processes.
- We are implementing a number of process and system simplification initiatives through investments in agile capability, automation and systems resilience.
- We are investing in our technology, processes and people capabilities to mitigate the impact of cyber-security risks on our businesses and customers.
- Group policies and standards on supplier governance, selection and management and on outsourcing/offshoring are applied to mitigate the risk and impact of third-party disruptions.
- We are improving partnership arrangements to drive greater alignment between our business and technology partners to ensure we remain agile in the face of change.

Data management



The risk and its impact

As Australia's largest financial institution, we manage a significant volume of sensitive customer data and value the trusted relationship we have with our customers.

As technology continues to evolve, the threat of cyber-attacks is becoming more sophisticated and greater numbers of third-parties seek to access our customers' data and remove it from the safety of our systems and firewalls. A failure to ensure this information is kept safe and used in a way that regulators and customers expect, may significantly impact relationships with these stakeholders and the broader community.

How we are responding

- We have, and continue to invest significantly in our data, analytics and cyber-security capabilities to better meet evolving customer needs and expectations, and to reduce the potential for data breaches.
- We actively engage with regulators to ensure that there is appropriate governance in place and that evolution in regulation appropriately balances the value of giving customers control of their data, with our duty to protect customers' privacy and security.
- We continuously invest in IT system security and identity and access management controls to secure the confidentiality, integrity and availability of our data.
- Our people undergo mandatory training modules to ensure they understand the importance of data security and their obligations in relation to the data they have access to.

People capability

The risk and its impact

Our people are critical to the success of our strategy and ensuring we are able to continuously find better ways to operate and meet customer needs.

A shortage of key skills, a failure to help our people continuously update their capabilities, the emergence of new technologies, and/or a fall in our attractiveness relative to other leading employers, could impact our ability to deliver on our strategy and vision.

How we are responding

- We are investing in our value proposition as an employer, through new ways of working (including flexibility and mobility), competitive benefits and a focus on culture and diversity.
- We focus on developing and retaining our people, including senior management, through targeted training programs and skill upgrading.
- We are creating flexible and innovative workspaces to enable stronger collaboration and foster an innovative culture.
- We are building partnerships with leading universities to further develop top talent and are investing in community awareness of potential future skills shortages such as mathematics.
- We are assessing how new technologies will impact the future workforce for the Australian economy and our businesses. We are building these changes into our long-term people development and capability roadmaps.

Housing market

The risk and its impact

The domestic mortgage market is a key focus area for our business, and we continue to maintain a high-quality portfolio.

As the largest home loan provider in Australia we are exposed to changes in the home lending market and in house prices. A significant or sustained downturn in the housing market could result in a material increase in mortgage defaults.

How we are responding

- Our trusted brand and balance sheet strength provide a buffer in times of economic stress and uncertainty. We are strong in the measures of capital, funding and liquidity which enables us to continue to lend to our customers.
- We closely manage the credit quality of our home loan portfolio at origination and on an ongoing basis. As a responsible lender, loan serviceability is important and we apply strong criteria when providing home loans. We constantly review and monitor our lending standards to ensure we maintain prudent lending practices and continue to meet our customers' financial needs now and in the future.
- We invest in our risk management capabilities and closely monitor market conditions and competitive dynamics.
- We undertake regular stress tests to ensure that we understand the dynamics of the retail home loan portfolio and how we would expect it to perform under a range of scenarios.
- Our growth in other lines of business are sources of diversification to earnings and risk exposures from our retail home loan portfolio.

Business risks continued

Regulatory and policy environment

The risk and its impact

Regulatory compliance and involvement in evolving policy discussions are critical to how we continue to run our business, and interact with customers.

The banking industry remains subject to ongoing regulatory and policy changes.

If we are unable to foresee, advocate for, plan for, and adapt to regulatory change, this could negatively impact our ability to serve customers, and/or our earnings.

How we are responding

- We allocate a material proportion of our investment budget to regulatory compliance and risk prevention initiatives, and engage with policy makers and communities to advocate for appropriate regulatory reform.
- We maintain constructive and proactive relationships with key regulators.

Climate change

The risk and its impact

We actively consider the environmental impacts of our activities and are committed to operating sustainably and making a positive contribution beyond our core businesses.

We consider climate change to be a significant long term driver of both financial and non-financial risks. Addressing that risk is core to our business strategy as climate change has the potential to impact our relationships with customers as they adjust their preferences and behaviours, our systems and processes, our costs, and the value of our loans to affected industries.

How we are responding

- Under our Corporate Responsibility programs and initiatives, we take a long term view to ensure that we do business in a sustainable and efficient way, and appropriately use our influence to enhance environmental outcomes.
- We have implemented frameworks for considering Environmental, Social and Governance (ESG) issues in assessing our relationships with customers and suppliers. We continue to track our progress against a range of ESG commitments.
- Our Group Environment Policy outlines our objectives of safeguarding the environment, whilst supporting economic growth and development.
- Our Climate Policy Position Statement outlines our commitment to playing our part in limiting climate change to well below two degrees in line with the Paris Agreement and how we will support the responsible global transition to net zero emissions by 2050. We are undertaking a scenario analysis to inform our long term climate strategy across our lending, investing, insuring and procuring activities.
- We are reducing our own direct impact by monitoring and reducing greenhouse gas emissions and energy use through our Sustainable Property Strategy.

Reputation

The risk and its impact

Our reputation is of critical importance to us and is directly related to how we run our businesses, make decisions, and communicate with customers and the communities in which we operate.

A negative shift in any stakeholder's perception of the Group may materially undermine our ability to advocate for positive outcomes that align to our vision and values, and our ability to drive long-term performance. It may also affect the cost and availability of funding necessary for the sustainable management of our business.

How we are responding

- We actively focus on improving the transparency of our business decisions and engage with our customers, employees and the communities in which we operate to understand their concerns and balance their needs.
- We have embedded the 'Our Commitments' framework, which communicates what we expect of our people in applying our vision and values as a guide for business management and decision-making.
- We continue to drive deeper engagement with customers, government and industry groups to ensure we deliver better and consistently fair outcomes, and remediate issues when we are made aware of them.
- We engage with external rating agencies to assist them in forming an opinion on our general creditworthiness, with mechanisms to adjust business settings as appropriate.

Performance overview

Performance overview

Group Financial Performance

Statutory net profit after tax for the year ended 30 June 2017 increased 8% on the prior year to $9,928 million. Statutory return on equity was 16.1% and statutory earnings per share was 577.6 cents, an increase of 7% on the prior year.

We report our results on a statutory and cash basis. The statutory basis is prepared and audited in accordance with the Corporation Act 2001 and Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS). The cash basis is used by management to present a clear view of the Group's underlying operating results, excluding certain items listed on page 34 that introduce volatility and/or one-off distortions of the Group's current period performance.

Cash net profit after tax ("cash basis") increased 5% on the prior year to $9,881 million.

The key components of our result were:

- **Net interest income** increased 4% to $17,600 million, reflecting 6% growth in average interest earning assets, partly offset by a three basis point decrease in net interest margin. Net interest margin excluding Treasury and Markets decreased four basis points to 2.09%;
- **Other banking income** increased 14% to $5,520 million, including a $397 million gain on sale of the Group's remaining investment in Visa Inc. Underlying income increased 5% driven by strong growth in fees and commissions;
- **Funds management income** increased 1% to $2,034 million, including a 3% unfavourable impact from the higher Australian dollar. This reflects a 6% increase in average Funds Under Administration (FUA) and 4% increase in average Assets Under Management (AUM), partly offset by lower FUA and AUM margins;
- **Insurance income** decreased 1% to $786 million with higher claims resulting in loss recognition of $143 million, $78 million higher than the prior year, partly offset by 1% growth in average inforce premiums;
- **Operating expenses** increased 6% to $11,078 million, including a $393 million one-off expense for acceleration of amortisation on certain software assets. Underlying expense growth of 2% was driven by staff, technology and investment spend, partly offset by the continued realisation of incremental benefits from productivity initiatives; and
- **Loan impairment expense** decreased 13% to $1,095 million, due to lower provisioning primarily in Institutional Banking and Markets and Business and Private Banking partly offset by an increase in Bankwest.

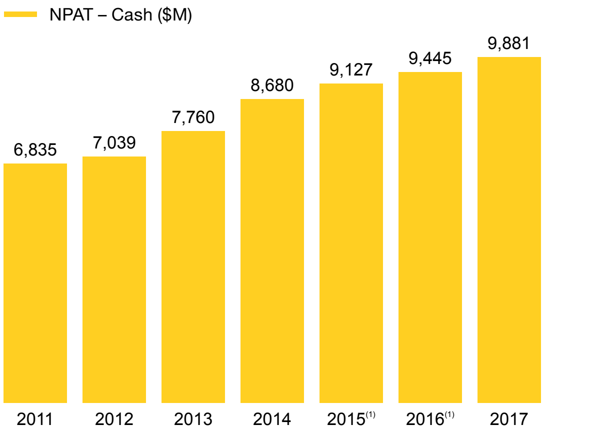
Dividends

This performance has allowed us to declare a final dividend of $2.30 per share, bringing the total dividend for the year ended 30 June 2017 to $4.29 per share, an increase of 9 cents or 2% on the prior year. This represents a dividend payout ratio (cash basis) of 75%.

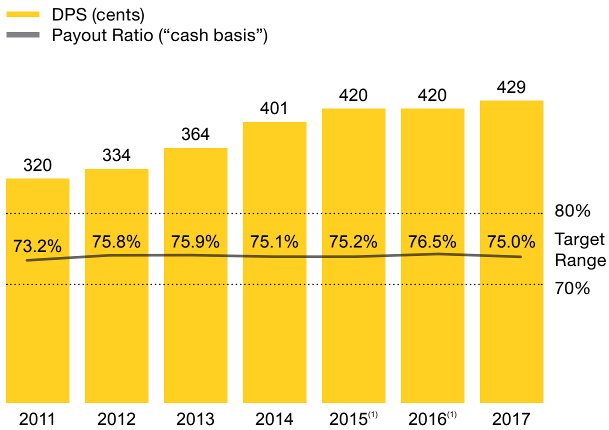
The final dividend payment will be fully franked and will be paid on 29 September 2017 to owners of ordinary shares at the close of business on 17 August 2017 (record date). Shares will be quoted ex-dividend on 16 August 2017.

The dividend reinvestment plan will continue to be offered to shareholders and this period a 1.5% discount will be applied to shares allocated under the plan for the final dividend.

Group Net Profit after Tax



Full Year Dividend History (cents per share)



(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1 of the Financial Statements.

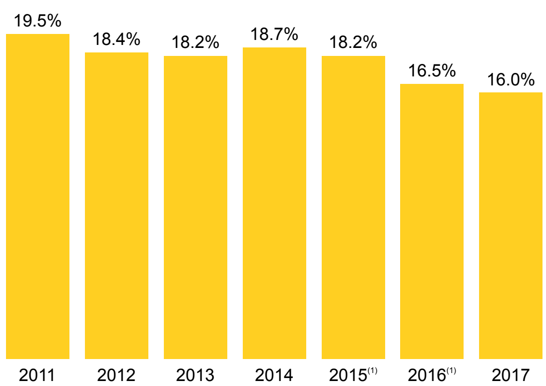
Group Financial Performance

	Full Year Ended [1]		
	FY17 $M	FY16 $M	Change %
Net interest income	**17,600**	16,935	4
Other banking income [2]	**5,520**	4,860	14
Total banking income	**23,120**	21,795	6
Funds management income	**2,034**	2,016	1
Insurance income	**786**	795	(1)
Total operating income	**25,940**	24,606	5
Investment experience	**65**	141	(54)
Total income	**26,005**	24,747	5
Operating expenses [3]	**(11,078)**	(10,434)	6
Loan impairment expense	**(1,095)**	(1,256)	(13)
Net profit before tax	**13,832**	13,057	6
Corporate tax expense [4]	**(3,927)**	(3,592)	9
Non-controlling interests [5]	**(24)**	(20)	20
Net profit after tax ("cash basis")	**9,881**	9,445	5
Hedging and IFRS volatility [6]	**73**	(199)	large
Other non-cash items [6]	**(26)**	(23)	13
Net profit after tax ("statutory basis")	**9,928**	9,223	8
Return on equity (%) [7]	**16.0**	16.5	(50)bpts
Earnings per share – basic (cents) [7]	**574.4**	554.8	4
Dividends per share (cents) [7]	**429**	420	2

(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1 of the Financial Statements.
(2) FY17 includes a $397 million gain on sale of the Group's remaining investment in Visa Inc.
(3) FY17 includes a $393 million one-off expense for acceleration of amortisation on certain software assets.
(4) For the purposes of presentation of Net profit after tax ("cash basis"), policyholder tax benefit/(expense) components of corporate tax expense are shown on a net basis (30 June 2017: $32 million expense and 30 June 2016: $101 million expense).
(5) Non-controlling interests include preference dividends paid to holders of preference shares in ASB Capital Limited and ASB Capital No.2 Limited.
(6) Refer to page 34 for details.
(7) Ratios prepared on a cash basis.

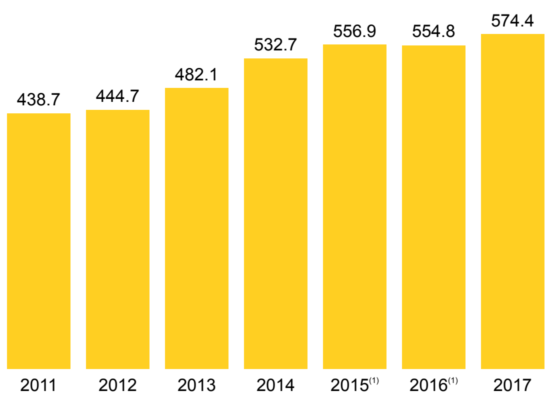
Group Return on Equity

RoE – Cash (%)



Earnings Per Share (cents per share)

EPS – Cash (cents)



(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1 of the Financial Statements.

Divisional Performance Summary

	Full Year Ended (1) ("cash basis")		
	FY17 $M	FY16 $M	Change %
Retail Banking Services	**4,964**	4,540	9
Business and Private Banking	**1,639**	1,522	8
Institutional Banking and Markets	**1,306**	1,190	10
Wealth Management	**553**	612	(10)
New Zealand	**973**	881	10
Bankwest	**702**	778	(10)
IFS and Other	**(256)**	(78)	large
Net profit after tax ("cash basis")	**9,881**	9,445	5
Investment experience after tax	**(44)**	(100)	(56)
Net profit after tax ("underlying basis")	**9,837**	9,345	5

(1) Comparative information has been restated to reflect refinements to the allocation of customer balances, revenue and expense methodology including updated transfer pricing allocations, and changes in accounting policy detailed in Note 1 of the Financial Statements.

Retail Banking Services provides home loan, consumer finance and retail deposit products and servicing to all Retail bank customers and non-relationship managed small business customers.

Cash net profit after tax was $4,964 million, an increase of 9% on the prior year. This was driven by strong growth in total banking income, partly offset by higher expenses and increased loan impairment expense.

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 our online brokerage service, CommSec.

Cash net profit after tax was $1,639 million, an increase of 8% on the prior year. This was driven by growth in total banking income and lower loan impairment expense, partly offset by higher expenses.

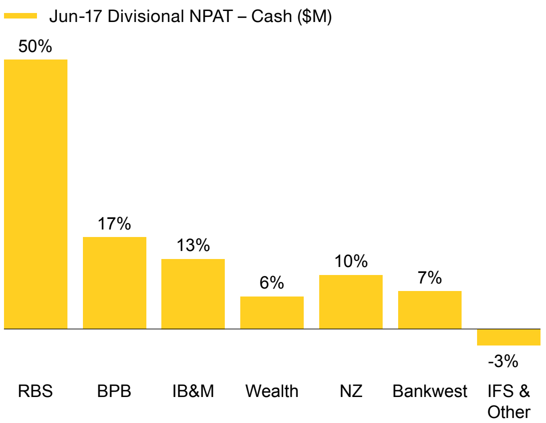
Institutional Banking and Markets manages our global relationships with corporate, government and institutional clients, and provides financial services solutions across financial and capital markets, transaction banking, working capital and risk management.

Cash net profit after tax was $1,306 million, an increase of 10% on the prior year. This was driven by strong growth in deposit volumes, active management of the lending portfolio, lower losses from derivative valuation adjustments, and lower loan impairment expense.

Wealth Management encompasses the Group's funds management, superannuation, insurance and financial planning businesses, operating under the brands of Colonial First State, Colonial First State Global Asset Management, CommInsure, Commonwealth Financial Planning, Financial Wisdom and Count. Colonial First State administers more than $146bn of FUA, Colonial First State Global Asset Management manages more than $219bn of AUM and CommInsure manages more than $2.3bn of inforce premiums.

Cash net profit after tax was $553 million, a decrease of 10% on the prior year. This was driven by lower insurance income and lower investment experience, partly offset by lower operating expenses. Insurance income declined 13%, with growth in general insurance offset by a lower income protection result in life insurance.

Divisional Contribution to Group NPAT



Divisional Performance Summary (continued)

New Zealand includes the banking, funds management and insurance businesses operating in New Zealand under the ASB and Sovereign brands.

Cash net profit after tax was NZD1,069 million, an increase of 9% on the prior year, driven by a strong performance from ASB, partly offset by lower profit in Sovereign.

Bankwest operates in the domestic market, providing lending to retail, business and rural customers as well as a full range of deposit products. More than half of Bankwest's customers are based in Western Australia.

Cash net profit after tax was $702 million, a decrease of 10% on the prior year. This result was driven by a higher loan impairment expense and a one-off cost for the integration of Bankwest's east coast business banking operation into Business and Private Banking, partly offset by higher total banking income. Excluding the one-off integration costs, underlying cash net profit after tax decreased 7%.

IFS oversees our retail and business banking operations in Indonesia, China, Vietnam and India, as well as associate investments in China and Vietnam, life insurance operations in Indonesia and a financial services technology business in South Africa.

Cash net profit after tax was $93 million, an increase of 79% on the prior year, including a 35% decrease from the higher Australian dollar. The result was driven by lower operating expenses and a one off tax benefit, partly offset by lower operating income.

Other divisions includes the results of Group support functions such as Group Strategy, Marketing, Group Corporate Affairs and Treasury, as well as intra-group elimination entries arising on consolidation.

Other divisions cash net profit after tax reduced $219 million on the prior year to a loss of $349 million. This was primarily driven by a one-off expense for acceleration of amortisation on certain software assets, higher corporate technology costs, an increase in the centrally held loan impairment provisions, and the timing of recognition of unallocated revenue items and eliminations, partly offset by a gain on sale of the Group's remaining investment in Visa Inc.

Net Interest Income

	Full Year Ended [1]		
	FY17 $M	FY16 $M	Change %
Net interest income – "cash basis"	**17,600**	16,935	4
Average interest earning assets			
Home loans [2]	**435,448**	409,669	6
Consumer Finance	**23,518**	23,722	(1)
Business and corporate loans	**221,188**	211,356	5
Total average lending interest earning assets	**680,154**	644,747	5
Non-lending interest earning assets	**154,587**	145,849	6
Total average interest earning assets	**834,741**	790,596	6
Net interest margin (%)	**2.11**	2.14	(3)bpts
Net interest margin excluding Treasury and Markets (%)	**2.09**	2.13	(4)bpts

(1) Comparative information has been reclassified to conform to presentation in the current period.

(2) Net of average mortgage offset balances. Gross average home loan balance, excluding mortgage offset account is $470,773 million (30 June 2016: $436,530 million).

Net interest income increased 4% on the prior year to $17,600 million. This was driven by growth in average interest earning assets of 6%, partly offset by a three basis point decrease in net interest margin.

Average Interest Earning Assets

Average interest earning assets increased $44 billion on the prior year to $835 billion, driven by:

- Home loan average balances increased $26 billion or 6% on the prior year to $435 billion. The growth in home loan balances was largely driven by domestic banking growth;
- Average balances for business and corporate loans increased $10 billion or 5% on the prior year to $221 billion, driven by growth in business banking lending balances; and
- Average non-lending interest earning assets increased $8 billion or 6% on the prior year to $155 billion due to higher liquid assets as a result of a reduction in the Committed Liquidity Facility (CLF).

Performance overview continued

Net Interest Income (continued)

Net Interest Margin

Net interest margin decreased three basis points on the prior year to 2.11%. The key drivers of the movement were:

Asset pricing: Increased margin of five basis points with the benefit from home loan repricing, partly offset by the impact of competition on home and business lending.

Funding costs: Decreased margin of four basis points reflecting an increase in wholesale funding costs due to lengthening the mix and tenor of wholesale funding to assist the Group in preparing for the Net Stable Funding Ratio which applies from 1 January 2018. Deposit costs were flat with the negative impact from the lower cash rate, offset by repricing.

Portfolio mix: Flat with a favourable change in funding mix from proportionally higher levels of transaction deposits, offset by unfavourable change in lending mix.

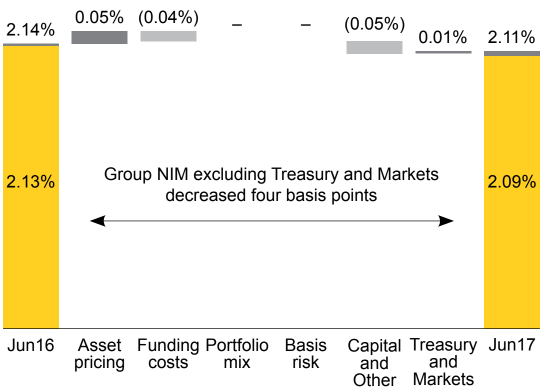
Basis risk: Basis risk arises from funding assets which are priced relative to the cash rate with liabilities priced relative to the bank bill swap rate. The impact on margin was flat as a result of minimal change in the spread between the cash rate and the bank bill swap rate during the year.

Capital and Other: Decreased margin of five basis points driven by the impact of the falling cash rate environment on free equity funding and a two basis point reduction in the contribution from New Zealand, partly offset by the positive impact from higher capital.

Treasury and Markets: Increased margin of one basis point driven by a higher contribution from Treasury and Markets, partly offset by increased holdings of liquid assets.

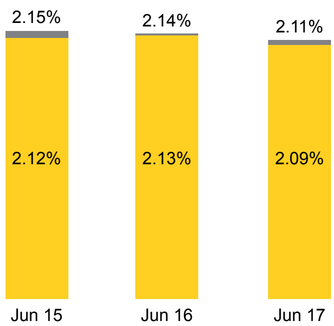
NIM movement since June 2016 (1)

Group NIM
Group NIM excluding Treasury and Markets



Group NIM (1)

Group NIM
Group NIM excluding Treasury and Markets



(1) Comparative information has been reclassified to conform to presentation in the current period.

Other Banking Income

	Full Year Ended		
	FY17 $M	FY16 $M	Change %
Commissions	**2,482**	2,215	12
Lending fees	**1,078**	1,010	7
Trading income	**1,149**	1,087	6
Other income (1)	**811**	548	48
Other banking income – "cash basis" (1)	**5,520**	4,860	14

(1) FY17 includes a $397 million gain on sale of Group's remaining investment in Visa Inc.

Other banking income increased 14% on the prior year to $5,520 million. Excluding the one-off impact of a gain on sale of the Group's remaining investment in Visa Inc., other banking income increased 5%. The key drivers were:

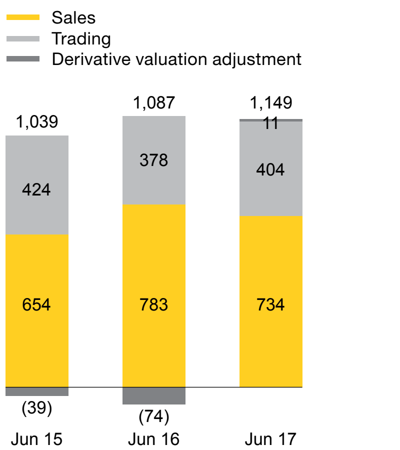
Commissions increased 12% on the prior year to $2,482 million due to higher consumer finance income driven by higher purchases and lower loyalty costs, and volume driven deposit fee income;

Lending fees increased 7% on the prior year to $1,078 million with volume driven growth, partly offset by lower Institutional fees due to competitive pressures;

Trading income increased 6% on the prior year to $1,149 million driven by favourable derivative valuation adjustments, partly offset by lower Markets sales; and

Other income increased 48% on the prior year to $811 million, driven by a gain on sale of the Group's remaining investment in Visa Inc., partly offset by a higher realised loss on the hedge of New Zealand earnings.

Net Trading Income ($M)



Funds Management Income

	Full Year Ended		
	FY17 $M	FY16 $M	Change %
Colonial First State (CFS) (1)	**928**	929	–
CFS Global Asset Management (CFSGAM)	**837**	842	(1)
CommInsure	**121**	120	1
New Zealand	**92**	80	15
Other	**56**	45	24
Funds management income – "cash basis"	**2,034**	2,016	1

(1) Colonial First State incorporates the results of all Wealth Management Financial Planning businesses.

Funds management income increased 1% on the prior year to $2,034 million, driven by:

- A 6% increase in average FUA reflecting strong investment markets across the Australian and New Zealand businesses and positive net flows in Australia; and
- A 4% increase in average AUM as a result of positive net flows and strong investment markets in the Australian and New Zealand businesses; partly offset by
- A 3% unfavourable impact from the higher Australian dollar;
- A decline in FUA margins as a result of increased customer remediation costs in CFS Advice; and
- A decline in AUM margins as a result of a change in investment mix in the Australian business.

Performance overview continued

Insurance Income	FY17 $M	FY16 $M	Change %
	Full Year Ended		
CommInsure	**438**	502	(13)
New Zealand	**278**	242	15
IFS	**50**	46	9
Other	**20**	5	large
Insurance income – "cash basis"	**786**	795	(1)

Insurance income decreased 1% on the prior year to $786 million, driven by:

- A decline in CommInsure Retail life income due to higher claims resulting in loss recognition of $143 million in income protection during the year, an increase of $78 million on the prior year; partly offset by
- Higher premiums in New Zealand and IFS;
- Lower claims in IFS and CommInsure Wholesale life; and
- A 1% increase in average inforce premiums.

Operating Expenses	FY17 $M	FY16 $M	Change %
	Full Year Ended		
Staff expenses (1)	**6,268**	6,169	2
Occupancy and equipment expenses	**1,139**	1,134	–
Information technology services expenses (2)	**1,941**	1,485	31
Other expenses	**1,730**	1,646	5
Operating expenses – "cash basis" (2)	**11,078**	10,434	6
Operating expenses to total operating income (%) (1) (3)	**42.7**	42.4	30 bpts
Banking expenses to total banking income (%) (3)	**39.4**	38.2	120 bpts

(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1 of the Financial Statements.

(2) The current year includes a $393 million one-off expense for acceleration of amortisation on certain software assets.

(3) Excluding a $397 million gain on sale of the Group's remaining investment in Visa Inc. and a $393 million one-off expense for acceleration of amortisation on certain software assets, operating expenses to total operating income is 41.8% for the current year and banking expenses to total banking income is 38.4% for the current year.

Operating expenses increased 6% on the prior year to $11,078 million. Excluding the one-off impact of accelerated software amortisation, operating expenses increased 2%. The key drivers were:

Staff expenses increased 2% to $6,268 million driven by salary increases and employee entitlements, partly offset by productivity initiatives;

Occupancy and equipment expenses were flat at $1,139 million, due to increased rental reviews and depreciation, offset by lower relocation feasibility costs;

Information technology services expenses increased 31% to $1,941 million, primarily driven by a $393 million one-off expense for acceleration of amortisation on certain software assets. Underlying expenses increased 4% due to higher licensing expenses, lease costs, and investment spend;

Other expenses increased 5% to $1,730 million, due to higher professional fees, partly offset by reduced marketing costs;

Group expense to income ratio increased 30 basis points on the prior year to 42.7%, primarily driven by a gain on sale of the Group's remaining investment in Visa Inc. and the one-off expense for acceleration of amortisation on certain software assets. The underlying ratio was 41.8%, a reduction of 60 basis points.

Operating expenses – Investment Spend

	Full Year Ended		
	FY17 $M	FY16 $M	Change %
Expensed investment spend [1]	**650**	604	8
Capitalised investment spend	**629**	769	(18)
Investment spend	**1,279**	1,373	(7)
Comprising:			
Productivity and growth	**681**	701	(3)
Risk and compliance	**470**	505	(7)
Branch refurbishment and other	**128**	167	(23)
Investment spend	**1,279**	1,373	(7)

(1) Included within the Operating Expenses disclosure on page 32.

We continued to invest to deliver on the strategic priorities of the business with $1,279 million incurred in the full year to 30 June 2017, a decrease of 7% on the prior year.

The decrease is due to the timing and completion of key phases of risk and compliance projects in the prior year (including Future of Financial Advice (FOFA)), significant progress made with branch transformation, and the roll-out of refreshed ATMs in the prior year, and the timing of spend on productivity and growth initiatives.

Spend on productivity and growth continued to focus on delivering further enhancements to the Group's sales management capabilities, digital channels and customer data insights.

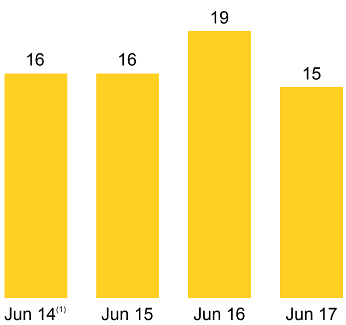
Significant spend on risk and compliance projects has continued as systems are implemented to assist in satisfying new regulatory obligations, including Stronger Super and Common Reporting Standard requirements. In addition, the Group continues to invest in safeguarding information security to mitigate risks and provide greater stability for customers.

Loan Impairment Expense

	Full Year Ended [1]		
	FY17 $M	FY16 $M	Change %
Retail Banking Services	**699**	663	5
Business and Private Banking	**74**	176	(58)
Institutional Banking and Markets	**64**	252	(75)
New Zealand	**65**	120	(46)
Bankwest	**89**	(10)	large
IFS and Other	**104**	55	89
Loan impairment expense – "cash basis"	**1,095**	1,256	(13)

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

Impairment Expense (Annualised) as a % of Average GLAAs (bpts)



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

Loan impairment expense decreased 13% on the prior year to $1,095 million. Loan impairment expense annualised as a percentage of Average Gross Loans and Acceptances (GLAAs) decreased 4 basis points to 15 basis points. The decrease was driven by:

- Reduced individual provisions and lower collective provisions in Business and Private Banking;
- Lower collective provisions and fewer large individual provisions in Institutional Banking and Markets; and
- Lower collective provisioning in the New Zealand dairy sector; partly offset by
- An increase in Retail Banking Services as a result of higher arrears and losses for home loans and consumer finance, predominantly in Western Australia and Queensland; and
- An increase in Bankwest due to slower run-off of the business troublesome book and higher home loan losses, predominantly in Western Australia.

Taxation Expense	Full Year Ended		
	FY17 $M	FY16 $M	Change %
Corporate tax expense ($M)	**3,927**	3,592	9
Effective tax rate – "cash basis" (%)	**28.4**	27.5	90 bpts

Corporate tax expense for the year ended 30 June 2017 increased 9% on the prior year representing a 28.4% effective tax rate. This increase is primarily as a result of a change in business mix, including the run-off of specialised financing transactions.

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

Non-Cash Items Included in Statutory Profit	Full Year Ended [(1)]		
	FY17 $M	FY16 $M	Change %
Hedging and IFRS volatility	**73**	(199)	large
Bankwest non-cash items	**(3)**	(27)	(89)
Treasury shares valuation adjustment	**(23)**	4	large
Other non-cash items	**(26)**	(23)	13
Total non-cash items (after tax)	**47**	(222)	large

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

Non-cash items are excluded from net profit after tax ("cash basis"), which is management's preferred measure of the Group's financial performance, as they tend to be non recurring in nature or are not considered representative of the Group's ongoing financial performance. The impact of these items on the Group's net profit after tax ("statutory basis") is outlined below and treated consistently with the prior financial year. Refer to the Other Information page 213 to 214 for the detailed profit reconciliation.

Hedging and IFRS volatility

Hedging and IFRS volatility includes unrealised fair value gains or losses on:

- Economic hedges that do not qualify for hedge accounting under IFRS;
- Cross currency interest rate swaps hedging foreign currency denominated debt issues;
- Foreign exchange hedges relating to future New Zealand earnings; and
- The ineffective portion of economic hedges that qualify for hedge accounting under IFRS.

This amount is excluded from cash profit as it does not affect the Group's performance over the life of the hedge. A $73 million after tax gain was recognised in statutory profit for the year ended 30 June 2017 (30 June 2016: $199 million after tax loss).

Treasury shares valuation adjustment

Under IFRS, Commonwealth Bank of Australia shares held by the Group in the life insurance businesses are defined as treasury shares and are required to be held at cost. These shares are fair valued in cash profit with the difference between cost and fair value reversed as a non-cash item. A $23 million after tax loss was included in statutory profit in the year ended 30 June 2017 (30 June 2016: $4 million after tax gain).

Policyholder tax

Policyholder tax is disclosed separately in the Wealth Management and New Zealand business results for statutory reporting purposes. The gross up is excluded from cash profit, as it does not reflect the underlying performance of the business, which is measured on a net of policyholder tax basis.

Investment experience

Investment experience includes returns on shareholder capital invested and revaluations in the wealth management businesses. It also includes changes in economic assumptions impacting the insurance businesses and investment profits on the annuity portfolio. This item is classified separately within cash profit.

Review of Group Assets and Liabilities

	As at		
	FY17 $M	FY16 $M	Change %
Interest earning assets			
Home loans (1)	**485,857**	456,074	7
Consumer finance	**23,577**	23,862	(1)
Business and corporate loans	**226,484**	220,611	3
Loans, bills discounted and other receivables (2)	**735,918**	700,547	5
Non-lending interest earning assets	**163,665**	137,838	19
Total interest earning assets	**899,583**	838,385	7
Other assets (2) (3)	**76,791**	94,616	(19)
Total assets	**976,374**	933,001	5
Interest bearing liabilities			
Transaction deposits (4)	**98,884**	89,780	10
Savings deposits (4)	**191,245**	191,313	–
Investment deposits	**220,530**	197,085	12
Other demand deposits	**70,313**	71,293	(1)
Total interest bearing deposits	**580,972**	549,471	6
Debt issues	**168,034**	162,716	3
Other interest bearing liabilities	**57,531**	54,101	6
Total interest bearing liabilities	**806,537**	766,288	5
Non-interest bearing transaction deposits	**44,032**	37,000	19
Other non-interest bearing liabilities (3)	**62,089**	69,149	(10)
Total liabilities	**912,658**	872,437	5

(1) Gross of mortgage offset balances.
(2) Loans, bills discounted and other receivables exclude provisions for impairment which are included in Other assets.
(3) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1 of the Financial Statements.
(4) Includes mortgage offset balances.

Asset growth of $43 billion or 5% on the prior year was driven by increased home lending, business and corporate lending, and higher liquid asset balances.

The Group continued to satisfy a significant portion of lending growth from customer deposits. Customer deposits represent 67% of total funding (30 June 2016: 66%).

Home loans

Home loan balances increased $30 billion to $486 billion, reflecting a 7% increase on the prior year, driven by strong growth in Retail Banking Services, New Zealand and Bankwest.

Consumer finance

Consumer finance, which includes personal loans, credit cards and margin lending decreased 1% on the prior year to $24 billion, broadly in line with system.

Business and corporate loans

Business and corporate loans increased $6 billion to $226 billion, a 3% increase on the prior year. This was driven by strong growth in business lending in Business and Private Banking and New Zealand, partly offset by institutional lending due to active portfolio management.

Non-lending interest earning assets

Non-lending interest earning assets increased $26 billion to $164 billion, reflecting a 19% increase on the prior year. The increase was driven by higher liquid asset balances held as a result of Balance Sheet growth and a reduction in Committed Liquidity Facility (CLF) effective 1 January 2017.

Other assets

Other assets, including derivative assets, insurance assets and intangibles, decreased $18 billion to $77 billion, a 19% decrease on the prior year, reflecting lower derivative asset balances impacted by the higher Australian dollar.

Review of Group Assets and Liabilities (continued)

Interest bearing deposits

Interest bearing deposits increased $32 billion to $581 billion, a 6% increase on the prior year. This was driven by strong growth of $23 billion in investment deposits and an $9 billion increase in transaction deposits.

Debt issues

Debt issues increased $5 billion to $168 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 131 for further information on debt programs and issuance for the year ended 30 June 2017.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through income statement and amounts due to other financial institutions, increased $3 billion to $58 billion, a 6% increase on the prior year.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits, including business and personal transaction accounts, increased $7 billion to $44 billion, driven by strong growth in Retail Banking Services.

Other non-interest bearing liabilities

Other non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, decreased $7 billion to $62 billion, a 10% decrease on the prior year, reflecting lower derivative liability balances impacted by the higher Australian dollar.

Loan Impairment Provisions and Credit Quality

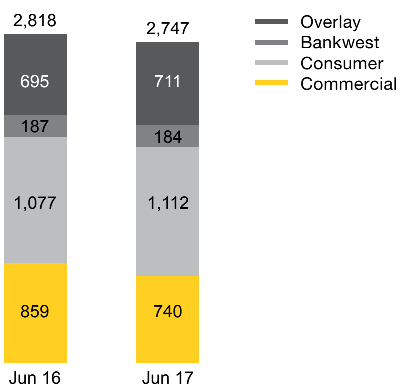
	As at		
	FY17 $M	FY16 $M	Change %
Provisions for impairment losses			
Collective provision	**2,747**	2,818	(3)
Individually assessed provisions	**980**	944	4
Total provisions for impairment losses	**3,727**	3,762	(1)
Less: Provision for Off Balance Sheet exposures	**(34)**	(44)	(23)
Total provisions for loan impairment	**3,693**	3,718	(1)

Provisions for Impairment

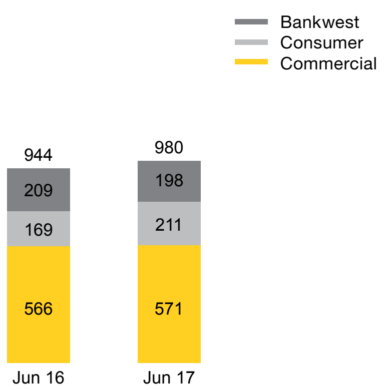
Total provisions for impairment losses decreased 1% on the prior year to $3,727 million. The movement in the level of provisioning reflects:

- Lower commercial collective provisions, mainly in Institutional Banking and Markets; and
- A reduction in Bankwest individually assessed provisions; partly offset by
- An increase in consumer collective provisions in home loans and credit cards in Retail Banking Services;
- Higher consumer individually assessed provisions predominantly due to home loan impairments in Western Australia; and
- Economic overlays remain unchanged.

Collective Provisions ($M)



Individually Assessed Provisions ($M)



Credit Quality Metrics

	Full Year Ended		
	FY17 $M	FY16 $M	Change %
Gross loans and acceptances (GLAA) ($M)	**737,002**	701,730	5
Risk weighted assets (RWA) ($M) – Basel III	**437,063**	394,667	11
Credit RWA ($M) – Basel III	**377,259**	344,030	10
Gross impaired assets ($M)	**3,187**	3,116	2
Net impaired assets ($M)	**2,038**	1,989	2
Provision Ratios			
Collective provision as a % of credit RWA – Basel III	**0.73**	0.82	(9)bpts
Total provisions as a % of credit RWA – Basel III	**0.99**	1.09	(10)bpts
Total provisions for impaired assets as a % of gross impaired assets	**36.05**	36.17	(12)bpts
Total provisions for impairment losses as a % of GLAAs	**0.51**	0.54	(3)bpts
Asset Quality Ratios			
Gross impaired assets as a % of GLAAs	**0.43**	0.44	(1)bpt
Loans 90+ days past due but not impaired as a % of GLAAs	**0.36**	0.33	3 bpts
Loan impairment expense ("cash basis") as a % of average GLAAs	**0.15**	0.19	(4)bpts

Credit Quality

Provision Ratios

Provision coverage ratios remain prudent. The impaired asset portfolio remains well provisioned with provision coverage of 36.05%.

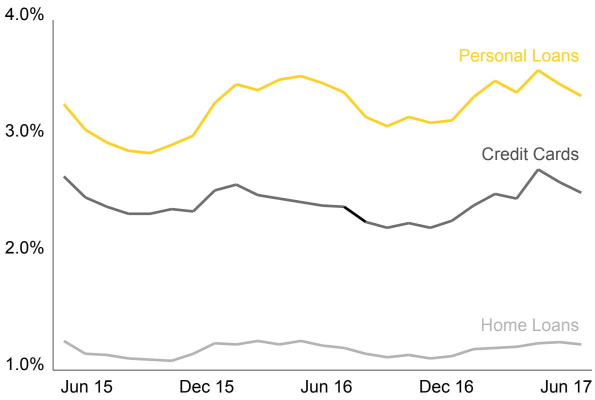
Asset Quality

The asset quality ratios show improvement in the quality of the book with the level of commercial troublesome and impaired assets reducing over the year. The arrears for the home loan and credit card portfolios remain relatively low, however personal loan arrears continues to be elevated, primarily in Western Australia.

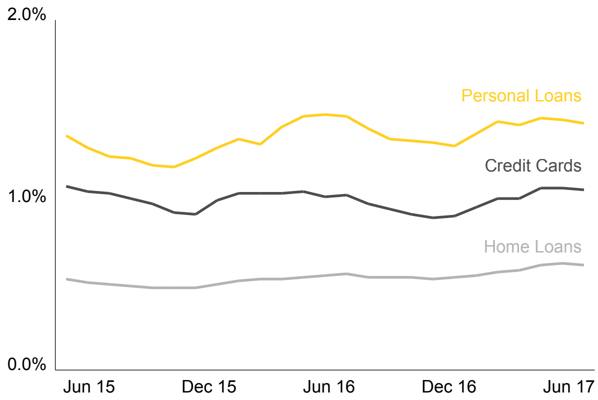
Retail Portfolios – Arrears Rates

Home loan arrears increased over the year, with 30+ day arrears increasing from 1.21% to 1.22%, and 90+ day arrears increasing from 0.54% to 0.60%. Personal loan arrears improved over the year with 30+ day arrears falling from 3.46% to 3.35%, and 90+ day arrears reducing from 1.46% to 1.41%. Credit card arrears deteriorated with 30+ day arrears increasing from 2.41% to 2.52%, and 90+ day arrears increasing from 0.99% to 1.03%.

30+ Days Arrears Ratios (%) (1)



90+ Days Arrears Ratios (%) (1)



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

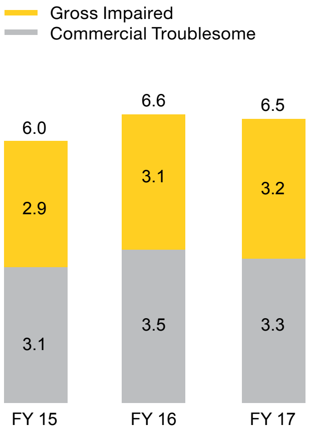
Performance overview continued

Credit Quality Metrics (continued)

Troublesome and Impaired Assets
Commercial troublesome assets decreased 5% during the year to $3,313 million.

Gross impaired assets increased 2% on the prior year to $3,187 million. Gross impaired assets as a proportion of GLAAs of 0.43% decreased one basis point on the prior year.

Troublesome and Impaired Assets ($B)



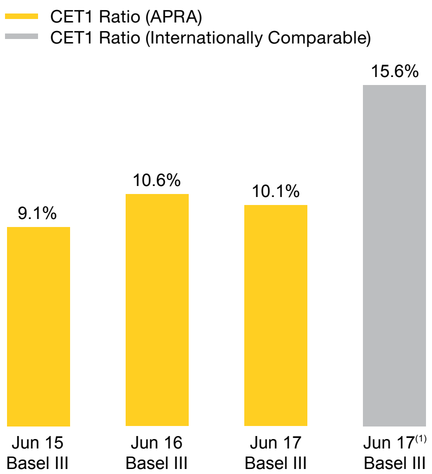
Capital

After allowing for the APRA requirement to hold additional capital with respect to Australian residential mortgages, the Group continued to strengthen its capital position during the year.

The Group's CET1 ratio as measured on an APRA basis was 10.1% at 30 June 2017 and 10.6% at 30 June 2016. The capital ratios were maintained well in excess of regulatory minimum requirements at all times throughout the year.

Internationally Comparable Capital Position
The Group's CET1 ratio as measured on an internationally comparable basis was 15.6% as at 30 June 2017, placing it amongst the top quartile of international peer banks.

Capital Ratios



(1) Analysis aligns with the APRA study titled "International capital comparison study" (13 July 2015).

Corporate responsibility

Corporate responsibility

Our Approach

With our corporate responsibility programs and initiatives we assist our customers, support our communities, engage our people and minimise our environmental impact all founded on a principle of good business practice.

We play an important role in enabling economic and social development, supporting jobs, driving innovation and creating opportunities. We actively look for ways to use our unique capabilities and resources to make a positive contribution beyond our core activities.

We do this as part of our everyday business as well as through Opportunity Initiatives which is our corporate responsibility plan to drive positive, long term value and change for all our stakeholders. Opportunity Initiatives is focused on three pillars: education, innovation and good business practice. Full details of our progress and performance are available in the 2017 Corporate Responsibility Report, available on our website.

Helping customers secure their financial wellbeing

Research has shown that almost half of all Australians spend more than they would like to; one in five report having zero savings; and almost half feel as though they are not progressing towards their financial goals. We are responding by collaborating with community organisations, leading academics, regulators and social service agencies to help tackle the most pressing financial wellbeing challenges in Australia.

We have a unique ability to use our technology and innovation capabilities to directly support good financial habits, and better financial decisions. For example, new CommBank app features are giving people more visibility and insight into their spending so they can take more control:

- **Transaction Notifications – real time credit card transaction notifications that give customers immediate awareness and insights into their daily spend so they can better manage their finances and improve their savings.**
- **Spend Tracker – a month-to-date summary of credit card activity that automatically categorises transactions and shows customers where their money is going so they can make better decisions on where to spend.**

In an Australian first, Commonwealth Bank credit card customers are now able to close their credit card account online in real time giving them even greater control over their financial wellbeing. The fully digital experience enables customers to close their credit card using the CommBank app or online without the need to go into branch or speak to our contact centre.

Improving our customers' experience

Increasing emphasis is being placed on the banking sector's social licence to operate and we are fully committed to implementing the Australian Bankers' Association's Better Banking Program to protect customer interests and build trust and confidence in the industry. We are making good progress and will continue to implement more reforms that deliver real and practical benefits to our customers.

Customer Advocacy
In August 2016 we appointed an independent Customer Advocate and established the Group Customer Advocacy team. The team is focused on making processes faster, simpler and fairer for customers. There is a particular focus on helping customers who are disadvantaged, experiencing hardship, have language difficulties or face other special circumstances.

In April 2017, a Customer Advocate Community Council was established, comprised of 20 representatives covering social policy, community welfare, and issues advocacy. The Council is a forum to listen and respond to concerns from the community, demonstrating our commitment to addressing the needs of vulnerable and disadvantaged customers and supporting community relationships.

Innovation
We continue to prioritise investment in technology and innovation as a way to better support and empower businesses to operate more efficiently, keep things secure and improve the customer experience. This will help to transform industries and aspects of the broader community.

We are actively experimenting with blockchain and this year, together with Wells Fargo and Brighann Cotton, we completed the first physical trade transaction between two banks using the emerging technologies of blockchain, smart contracts and the internet of things. The transaction involved a shipment of cotton from Texas, USA to Qingdao, China.

We also became the first non-university institution in Asia-Pacific to develop a quantum computer simulator which will allow quantum ready applications to be developed in parallel to the hardware.

Enhancing innovation in business can drive value through revenue and productivity gains. Our inaugural CommBank Business Insights Report 'Unlocking Everyday Innovation' measures the innovation performance of Australian businesses across a range of categories. The report quantifies the value that businesses generate from innovation and outlines the pathways to enhance innovation. Our national report has been followed by the rollout of a regional versus metro report as well as location and industry-specific reports.

Empowering and supporting our communities

Education

As a leading Australian employer, we are committed to helping improve education outcomes, including financial education, and investing in the skills of the workforce of the future.

We are investing $50 million dollars in education over three years (2015-2018). This goes to funding a range of education programs including Start Smart, the Commonwealth Bank Teaching Awards and Evidence for Learning.

To support the financial wellbeing of children and youth we provide schools with both a financial education program, Start Smart, and School Banking. Our award-winning financial education program Start Smart reached 574,246 students nationwide – that's an average of 2,000 students receiving financial education every school day, making Start Smart the largest program of its kind anywhere in the world. We have also refreshed our program with gender equality and unconscious bias principles. Our School Banking program started in 1931 and currently has 326,146 active students participating. The program is designed to provide young children with a basic understanding of core financial values and money management skills, to help them take their first steps towards good money management and regular savings behaviour.

This year our efforts to support the financial education of Australia's youth were recognised with multiple awards, including the Child and Youth Friendly Banking Award in the 2017 Global Inclusion Awards and the Canstar Youth Banking Award for the seventh time. It is the second year in a row that we have won the Canstar Junior Banking Award.

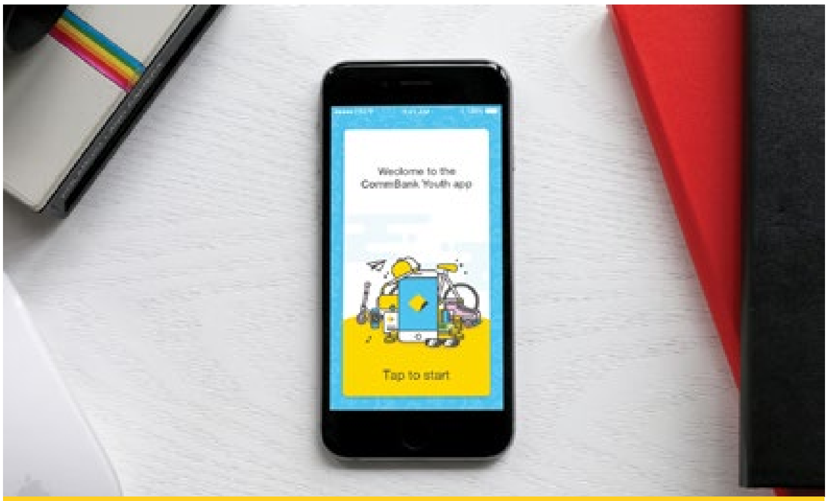
High-quality teaching is the greatest in-school influence on student engagement and outcomes. To acknowledge this we have created the Commonwealth Bank Teaching Awards in partnership with Australian Schools Plus to recognise and reward excellent teaching and school leadership.

574,246 students

Our award-winning Start Smart classes have reached more than half a million students. Start Smart is our free financial education program for primary, secondary and Vocational Education and Training students.

229 youth-focused organisations

Received Community Grants of up to $10,000 to support programs on education, health and social inclusion.



CommBank youth app

Teaching real-life money skills to under 14s.

This year we have released the CommBank Youth app which gives under 14s hands-on money management experience that's fun and secure. It's an innovative app that will help young customers develop their skills in an increasingly cashless and digital society.

In March 2017, the new Commonwealth Bank Teaching Awards rewarded 12 Australian teachers with a Teaching Fellowship, valued at $45,000 each.

Evidence for Learning continues to support improved practice by teachers, school leaders and education systems across two offerings:

- The Australian Teaching & Learning Toolkit is an online educator resource and has had more than 10,000 regular users visit the website.
- The Learning Impact Fund has distributed $571,000 across three different research trials to support the development of education evidence.

Volunteering and giving

Our people are more involved in our communities than ever, through a wide range of volunteering programs and our Staff Community Fund, which celebrates its 100th anniversary in 2017. With more than $1.2 million in-kind volunteering provided to community organisations this year, we provide a focused and relevant benefit for the community while offering personal development opportunities for our people and a link to their community. Our Staff Community Fund distributed more than $2 million in Community Grants to 229 community organisations nationally to support the wellbeing of kids and youth.

$900,000

Committed to financial counselling scholarships and training on domestic and family violence.

0.8%

Of our workforce that identifies as Aboriginal or Torres Strait Islander. We are working towards a target of 1.5% by 2020.

Clown doctors

We have been proud supporters of Clown Doctors since 1999. This year they provided support to one of our employees and Staff Community Fund member, Alison Graham, and her son Jack who was diagnosed with acute lymphoblastic leukaemia and had to undergo intensive chemotherapy.

Clown Doctors are specially trained performers who visit Australian children's hospitals and wards and help to lift the spirits of sick children and their families, including Alison and her son Jack.

Financial inclusion

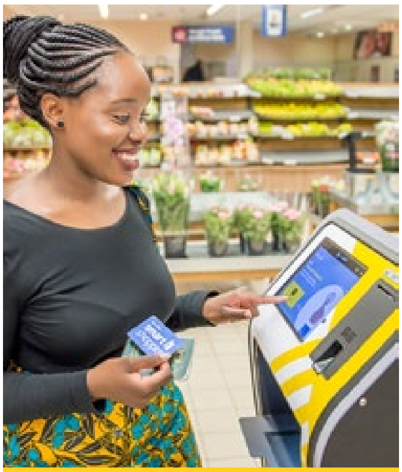
As one of Australia's largest companies and employers, we are committed to the financial wellbeing of our customers and staff. We launched our first ever Financial Inclusion Action Plan (FIAP) which includes a range of initiatives aimed at helping customers experiencing financial difficulty and building the economic security of women.

A key FIAP action we have delivered this year is new Domestic and Family Violence Awareness training to help employees better understand and respond to those who may be experiencing domestic or family violence.

We are also supporting Financial Counselling Australia through a commitment of $400,000 to train financial counsellors across Australia to assist people affected by domestic and family violence and $500,000 to the Jan Pentland Foundation to fund 10 scholarships annually for the next 10 years for people to study financial counselling.

We have also been raising awareness of our financial hardship program, Financial Assist, which offers customers assistance if they are having difficulty making a repayment. This might include offering flexibility with instalments due, a review of financial commitments, or more detailed financial rehabilitation support.

International financial inclusion
Since its launch in Pick n' Pay stores in South Africa, delivering a cost effective money remittance solution nationally, Money Transfer has grown to include self-service kiosks that have allowed more than 150,000 customers to be registered, performing more than 350,000 transactions. The digital kiosk has now evolved to create a customer on-boarding solution for our business in Indonesia. We are able to on-board a new customer via the Money Transfer kiosk and they are able to open an account, obtain a debit card, and use it at an ATM in around 10 minutes.



Money Transfer

In South Africa, more than 150,000 customers have registered with our Money Transfer kiosks, performing more than 350,000 transactions. We are delivering a scalable digital bank that increases access to financial services for our customers.

The South African Reserve Bank has formally granted the Commonwealth Bank a full Bank Licence in South Africa. This is a critical milestone, not only towards launching our digital bank in South Africa but as part of our overall strategy to deliver financial inclusion across the emerging markets we serve.

Following on from their success in South Africa, we have introduced Money Transfer kiosks in Indonesia. Indonesia's Financial Services Authority has formally approved the rollout of Money Transfer kiosks in both Commonwealth Bank branches and key retail locations.

In Indonesia we continue to grow and develop our WISE (Women Investment Series) initiative. WISE was refreshed to build on the success of the existing program with some new additions including broadening our target audience to include women entrepreneurs.

Reconciliation

We aim to increase employment of Aboriginal and Torres Strait Islander peoples to be at parity with the Australian population (3%) by 2026 with a midpoint target of 1.5% by 2020. The percentage of our domestic workforce who identify as Aboriginal or Torres Strait Islander has increased from 0.3% to 0.8% in the last 12 months.

To help grow the Indigenous business sector, we launched JumpStart in partnership with Supply Nation. JumpStart is an app which connects Indigenous businesses with skilled volunteers from Supply Nation's corporate, government and not for profit members. To date, 90 Indigenous businesses are in the process of signing up.

Support for cricket

We are passionate about the game of cricket – it is the country's national summer sport and a game that every Australian can enjoy in their own way.

- In October 2016 we announced the next phase of our partnership with Cricket Australia, which focuses on strengthening the foundations of cricket for women, Indigenous players, players with disabilities and the local clubs around the country that are the lifeblood of the game. This is the largest investment in Australian women's cricket and diversity initiatives, with more than $5 million per year over three years.
- Through our club sponsorship program, we are providing 65 clubs with two-year sponsorships including financial assistance of $2,000 per year (over two years) for much needed cricket gear and merchandise to use on game days.

A healthy and engaged workforce

The Group employs 51,800 dedicated people across 1,350 branches and offices. This diverse group of people serve 16.6 million customers and is integral to achieving our vision.

A diverse and inclusive team

Creating an inclusive workplace that reflects the communities where Commonwealth Bank operates is essential to listening and responding to the needs of customers in order to deliver on our vision to excel at securing and enhancing the financial wellbeing of people, businesses and communities. The aim of our Diversity and Inclusion strategy is to leverage diversity and foster inclusion in order that all our people feel valued and respected. It has five focus areas – Building an Inclusive Culture (overarching goal); Diversity in Leadership; You Can Be You; Flexibility; and Reputation and Engagement.

Inclusive culture
We continue to build a diverse and inclusive workforce that at all levels, mirrors the communities where we operate.

Diversity in Leadership
Gender diversity – Women represent 58% of our workforce. We are tracking well towards our diversity in leadership gender goal as measured by our targets – 40% of Executive Manager and above roles and 45% of Manager and above roles to be occupied by women by 2020. Currently, representation of women in Executive Manager and above roles is 37% and Manager and above roles is 44%. Women represent 40% of the Commonwealth Bank Board and the Chairman is a woman.

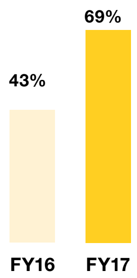
Gender pay equity – In the most recent Workplace Gender Equality Agency Report there has been a closing of the gender pay gap (Group-wide) with a 1.1% decrease for base remuneration and 3% for total remuneration. Similar to the previous year, this gap is comparable with the Group's direct peer group of Australian banking organisations with 5,000+ employees, and slightly higher than the average gender pay gap for the Finance and Insurance Industry.

Diversity in leadership

We have put in place a number of targeted solutions to achieve gender pay equity, including:

- Reporting pay equity metrics to both the Board and Executive Committee;
- Education in removing unconscious bias in pay and other management decisions;
- Mandatory pay reviews for employees on parental leave; and
- Use of data and metrics to inform objective decisions and actions for managers who make pay decisions.

Employees who work flexibly



Cultural diversity – In 2015, the Executive Committee endorsed a target to match the cultural diversity of our senior leaders to the cultural diversity of the Australian population by 2020. A Cultural Diversity Index (CDI) was developed to measure the cultural diversity of its leadership using a modified Herfindahl-Hirschman Index methodology.

Due to the late release of the Australian Census, our progress against the CDI will be published in next year's reporting.

This year, 50% of our workforce identified as Australian, 40% identified as non-Australian and 10% chose not to respond.

You Can Be You – Our six employee networks continue to drive awareness, engagement and behavioural change across the Group. They include: Women CAN – gender; Unity - sexual orientation and gender identity; Enable – accessibility and disability; Advantage – age and life stage; Mosaic – cultural diversity and Yana Budjari – lead reconciliation actions within our Reconciliation Action Plan.

Flexibility – 69% of our people work flexibly, an increase from 43% in FY16(1). In the past 12 months, we have implemented several actions including our enhanced parental leave for both primary and secondary carers to help parents share the responsibilities of childcare.

Reputation and engagement – Commonwealth Bank and Bankwest are compliant with the Workplace Gender Equality Act 2012, following the submission of the annual compliance report for 2017. We have also received the 2016 Employer of Choice for Gender Equality citation by the Workplace Gender Equality Agency. Commonwealth Bank and Bankwest were proudly named Gold employers in the Australian Workplace Equality Index Awards, and Unity was named network of the year for a second consecutive year. Supporting this achievement was recognition of Commonwealth Bank as a Gold Standard employer in the Hong Kong LGBT+ Workplace Inclusion Index.

Employee wellbeing

The health and wellbeing of our people is paramount to the success of our organisation. The Thrive portal was launched to employees, providing a source of mental and physical health and wellbeing information and resources. The portal aims to assist our staff to better understand their mental and physical health, encourage appropriate conversations and help support others.

The portal also provides access to information on physical wellbeing, nutrition, work/life balance and has easy access to confidential counselling advice through our Employee Assist Chat.

Conduct and culture

In January 2017, we released 'Our Commitments' which includes a personal commitment to our vision and values emphasising, among other things, the importance of honesty, maintaining confidentiality and operating in a safe and inclusive manner. Our Commitments exist to ensure everyone is clear on what is expected of them. The launch of Our Commitments has been supported by an e-learning module. The training completion rate for Our Commitments is 98%. In light of our offshore operations, Our Commitments are also available in Chinese, Vietnamese and Bahasa Indonesia. We treat any deviation from, or breach of, Our Commitments as misconduct. This year we have closed 1,022 substantiated misconduct cases. Outcomes from these misconduct cases ranged from verbal warning to dismissal.

Whistleblowing

We encourage all staff to speak up about issues or conduct that concerns them. The SpeakUP Program comprises the SpeakUP Hotline and the Group Whistleblower Policy.

As part of the Better Banking Program, we have worked with the ABA to develop industry guiding principles for whistleblowers. This has led to an update of our Whistleblower Policy to align with the guidelines. Under the Policy, we have a designated Whistleblower Protection Officer at an Executive General Manager level with direct access to the CEO, as well as a Misconduct Governance Committee, including four of the CEO's direct reports who are also 'Executive Champions' and oversee the Program's effectiveness.

We have had 171 cases reported under the SpeakUP Program, of which 44 were whistleblower reports.

The training completion rate on mandatory learning, including fraud, workplace conduct, conflicts of interest, and security and privacy, is 97%.

Environmental stewardship

The Group recognises climate change as one of the greatest challenges posed to our environment, our economy and our society and considers climate change to be a significant long term driver of both financial and non-financial risks.

We will continue to measure and reduce our own environmental impact, as well as help our customers transition to a net zero emissions economy. Our influence extends to the businesses that we lend to, invest in and buy from and we endeavour to make a socially and environmentally positive impact through our decision making.

(1) Note the question in FY16 varied slightly: 'My manager allows me the flexibility I need to meet my work goals and personal needs'.

Solar panels on branches

We are the first Australian bank to rollout an onsite renewable program for our retail branch network.

We now have solar panels on 34 locations across Australia, with more than 500kW of capacity. To date, solar panels have saved more than 450 tonnes CO_2-e, which is the equivalent of planting 11,600 trees. Our employees, customers and the wider community can view the performance of this network through our real-time public portal cbasolarpower.com.au.

Sustainable Property Strategy

We continue to implement our Sustainable Property Strategy through to 2020, with key targets to reduce our own energy use and carbon emissions, waste generation and water use.

Our long term target of reducing our direct emissions to 2.0 tCO_2-e per FTE continues to be on track, having reduced these emissions from 2.9 tCO_2-e per FTE last year to 2.6 tCO_2-e per FTE this year which is a reduction of 10% over the past 12 months.

Climate Policy Position Statement

We have developed a Climate Policy Position Statement which outlines our role in limiting climate change to well below two degrees and the way in which we will support the transition to a net zero emissions economy by 2050. This includes undertaking a climate scenario analysis and setting a $15 billion target for financing low carbon projects by 2025.

The full Climate Policy Position Statement is available on our website.

Responsible lending

We are committed to our nine ESG Lending Commitments which embed ESG considerations into our business-lending decisions. We continually look for ways to make a positive societal impact and help to support the transition to a low carbon economy.

This year we grew our renewables lending portfolio to $2.8 billion. This reflects our continued commitment to find new ways to support a rapidly changing renewables sector.

Renewables projects we lent to include three new solar farms in Queensland and Victoria, and Australia's largest solar project in South Australia, Bungala solar project, where we were a mandated lead arranger. Bungala will provide power for approximately 100,000 households. The Bungala solar project was the largest equity and debt finance arrangement for a new solar project in Australia to date, as well as the first major Australian renewable project delivered without government funding assistance.

We continue our industry-leading disclosure on the emissions intensity of our business lending, and have just completed our third report which shows our business lending portfolio's emissions intensity is 0.29 $kgCO_2$-e/AUD expenditure in FY16, up from 0.28 $kgCO_2$-e/AUD expenditure in FY15.

This increase is driven by changes in the Electricity, Gas and Water Supply sector which includes significant new lending to a recently privatised Australian electricity transmission network. The full results are on our website.

We have continued to embed our ESG lending commitments with risk and frontline staff undergoing refresher training and a number of enhancements to our processes and systems including annual review process, hindsight review checks, update of the industry ESG assessments, sector specific workshops and ESG portfolio reporting to Board.

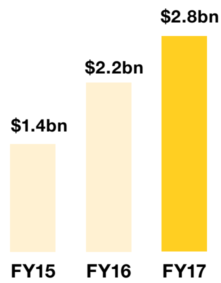
As a major provider of lending services globally, assessing potential transactions for ESG risks is a key step in our due diligence process. Project finance transactions that qualify under the Equator Principles III follow its detailed process to assess, mitigate, manage and monitor ESG risk.

48.5%

reduction in our direct emissions in Australia since 2009

Renewable energy

Our lending exposure to renewable electricity generation continues to increase.



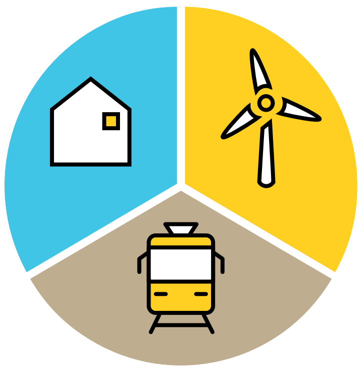
Other loans are assessed under our ESG policies, systems and processes. Loans are escalated for senior assessment depending on the level of ESG risk.

Our pricing platform for all Institutional Banking, Business Banking and ASB loans includes a compulsory ESG risk assessment process for all Institutional Bank loans, and for larger loans in the other business units. The process includes an initial ESG risk assessment based on country of operations and over 500 industry sectors. Additional ESG due diligence is required for transactions which have medium or high ESG risks identified in the initial assessment. Teams are required to:

- Describe any ESG risks for each of the seven focus areas of biodiversity, water, carbon and energy, pollution, health and safety, labour and human rights, and anti-corruption and governance;
- Detail any client mitigation strategies for each risk identified;
- Assess the likelihood and consequence of these risks; and
- Assess the client capability and motivation to mitigate these risks.

Further information on the ESG risk assessment process is available in the 2017 Corporate Responsibility Report.

Climate bond sector exposures



Low carbon buildings

Energy – wind power

Low carbon transport

$1.02 billion of climate bonds arranged

This year we have arranged $1.02 billion of climate bonds. In March 2017, we issued the largest Australian dollar climate bond from an Australian bank at $650 million, demonstrating active leadership and best practice in the climate and green bond market.

The bond is backed by Australian renewable and low-carbon assets including wind power generation, green buildings and low carbon transport projects. We have become a partner of the Climate Bonds Initiative and will continue to work towards increasing large-scale investment in climate bonds to deliver a global low-carbon economy.

Responsible investing

Guided by our Responsible Investing Framework, we are integrating ESG considerations into investment processes, consistent with the pursuit of sustainable long-term investment outcomes for our customers. We have expanded the FirstChoice, FirstWrap investment menus and Commonwealth Financial Planning Approved Product List to include five new sustainable, ethical and responsible investment options. This year, Colonial First State joined Colonial First State Global Asset Management (CFSGAM) and CommInsure as signatories to the United Nations-supported Principles for Responsible Investment.

CFSGAM released their tenth annual Responsible Investment and Stewardship Report. CFSGAM believe that their approach to responsible investment has contributed to over 75% of funds outperforming their respective benchmarks.

Building a strong and responsible business

ESG training

To support our employees' understanding of environmental, social and governance (ESG) considerations and enhance the outcomes of our lending, investing and procurement due diligence and decision making, we have a number of tailored training modules. 2,768 employees undertook training via these modules covering: ESG Fundamentals, ESG Tool, Responsible Investing, Responsible Procurement Fundamentals and Equator Principles III.

Responsible procurement

The Group spent $4.8 billion with more than 5,000 suppliers putting us in a position to make a positive impact by supporting suppliers that reflect diversity and a wide range of perspectives and capabilities. We spent approximately $1.5 million with 17 unique Indigenous suppliers. Our Supplier Code of Conduct sets our minimum standards for human rights, labour conditions, health and safety, diversity and the environment. The Supplier Code of Conduct has been embedded into the procurement process for establishing new suppliers.

In May 2017, we signed up to the Australian Supplier Payment Code, a voluntary, industry-led initiative that enshrines the importance of prompt and on-time payment for small business suppliers through compliance with a set of best-practice standards.

Human rights

We issued our first Slavery and Human Trafficking Statement, in compliance with the UK Modern Slavery Act, highlighting the development of our Human Rights Position Statement. Our second statement is now published and is available on our website.

We updated our Supplier Code of Conduct to improve recognition of human rights and supplier compliance with international human rights laws.

We also ran an education session for key procurement staff on supporting human rights and the abolition of modern slavery and have developed responsible procurement training.

Tax transparency

The Commonwealth Bank is Australia's largest taxpayer[1] and this contribution continues to grow in line with profits. Our global tax expense was more than $3.9 billion, which contributes to government investment in the community in many forms including schools, hospitals, roads and social welfare payments. We are committed to being a responsible corporate taxpayer and to acting with the highest integrity in complying with all prevailing tax laws. As a signatory to the Voluntary Tax Transparency Code, we will continue to provide transparency on our approach to tax risk, governance and tax paid in Australia. A copy of the most recent Tax Transparency Code can be found on our website.

(1) Source: Bloomberg

ESG performance data [1]

ENVIRONMENT	Units	2017	2016	2015
Energy [2]				
Renewable energy lending exposure	$M	2,800	2,200	1,400
Business lending emissions intensity [3]	($kgCO_2$-e/AUD)	Dependent on client FY17 data [4]	0.29	0.28
Climate bond arrangement	$M	1,018	50	–
Greenhouse Gas Emissions – Group[5]				
Total greenhouse gas emissions	tCO_2-e	204,317 [6]	164,111	179,276
Scope 1 emissions	tCO_2-e	9,694	9,063	9,729
Scope 2 emissions	tCO_2-e	96,595	107,762	115,580
Scope 3 emissions	tCO_2-e	98,028 [6]	47,286	53,967
Emissions per FTE (Scope 1 & 2)	tCO_2-e	2.3	2.6	2.7
SOCIAL				
Employees				
Employee Engagement Index – CBA	%	78	77	81
Employee Turnover (voluntary)	%	10.1	11.3	10.2
Diversity				
Women in Manager and above roles	%	44.4	43.6	43.2
Women in Executive Manager and above roles	%	36.7	35.2	33.9
Gender pay equity				
Executive General Manager	Ratio	0.95	0.96	–
General Manager	Ratio	1.03	0.99	–
Executive Manager	Ratio	1.00	1.00	–
Manager / Professional	Ratio	0.98	0.99	–
Team Member	Ratio	1.00	0.99	–
Training				
Employees participating in ESG Training	#	2,768	1,786	–
Training hours per employee [5]	Hours	39.1	34.3	31.1
Safety and Wellbeing				
Lost Time Injury Frequency Rate (LTIFR) [7]	Rate	1.1	1.5	2.0
Absenteeism	Rate	5.9	6.0	6.0
Community Investment				
Total Community Investment	$M	272	262	243
– Cash contributions	$M	37.2	37.8	31.3
– Time volunteering	$M	1.2	1.4	1.8
– Foregone revenue	$M	222	212	204
– Program implementation costs	$M	11.7	11.6	6.8
– % of pre-tax profit	%	2.0	2.0	1.9

(1) For definitions and notes, please refer to the Corporate Responsibility Performance data table at www.commbank.com.au/investors/corporate-responsibility.html.
(2) Energy metrics are not audited by PwC.
(3) For methodology and further details, please refer to www.commbank.com.au/about-us/opportunity-initiatives/performance-reporting.html.
(4) Our financed emissions method relies on client-specific data which limits the timing we can undertake and release the analysis.
(5) Comparative information has been changed to align to presentation in the current year.
(6) In 2017 for the first time we have included data centres outside of our operational control. If they were not included, our scope 3 emissions would otherwise have reduced.
(7) Prior year data is updated due to late reporting of incidents that occurred during the year, or the subsequent acceptance or rejection of claims made in the year.

ESG performance data [1] continued

SOCIAL continued	Units	2017	2016	2015
Financial Literacy Programs				
School Banking Students (active)	#	326,146	330,874	310,474
Start Smart Students (booked)	#	574,246	557,475	298,505
Customer Satisfaction				
CBA – Roy Morgan Research Main Financial Institution (rank)	%	82.7 (1st)	82.8 (1st)	84.2 (1st)
CBA – DBM Business Financial Services Monitor (score out of 10) (rank)	#	7.2 (=1st)	7.2 (=1st)	7.5 (=1st)
Wealth Insights Platform Service Level Survey (score out of 10) (rank)	#	8.0 (1st)	8.1 (1st)	7.8 (2nd)
CBA – Roy Morgan Research Online Customer Satisfaction (rank)	%	94.0 (1st)	93.3 (1st)	93.7 (1st)
GOVERNANCE				
Female directors on Board	%	40	33	27
Training completion rates on ‘Our Commitments’	%	97.6	–	–
SpeakUP Program cases	#	171	–	–
– Whistleblower cases [2]	#	44	–	–

(1) For definitions and notes, please refer to the Corporate Responsibility Performance data table at www.commbank.com.au/investors/corporate-responsibility.html.
(2) Whistleblower cases are a subset of SpeakUP Program cases.

Corporate governance

Our board

Catherine Livingstone AO
Chairman

Ms Livingstone is a resident of New South Wales.
Age 61.

Catherine has been a Director since March 2016 and was appointed Chairman on 1 January 2017. Catherine is Chairman of the Nominations Committee, a member of the Risk Committee, the Audit Committee and the Remuneration Committee. She is a former Chairman of Telstra and of the CSIRO, and was Managing Director and Chief Executive Officer of Cochlear Limited. She has served on the Boards of Macquarie Group Limited, Goodman Fielder Limited and Rural Press Limited and has contributed to the work of the Innovation and Productivity Council for the New South Wales Government. She is a former President of the Business Council of Australia. In 2008, Catherine was awarded Officer of the Order of Australia.

Other Directorships and Interests: WorleyParsons Ltd, The George Institute for Global Health, Saluda Medical Pty Ltd, University of Technology Sydney (Chancellor) and Australian Museum Trust (President).

Qualifications: BA (Accounting) (Hons), FCA, FTSE, FAICD, FAA.

Ian Narev
Managing Director and Chief Executive Officer

Mr Narev is a resident of New South Wales.
Age 50.

Ian has been a Director since December 2011 and was appointed Managing Director and Chief Executive Officer on 1 December 2011. He joined the Bank in May 2007 as Group Head of Strategy, responsible for corporate strategy development, mergers and acquisitions and major cross business strategic initiatives. In January 2009 he was appointed as Group Executive, Business and Private Banking. Prior to joining the Bank, Ian was a partner of McKinsey's New York, Sydney and Auckland offices. He became a global partner in 2003, and from 2005 until his departure in 2007 was head of McKinsey's New Zealand office. Prior to joining McKinsey, Ian was a lawyer specialising in mergers and acquisitions.

Other Directorships and Interests: Sydney Theatre Company Ltd (Chairman), Business Council of Australia, The Financial Markets Foundation for Children and Institute of International Finance.

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

Shirish Apte
Non-Executive Director

Mr Apte is a resident of Singapore.
Age 64.

Shirish has been a Director since June 2014. He is Chairman of the Risk Committee and a member of the Audit Committee. Shirish has more than 32 years' experience with Citi having held various senior roles, including Co-Chairman of Citi Asia Pacific Banking, Chief Executive Officer of Citi Asia Pacific, Chief Executive Officer of Central & Eastern Europe, Middle East & Africa and Country Manager and Deputy President of Citi Handlowy, where he is now Vice Chairman of the Supervisory Board. Shirish is a former Director of Crompton Greaves Ltd.

Other Directorships and Interests: IHH Healthcare Bhd (including two of its subsidiaries), AIG Asia Pacific Pte Ltd, Clifford Capital Pte Ltd, Pierfront Capital Mezzanine Fund Pte Ltd (Chairman) and Supervisory Board of Citi Handlowy (Vice Chairman).

Qualifications: CA, BCom (Calc), MBA (LondBus).

Sir David Higgins
Non-Executive Director

Sir David is a resident of London, United Kingdom.
Age 62.

Sir David has been a Director since September 2014. He is Chairman of the Remuneration Committee and a member of the Risk Committee. Sir David is Chairman of Gatwick Airport Ltd, which operates Gatwick Airport in the UK and Chairman of High Speed Two (HS2) Ltd, the company responsible for developing and promoting the UK's new high speed rail network. Sir David is a senior advisor to Global Infrastructure Partners in the US and to Lone Star Funds. Previously he was Chief Executive Officer of Network Rail Infrastructure Ltd, Chief Executive Officer of the Olympic Delivery Authority for the London 2012 Olympic Games, Chief Executive Officer of English Partnerships and Managing Director and Chief Executive Officer of Lend Lease.

Other Directorships and Interests: Gatwick Airport Ltd (Chairman) and High Speed Two (HS2) Ltd (Chairman).

Qualifications: BE (Civil) (USyd), Diploma (Securities Institute of Australia).

Launa Inman
Non-Executive Director

Ms Inman is a resident of Victoria.
Age 60.

Launa has been a Director since March 2011. She is a member of the Audit Committee and the Remuneration Committee. She was Managing Director and Chief Executive Officer of Billabong International Limited from May 2012 until August 2013. Prior to this, she was Managing Director of Target Australia Pty Limited and Managing Director of Officeworks Ltd. She has significant international and Australian experience in retailing, wholesale, property and logistics, as well as extensive marketing experience in traditional, digital and social media channels. Launa is a former Director of Bellamy's Australia Ltd.

Other Directorships and Interests: Super Retail Group Ltd, Precinct Properties New Zealand Ltd, Melbourne Fashion Festival Ltd and The Alannah and Madeline Foundation Ltd.

Qualifications: MCom (UNISA), BCom (Hons) (UNISA), BCom (Economics and Accounting) (UNISA), MAICD.

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Brian Long
Non-Executive Director

Mr Long is a resident of New South Wales. Age 71.

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

Other Directorships and Interests: Brambles Limited, Cantarella Bros Pty Ltd, University of New South Wales (Council Member) and Centennial Park and Moore Park Trust (Trustee).

Qualifications: FCA.

Andrew Mohl
Non-Executive Director

Mr Mohl is a resident of New South Wales. Age 61.

Andrew has been a Director since July 2008. He is a member of the Risk Committee and the Remuneration Committee. Andrew has over 40 years' financial services experience. He was Managing Director and Chief Executive Officer of AMP Limited from October 2002 until December 2007. Andrew's previous roles at AMP included Managing Director, AMP Financial Services and Managing Director and Chief Investment Officer, AMP Asset Management. Previously, he was the Group Chief Economist, Chief Manager, Retail Banking and Managing Director, ANZ Funds Management at ANZ Banking Group. Andrew commenced his career at the Reserve Bank of Australia where his roles included Senior Economist and Deputy Head of Research.

Other Directorships and Interests: ASIC External Advisory Panel (Member) and CEDA Board of Governors (Member).

Qualifications: BEc (Hons) (Monash).

Mary Padbury
Non-Executive Director

Ms Padbury is a resident of Victoria. Age 58.

Mary has been a Director since June 2016. She is a member of the Remuneration Committee and the Nominations Committee. Mary is a pre-eminent intellectual property lawyer with over 30 years' experience. She is a Partner and the Vice Chairman of Ashurst, having been the Chairman of Ashurst Australia for eight years prior to the firm's full merger with Ashurst LLP in 2013. Mary spent a number of years in the UK with boutique firm, Bristows, and as resident partner of Ashurst Australia. She has undertaken intellectual property work for Australian and multinational corporations in a range of technology areas and has extensive international, legal and governance experience.

Other Directorships and Interests: Ashurst (Vice Chairman), Trans-Tasman IP Attorneys Board (Chairman), The Macfarlane Burnet Institute for Medical Research and Public Health Ltd, Chief Executive Women (Member), Melbourne University Law School Foundation (Member) and Victorian Legal Admissions Board (Member).

Qualifications: BA LLB (Hons) (Melb), GAICD.

Wendy Stops
Non-Executive Director

Ms Stops is a resident of Victoria. Age 56.

Wendy has been a Director since March 2015. She is a member of the Remuneration Committee. Wendy was Senior Managing Director, Technology – Asia Pacific for Accenture Limited from 2012 until June 2014. Her career at Accenture spanned some 32 years in which she held various senior positions, including Global Managing Director, Technology Quality & Risk Management, Global Managing Director, Outsourcing Quality & Risk Management and Director of Operations, Asia Pacific. She also served on Accenture's Global Leadership Council from 2008 until her retirement.

Other Directorships and Interests: Fitted For Work Ltd, University of Melbourne (Council Member) and Chief Executive Women (Member), serving on the Scholarships and Marketing & Communications Committees.

Qualifications: BAppSc (Information Technology), GAICD.

Harrison Young
Non-Executive Director

Mr Young is a resident of Victoria. Age 72.

Harrison has been a Director since February 2007. He is a member of the Risk Committee, the Audit Committee and the Nominations Committee. He was Chairman of NBN Co Limited from March 2010 until March 2013. Previously he was a Director and Member of the Financial Stability Committee of the Bank of England, Chairman of Morgan Stanley Australia and Vice Chairman of Morgan Stanley Asia. Harrison also spent two years in Beijing as Chief Executive Officer of China International Capital Corporation and from 1991 until 1994, he was a senior officer of the Federal Deposit Insurance Corporation in Washington.

Other Directorships and Interests: The Conversation Media Group Ltd (Chairman).

Qualifications: A.B. (Cum Laude) (Harvard), LLD (Honoris Causa) (Monash).

Our senior management team

Kelly Bayer Rosmarin
Group Executive, Institutional Banking and Markets

Kelly was appointed Group Executive for Institutional Banking and Markets in December 2013 and has been with the Group since 2004. The Institutional Banking and Markets division is responsible for global relationships with corporate, government and institutional clients, and provides a full range of financial services solutions across financial and capital markets, transaction banking, working capital and risk management.

Previously Kelly held a variety of senior roles across the Group's Institutional and Business Banking divisions, was a management consultant with the Boston Consulting Group, and spent time in Silicon Valley in both start-up and established software companies. Kelly is a board member of the Football Federation of Australia and serves on the Australian Government's FinTech Advisory Group and NSW Government Digital Advisory Panel. She is also a member of Chief Executive Women.

Adam Bennett
Group Executive, Business and Private Banking

Adam was appointed Group Executive, Business and Private Banking in January 2015. He has responsibility for Business Banking, Private Banking, CommSec and Bankwest. He joined the Group in 2004 and was the Chief Information Officer for the Retail Banking and Business Banking divisions during the Core Banking Modernisation project. He joined the Business and Private Banking Leadership Team in 2009, serving as Executive General Manager of Local Business Banking from 2012 to 2014.

Prior to joining the Group, Adam was Principal at strategic consulting practice A.T. Kearney, working across industries in Australia, New Zealand, Asia, and Europe. He also previously worked as a consultant at Ernst & Young.

Barbara Chapman
Chief Executive and Managing Director, ASB

Barbara was appointed Chief Executive and Managing Director of the Group's New Zealand subsidiary ASB in April 2011.

Barbara started her career with the Group in 1994 as Chief Manager Marketing at ASB. In 2001, she assumed the role of Head of Retail Banking and Marketing for ASB. In 2004 she moved into the role of Managing Director and Chief Executive Officer of Sovereign Assurance. She joined Commonwealth Bank in 2006 as Group Executive, Human Resources and Group Services.

David Cohen
Group Chief Risk Officer

David commenced as Group Chief Risk Officer in July 2016. In this role he provides leadership to ensure effective risk management and risk governance across the Group. David joined the Group in June 2008 as Group General Counsel and took on the role of leading Group Corporate Affairs in early 2012 with responsibility for advising the CEO and Board on legal matters and leading the Group's legal team, and for the Group's external and internal affairs, communications, sustainability and corporate governance.

Previously he was General Counsel of AMP and a partner with Allens Arthur Robinson for 12 years.

Matt Comyn
Group Executive, Retail Banking Services

Matt was appointed Group Executive, Retail Banking Services in August 2012. He is responsible for the Group's retail banking operations which serves a customer base of over 10 million Australians.

Matt joined Commonwealth Bank in 1999 and has held a variety of senior leadership roles in business and institutional banking, including Managing Director of CommSec. He is a non-executive Director and the shareholder representative of Aussie Home Loans. He is also a Director of Unicef Australia and a member of MasterCard's Global Advisory Board.

David Craig
Group Executive, Financial Services and Chief Financial Officer

David commenced as Group Executive, Financial Services and Chief Financial Officer in September 2006. He retired from his position on 30 June 2017. He was responsible for the overall financial functions of the Group. He has over 40 years' experience in finance, accounting, audit, risk management, strategy and mergers and acquisitions.

Prior to joining the Group, David was CFO for Australand, Global CFO of PwC Consulting, COO for PricewaterhouseCoopers Australasia and a Director of the Australian Gas Light Company. David currently serves as a Director of Lendlease Corporation Ltd and the Victor Chang Cardiac Research Institute, and as President of the Financial Executives Institute.

Rob Jesudason
Group Executive, International Financial Services

Rob was appointed Group Executive, International Financial Services (IFS) in November 2014. From 1 July 2017 he has assumed the role of Group Executive, Financial Services and Chief Financial Officer of the Group. While leading IFS he was responsible for managing the Group's offshore growth in retail and commercial banking, digital banking and life insurance in China, India, Indonesia, Vietnam and South Africa.

Rob joined the Group in December 2011 as Group Executive, Group Strategic Development. Previously he held positions at Credit Suisse, JP Morgan, Barclays PLC, GE Capital and McKinsey & Company.

Melanie Laing
Group Executive, Human Resources

Melanie joined Commonwealth Bank in February 2012 as Group Executive, Human Resources with responsibility for all of the Group's HR functions. She has a strong and diverse background leading HR functions for large companies, and has headed global and regional HR functions for several multinational and ASX listed organisations.

Prior to joining the Group, Melanie was Executive General Manager, People & Culture at Origin Energy and held executive HR leadership roles with Unisys Asia Pacific, Vodafone Asia Pacific and the General Re Corporation. She is a Fellow of the Australian Institute of Company Directors and the Australian Human Resources Institute, and a member of Chief Executive Women.

Our senior management team continued

Anna Lenahan
Group General Counsel and Group Executive, Group Corporate Affairs

Anna joined Commonwealth Bank in November 2016 as Group General Counsel and Group Executive, Group Corporate Affairs. She leads the Group's Legal, Secretariat and Corporate Affairs teams. She advises the CEO and the Board on legal matters and is also responsible for delivering an integrated and consistent approach to the Group's external and internal affairs, communications, sustainability and corporate governance.

Prior to joining the Group, Anna was the Chief Risk and Legal Officer at Suncorp Group, having joined Suncorp in 2011 as Group General Counsel and Company Secretary. Previously she was a Corporate Partner at Allens Arthur Robinson (now Allens Linklaters) and a crown prosecutor with the Department of Public Prosecutions in Perth. Anna is a member of the GC100 (Australia) and Chief Executive Women.

Vittoria Shortt
Group Executive, Marketing and Strategy

Vittoria was appointed Group Executive, Marketing and Strategy in March 2015. She is responsible for Corporate Strategy, Mergers and Acquisitions, cross-business strategic initiatives and Marketing. She is also a Director of ASB Bank Limited in New Zealand.

Prior to her appointment as Group Executive, Vittoria was Commonwealth Bank's Chief Marketing Officer. She joined the Group in 2002 and has held a number of roles in the retail banking businesses of both Commonwealth Bank and Bankwest, including customer-facing, operations and strategy leadership roles. Previously she worked in Corporate Finance and Mergers and Acquisitions with Deloitte and Carter Holt Harvey in New Zealand. Vittoria is also a member of Chief Executive Women.

Annabel Spring
Group Executive, Wealth Management

Annabel was appointed Group Executive, Wealth Management in October 2011. She is responsible for Colonial First State, Colonial First State Global Asset Management, Wealth Management Advice and CommInsure. She is also a Director of The Colonial Mutual Life Assurance Society Limited.

Annabel joined the Group in 2009 as Group Head of Strategy where she was responsible for strategy, mergers and acquisitions and government relations. Previously she was Managing Director and Global Head of Firm Strategy and Execution at Morgan Stanley in New York. Annabel currently serves as Deputy Co-Chair of the Financial Services Council and as a Director of the Victor Chang Cardiac Research Institute. She is also a member of Chief Executive Women.

David Whiteing
Group Executive, Enterprise Services and Chief Information Officer

David was appointed Group Executive, Enterprise Services and Chief Information Officer in July 2014. In this role he leads the technology and operations teams of the Group and is responsible for delivering the Group's strategic pillar of the 'world-leading application of operations and technology.' Previously he was Executive General Manager Architecture and Planning for Enterprise Services. He is a highly experienced business and IT executive with a track record of delivering technology transformation in many industries both in Australia and overseas.

Prior to joining the Group in 2013 David was Vice President of Enterprise Systems at BP in the UK. He is a former Accenture partner with extensive SAP experience.

Our governance

Introduction

We are committed to high standards of corporate governance and have a corporate governance framework which supports our long-term performance and sustainability and protects and enhances shareholder and other stakeholder interests.

We regularly review our corporate governance arrangements and practices to ensure they reflect developments in regulation, market practice and stakeholder expectations.

Our Corporate Governance Statement can be viewed at commbank.com.au/corporategovernance.

Shareholder engagement

We recognise our shareholders as our owners and value our communication with them. As a result, we seek to provide shareholders with information that is timely, of high quality and relevant to their investment, and to listen and respond to their feedback.

We have an investor relations program to facilitate two-way communication with shareholders and to foster participation at shareholder meetings. The program incorporates a number of ways in which shareholders can access information and provide feedback.

Communications and periodic and continuous disclosure: Key shareholder communications include our Annual Report, Corporate Responsibility Report, full-year and half-year financial results and quarterly trading updates.

In addition, we release all material information to the Australian Securities Exchange (ASX) in compliance with our continuous disclosure obligations under the Australian Corporations Act 2001 and the ASX Listing Rules.

We also have a written policy for complying with those obligations. It is summarised in our "Guidelines for Communications between Commonwealth Bank of Australia and Shareholders".

In addition, we post all material information released to the ASX on our website and regularly webcast important market briefings via our website.

Annual General Meetings: We encourage shareholders to attend and participate in our Annual General Meetings (AGMs) and rotate the location of our AGMs between capital cities to facilitate shareholder attendance.

We also encourage questions from shareholders ahead of our AGMs. Approximately 600 shareholder questions in advance were received for our 2016 AGM, providing us with useful insights into shareholder concerns and enabling us to provide relevant feedback.

In addition, our AGM proceedings are webcast for shareholders unable to attend and those shareholders may cast a direct vote or appoint a proxy to attend and vote on their behalf.

Electronic communications: With the increasing use of technology, we encourage shareholders to provide their email addresses so that we may communicate with them electronically about relevant matters, including our AGMs, Annual Reports and dividend payments. Shareholders may also send communications electronically to our share registry.

Board composition, performance and committees

Our Board seeks to ensure that it is independent and has an appropriate mix of skills, experience and diversity to effectively discharge its role and responsibilities.

It also plans and reviews its Board program, has established a number of board standing committees and seeks to enhance its performance.

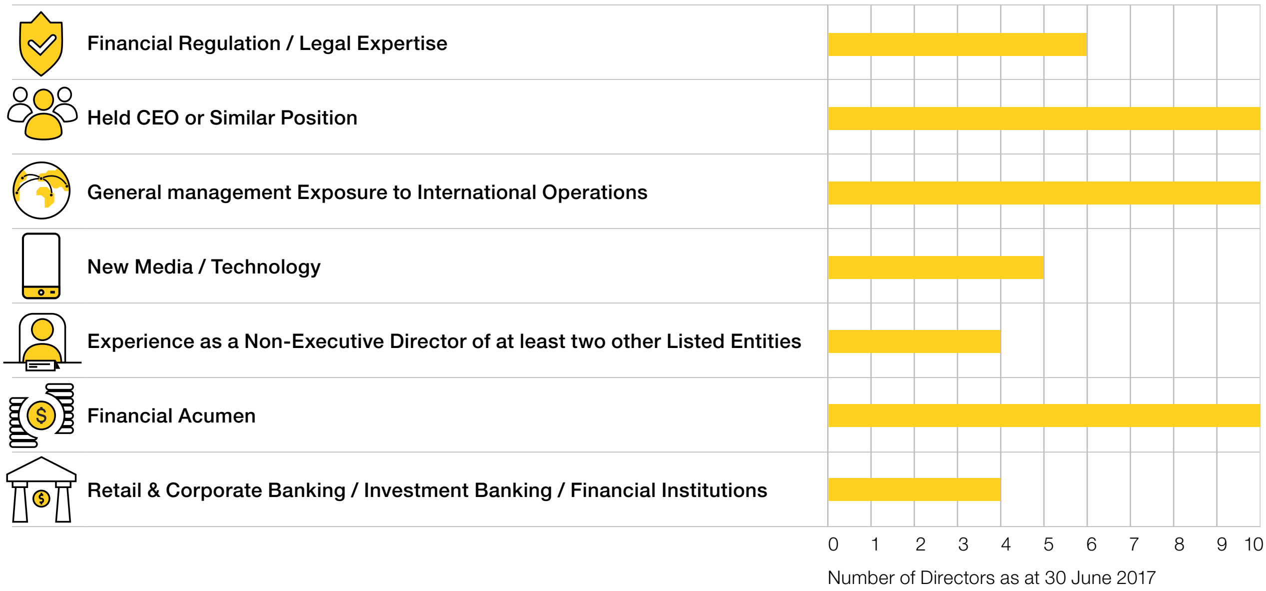
Independence: As at the date of this report, our Board comprised nine non-executive directors, all of whom were considered to be independent, and the CEO.

Skills matrix: Our directors possess a range of skills, experience and diversity which, as a group, ensures our Board is able to discharge its responsibilities, including by determining our strategic objectives and operational framework.

Our Board has a board skills matrix which, together with the Board's director appointment criteria, documents the requisite skills, experience, expertise and diversity it needs to ensure: a good understanding of our business and operating environment; effective challenge of management; and insightful contribution to strategic debate. Our Board uses this matrix to ensure an ongoing appropriate mix of skills, expertise and experience as it implements its ongoing renewal process.

The graph below identifies the Board's current skills, expertise and experience.

Board Skills Matrix



Board program: During FY17, our Board focused on planning its forward Board program to ensure adequate allocation of time was made for strategic and operational priorities.

The broad areas of focus were on our corporate strategy, performance against business plans, material risk review and prioritisation, technology resilience and remuneration governance.

Our Board reviews its program on an ongoing basis and adjusts it to reflect our strategic and operational needs.

Board Committees: From time to time, our Board establishes standing committees. Those committees focus on specific issues and areas of our operations, thereby strengthening our Board's oversight.

As at the date of this report, our Board has four substantive standing committees (Board Committees):

- the Nominations Committee;
- the Audit Committee;
- the Risk Committee; and
- the Remuneration Committee.

The Board Committees generally operate in a review capacity, except in cases where our Board specifically delegates one of its powers to the committee.

Performance review: Our Board reviews its performance and that of the Board Committees and individual directors annually. Every third year, the review is facilitated by an external consultant.

In FY17, the review was facilitated by an external consultant. The outcome of the review was that the Board will increase its strategic focus, given the challenges ahead, including in competition, technology and regulation.

Risk management

We recognise that risk is inherent in business and that effective risk management is essential in delivering on our business objectives and is a key component of sound corporate governance.

Our Risk Management function is responsible for developing our Risk Management Framework (RMF) to allow us to manage risks within our Board-approved risk appetite.

Our RMF covers all our systems, structures, policies, processes and people that or who identify, measure, evaluate, monitor, report and control or mitigate both internal and external sources of material risk.

Our RMF is founded on three key components:

- our Risk Appetite Statement;
- our Business Plan; and
- our Risk Management Strategy.

Our Risk Appetite Statement articulates the type and degree of risk our Board is prepared to accept and the maximum level of risk within which we must operate for each risk type.

Our Business Plan summarises our approach to implementing our strategic objectives. The Plan has a rolling three year duration and takes into consideration material risks arising from its implementation.

Our Risk Management Strategy describes each material risk, our approach to managing those risks and how risk management is embedded through our governance, policies and procedures.

During FY17, our Board undertook its annual review of our RMF. As in previous years, our Board discussed key areas of focus for RMF improvement.

There are a number of material risks, including economic, environmental and social sustainability risks, that could adversely affect us and the achievement of our objectives. Those risks and how we seek to manage them are described in Notes 31 to 34 to the Financial Statements on pages 148 to 171 of this report.

In addition, our environmental, social and governance performance data is set out in the Corporate Responsibility section appearing on pages 47 to 48 of this report.

Our RMF is accompanied by internal and external audit processes, which also assist in managing risk.

Acting ethically and responsibly

Our commitments: The "Our Commitments" document is our foundational code of conduct policy and sets our expectations of our people, including our directors, senior executives and employees, when engaging with, and balancing the interests of, our stakeholders.

The policy is critical in achieving our vision of excelling at securing and enhancing the financial wellbeing of people, businesses and communities and living our values of integrity, accountability, collaboration, excellence and service.

It contains eight commitments to be made by all of our people:

- "I commit to upholding the guiding framework of our vision and values";
- "I commit to honesty";
- "I commit to maintaining confidentiality";
- "I commit to disclosing and managing conflicts of interest";
- "I commit to appropriate use of technology and communications";
- "I commit to operating in a safe and inclusive manner";
- "I commit to maintaining personal standards that support our vision and values"; and
- "I commit to understanding and fulfilling all aspects of my role".

In addition, the document includes "Values Guidelines" to assist our people to understand, practice and demonstrate our vision and values.

Conflicts of interest: Our Conflicts of Interest Framework comprises a number of components, including our Conflicts of Interest Policy, our Gifts and Entertainment Policy and various supporting business unit level policies and procedures. Those procedures include conflicts of interest registers and gifts and entertainment registers.

The framework seeks to ensure that all actual, perceived or potential conflicts of interest are identified and recorded, and then avoided or managed, as appropriate.

Anti-bribery and corruption: We are committed to embedding a policy of zero tolerance for bribery, corruption and facilitation payments across our business.

We have an Anti-Bribery and Corruption Policy under which all parts of our business are required:

- to consider, identify and understand the bribery and corruption risks arising within their operations;
- to apply risk controls to those risks and to monitor key risk indicators; and
- to implement an assurance program to test the control environment's ongoing effectiveness under the Anti-Bribery and Corruption Policy.

Securities trading: Under our Securities Trading Policy, our people are prohibited from dealing in securities when they possess inside information.

They are also prohibited from hedging, or otherwise limiting their economic risk, in relation to unvested rights or shares acquired under any of our employee incentive plans. Further, our directors and our CEO's direct reports are prohibited from hedging their existing holdings of securities issued by us or any of our subsidiaries.

In addition, the policy prohibits our directors, senior executives and certain specified employees and contractors from dealing in securities issued by us or any of our subsidiaries, except during limited "trading windows".

Whistleblower protection: We place great importance on fostering a culture that encourages our people to speak up about issues and conduct that cause them concern.

Our Whistleblower Policy is designed to encourage and support individuals in reporting such matters, knowing that it is safe to do so, they will receive support and they will not be subject to retaliation or victimisation in response. The policy is aligned with the Australian Bankers' Association's "Guiding Principles – Improving Protections for Whistleblowers".

Under the policy, we have a Whistleblower Protection Officer, whose role includes overseeing the protection of whistleblowers. We also have a Misconduct Governance Committee, which includes four of the CEO's direct reports, who are also "Executive Champions" under the policy, and oversee the whistleblower program's effectiveness.

Further, our SpeakUP Hotline offers a trusted avenue for our people and external partners to report issues and concerns. In addition, our people are free to make disclosures directly to a regulator at any time.

Slavery and Human Trafficking: During FY17 we published a Slavery and Human Trafficking Statement, in compliance with the UK Modern Slavery Act, and updated our Supplier Code of Conduct to improve our recognition of human rights and supplier compliance with international human rights laws. Further information on these matters is set out in the Corporate Responsibility section on page 46 of this report and in our Corporate Responsibility Report.

Diversity and Inclusion

Creating an inclusive workplace that reflects the communities in which we operate is essential to listening and responding to stakeholder needs and thereby enabling us to deliver on our vision.

Our Diversity and Inclusion Strategy aims to leverage diversity and foster inclusion so that all our people feel valued and respected.

Women represent 58% of our workforce[(1)] and 50% of our Executive Committee, our most senior management committee. Additionally, 40% of our Board and 44% of our non-executive directors are women.

We are progressing towards achieving our measureable objectives for gender diversity at management levels and have achieved our measurable objective at Board level.

Further details of our policy on diversity and inclusion are set out in the Corporate Responsibility section of this report and in our Corporate Responsibility Report.

(1) Based on total head count (permanent employees and fixed term contractors) as at 30 June 2017, but excluding employees of the Bank's New Zealand bank, ASB or the Bank's New Zealand insurer, Sovereign.

Directors' report

Directors' report

The Directors of the Commonwealth Bank of Australia submit their report, together with the financial report of the Commonwealth Bank of Australia (the Bank) and of the Group, being the Bank and its controlled entities, for the year ended 30 June 2017.

Principal Activities

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

Our operations are conducted primarily in Australia, New Zealand and the Asia Pacific region. In addition, we also operate in a number of other countries including the United Kingdom, the United States, China, Japan, Singapore, Hong Kong, Indonesia and South Africa.

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

Consolidated Profit

Our net profit after income tax and non-controlling interests for the year ended 30 June 2017 was $9,928 million (2016: $9,223 million).

Our vision is to excel at securing and enhancing the financial wellbeing of people, businesses and communities. The long-term strategies that the Group has pursued to achieve this vision have continued to deliver high levels of customer satisfaction across all businesses and another solid financial result.

Operating income growth was solid, relative to the prior year. Excluding a $397 million gain on sale of the Group's remaining investment in Visa Inc., underlying operating income increased due to solid growth in banking income.

Operating expenses increased, including a $393 million one-off expense for acceleration of amortisation on certain software assets. Underlying expenses increased due to higher staff and technology costs, and increased investment spend partly offset by the incremental benefit generated from productivity initiatives.

Loan impairment expense decreased primarily due to lower provisioning levels in Institutional Banking and Markets and Business and Private Banking, partly offset by an increase in Bankwest. Provisioning levels remain prudent and there has been no change to the economic overlay.

Dividends

The Directors have determined a fully franked (at 30%) final dividend of 230 cents per share amounting to $3,979 million. The dividend will be payable on 29 September 2017 to shareholders on the register at 5pm AEST on 17 August 2017.

Dividends paid in the year ended 30 June 2017 were as follows:

- In respect of the year to 30 June 2016, a fully franked final dividend of 222 cents per share amounting to $3,808 million was paid on 29 September 2016. The payment comprised direct cash disbursements of $3,222 million with $586 million being reinvested by participants through the Dividend Reinvestment Plan (DRP); and
- In respect of the year to 30 June 2017, a fully franked interim dividend of 199 cents per share amounting to $3,429 million was paid on 4 April 2017. The payment comprised direct cash disbursements of $2,871 million with $558 million being reinvested by participants through the DRP.

Review of Operations

An analysis of operations for the financial year is set out in the Performance Overview sections.

Changes in State of Affairs

We continue to make progress against each of the key strategic priorities in pursuit of our vision to secure and enhance the financial wellbeing of people, businesses and communities.

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

Events Subsequent to Balance Sheet Date

We expect the DRP for the final dividend for the year ended 30 June 2017 will be satisfied by the issue of shares of approximately $1.4 billion.

AUSTRAC Civil Proceedings

On 3 August 2017, Australian Transaction Reports and Analysis Centre (AUSTRAC) commenced civil penalty proceedings against CBA. CBA takes the allegations made by AUSTRAC very seriously and will file a defence in relation to this matter, which will take significant time to prepare. The actual outcome in this matter will be determined by a Court in accordance with established legal principles.

The AUSTRAC statement of claims relates to alleged past and ongoing contraventions of four provisions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth). To the extent that contraventions may be established, a Court will ordinarily take into account a range of factors in setting penalties. One factor is the extent to which any contraventions arise from a single course of conduct. For example, AUSTRAC alleges that approximately 53,000 threshold transaction reports were lodged late. Late lodgement carries a penalty of up to $18 million. However, these alleged contraventions could be considered to arise from a single course of conduct to the extent that they emanated from the same systems error. Ultimately, a Court will seek to ensure that, overall, any civil penalties are just and appropriate and do not exceed what is proper having regard to the totality of established contraventions. Under the Act, the only mechanism available to AUSTRAC to secure a pecuniary penalty from CBA is by taking court action.

What we can say about these proceedings is limited until they have run their course. CBA is reviewing the allegations in the 580 page statement of claim and at this time it is not possible to reliably estimate the possible financial effect on the Group. It is not appropriate to disclose any detailed information about the subject matter of the claims as court proceedings are on foot and such information would be highly likely to be prejudicial to our position.

Aussie Home Loan Acquisition

On 4 August 2017, John Symond exercised his put option, which will require the Group to acquire a 20% interest in AHL. The purchase price for the remaining 20% interest will be determined in accordance with the terms agreed in 2012. The purchase consideration will be paid in the issue of CBA shares. The Group will consolidate AHL from completion of the acquisition which is currently expected to be in late August 2017.

Strategic Corporate Actions

We are committed to securing and enhancing the financial wellbeing of people, businesses and communities, and the provision of insurance products to our customers remains core to that vision. CommInsure and Sovereign are strong businesses with scale, expertise, competitive products and access to attractive distribution channels. We are in discussions with third parties in relation to their potential interest in our life insurance businesses in Australia and New Zealand. The outcome of those discussions is uncertain. While the discussions may lead to the divestment of those businesses, we will also consider a full range of alternatives, including retaining the businesses, reinsurance arrangements or other strategic options.

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

Business Strategies and Future Developments

The business strategy and future developments are included in the strategy and performance section on pages 12 to 21. The material business risks are set out in the Business Risks section on pages 22 to 24. These should be read in conjunction with Notes 31 to 34 to the Financial Statements on pages 148 to 171.

Environmental Reporting

We are subject to the Federal Government's National Greenhouse and Energy Reporting (NGER) scheme. The scheme makes it mandatory for controlling corporations to report annually on greenhouse gas emissions, energy production and energy consumption, if they exceed certain threshold levels. The Group has a long history in voluntary environmental reporting, including Corporate Responsibility Reporting and CDP (formerly the Carbon Disclosure Project). As a result, the Group is well placed to meet the NGER requirements.

We are not subject to any other significant environmental reporting regulation under any law of the Commonwealth or of a State or Territory. The Environment Policy is updated to ensure risks are managed appropriately.

Directors

The names of the Directors holding office at any time during or since the end of the financial year are:

- Catherine Livingstone AO (appointed Chairman 1 January 2017)
- Ian Narev
- Shirish Apte
- Sir David Higgins
- Launa Inman
- Brian Long
- Andrew Mohl
- Mary Padbury
- Wendy Stops
- Harrison Young
- Sir John Anderson KBE (retired 9 November 2016)
- David Turner (retired 31 December 2016)

Details of current Directors, their experience, qualifications, and any special responsibilities, including Committee memberships are set out on pages 50 and 51.

Other Directorships

The Directors held the following directorships in other listed companies in the three years prior to the end of the 2017 financial year.

Director	Company	Date Appointed	Date of Ceasing (if applicable)
Catherine Livingstone	WorleyParsons Limited	01/07/2007	
	Telstra Corporation Limited	17/11/2000	27/04/2016
Sir John Anderson	APN News & Media Limited	26/03/2015	30/06/2017
Launa Inman	Bellamy's Australia Limited	18/02/2015	28/02/2017
	Super Retail Group Limited	21/10/2015	
Brian Long	Ten Network Holdings Limited	01/07/2010	25/07/2016
	Brambles Limited	01/07/2014	

Directors' Meetings

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

Director	No. of Meetings Held (1)	No. of Meetings Attended
Catherine Livingstone (2)	11	11
Ian Narev	11	11
Sir John Anderson (3)	5	3
Shirish Apte	11	11
Sir David Higgins	11	11
Launa Inman	11	11
Brian Long	11	10
Andrew Mohl	11	11
Mary Padbury	11	11
Wendy Stops	11	11
David Turner (4)	6	6
Harrison Young	11	11

(1) The number of scheduled and unscheduled meetings held during the time the Director was a member of the Board and was eligible to attend.
(2) Catherine Livingstone was appointed Chairman of the Board effective 1 January 2017.
(3) Sir John Anderson retired effective 9 November 2016.
(4) David Turner retired effective 31 December 2016.

Committee Meetings

	Risk Committee		Audit Committee		Remuneration Committee		Nominations Committee (1)	
Director	No. of Meetings Held (2)	No. of Meetings Attended	No. of Meetings Held (2)	No. of Meetings Attended	No. of Meetings Held (2)	No. of Meetings Attended	No. of Meetings Held (2)	No. of Meetings Attended
Catherine Livingstone (3)	1	1	8	8	1	1	3	3
Ian Narev (4)	–	–	–	–	–	–	–	–
Sir John Anderson (5)	3	2	3	2	–	–	3	2
Shirish Apte (6)	8	8	8	8	–	–	–	–
Sir David Higgins	8	8	–	–	10	10	–	–
Launa Inman	–	–	8	8	10	10	–	–
Brian Long	8	8	8	8	–	–	7	7
Andrew Mohl	8	8	–	–	10	10	–	–
Mary Padbury (7)	–	–	–	–	10	10	5	5
Wendy Stops	–	–	–	–	10	10	–	–
David Turner (8)	4	4	–	–	5	5	4	4
Harrison Young (9)	8	8	8	8	–	–	7	7

(1) Formerly named the Board Performance & Renewal Committee.
(2) The number of scheduled and unscheduled meetings held during the time the Director was a member of the relevant committee.
(3) Catherine Livingstone was appointed Chairman of the Nominations Committee effective 1 January 2017 and appointed as a member of the Remuneration Committee effective 4 June 2017.
(4) Ian Narev attends committee meetings in an ex-officio capacity.
(5) Sir John Anderson retired effective 9 November 2016.
(6) Shirish Apte was appointed Chairman of the Risk Committee effective 30 September 2016.
(7) Mary Padbury was appointed as a member of the Nominations Committee effective 8 September 2016.
(8) David Turner retired effective 31 December 2016.
(9) Harrison Young ceased as Chairman of the Risk Committee effective 30 September 2016 and remains as a member of the Risk Committee.

Directors' report continued

Directors' Shareholdings and Options

Particulars of shares held by Directors and the Chief Executive Officer in the Bank or in a related body corporate are set out in the Remuneration Report that forms part of this report.

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

Options and Share Rights Outstanding

As at the date of this report there are no employee options and 3,300,826 share rights outstanding in relation to Bank ordinary shares.

Directors' Interests in Contracts

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

Directors' and Officers' Indemnity

The Directors, as named on page 60 of this report, and the Company Secretaries of the Bank, referred to below, are indemnified under the Constitution of Commonwealth Bank of Australia (the Constitution), as are all senior managers of the Bank.

The indemnity extends to such other officers, employees, former officers or former employees of the Bank, or of its related bodies corporate, as the Directors in each case determine (each, including the Directors and Company Secretaries, defined as an 'Officer' for the purposes of this section).

The Officers are indemnified on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by the Officer as an Officer of the Bank or of a related body corporate.

Deeds of Indemnity have been executed by the Bank, consistent with the Constitution, in favour of each Director of the Bank which includes indemnification in substantially the same terms to that provided in the Constitution.

An Indemnity Deed Poll has been executed by the Bank, consistent with the Constitution which also includes indemnification in substantially the same terms to that provided in the Constitution, in favour of each:

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

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

Directors' and Officers' Insurance

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

Proceedings on behalf of the Bank

No application has been made under section 237 of the Corporations Act 2001 in respect of the Bank, and there are no proceedings that a person has brought or intervened in on behalf of the Bank under that section.

Rounding and Presentation of Amounts

Unless otherwise indicated, the Bank has rounded off amounts in this Directors' Report and the accompanying financial statements to the nearest million dollars in accordance with ASIC Corporations Instrument 2016/191.

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

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

Company Secretaries

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

Taryn Morton was appointed Group Company Secretary of the Bank in October 2015. She has over 18 years of combined corporate governance, company secretarial and legal experience. Prior to the Bank, she was with Insurance Australia Group and before that held the role of Company Secretary of Qantas Airways, where she was also a director of Qantas subsidiaries. Her earlier governance roles were at Babcock & Brown, Ten Network Holdings and Ashurst. She holds Bachelor degrees in Arts and Law and is a Fellow of the Governance Institute of Australia.

Clare McManus was appointed a Company Secretary of the Bank in February 2017. She was previously the Deputy Company Secretary and Corporate Counsel at WorleyParsons and prior to that an Associate Director of Macquarie Group and a Senior Associate at Minter Ellison. She holds a Bachelor of Laws (Hons), Bachelor of Commerce, Diploma of Modern Languages (Mandarin) and Graduate Diploma in Applied Corporate Governance.

Carla Collingwood was a Company Secretary of the Bank from July 2005 until January 2017. From 1994 until 2005, she was a solicitor with the Bank's Legal Services, before being appointed to the position of General Manager, Secretariat. She holds a Bachelor of Laws degree (Hons) and a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia. She is a Graduate of the Australian Institute of Company Directors.

Message from the Remuneration Committee Chairman

Dear Shareholder,

On behalf of the Remuneration Committee, I present the CBA Remuneration Report for the 2017 financial year (FY17).

You will note from the Remuneration Report the Board's heightened focus on risk and reputation matters. This is an area of paramount importance to the Board and we take these matters very seriously. During FY17 an enhanced framework was developed to support the ongoing consideration of risk and reputation matters in the determination of CEO and Group Executive accountability and remuneration outcomes.

Although the Group has delivered strong results for shareholders in FY17, the Board recognises the significant damage caused to the Group's trust and reputation as a result of risk matters, most notably the recent civil penalty proceedings initiated by the Australian Transaction Reports and Analysis Centre (AUSTRAC) on 3 August 2017.

In determining Executive remuneration outcomes for FY17, the overriding consideration has been to the collective accountability of the Executives for the overall reputation of the Group and risk matters. Accordingly, the Short-Term Variable Remuneration (STVR) outcomes for the CEO and Group Executives were adjusted downwards to zero for FY17. For the CEO this STVR reduction results in an FY17 remuneration outcome $2.73 million below what the Group's FY17 performance would have otherwise delivered. You will also note that the Realised Remuneration for Executives in FY17 is significantly lower in comparison to the previous year (55% lower for the CEO and 45% lower on average for Group Executives).

In assessing risk and reputation matters, the Board considered the timing of relevant matters to determine the appropriate element of remuneration to adjust, including deferred remuneration. For a number of former Group Executives, deferred remuneration vesting outcomes were also significantly reduced including 100% forfeiture of deferred STVR and Long-Term Variable Remuneration (LTVR) vesting reductions of approximately 40% – 70%. The Board will continue to review these matters and consider any further impacts on Executive remuneration outcomes.

The Board has also recognised that we have a shared accountability for the overall reputation of the Group and risk matters and therefore has decided to reduce Non-Executive Director base and committee fees for the 2018 financial year (FY18) by an amount equivalent to 20% of our individual FY17 fees.

Looking ahead, we have made significant changes to our Executive remuneration approach. We have done this as a direct response to the vote against the Remuneration Report at the 2016 Annual General Meeting (AGM). Prior to the 2016 AGM, the Board withdrew the proposed resolution relating to the CEO's FY17 LTVR award. We then consulted widely with stakeholders and identified the following key concerns:

Opaque application of board discretion:
Executive remuneration outcomes were perceived as being out of line with CBA's performance and our shareholders' experience. STVR was of particular concern due to the perceived lack of variability among Executives and not adequately reflecting Executive accountability through consequence for risk and reputation matters.

The People and Community hurdle for the originally proposed FY17 LTVR was seen to lack transparency and to be overly reliant on Board discretion to determine vesting outcomes.

Excessive use of non-financial measures:
Non-financial measures were considered too highly weighted in the remuneration framework, with insufficient clarity of how objective and stretching performance hurdles would be set. The duplication of measures across the STVR and LTVR plans was also of concern.

Use of fair value allocation approach:
There were concerns that the discounted fair-value methodology used to determine the number of Reward Rights granted under the LTVR could be seen to understate the potential award value.

Lack of transparency in the Remuneration Report:
The Remuneration Report for the 2016 financial year (FY16) was viewed as complex and lacking transparency, making it difficult to navigate and understand details of the Group's remuneration framework and the basis for Executive remuneration outcomes.

The Board has undertaken a comprehensive review of our Executive remuneration strategy, framework and governance, which has responded to these concerns in full. We have substantially revised this year's Remuneration Report to specifically address the key concerns and improve the transparency of our decisions.

We have clarified our core remuneration beliefs. Executive remuneration outcomes must reflect a strong linkage to performance outcomes, with financial performance being a core component of this. However, we also continue to support the use of a range of non-financial measures to reinforce the importance of balancing the needs of our shareholders and customers and also the expectations of the broader community. It is through this balanced approach that sustainable outperformance and long-term shareholder value creation can be achieved.

Subject to shareholder support, for FY18 we will adopt a new Executive remuneration approach that delivers:

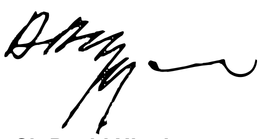
- Increased weighting of financial measures in STVR and use of quantitative performance targets that are measurable and disclosed each year;
- Non-financial measures in the LTVR relating to the areas of Trust and Reputation and Employee Engagement, which are strategic imperatives for the Group and strongly aligned to long-term value creation for our shareholders, limited to 25% of the total LTVR;
- Transparency of LTVR awards through the use of a face value methodology;
- No duplication of performance measures across the STVR and LTVR plans; and
- Enhanced consideration of risk in remuneration structures, with STVR deferral periods increased to two years and deferred into equity.

These and other changes relating to FY17 and FY18 are detailed in the table on the following page.

During FY17 CBA committed to implementing all of the recommendations from Stephen Sedgwick's independent review of product sales commissions and product based payments in FY18. With the Board's oversight we have already made significant progress on this important reform agenda and will continue to update you on our progress.

Although the past year has seen significant focus and change across the sector, CBA remains steadfastly committed to delivering the right outcomes for customers and increasing the level of trust and engagement from our shareholders, our people and the community.

We appreciate the feedback provided during the year and your involvement as owners of CBA. I invite you to review the full report, and thank you for your interest.



Sir David Higgins
Committee Chairman

8 August 2017

Remuneration report

Board response to concerns raised in relation to the FY16 Remuneration Report

In direct response to the concerns raised in relation to the FY16 Remuneration Report, we have undertaken a comprehensive review of our Executive remuneration strategy, framework and governance and have made changes to support our business strategy and ensure shareholder alignment.

The FY17 Remuneration Report has been substantially revised to enhance transparency and clarity regarding Key Management Personnel (KMP) remuneration outcomes. Changes in STVR arrangements for FY18 will enable further disclosure of performance measures and outcomes in the FY18 Remuneration Report.

Issue	Changes we have made	When it is effective
STVR *Opaque Application of Board Discretion* *Excessive Use of Non-Financial Measures*	**FY17 STVR outcomes demonstrate clear remuneration and performance linkage** • FY17 STVR outcomes clearly demonstrate accountability for risk and reputation matters, with Executive performance assessments also reflecting improved rigour in the process. • The FY17 STVR outcomes for the CEO and all Group Executives were adjusted downwards to zero, reflecting collective accountability of Executives for the overall reputation of the Group and risk matters.	**FY17**
	Increased weighting of financial and quantitative measures in STVR • Financial measures in Executive STVR performance scorecards will remain unchanged, however there will be an increased weighting on these measures. The CEO financial measures will increase from 40% to 60%. • The Group Chief Risk Officer STVR performance scorecard will have a stronger weighting towards risk management related measures and less emphasis on financial measures compared to other Executives. **Improved rigour of non-financial measures** • Increased quantitative measurement of non-financial measures and the introduction of Net Promoter Score (NPS) customer targets. **Improved depth of disclosure for STVR measures and basis for outcomes** • Disclosure of the CEO's FY18 STVR performance scorecard (including weightings and performance outcomes) will be included in the FY18 Remuneration Report. **STVR deferred into equity together with a longer deferral period** • The deferred component of the STVR will be delivered into equity, rather than cash, and the vesting period will be increased from one year to two years, with 50% vesting after one year and the remaining 50% vesting after two years. This change further strengthens the link between STVR outcomes and performance over the medium term. This also provides the Board with greater opportunity to adjust deferred STVR outcomes, if required, by taking into consideration any relevant matters that occur over the vesting period.	**FY18**
LTVR *Excessive Use of Non-Financial Measures*	**Withdrawal of proposed People and Community measure for FY17 LTVR** • The FY17 LTVR measures proposed in the FY16 Remuneration Report were withdrawn prior to the AGM. The Board made the decision to grant the FY17 LTVR award under the measures that were previously approved at the 2015 AGM (75% Relative Total Shareholder Return (TSR) and 25% Relative Customer Satisfaction).	**FY17**
	Comprehensive review of LTVR measures • A comprehensive review of LTVR performance measures was undertaken during the year. • The performance measures for the FY18 LTVR grant are: 75% Relative TSR, 12.5% Trust and Reputation and 12.5% Employee Engagement. Both Trust and Reputation and Employee Engagement will be quantitative measures. • A positive TSR gateway will be applied to the 25% non-financial LTVR component to ensure that no vesting on these measures occurs unless the change in shareholder value over the period is positive.	**FY18**

Issue	Changes we have made	When it is effective
LTVR *Use of Fair Value Allocation Approach*	**Change from fair value to face value allocation methodology for LTVR** • Face value rather than fair value will be used to determine the number of Reward Rights granted under the FY18 LTVR. Details of the FY18 LTVR will be disclosed in the 2017 Notice of Meeting and FY18 Remuneration Report. • The maximum face value of FY18 LTVR awards is set at 180% of Fixed Remuneration (FR) with no dividend equivalent payment. The overall maximum value has decreased as previously the total face value of LTVR awards was approximately 200% of FR, inclusive of dividend equivalent payments (three-year average). • A face value approach provides greater simplicity and transparency for shareholders.	**FY18**
STVR and LTVR *Excessive Use of Non-Financial Measures*	**No duplication of performance measures between STVR and LTVR** • The customer measure will no longer be duplicated in the STVR and LTVR plans. • Customer measures will only be included in the STVR with Customer NPS being adopted.	**FY18**
Remuneration Governance *Opaque Application of Board Discretion*	**Enhanced risk and remuneration governance** • The Board has reviewed and strengthened its remuneration governance procedures, including developing an enhanced framework for the consideration of risk and reputational matters in the determination of Executive variable remuneration outcomes. • The framework will provide the Board with increased transparency, rigour and consistency when applying its discretion in assessing Executive outcomes.	**FY17**

This Remuneration Report details the performance and remuneration frameworks and outcomes for CBA and its KMP for FY17.

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

Contents

1. FY17 KMP

KMP are persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity. The table below outlines CBA's KMP for FY17.

Name	Position	Term as KMP
Chairman		
Catherine Livingstone AO (1)	Chairman	Full Year
Current Non-Executive Directors		
Shirish Apte	Director	Full Year
David Higgins	Director	Full Year
Launa Inman	Director	Full Year
Brian Long	Director	Full Year
Andrew Mohl	Director	Full Year
Mary Padbury	Director	Full Year
Wendy Stops	Director	Full Year
Harrison Young	Director	Full Year
Former Non-Executive Directors		
David Turner(2)	Chairman	Part Year
John Anderson(3)	Director	Part Year
Managing Director and Chief Executive Officer		
Ian Narev	Managing Director and CEO	Full Year
Group Executives		
Kelly Bayer Rosmarin	Group Executive, Institutional Banking and Markets	Full Year
Adam Bennett	Group Executive, Business and Private Banking	Full Year
David Cohen	Group Chief Risk Officer	Full Year
Matt Comyn	Group Executive, Retail Banking Services	Full Year
David Craig(4)	Group Executive, Financial Services and Chief Financial Officer	Full Year
Rob Jesudason(5)	Group Executive, International Financial Services	Full Year
Melanie Laing	Group Executive, Human Resources	Full Year
Anna Lenahan(6)	Group General Counsel and Group Executive, Group Corporate Affairs	Part Year
Vittoria Shortt	Group Executive, Marketing and Strategy	Full Year
Annabel Spring	Group Executive, Wealth Management	Full Year
David Whiteing	Group Executive, Enterprise Services and Chief Information Officer	Full Year

(1) Catherine Livingstone AO was a Non-Executive Director from 1 July 2016 to 31 December 2016 and appointed as Chairman from 1 January 2017 to 30 June 2017.
(2) David Turner retired from his role as Chairman on 31 December 2016.
(3) Sir John Anderson retired from his role as a Non-Executive Director on 9 November 2016.
(4) David Craig retired from the Group Executive, Financial Services and Chief Financial Officer role on 30 June 2017.
(5) Rob Jesudason was appointed as the Group Executive, Financial Services and Chief Financial Officer on 1 July 2017.
(6) Anna Lenahan was appointed to the Group General Counsel and Group Executive, Group Corporate Affairs role on 28 November 2016.

2. FY17 Summary

FY17 Fixed Remuneration (FR)	FR is reviewed annually, following the end of the 30 June performance year. For FY17: • The CEO did not receive a FR increase. • The average FR increase for the Executives who did not change roles during the year was 0.7%. • Due to a change in role, David Cohen received an increase to his FR effective from the date of his appointment to the position of Group Chief Risk Officer on 1 July 2016.
FY17 Remuneration Adjustments	The Board considered risk and reputation matters in the determination of variable remuneration outcomes, with adjustments made as follows: • The CEO and all Group Executives were assessed as Not Met on risk, reflecting collective accountability for the overall reputation of the Group and risk matters. Accordingly, the FY17 STVR outcomes for the CEO and all Group Executives were adjusted downwards to zero. Executive performance against financial and non-financial measures was strong for FY17, however, remuneration outcomes demonstrate overriding consideration of the significant damage caused to the Group's trust and reputation as a result of risk matters, most notably the recent civil penalty proceedings initiated by AUSTRAC. • For former Group Executives, reductions were applied to the vesting outcome of their deferred variable remuneration to reflect risk and reputation matters identified after they ceased as a Group Executive. The Board considered the timing of these matters to determine the appropriate element of deferred variable remuneration for adjustment. Downward adjustments to former Group Executive variable remuneration outcomes include 100% forfeiture of deferred STVR and LTVR vesting reductions of approximately 40% – 70%. The Board will continue to review these matters and consider further impacts on Executive remuneration outcomes.
FY17 STVR Outcomes	STVR outcomes for FY17 reflect CBA's overall performance and risk-related adjustments:

	FY17 STVR Outcomes		FY16 STVR Outcomes	
	% of Target	% of Maximum	% of Target	% of Maximum
CEO	0%	0%	108%	72%
Group Executives	0%	0%	95% – 124%	63% – 82%

FY14 LTVR Award Outcomes

Performance Period: 1 July 2013 to 30 June 2017)

The FY14 LTVR Award, which reached the end of its four-year performance period on 30 June 2017, vested at 67.08%, reflecting sustained delivery of returns to shareholders and customer satisfaction.

Performance Measure	Performance Outcome	Vesting Outcome
Relative TSR (75% of award)	55th percentile ranking relative to peer group	60.0%
Relative Customer Satisfaction(1) (25% of award)	Average result over performance period • Retail Main Financial Institution (MFI) Customer Satisfaction = 1.25 • Wealth Management Customer Satisfaction = 1.25 • Business MFI Customer Satisfaction =1.04 Total weighted average ranking = 1.16	92.0%

(1) Vesting outcome for Relative Customer Satisfaction is calculated based on the weighted average ranking across the three independent surveys (weighted by the business area's contribution to Net Profit after Tax (NPAT) at the beginning of the performance period).

FY17 LTVR Grant **(Performance Period: 1 July 2016 to 30 June 2020)**	For the FY17 LTVR grant: • The measures originally proposed in the FY16 Remuneration Report (50% Relative TSR, 25% Relative Customer Satisfaction, 25% People and Community) were withdrawn prior to the 2016 AGM. • The Board determined to grant the award under the measures that were previously approved by shareholders at the 2015 AGM (75% Relative TSR and 25% Relative Customer Satisfaction). • The actual number of rights and total FY17 LTVR value granted to Executives in FY17 was approximately 11% lower than the LTVR target fair value.
FY17 Realised Remuneration	The Realised Remuneration for Executives in FY17 is significantly lower in comparison to FY16. • The CEO's FY17 Realised Remuneration was \$5.5 million compared to \$12.3 million in FY16. • On average, FY17 Realised Remuneration for Group Executives was \$2.0 million (average FY16 Realised Remuneration was \$3.6 million).
FY17 Sign-on and Retention Awards	• Anna Lenahan, Group General Counsel and Group Executive, Group Corporate Affairs, was granted a sign-on award of \$1.8 million, when appointed in November 2016, to compensate for unvested awards that were forfeited due to the termination of her previous employment. The sign-on award was issued as rights (equity) which vest progressively over the period until October 2018, subject to service and risk review, which mirrors the vesting schedule of her forfeited awards. • No retention awards were made to Executives during FY17.

Remuneration report continued

Termination Arrangements for Ceased Executive KMP	• Following David Craig's retirement from the role of Group Executive, Financial Services and Chief Financial Officer effective 30 June 2017, he received standard contractual termination payments only, and the total termination payment was in compliance with the Corporations Act. • The LTVR Reward Rights statutory value for David Craig reflects the disclosable accruals for all previously granted LTVR awards that remained unvested at the time of his retirement on 30 June 2017. • This means that all future amounts relating to each unvested LTVR award have been disclosed in FY17, including those amounts which would otherwise have been included in future year disclosures. • These LTVR awards remain 'on foot' and will only vest subject to the achievement of the pre-determined performance conditions and risk review.
FY17 Non-Executive Director Fees	• There was no change to Non-Executive Director fees or the fee pool in FY17. The pool was last approved by shareholders on 17 November 2015. • Effective from February 2017, the Remuneration Committee became responsible for oversight of the Non-Executive Director fees. The Nominations Committee was previously responsible.

FY17 Realised Remuneration for Executives

The table below shows remuneration actually received by Executives in relation to FY17. The total cash payments received are made up of FR, and the portion of the FY17 STVR award which is not deferred. These amounts are consistent with those disclosed in the Executive Statutory Remuneration table on page 74 for the same items. This table also includes the value of previous years' deferred STVR and LTVR awards which vested during FY17. This differs to the Executive Statutory Remuneration table which presents the accounting expense for both vested and unvested awards in accordance with accounting standards.

	FR [1] $	Cash STVR[2] $	Total cash in relation to FY17 $	Previous years' deferred cash awards vested during FY17[3] $	Previous years' deferred equity awards vested during FY17[4] $	Total remuneration realised during FY17 $	Previous years' awards forfeited or lapsed during FY17 [5] $
CEO							
Ian Narev	2,650,000	0	**2,650,000**	1,462,613	1,393,966	**5,506,579**	(4,828,549)
Group Executives [6]							
Kelly Bayer Rosmarin	1,050,600	0	**1,050,600**	599,186	485,214	**2,135,000**	–
Adam Bennett	999,600	0	**999,600**	566,483	310,626	**1,876,709**	–
David Cohen	1,200,000	0	**1,200,000**	541,294	510,966	**2,252,260**	(1,738,351)
Matt Comyn	1,055,750	0	**1,055,750**	667,623	556,427	**2,279,800**	(1,892,800)
David Craig	1,380,000	0	**1,380,000**	829,983	783,464	**2,993,447**	(2,665,426)
Rob Jesudason[7]	1,152,103	0	**1,152,103**	702,706	454,251	**2,309,060**	(1,545,176)
Melanie Laing	845,000	0	**845,000**	494,180	454,251	**1,793,431**	(1,545,176)
Anna Lenahan[8]	509,521	0	**509,521**	–	859,586	**1,369,107**	–
Vittoria Shortt	861,900	0	**861,900**	512,533	186,335	**1,560,768**	–
Annabel Spring	1,055,750	0	**1,055,750**	512,560	556,427	**2,124,737**	(1,892,800)
David Whiteing	999,600	0	**999,600**	521,797	–	**1,521,397**	–

(1) FR includes base remuneration and superannuation.

(2) The FY17 STVR outcome for all Executives was adjusted downwards to zero, reflecting collective accountability for the overall reputation of the Group and risk matters.

(3) The value of all deferred cash awards that vested during FY17 plus any interest accrued during the vesting period.

(4) The value of deferred equity awards that vested during FY17 plus any dividends accrued during the vesting period based on the volume weighted average closing price of the Group's ordinary shares over the five trading days preceding the vesting date. For Ian Narev, David Cohen, Matt Comyn, David Craig, Rob Jesudason, Melanie Laing and Annabel Spring this reflects the portion of the FY13 LTVR award (performance period ended 30 June 2016) that vested during FY17. For Kelly Bayer Rosmarin, Adam Bennett and Vittoria Shortt this amount reflects the FY13 deferred STVR awarded prior to their appointment as Group Executive under Executive General Manager arrangements that vested during FY17. For Anna Lenahan, this amount reflects the portion of the sign-on award that vested during FY17. A portion of Ian Narev's vested equity award was delivered in the form of cash, which was paid to registered charities pursuant to an option that the Board made available in the financial year.

(5) The value of any deferred cash and/or equity awards that were forfeited/lapsed during FY17.

(6) Group Executives as at 30 June 2017.

(7) For Rob Jesudason, remuneration was paid in Hong Kong dollars and was impacted by movements in exchange rates.

(8) Anna Lenahan was appointed to the Group General Counsel and Group Executive, Group Corporate Affairs role effective 28 November 2016 and her remuneration reflects time in role.

3. Executive Remuneration Framework

The Executive remuneration framework is designed to attract and retain high-calibre Executives by rewarding them for achieving goals that are aligned to the Group's strategy and shareholder interests.

FY17 Executive Remuneration Framework

Remuneration Principles

- Aligned with shareholder value creation
- Market competitive to attract and retain high-calibre talent
- Rewards sustainable outperformance and discourages poor performance
- Recognises the role of non-financial drivers in longer-term value creation
- Simple and transparent remuneration approach that is fit for purpose, reflecting CBA's strategy and values

FR 1/3

- Base remuneration and superannuation (includes cash salary and any salary sacrificed items)
- Reviewed annually against disclosed remuneration data
- Primary peer group is the other three major Australian banks

STVR (at risk) – Target 1/3

- Target = 100% of FR
- Balanced scorecard comprising financial and non-financial measures
- Risk and values assessment
- STVR outcomes may range from 0% to 150% of target STVR

50% is paid as cash

50% is deferred as cash for one year

LTVR (at risk) – Target 1/3

- Target = 100% of FR
- Four year performance period
- Measured against Relative TSR (75%) and Relative Customer Satisfaction (25%) measures
- Delivered as Reward Rights
- Fair value allocation approach

Year 1 | **Year 2** | **Year 4**

75% of variable remuneration is deferred, with 50% of variable remuneration deferred over four years

Risk Review

- All variable remuneration is subject to Board risk review prior to payment or vesting
- The Board has discretion to adjust STVR and LTVR outcomes down to zero where appropriate
- Unvested STVR and LTVR is forfeited if Executives resign or are dismissed before the end of the vesting/deferral period, unless the Board determines otherwise

Executive Mandatory Shareholding

Executives are required to accumulate CBA shares over a five year period from 1 July 2013 when the Executive Mandatory Shareholding requirement was implemented or from the date of their appointment to an Executive role, to the value of 300% of FR for the CEO and 200% of FR for Group Executives.

FY18 Executive Remuneration Framework effective from 1 July 2017

During FY17, the Remuneration Committee undertook a detailed review of all elements of the Executive remuneration framework. The table below provides a summary of changes to the FY17 framework, which are effective from 1 July 2017.

Feature	FY17	FY18 (Changes Effective 1 July 2017)
STVR		
Performance measures and weighting	• Weighting on financial measures: • CEO – 40% • Group Executives managing business units – typically 45% • Group Executives managing support functions – typically 25%	• Increased weighting on financial measures: • CEO – 60% • Group Executives managing business units – typically 60% • Group Executives managing support functions – typically 40% • The remainder of the STVR performance scorecard will continue to focus on key non-financial measures in relation to customer, people and strategic initiatives, supported by a strong risk management framework • More quantitative measures for all Executives
Deferral vehicle	• 50% of STVR award deferred as cash	• 50% of STVR award deferred as equity
Deferral period	• One year	• Two years: 50% of deferred STVR award vests after one year and remaining 50% vests after two years
LTVR		
Allocation approach	• Fair value allocation approach • With dividend equivalent payments • Total face value is approximately 200% of FR, inclusive of dividend equivalent payments (three-year average)	• Adopt a face value allocation approach • No dividend equivalent payments • Total face value is 180% of FR
Performance measures	• 75% Relative TSR and 25% Relative Customer Satisfaction	• 75% Relative TSR, 12.5% Trust and Reputation and 12.5% Employee Engagement • A positive TSR gateway is applied to the 25% non-financial measures to ensure that no vesting occurs unless shareholder value over the period is positive

FY18 LTVR – Non-financial Measures

As summarised above, there will be a number of changes to the LTVR award effective 1 July 2017.

Relative TSR continues to be the measure against which the majority, 75%, of the FY18 LTVR award is tested. The methodology for this measure has not changed for FY18. The Relative TSR hurdle has been chosen because it provides a direct link between Executive remuneration and shareholder returns, relative to CBA's ASX peers.

The remaining 25% of the award continues to be tested against non-financial measures. There are two new measures selected for the FY18 LTVR award each of which will be applied to 12.5% of the total award. In selecting the measures the Board has listened to and acknowledged concerns that:

- The People and Community hurdle for the originally proposed FY17 LTVR award was seen to lack transparency and to be overly reliant on Board discretion to determine vesting outcomes;
- The use of non-financial measures was excessive, as the proposed introduction of the People and Community measure would have reduced the weighting on Relative TSR to 50%; and
- The adoption of customer measures for the FY17 LTVR award created a duplication of performance measures between the short-term and long-term components of the variable reward framework.

The proposed FY18 LTVR measures are intended to drive a strong focus and improvement in CBA's Trust and Reputation, and Employee Engagement, both of which are considered by the Board to be critical drivers of sustainable long-term value creation for shareholders, and are closely linked to the strategic imperatives of CBA. In today's challenging and increasingly competitive environment we need to focus not only on direct financial returns, but also the way we do business, how we support our people and our role in society. In particular:

- The Board recognises the critical importance for CBA and the industry of rebuilding and improving the trust of customers and the broader community. This is a key factor in ensuring CBA maintains its social licence to operate, as well as enhancing long-term financial performance and value to shareholders. Accordingly, this is a fundamental focus area for the Executive team and one for which they are accountable.
- The Board views that an engaged workforce results in greater productivity and better customer outcomes and experience. It is therefore fundamental for the continued success of CBA that its employees are proud advocates of CBA and committed to its vision, values and strategy.

A positive TSR gateway will be applied to the non-financial performance measures, such that no vesting on these measures occurs unless the change in shareholder value over the period is positive.

In addition, the total FY18 LTVR award will be subject to a risk and compliance review undertaken by the Board before any vesting can occur.

4. Linking Remuneration to Performance

Variable remuneration is directly linked to both short-term and long-term performance goals.

Financial Performance

The below table illustrates CBA's financial performance over the past five financial years (including FY17) and the link to Executive remuneration.

Financial Performance Measure	Link to Executive Remuneration	FY17	FY16	FY15	FY14	FY13
Group Cash NPAT ($M) (1)	STVR scorecard measure	9,881	9,445	9,127	8,680	7,760
Group PACC ($M) (2)	STVR scorecard measure	6,525	6,187	n/a	n/a	n/a
Share Price as at 30 June ($)	LTVR Relative TSR measure	82.81	74.37	85.13	80.88	69.18
Dividends per Share ($)	LTVR Relative TSR measure	4.29	4.20	4.20	4.01	3.64
TSR (four-year period) as at 30 June (%)	LTVR Relative TSR measure	50.75	74.74	110.43	109.89	122.57

(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1 to the Financial Statements.
(2) Due to methodology changes comparatives for Group Profit after Capital Charge (PACC) have only been provided for FY16.

FY17 STVR Performance Outcomes

Overall Group performance, together with an assessment of individual Executive performance through a balanced scorecard approach, determines the individual STVR outcomes of Executives. All Executives scorecards contain the same performance categories, with financial and non-financial measures aligned with business unit specific targets where appropriate. Weighting of financial and non-financial measures varies by role.

- The CEO had a 40% weighting on financial measures.
- Group Executives managing business units typically had a 45% weighting on financial measures.
- Group Executives managing support functions typically had a 25% weighting on financial measures.

Risk is an important factor in accounting for short-term performance. The Group uses PACC, a risk-adjusted measure, as a key measure of financial performance. PACC takes into account the profit achieved, and also reflects the risk to capital that was taken to achieve it. Moreover, in managing risk, Executives are required to comply with the Group and relevant Business Unit Risk Appetite Statements and provide exemplary leadership of a strong risk culture.

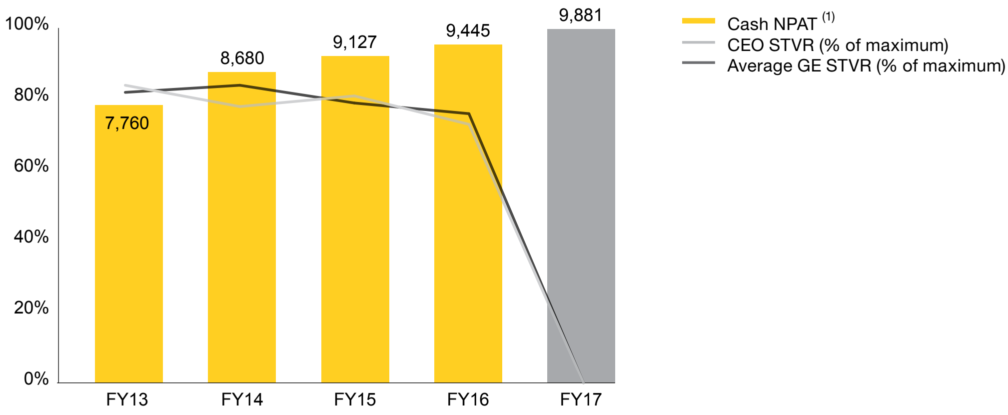
The following table provides the Board's assessment of the CEO's performance for FY17.

Performance Category	Measures	FY17 CEO Outcome % of STVR Target	FY17 CEO Outcome % of STVR Maximum
Sound Risk Management Gate opener/STVR adjustment	Exemplary leadership of risk culture	The CEO was assessed as Not Met on risk reflecting consideration of risk and reputation matters.	
Shareholder *(40%)*	• Group Cash NPAT • Group Underlying PACC • Productivity	132%	88%
Customer *(15%)*	• Roy Morgan (6 month rolling average, four major banks) • DBM Institutional: in the +$300m category or +$500m category • DBM (whole of market)	100%	67%
Strategy *(15%)*	• Strategy development and execution	100%	67%
People and Community *(30%)*	• Reputation • Culture • Engagement • Safety	67%	44%
	Overall STVR Outcome	**103%**	**69%**
	Risk-Adjusted STVR Outcome	**0%**	**0%**

Remuneration report continued

Group Performance and STVR Outcomes

The below chart shows Cash NPAT over the past five years and STVR outcomes for Executives as a percentage of STVR maximum. Current and historical STVR outcomes reflect consideration of financial and non-financial factors in the determination of remuneration, including risk and reputation matters.



(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1 to the Financial Statements.

FY17 STVR Outcomes

The average STVR payment for Executives was 0% of their STVR maximum. The following table provides the FY17 STVR outcomes for Executives.

	STVR Target [1]	STVR Actual			STVR Actual as % of STVR Target	STVR Actual as % of STVR Maximum
		Total	Cash [2]	Deferred [3]		
	($)	($)	($)	($)	(%)	(%)
CEO						
Ian Narev	2,650,000	**0**	0	0	0	0
Group Executives						
Kelly Bayer Rosmarin	1,050,600	**0**	0	0	0	0
Adam Bennett	999,600	**0**	0	0	0	0
David Cohen	1,200,000	**0**	0	0	0	0
Matt Comyn	1,055,750	**0**	0	0	0	0
David Craig	1,380,000	**0**	0	0	0	0
Rob Jesudason	1,152,103	**0**	0	0	0	0
Melanie Laing	845,000	**0**	0	0	0	0
Anna Lenahan [4]	509,521	**0**	0	0	0	0
Vittoria Shortt	861,900	**0**	0	0	0	0
Annabel Spring	1,055,750	**0**	0	0	0	0
David Whiteing	999,600	**0**	0	0	0	0

(1) STVR target is equal to 100% of FR. The maximum STVR is 150% of target STVR.
(2) 50% of the STVR award payable as cash in recognition of performance for FY17 (payable September 2017). The FY17 STVR outcome for all Executives was adjusted downwards to zero, reflecting collective accountability for the overall reputation of the Group and risk matters.
(3) 50% of the STVR award that is deferred until 1 July 2018. Deferred STVR awards are subject to Board risk review at the time of payment. The FY17 STVR outcome for all Executives was adjusted downwards to zero, reflecting collective accountability for the overall reputation of the Group and risk matters.
(4) Anna Lenahan was appointed to the Group General Counsel and Group Executive, Group Corporate Affairs role effective 28 November 2016. STVR target reflects her time in role.

FY14 LTVR Award Outcomes

The FY14 LTVR Award, which reached the end of its four-year performance period on 30 June 2017, vested at 67.08% reflecting sustained delivery of returns to shareholders and customer satisfaction.

Performance Measure	Performance Outcome	Vesting Outcome
Relative TSR (75% of award)	55th percentile ranking relative to peer group	60.0%
Relative Customer Satisfaction [1] (25% of award)	Average result over performance period • Retail MFI Customer Satisfaction = 1.25 • Wealth Management Customer Satisfaction = 1.25 • Business MFI Customer Satisfaction =1.04 Total weighted average ranking = 1.16	92.0%

(1) Vesting outcome for Relative Customer Satisfaction is calculated based on the weighted average ranking across the three independent surveys (weighted by the business area's contribution to NPAT at the beginning of the performance period).

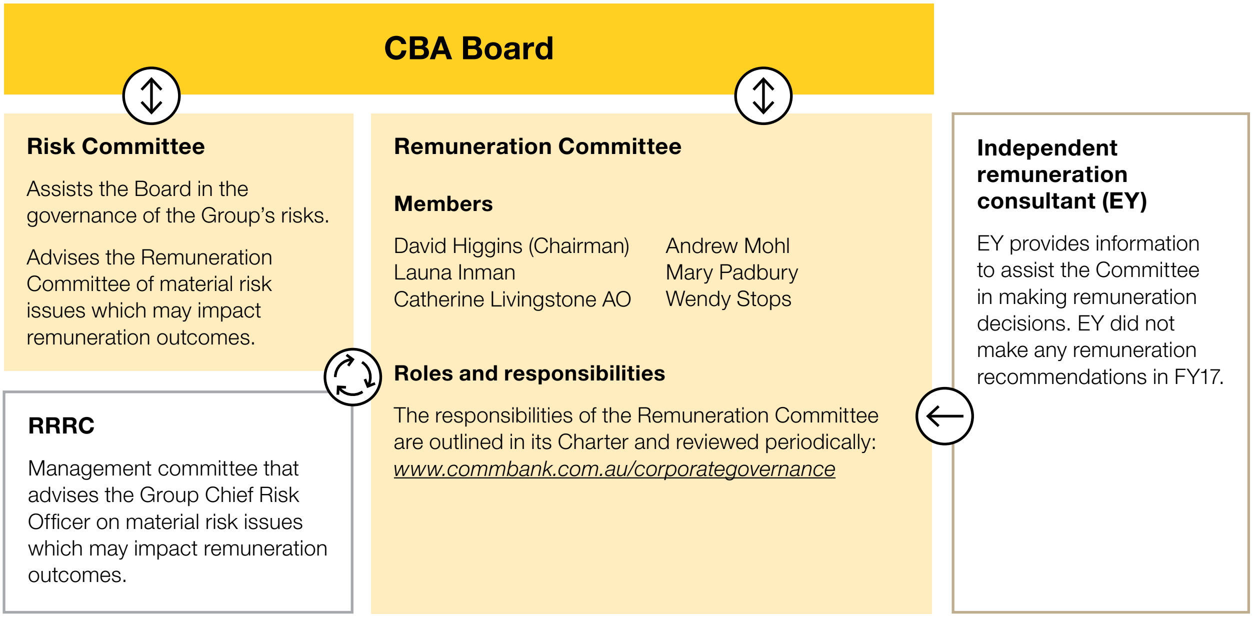
5. Remuneration Governance

Remuneration Committee

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

The Remuneration Committee has a robust framework for the systematic review of risk and compliance issues impacting remuneration and works closely with the Board's Risk Committee and management's Risk and Remuneration Review Committee (RRRC) to consider risk and reputational matters in the determination of variable remuneration outcomes.

The following diagram illustrates the Group's remuneration governance framework.



Remuneration Committee Focus Areas for FY17

During FY17, the Remuneration Committee continued to focus on embedding a remuneration framework that is appropriate for the Group's different businesses with transparency in design, strong governance and risk oversight. This year the Remuneration Committee's key areas of focus were:

- Comprehensive review of the Executive remuneration strategy and framework following the significant vote against the FY16 Remuneration Report at the 2016 AGM;
- A review of Executive remuneration governance with a particular focus on risk. An enhanced framework has been developed for the consideration of risk and reputational matters in the determination of variable remuneration outcomes;
- Ongoing review and monitoring of variable remuneration practices, with a particular focus on the Group's retail customer facing roles, in line with the Group's commitment to adopt in full, in FY18, the recommendations from Stephen Sedgwick's independent review of product sales commissions and product based payments;
- The annual review of the Group Remuneration Policy (GRP) ensuring that the GRP remains fit for purpose and continues to effectively deliver on intent;
- Ongoing monitoring of regulatory and legislative changes, both locally and offshore, ensuring that the Group's policies and practices remain compliant with all regulatory requirements;
- The retirement of David Craig from the Group Executive, Financial Services and Chief Financial Officer role, effective 30 June 2017;
- The appointment of Rob Jesudason to the role of Group Executive, Financial Services and Chief Financial Officer, effective 1 July 2017; and
- The appointment of Coenraad Jonker to the role of Group Executive, International Financial Services, effective 1 July 2017.

6. Executive Remuneration in Detail

Executive Statutory Remuneration

The following statutory tables detail the statutory accounting expense of all remuneration related items for the Executives. This includes remuneration costs in relation to both FY16 and FY17. The tables are different to the Realised Remuneration table on page 68, which shows the remuneration realised in FY17 rather than the accrual amounts on the statutory accounting basis, as outlined in these statutory tables. The tables have been developed and audited against the relevant Australian Accounting Standards. Refer to the footnotes below each table for more detail on each remuneration component.

Remuneration report continued

	FR [1]		Other Short-Term Benefits				Long-Term Benefits	Share-Based Payments		
	Base Remuneration [2] $	Super-annuation $	Non Monetary[3] $	Cash STVR (at risk)[4] $	Deferred STVR (at risk) [5] $	Other [6] $	Long-Term [7] $	Deferred Rights (at risk)[8]	LTVR Reward Rights (at risk)[9]	Total Statutory Remuneration [10] $
CEO										
Ian Narev										
FY17	**2,625,000**	**25,000**	**15,909**	**0**	**0**	**(33,007)**	**113,341**	**–**	**2,966,120**	**5,712,363**
FY16	2,625,000	25,000	15,052	1,431,000	1,431,000	35,870	137,211	–	3,068,219	8,768,352
Group Executives										
Kelly Bayer Rosmarin										
FY17	**1,025,600**	**25,000**	**15,909**	**0**	**0**	**18,037**	**(52,237)**	**70,583**	**833,943**	**1,936,835**
FY16	1,025,600	25,000	15,052	586,235	586,235	3,760	68,876	210,317	555,203	3,076,278
Adam Bennett										
FY17	**974,600**	**25,000**	**15,909**	**0**	**0**	**(36,560)**	**24,113**	**145,640**	**523,671**	**1,672,373**
FY16	955,000	25,000	15,052	554,239	554,239	9,385	51,361	183,108	283,329	2,630,713
David Cohen [11]										
FY17	**1,175,000**	**25,000**	**15,909**	**0**	**0**	**44,169**	**100,122**	**–**	**988,620**	**2,348,820**
FY16	875,000	25,000	15,052	529,594	529,594	60,308	35,088	–	964,254	3,033,890
Matt Comyn										
FY17	**1,030,750**	**25,000**	**14,599**	**0**	**0**	**24,802**	**25,425**	**–**	**1,078,073**	**2,198,649**
FY16	1,030,750	25,000	13,846	653,193	653,193	6,656	36,150	–	982,736	3,401,524
David Craig [12]										
FY17	**1,360,384**	**19,616**	**15,909**	**0**	**0**	**51,519**	**69,661**	**–**	**3,935,949**	**5,453,038**
FY16	1,355,000	25,000	15,052	812,044	812,044	57,916	60,057	–	1,478,428	4,615,541
Rob Jesudason [13]										
FY17	**1,149,030**	**3,073**	**–**	**0**	**0**	**972,349**	**41,466**	**–**	**987,414**	**3,153,332**
FY16	1,190,237	3,184	–	712,174	712,174	627,302	24,014	–	853,286	4,122,371
Melanie Laing										
FY17	**820,000**	**25,000**	**15,909**	**0**	**0**	**2,409**	**22,217**	**–**	**878,734**	**1,764,269**
FY16	820,000	25,000	15,052	483,499	483,499	(4,412)	17,412	–	885,233	2,725,283
Anna Lenahan [14]										
FY17	**497,966**	**11,555**	**10,455**	**0**	**0**	**18,571**	**3,292**	**1,158,780**	**118,307**	**1,818,926**
Vittoria Shortt										
FY17	**836,900**	**25,000**	**15,909**	**0**	**0**	**40,010**	**(41,739)**	**129,441**	**374,761**	**1,380,282**
FY16	820,000	25,000	15,052	501,455	501,455	(19,300)	25,425	126,107	185,175	2,180,369
Annabel Spring										
FY17	**1,030,750**	**25,000**	**14,599**	**0**	**0**	**13,905**	**34,003**	**–**	**1,078,073**	**2,196,330**
FY16	1,030,750	25,000	13,846	501,481	501,481	16,215	43,865	–	1,080,090	3,212,728
David Whiteing										
FY17	**979,984**	**19,616**	**14,599**	**0**	**0**	**(8,609)**	**19,620**	**52,634**	**585,192**	**1,663,036**
FY16	960,692	19,308	13,846	510,519	510,519	8,810	14,547	52,563	346,102	2,436,906

(1) FR comprises Base Remuneration and Superannuation (post-employment benefit). Superannuation contributions for Rob Jesudason are made in line with Hong Kong Mandatory Provident Fund regulations.

(2) Total cost of salary including cash salary, short-term compensated absences and any salary sacrificed benefits.

(3) Cost of car parking (including associated fringe benefits tax).

(4) 50% of the FY17 STVR for performance during the 12 months to 30 June 2017 (payable September 2017). The FY17 STVR outcome for all Executives was adjusted downwards to zero, reflecting collective accountability for the overall reputation of the Group and risk matters.

(5) 50% of the FY17 STVR award that is deferred until 1 July 2018. Deferred STVR awards are subject to Board review at the time of payment. The FY17 STVR outcome for all Executives was adjusted downwards to zero, reflecting collective accountability for the overall reputation of the Group and risk matters.

(6) Includes company funded benefits (including associated fringe benefits tax where applicable), interest accrued in relation to the FY16 STVR deferred award, which vested on 1 July 2017, and the net change in accrued annual leave. For Rob Jesudason, this includes costs in relation to his Hong Kong assignment and relocation to Australia.

(7) Long service entitlements accrued during the year as well as the impact of changes to long service leave valuation assumptions, which are determined in line with Australian Accounting Standards. The FY16 comparative has been restated to reflect a disclosure methodology change where Deferred Rights are included in share-based payments instead of long-term benefits.

(8) FY17 expense for deferred STVR awarded under Executive General Manager arrangements, and sign-on and retention awards received as Deferred Rights. These equity awards are subject to forfeiture if the Executive ceases to be employed by the Group prior to the vesting date as a result of resignation. The FY16 comparative has been restated to reflect a disclosure methodology change where Deferred Rights are included in share-based payments instead of long-term benefits.

(9) FY17 expense for the FY14, FY15, FY16 and FY17 LTVR awards (including true up for the Customer Satisfaction performance hurdle portion of the FY13 LTVR award).

(10) The percentage of FY17 remuneration related to performance was: Ian Narev 52%, Kelly Bayer Rosmarin 47%, Adam Bennett 40%, David Cohen 42%, Matt Comyn 49%, David Craig 72%, Rob Jesudason 31%, Melanie Laing 50%, Anna Lenahan 70%, Vittoria Shortt 37%, Annabel Spring 49%, and David Whiteing 38%.

(11) David Cohen commenced in the Group Chief Risk Officer role from 1 July 2016. Prior year comparison reflects statutory remuneration for his prior role, Group General Counsel and Group Executive, Group Corporate Affairs.

(12) The LTVR Reward Rights value for David Craig reflects the disclosable accruals for all previously granted LTVR awards that remain unvested following his retirement on 30 June 2017 up to the end of each performance period. This means that up to three years of each unvested LTVR award has been disclosed in FY17, including those amounts which would otherwise have been included in future year disclosures. These LTVR awards remain 'on foot' and will only vest subject to the achievement of the pre-determined performance conditions and risk review.

(13) For Rob Jesudason, remuneration was paid in Hong Kong dollars and was impacted by movements in exchange rates.

(14) Anna Lenahan was appointed to the Group General Counsel and Group Executive, Group Corporate Affairs role effective 28 November 2016 and her remuneration reflects time in role.

FY17 LTVR Award

Executives were granted LTVR awards in FY17 for the performance period from 1 July 2016 to 30 June 2020. The following table provides the key features of the FY17 LTVR award:

	Relative TSR	Relative Customer Satisfaction
Performance Measures	75% of each award is subject to the Group's TSR performance relative to a set peer group [1]. The peer group is made up of the 20 largest companies on the Australian Securities Exchange (ASX) by market capitalisation at the beginning of the performance period, excluding resources companies and CBA. The next five largest companies listed on the ASX by market capitalisation will form a reserve bench of companies.	25% of each award is subject to the Group's Customer Satisfaction outcomes relative to a peer group of: • Australia & New Zealand Banking Group Limited (ANZ); • National Australia Bank Limited (NAB); • Westpac Banking Corporation (WBC); and • Other key competitors for the wealth business.
Vesting Framework	**Peer Group Ranking** – **Vesting %** 75th percentile or higher – 100% Median – 50% Below the median – 0% Vesting occurs on a straight line basis if the Group is ranked between the median and the 75th percentile.	**Weighted Average Ranking** – **Vesting %** 1st – 100% 2nd – 50% Lower than 2nd – 0% Vesting occurs on a straight line basis if the weighted average ranking is between 2nd and 1st.
Calculation of the Performance Results	Calculated independently by Orient Capital.	Measured with reference to the three independent surveys below (weighted by the business area's contribution to NPAT at the beginning of the performance period): • Roy Morgan Research (Retail Banking); • DBM, Business Financial Services Monitor (Business Banking); and • Wealth Insights Service Level Report, Platforms (Wealth Management).
Instrument	Reward Rights – each Reward Right entitles the Executive to receive one CBA share in the future, subject to meeting the performance hurdles set out below. The number of rights that vest will not be known until the end of the performance period.	
Determining the number of Reward Rights	The number of Reward Rights allocated depends on each Executive's LTVR Target (see diagram on page 69 for explanation of target remuneration), using a fair value allocation approach. The number of Reward Rights allocated aligns the Executive's LTVR Target to the expected value at the end of the performance period, in today's dollars.	
Performance Period	The performance period commences at the beginning of the financial year in which the award is granted. For the LTVR award granted in FY17, the performance period started on 1 July 2016 and ends after four years on 30 June 2020.	
Board Discretion	The award is subject to a risk and compliance review. The Board also retains sole discretion to determine the amount and form of any award that may vest (if any) to prevent any unintended outcomes, or in the event of a corporate restructuring or capital event.	
Expiry	At the end of the applicable performance period, any Reward Rights that have not vested will lapse.	

(1) The peer group at the beginning of the performance period for the Relative TSR performance hurdle comprised Amcor Limited, AMP Limited, Australia & New Zealand Banking Group Limited, Brambles Limited, CSL Limited, Insurance Australia Group Limited, Macquarie Group Limited, National Australia Bank Limited, QBE Insurance Group Limited, Ramsay Health Care Limited, Scentre Group, Suncorp Group Limited, Sydney Airport, Telstra Corporation Limited, Transurban Group, Vicinity Centres, Wesfarmers Limited, Westfield Corporation, Westpac Banking Corporation and Woolworths Limited. The reserve bench comprised AGL Energy Limited, APA Group, Aurizon Holdings Limited, Goodman Group and Stockland. A reserve bench company will be substituted (in order of market capitalisation as at the beginning of the performance period) into the peer group when a peer group company ceases to be listed on the ASX as a result of an acquisition, merger or other relevant corporate action or delisting.

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Fair Value Assumptions for Equity Awards Granted in FY17

For the Relative TSR component of the LTVR awards, the fair value has been calculated using a Monte Carlo simulation method using the assumptions below. For the Relative Customer Satisfaction component of all LTVR awards, the fair value is the closing market price of a CBA share as at the grant date. The exercise price is nil across all LTVR awards.

		Assumptions[1]				
Equity Plan	Grant Date	Fair Value $	Performance Period End	Expected Life (Years)	Expected Volatility %	Risk Free Rate %
FY17 LTVR Reward Rights – Relative TSR	22 February 2017	65.76	30 June 2020	3.35	15	2.27
FY17 LTVR Reward Rights – Relative Customer Satisfaction	22 February 2017	83.71	30 June 2020	n/a	n/a	n/a
Anna Lenahan – Sign-on Award [2]	28 November 2016	77.97	1 October 2018	n/a	n/a	n/a

(1) For the Relative TSR component of the LTVR awards, a zero dividend yield has been assumed given that dividends are incorporated into the fair value of the rights.

(2) Anna Lenahan was granted a sign-on award on 28 November 2016 vesting in three tranches. One tranche has already vested on 28 May 2017 and the remaining two tranches will vest on 1 October 2017 and 1 October 2018 respectively, subject to a Board risk review. Fair value is the closing market price of a CBA share as at the grant date.

Equity Awards Received as Remuneration

The table below details the value and number of all equity awards that were granted or forfeited/lapsed to Executives during their time in a KMP role in FY17. It also shows the number of previous year's awards that vested during FY17 (some of which relate to past non-KMP roles).

		Granted during FY17[1][2][3]		Previous years' awards vested during FY17[4]	Forfeited or lapsed during FY17[5]	
	Class	(Units)	($)	(Units)	(Units)	($)
CEO						
Ian Narev	LTVR Reward Rights	55,443	3,882,315	16,017	(62,839)	(4,828,549)
Group Executives						
Kelly Bayer Rosmarin	LTVR Reward Rights	21,981	1,539,188	–	–	–
	Deferred Rights	–	–	5,742	–	–
Adam Bennett	LTVR Reward Rights	20,914	1,464,480	–	–	–
	Deferred Rights	–	–	3,676	–	–
David Cohen	LTVR Reward Rights	25,107	1,758,072	5,766	(22,623)	(1,738,351)
Matt Comyn	LTVR Reward Rights	22,089	1,546,756	6,279	(24,633)	(1,892,800)
David Craig	LTVR Reward Rights	28,873	2,021,790	8,841	(34,688)	(2,665,426)
Rob Jesudason	LTVR Reward Rights	24,503	1,715,786	5,126	(20,109)	(1,545,176)
Melanie Laing	LTVR Reward Rights	17,680	1,238,009	5,126	(20,109)	(1,545,176)
Anna Lenahan	LTVR Reward Rights	18,099	1,267,357	–	–	–
	Deferred Rights	23,086	1,800,015	10,389	–	–
Vittoria Shortt	LTVR Reward Rights	18,033	1,262,730	–	–	–
	Deferred Rights	–	–	2,205	–	–
Annabel Spring	LTVR Reward Rights	22,089	1,546,756	6,279	(24,633)	(1,892,800)
David Whiteing	LTVR Reward Rights	20,914	1,464,480	–	–	–

(1) Represents the maximum number of LTVR Reward Rights and Deferred Rights that may vest to each Executive. For LTVR Reward Rights the value represents the fair value at grant date. Deferred Rights represent the deferred STVR awarded under Executive General Manager arrangements, sign-on and retention awards received as rights. For Deferred Rights the value reflects the face value at grant date. The minimum potential outcome for LTVR Reward Rights and Deferred Rights is zero.

(2) As at 1 July 2016, the maximum value of LTVR Reward Rights granted during FY17 based on the volume weighted average price of the Group's ordinary shares over the five trading days up to and including 1 July 2016 was: Ian Narev $4,064,526, Kelly Bayer Rosmarin $1,611,427, Adam Bennett $1,533,205, David Cohen $1,840,594, Matt Comyn $1,619,345, David Craig $2,116,680, Rob Jesudason $1,796,315, Melanie Laing $1,296,121, Anna Lenahan $1,326,838, Vittoria Shortt $1,321,999, Annabel Spring $1,619,345 and David Whiteing $1,533,205.

(3) The FY17 LTVR grant value was capped based on the fair value that would have applied to the withdrawn 25% People and Community hurdle had it not been replaced by the Relative TSR measure. The actual number of rights and total LTVR fair value granted was approximately 11% less in FY17 than the LTVR target.

(4) Previous years' awards that vested include the FY13 LTVR Award and other deferred equity awards. A portion of Ian Narev's vested equity award was delivered in the form of cash, which was paid to registered charities pursuant to an option that the Board made available in the financial year.

(5) This is the portion of the FY13 LTVR Award (79.69%) that did not meet the performance hurdle and lapsed. The value of the lapsed award is calculated using the volume weighted average closing price for the five days preceding the lapse date.

Overview of Unvested Equity Awards

Equity Plan	Performance Period – Start Date	Performance Period – End Date	Performance Hurdles
FY15 LTVR [(1)]	1 July 2014	30 June 2018	Each award is split and tested:
FY16 LTVR [(2)]	1 July 2015	30 June 2019	• 75% TSR ranking relative to peer group
FY17 LTVR [(3)]	1 July 2016	30 June 2020	• 25% Customer Satisfaction average ranking relative to peer group

(1) For Ian Narev, the grant date was 13 November 2014. For Adam Bennett the grant date was 12 February 2015. For Vittoria Shortt the grant date was 7 May 2015. For all other Executives the grant date was 18 September 2014.

(2) For Ian Narev, the grant date was 17 November 2015. For all other Executives the grant date was 10 November 2015.

(3) The grant date was 22 February 2017.

Shares and Other Securities held by Executives

Details of the shareholdings and other securities held by Executives (or close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of the aforementioned hold significant voting power) are set out below. For details of Executive equity plans refer to the Financial Statements Note 24 Share-Based Payments.

Executives are required to accumulate CBA shares over a five year period from 1 July 2013 when the Executive Mandatory Shareholding requirement was implemented or from the date of their appointment to an Executive role, to the value of 300% of FR for the CEO and 200% of FR for Group Executives.

	Class [(1)]	Balance 1 July 2016	Acquired/ Granted as Remuneration	Previous Years' Awards Vested during FY17 [(2)]	Net Change Other [(3)]	Balance 30 June 2017
CEO						
Ian Narev [(4)]	Ordinary	127,990	–	–	3,359	**131,349**
	LTVR Reward Rights	254,271	55,443	(16,017)	(62,839)	**230,858**
Group Executives						
Kelly Bayer Rosmarin	Ordinary	15,242	–	–	6,615	**21,857**
	LTVR Reward Rights	56,818	21,981	–	–	**78,799**
	Deferred Rights	8,352	–	(5,742)	–	**2,610**
Adam Bennett	Ordinary	12,685	–	–	3,676	**16,361**
	LTVR Reward Rights	30,023	20,914	–	–	**50,937**
	Deferred Rights	9,196	–	(3,676)	–	**5,520**
David Cohen	Ordinary	51,130	–	–	(12,334)	**38,796**
	LTVR Reward Rights	88,591	25,107	(5,766)	(22,623)	**85,309**
Matt Comyn [(4)]	Ordinary	30,783	–	–	2,779	**33,562**
	LTVR Reward Rights	99,599	22,089	(6,279)	(24,633)	**90,776**
David Craig [(5)]	Ordinary	170,800	–	–	12,534	**183,334**
	LTVR Reward Rights	135,835	28,873	(8,841)	(34,688)	**121,179**
Rob Jesudason [(4)]	Ordinary	–	–	–	–	**–**
	LTVR Reward Rights	86,690	24,503	(5,126)	(20,109)	**85,958**
Melanie Laing	Ordinary	33,467	–	–	(1,487)	**31,980**
	LTVR Reward Rights	81,268	17,680	(5,126)	(20,109)	**73,713**
Anna Lenahan [(6)]	Ordinary	–	–	–	10,389	**10,389**
	LTVR Reward Rights	–	18,099	–	–	**18,099**
	Deferred Rights	–	23,086	(10,389)	–	**12,697**
Vittoria Shortt	Ordinary	6,498	–	–	2,205	**8,703**
	LTVR Reward Rights	23,395	18,033	–	–	**41,428**
	Deferred Rights	7,139	–	(2,205)	–	**4,934**
Annabel Spring	Ordinary	27,891	–	–	1,479	**29,370**
	LTVR Reward Rights	99,599	22,089	(6,279)	(24,633)	**90,776**
David Whiteing	Ordinary	–	–	–	–	**–**
	LTVR Reward Rights	40,874	20,914	–	–	**61,788**
	Deferred Rights	1,946	–	–	–	**1,946**

(1) LTVR Reward Rights represent rights granted under the Group Leadership Reward Plan (GLRP) that are subject to performance hurdles. Deferred Rights represent the deferred STVR awarded under Executive General Manager arrangements, sign-on and retention awards received as rights. The minimum potential outcome for LTVR Reward Rights and Deferred Rights is zero. The maximum potential outcome for LTVR Reward Rights and Deferred Rights is subject to the CBA share price at the time of vesting.

(2) LTVR Reward Rights and Deferred Rights become ordinary shares upon vesting. A portion of Ian Narev's vested equity award was delivered in the form of cash, which was paid to registered charities pursuant to an option that the Board made available in the financial year.

(3) Net Change Other incorporates changes resulting from purchases, sales, forfeitures and appointment or departure of Executives during the year.

(4) Opening balance has been restated to include a correction to CBA ordinary shares. The opening balance for ordinary shareholdings for Ian Narev has been restated from 129,969 to 127,990, the opening balance for ordinary shareholdings for Matt Comyn has been restated from 30,516 to 30,783 and the opening balance for ordinary shareholdings for Rob Jesudason has been restated from 27,618 to zero.

(5) David Craig holds 28,150 PERLS.

(6) Anna Lenahan was appointed to the Group General Counsel and Group Executive, Group Corporate Affairs role effective 28 November 2016. Her shareholdings have not been included in the opening balance as at 1 July 2016. Anna Lenahan holds 2,000 Capital Notes.

Executive Employment Arrangements

The table below provides the employment arrangements for current Executives.

Contract Term	CEO	Group Executives
Contract type (1)	Permanent	Permanent
Notice period	12 months	6 months
Severance (2)	n/a	6 months
STVR entitlements on termination	• Unless otherwise determined by the Board, Executives who resign or are dismissed are generally not entitled to an STVR payment and will forfeit the unvested deferred portion of their STVR. • At the Board's discretion, where an Executive's exit is related to retrenchment, retirement or death, the Executive may be entitled to an STVR payment.	
LTVR entitlements on termination	Unless otherwise determined by the Board: • Executives who resign or are dismissed before the end of the performance period will forfeit all unvested LTVR awards; and • Where an Executive's exit is related to retrenchment, retirement or death, any unvested LTVR awards continue unchanged with performance measured at the end of the performance period related to each award.	

(1) Permanent contracts are ongoing until notice is given by either party.

(2) Severance applies where the termination is initiated by the Group, other than for misconduct or unsatisfactory performance.

7. Non-Executive Director Arrangements

Non-Executive Director Fees

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

The total amount of Non-Executive Directors fees is capped at a maximum fee pool that is approved by shareholders. The current fee pool is $4.75 million, which was approved by shareholders at the AGM on 17 November 2015.

The following table outlines the Non-Executive Directors fees for the Board and the Committees as at 30 June 2017.

Board/Committee	Chairman(1) ($)	Member(1) ($)
Board	870,000	242,000
Audit Committee	65,000	32,500
Risk Committee	65,000	32,500
Remuneration Committee	60,000	30,000
Nominations Committee	11,600	11,600

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

FY18 Non-Executive Director base and committee fees will be reduced by an amount equivalent to 20% of their individual FY17 fees to reflect a shared accountability for the overall reputation of the Group and risk matters.

Mandatory Shareholding

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

Non-Executive Director Statutory Remuneration

The statutory table below details individual statutory remuneration for the Non-Executive Directors for FY17 and the previous financial year.

	Short-Term Benefits	Post-Employment Benefits	Share-Based payments	
	Cash[1] $	Superannuation[2] $	Non-Executive Directors' Share Plan[3] $	Total Statutory Remuneration $
Chairman				
Catherine Livingstone AO [4]				
FY17	**552,098**	**19,616**	**–**	**571,714**
FY16	84,890	6,436	–	91,326
Non-Executive Directors				
Shirish Apte				
FY17	**321,356**	**10,405**	**–**	**331,761**
FY16	299,140	7,860	–	307,000
David Higgins				
FY17	**315,229**	**19,616**	**–**	**334,845**
FY16	294,078	19,308	–	313,386
Launa Inman				
FY17	**256,105**	**19,616**	**28,980**	**304,701**
FY16	257,222	19,308	29,233	305,763
Brian Long				
FY17	**331,848**	**19,616**		**351,464**
FY16	332,094	19,308	–	351,402
Andrew Mohl				
FY17	**285,197**	**19,616**	**–**	**304,813**
FY16	286,599	19,308	–	305,907
Mary Padbury				
FY17	**231,084**	**19,239**	**30,806**	**281,129**
FY16	12,386	1,177	–	13,563
Wendy Stops				
FY17	**252,661**	**19,616**	**–**	**272,277**
FY16	253,938	19,308	–	273,246
Harrison Young				
FY17	**307,539**	**19,616**	**–**	**327,155**
FY16	333,428	19,308	–	352,736
Former Non-Executive Directors				
David Turner [5]				
FY17	**427,289**	**10,232**	**–**	**437,521**
FY16	854,887	19,308	–	874,195
John Anderson [6]				
FY17	**107,798**	**7,449**	**–**	**115,247**
FY16	300,768	19,308	–	320,076

(1) Cash includes Board and Committee fees received as cash.

(2) Superannuation contributions are capped at the superannuation maximum contributions base as prescribed under the Superannuation Guarantee legislation. The FY17 superannuation value for Mary Padbury has been trued up for prior year disclosure.

(3) The values shown in the table represent the post-tax portion of fees received as shares under the Non-Executive Directors' Share Plan.

(4) Catherine Livingstone AO was a Non-Executive Director from 1 July 2016 to 31 December 2016 and appointed as Chairman from 1 January 2017 to 30 June 2017. Her remuneration has been prorated accordingly to reflect both roles.

(5) David Turner retired from his role as Chairman on 31 December 2016 and his remuneration reflects time in role.

(6) Sir John Anderson retired from his role as a Non-Executive Director on 9 November 2016 and his remuneration reflects time in role.

Shares and Other Securities held by Non-Executive Directors

All shares were acquired by Non-Executive Directors on normal terms and conditions or through the Non-Executive Directors' Share Plan. Other securities acquired by Non-Executive Directors were on normal terms and conditions.

	Class	Balance 1 July 2016	Acquired (1)	Net Change Other (2)	Balance 30 June 2017
Chairman					
Catherine Livingstone AO (3)	Ordinary	5,204	133	–	**5,337**
Non-Executive Directors					
Shirish Apte	Ordinary	7,500	–	–	**7,500**
David Higgins (3)	Ordinary	10,878	–	–	**10,878**
	PERLS (6)	–	3,094	(474)	**2,620**
Launa Inman	Ordinary	4,221	432	–	**4,653**
Brian Long	Ordinary	14,654	143	–	**14,797**
	PERLS (6)	6,850	–	–	**6,850**
Andrew Mohl	Ordinary	82,234	–	–	**82,234**
Mary Padbury	Ordinary	–	294	–	**294**
	PERLS (6)	1,600	–	–	**1,600**
Wendy Stops	Ordinary	15,218	782	–	**16,000**
Harrison Young	Ordinary	30,000	–	–	**30,000**
Former Non-Executive Directors					
David Turner (4)	Ordinary	12,268	–	–	**n/a**
	PERLS (6)	1,380	–	(380)	**n/a**
John Anderson (5)	Ordinary	18,978	–	–	**n/a**

(1) Incorporates shares and other securities acquired during the year. Non-Executive Directors who hold fewer than 5,000 Commonwealth Bank shares are required to receive 20% of their total after-tax base fees as CBA shares. These shares are subject to a 10-year trading restriction (the shares will be released earlier if the Non-Executive Director leaves the Board). In FY17, under the Non-Executive Directors' Share Plan, Launa Inman received 307 shares and Mary Padbury received 257 shares. Mary Padbury also voluntarily salary sacrificed a portion of her fees to purchase 37 shares during FY17.

(2) Net Change Other incorporates changes resulting from sales of securities.

(3) Opening balance has been restated to include a correction to CBA ordinary shares. The opening balance for ordinary shareholdings for Catherine Livingstone has been restated from 5,146 to 5,204 and the opening balance for ordinary shareholdings for David Higgins has been restated from 10,346 to 10,878.

(4) David Turner retired from the Group on 31 December 2016 and his shareholdings are not included in the balance as at 30 June 2017.

(5) Sir John Anderson retired from the Group on 9 November 2016 and his shareholdings are not included in the balance as at 30 June 2017.

(6) Includes cumulative holdings of all PERLS securities issued by the Group.

8. Loans and Other Transactions

Loans to KMP

All loans to KMP (including close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of those family members or entities held significant voting power) have been made in the ordinary course of business on normal commercial terms and conditions no more favourable than those given to other employees and customers, including the term of the loan, security required and the interest rate (which may be fixed or variable). There has been no write down of loans during the period.

Total Loans to KMP

	FY17 ($)
Opening Balance (1)	11,330,450
Closing Balance (2)	12,145,179
Interest Charged	406,211

(1) The opening balance has been restated from $11,354,745.

(2) The aggregate loan amount at the end of the reporting period includes loans issued to 16 KMP.

Loans to KMP Exceeding $100,000 in Aggregate

	Balance 1 July 2016 $	Interest Charged $	Interest Not Charged $	Write-off $	Balance 30 June 2017 $	Highest Balance in Period[1] $
Kelly Bayer Rosmarin [2]	2,209,545	72,693	–	–	1,643,424	2,273,301
David Cohen	509,980	21,794	–	–	487,134	542,387
Matt Comyn	2,324,854	93,374	–	–	2,360,099	2,553,059
Melanie Laing	279,955	6,560	–	–	929,178	1,228,395
Mary Padbury	786,881	25,282	–	–	676,992	809,709
Vittoria Shortt [2]	3,658,888	126,915	–	–	3,417,879	3,807,271
David Whiteing	1,425,731	59,565	–	–	2,502,057	2,525,617
Total	**11,195,834**	**406,183**	**–**	**–**	**12,016,763**	**13,739,739**

(1) Represents the sum of highest balances outstanding at any point during FY17 for each individual loan held by the KMP.

(2) Opening balance has been restated to reflect actual drawn balance.

Other Transactions of KMP

Financial Instrument Transactions

Financial instrument transactions (other than loans and shares disclosed within this report) of KMP occur in the ordinary course of business on normal commercial terms and conditions no more favourable than those given to other employees and customers.

Disclosure of financial instrument transactions regularly made as part of normal banking operations is limited to disclosure of such transactions with KMP, their close family members and entities controlled or significantly influenced by them.

All such financial instrument transactions that have occurred between entities within the Group and KMP were in the nature of normal personal banking and deposit transactions.

Transactions other than Financial Instrument Transactions of Banks

All other transactions with KMP, their close family members, related entities and other related parties are conducted in the ordinary course of business on normal commercial terms and conditions no more favourable than those given to other employees and customers. These transactions principally involve the provision of financial and investment services by entities not controlled by the Group. A related party of an Executive is also employed by the Group, and is remunerated in a manner consistent with normal employee relationships.

9. Key Terms

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

Term	Definition
Board	The Board of Directors of the Group.
Deferred Rights	Rights to ordinary shares in CBA granted under the Group Rights Plan subject to forfeiture on resignation. These are used for deferred STVR awarded under Executive General Manager arrangements, deferred STVR awarded under Executive arrangements from 1 July 2017, sign-on and retention awards.
Executives	The CEO and Group Executives are collectively referenced as 'Executives'.
Fixed Remuneration (FR)	Consists of cash and non-cash remuneration, including any salary sacrifice items, paid regularly with no performance conditions (base remuneration) plus employer contributions to superannuation.
Group	Commonwealth Bank of Australia and its subsidiaries.
Group Executive (GE)	Key Management Personnel who are also members of the Group's Executive Committee (excludes the CEO).
Group Leadership Reward Plan (GLRP)	The Group's long-term variable remuneration plan for Executives.
Key Management Personnel (KMP)	Persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.
Long-Term Variable Remuneration (LTVR)	A variable remuneration arrangement which grants instruments to participating Executives that may vest over a period of four years if, and to the extent that, performance hurdles are met. The Group's LTVR plan for Executives is the GLRP.
Non-Executive Director	Key Management Personnel who are not Executives.
Realised Remuneration	The dollar value of remuneration actually received by Executives during the financial year. This is the sum of FR, plus the cash portion of the current year STVR plus any deferred STVR awards, LTVR awards or sign-on awards that vested during the financial year.
Reward Rights	Rights to ordinary shares in CBA granted under the GLRP and subject to performance hurdles.
Short-Term Variable Remuneration (STVR)	Variable remuneration paid subject to the achievement of predetermined performance hurdles over one financial year.
Total Shareholder Return (TSR)	TSR measures a company's share price movement, dividend yield and any return of capital over a specific period.

Directors' report

Non-Audit Services

Amounts paid or payable to PricewaterhouseCoopers (PwC) for audit and non-audit services provided during the year, as set out in Note 28 to the Financial Statements are as follows:

	2017 $'000
Project assurance services	87
Taxation services	2,218
Risk management, compliance and controls related work	4,029
Other	765
Total non-audit services (1)	**7,099**
Total audit and related services	**28,556**

(1) An additional amount of $2,327,788 million was paid to PwC for non-audit services provided to entities not consolidated into the Financial Statements.

Auditor's Independence Declaration

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

Auditor Independence

The Bank has in place an Independent Auditor Services Policy, details of which are set out in the Corporate Governance Statement that can be viewed at www.commbank.com.au/about-us/shareholders/corporate-profile/corporate-governance to assist in ensuring the independence of the Group's external auditor.

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

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

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

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

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

Incorporation of Additional Material

This Report incorporates the Our business section (pages 2 to 24) including the Chairman and CEO statement, Performance overview (pages 25 to 38), Corporate governance (pages 49 to 58) and Shareholding information (pages 202 to 206) sections of this Annual Report.

Catherine Livingstone AO
Chairman

8 August 2017

Ian Narev
Managing Director and Chief Executive Officer

8 August 2017

Auditor's independence declaration

As lead auditor for the audit of Commonwealth Bank of Australia for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Commonwealth Bank of Australia and the entities it controlled during the period.

M. Laithwaite

Marcus Laithwaite
Partner
PricewaterhouseCoopers

Sydney
8 August 2017

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Income Statements

For the year ended 30 June 2017

		Group (1)			Bank	
		2017	2016	2015	2017	2016
	Note	$M	$M	$M	$M	$M
Interest income	2	**33,293**	33,817	34,145	**33,534**	34,660
Interest expense	2	**(15,693)**	(16,882)	(18,322)	**(17,764)**	(19,545)
Net interest income		**17,600**	16,935	15,823	**15,770**	15,115
Other banking income		**5,626**	4,576	4,828	**6,579**	6,035
Net banking operating income		**23,226**	21,511	20,651	**22,349**	21,150
Funds management income		**2,343**	2,315	2,396	**-**	-
Investment revenue		**514**	283	618	**-**	-
Claims, policyholder liability and commission expense		**(806)**	(537)	(1,011)	**-**	-
Net funds management operating income	2	**2,051**	2,061	2,003	**-**	-
Premiums from insurance contracts		**2,949**	2,921	2,797	**-**	-
Investment revenue		**224**	467	543	**-**	-
Claims, policyholder liability and commission expense from insurance contracts		**(2,329)**	(2,382)	(2,326)	**-**	-
Net insurance operating income	2	**844**	1,006	1,014	**-**	-
Total net operating income before impairment and operating expenses	2	**26,121**	24,578	23,668	**22,349**	21,150
Loan impairment expense	2,13	**(1,095)**	(1,256)	(988)	**(1,040)**	(1,153)
Operating expenses	2	**(11,082)**	(10,473)	(10,078)	**(9,184)**	(8,538)
Net profit before income tax	2	**13,944**	12,849	12,602	**12,125**	11,459
Corporate income tax expense	4	**(3,960)**	(3,505)	(3,429)	**(3,146)**	(2,820)
Policyholder tax expense	4	**(32)**	(101)	(99)	**-**	-
Net profit after income tax		**9,952**	9,243	9,074	**8,979**	8,639
Non-controlling interests		**(24)**	(20)	(21)	**-**	-
Net profit attributable to Equity holders of the Bank		**9,928**	9,223	9,053	**8,979**	8,639

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

Earnings Per Share for profit attributable to equity holders of the parent entity during the year:

		Group (1)		
		2017	2016	2015
	Note	Cents per share		
Earnings per share:				
Basic	6	**577. 6**	542. 3	553. 1
Fully diluted	6	**559. 1**	529. 2	539. 1

(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1.

Financial statements

Statements of Comprehensive Income

For the year ended 30 June 2017

	Group			Bank	
	2017 $M	2016 $M	2015 $M	2017 $M	2016 $M
Net profit after income tax for the financial year [(1)]	**9,952**	9,243	9,074	**8,979**	8,639
Other comprehensive income/(expense):					
Items that may be reclassified subsequently to profit/(loss):					
Foreign currency translation reserve net of tax	**(282)**	383	398	**(11)**	53
Gains and (losses) on cash flow hedging instruments net of tax	**(580)**	210	39	**(666)**	202
Gains and (losses) on available-for-sale investments net of tax	**(52)**	(316)	(45)	**35**	(331)
Total of items that may be reclassified	**(914)**	277	392	**(642)**	(76)
Items that will not be reclassified to profit/(loss):					
Actuarial gains from defined benefit superannuation plans net of tax	**175**	10	311	**175**	10
Losses on liabilities at fair value due to changes in own credit risk net of tax	**(3)**	(1)	(3)	**(3)**	(1)
Revaluation of properties net of tax	**23**	1	15	**19**	1
Total of items that will not be reclassified	**195**	10	323	**191**	10
Other comprehensive income/(expense) net of income tax	**(719)**	287	715	**(451)**	(66)
Total comprehensive income for the financial year	**9,233**	9,530	9,789	**8,528**	8,573
Total comprehensive income for the financial year is attributable to:					
Equity holders of the Bank	**9,209**	9,510	9,768	**8,528**	8,573
Non-controlling interests	**24**	20	21	**-**	-
Total comprehensive income net of income tax	**9,233**	9,530	9,789	**8,528**	8,573

(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1.

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

		Group		
	Note	2017	2016	2015
		Cents per share		
Dividends per share attributable to shareholders of the Bank:				
Ordinary shares	5	**429**	420	420
Trust preferred securities		**-**	7,994	7,387

Balance Sheets

As at 30 June 2017

		Group		Bank	
		2017	2016	2017	2016
	Note	$M	$M	$M	$M
Assets					
Cash and liquid assets	7	**45,850**	23,372	**42,814**	21,582
Receivables due from other financial institutions	8	**10,037**	11,591	**8,678**	10,182
Assets at fair value through Income Statement:	9				
Trading		**32,704**	34,067	**31,127**	32,985
Insurance		**13,669**	13,547	**-**	-
Other		**1,111**	1,480	**796**	1,187
Derivative assets	10	**31,724**	46,567	**32,094**	46,525
Available-for-sale investments	11	**83,535**	80,898	**79,019**	76,361
Loans, bills discounted and other receivables	12	**731,762**	695,398	**647,503**	617,919
Bank acceptances of customers		**463**	1,431	**463**	1,413
Shares in and loans to controlled entities	38	**-**	-	**101,337**	145,953
Property, plant and equipment	14	**3,873**	3,940	**1,494**	1,503
Investment in associates and joint ventures	36	**2,778**	2,776	**1,241**	1,231
Intangible assets	15	**10,024**	10,384	**4,449**	4,778
Deferred tax assets (1)	4	**962**	389	**1,380**	793
Other assets (1)	16	**7,882**	7,161	**6,457**	5,997
Total assets		**976,374**	933,001	**958,852**	968,409
Liabilities					
Deposits and other public borrowings	17	**626,655**	588,045	**571,353**	536,086
Payables due to other financial institutions		**28,432**	28,771	**28,038**	28,328
Liabilities at fair value through Income Statement	18	**10,392**	10,292	**8,989**	7,441
Derivative liabilities	10	**30,330**	39,921	**32,173**	43,884
Bank acceptances		**463**	1,431	**463**	1,413
Due to controlled entities		**-**	-	**91,222**	130,046
Current tax liabilities		**1,450**	1,022	**1,278**	892
Deferred tax liabilities	4	**332**	340	**-**	-
Other provisions	19	**1,780**	1,656	**1,372**	1,249
Insurance policy liabilities	27	**12,018**	12,636	**-**	-
Debt issues	20	**167,571**	161,284	**134,966**	134,214
Managed funds units on issue		**2,577**	1,606	**-**	-
Bills payable and other liabilities (1)	21	**11,932**	9,889	**10,909**	11,642
		893,932	856,893	**880,763**	895,195
Loan capital	22	**18,726**	15,544	**17,959**	15,138
Total liabilities		**912,658**	872,437	**898,722**	910,333
Net assets		**63,716**	60,564	**60,130**	58,076
Shareholders' Equity					
Share capital:					
Ordinary share capital	23	**34,971**	33,845	**35,262**	34,125
Other equity instruments	23	**-**	-	**-**	406
Reserves	23	**1,869**	2,734	**2,556**	3,115
Retained profits (1)	23	**26,330**	23,435	**22,312**	20,430
Shareholders' Equity attributable to Equity holders of the Bank		**63,170**	60,014	**60,130**	58,076
Non-controlling interests	36	**546**	550	**-**	-
Total Shareholders' Equity		**63,716**	60,564	**60,130**	58,076

(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1.

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

Statements of Changes in Equity

For the year ended 30 June 2017

	Group						
	Ordinary share capital $M	Other equity instruments $M	Reserves $M	Retained profits $M	Shareholders' Equity attributable to Equity holders of the Bank $M	Non-controlling interests $M	Total Shareholders' Equity $M
As at 30 June 2015 (1)	27,619	939	2,345	21,340	**52,243**	562	**52,805**
Net profit after income tax (1)	-	-	-	9,223	**9,223**	20	**9,243**
Net other comprehensive income	-	-	278	9	**287**	-	**287**
Total comprehensive income for the financial year	-	-	278	9,232	**9,510**	20	**9,530**
Transactions with Equity holders in their capacity as Equity holders:							
Dividends paid on ordinary shares	-	-	-	(6,994)	**(6,994)**	-	**(6,994)**
Dividends paid on other equity instruments	-	-	-	(50)	**(50)**	-	**(50)**
Dividend reinvestment plan (net of issue costs)	1,209	-	-	-	**1,209**	-	**1,209**
Issue of shares (net of issue costs)	5,022	-	-	-	**5,022**	-	**5,022**
Share-based payments	-	-	10	-	**10**	-	**10**
Purchase of treasury shares	(108)	-	-	-	**(108)**	-	**(108)**
Sale and vesting of treasury shares	103	-	-	-	**103**	-	**103**
Redemptions	-	(939)	-	-	**(939)**	-	**(939)**
Other changes	-	-	101	(93)	**8**	(32)	**(24)**
As at 30 June 2016 (1)	33,845	-	2,734	23,435	**60,014**	550	**60,564**
Net profit after income tax	-	-	-	9,928	**9,928**	24	**9,952**
Net other comprehensive income	-	-	(891)	172	**(719)**	-	**(719)**
Total comprehensive income for the financial year	-	-	(891)	10,100	**9,209**	24	**9,233**
Transactions with Equity holders in their capacity as Equity holders:							
Dividends paid on ordinary shares	-	-	-	(7,237)	**(7,237)**	-	**(7,237)**
Dividends paid on other equity instruments	-	-	-	-	**-**	-	**-**
Dividend reinvestment plan (net of issue costs)	1,143	-	-	-	**1,143**	-	**1,143**
Issue of shares (net of issue costs)	(6)	-	-	-	**(6)**	-	**(6)**
Share-based payments	-	-	32	-	**32**	-	**32**
Purchase of treasury shares	(92)	-	-	-	**(92)**	-	**(92)**
Sale and vesting of treasury shares	81	-	-	-	**81**	-	**81**
Redemptions	-	-	-	-	**-**	-	**-**
Other changes	-	-	(6)	32	**26**	(28)	**(2)**
As at 30 June 2017	34,971	-	1,869	26,330	**63,170**	546	**63,716**

(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1.

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

Statements of Changes in Equity (continued)

For the year ended 30 June 2017

	Ordinary share capital $M	Other equity instruments $M	Reserves $M	Retained profits $M	Bank Shareholders' Equity attributable to Equity holders of the Bank $M
As at 30 June 2015	27,894	1,895	3,195	18,763	51,747
Net profit after income tax	-	-	-	8,639	8,639
Net other comprehensive income	-	-	(75)	9	(66)
Total comprehensive income for the financial year	-	-	(75)	8,648	8,573
Transactions with Equity holders in their capacity as Equity holders:					
Dividends paid on ordinary shares	-	-	-	(6,994)	(6,994)
Dividend reinvestment plan (net of issue costs)	1,209	-	-	-	1,209
Issue of shares (net of issue costs)	5,022	-	-	-	5,022
Share-based payments	-	-	10	-	10
Redemptions	-	(1,489)	-	-	(1,489)
Other changes	-	-	(15)	13	(2)
As at 30 June 2016	34,125	406	3,115	20,430	58,076
Net profit after income tax	-	-	-	8,979	8,979
Net other comprehensive income	-	-	(623)	172	(451)
Total comprehensive income for the financial year	-	-	(623)	9,151	8,528
Transactions with Equity holders in their capacity as Equity holders:					
Dividends paid on ordinary shares	-	-	-	(7,237)	(7,237)
Dividend reinvestment plan (net of issue costs)	1,143	-	-	-	1,143
Issue of shares (net of issue costs)	(6)	-	-	-	(6)
Share-based payments	-	-	32	-	32
Redemptions	-	(406)	-	-	(406)
Other changes	-	-	32	(32)	-
As at 30 June 2017	35,262	-	2,556	22,312	60,130

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

Statements of Cash Flows [1]

For the year ended 30 June 2017

		Group			Bank	
		2017	**2016**	**2015**	**2017**	**2016**
	Note	**$M**	**$M**	**$M**	**$M**	**$M**
Cash flows from operating activities						
Interest received		**33,536**	34,047	34,112	**33,807**	34,908
Interest paid		**(15,006)**	(16,285)	(17,442)	**(17,057)**	(18,935)
Other operating income received		**5,556**	5,688	5,439	**3,959**	3,674
Expenses paid		**(9,763)**	(9,981)	(8,740)	**(8,152)**	(7,961)
Income taxes paid		**(3,976)**	(3,071)	(3,444)	**(3,163)**	(2,661)
Net inflows/(outflows) from assets at fair value through Income Statement (excluding life insurance)		**4,220**	(2,642)	1,457	**2,742**	(3,367)
Net inflows/(outflows) from liabilities at fair value through Income Statement:						
Insurance:						
Investment income		**186**	(362)	118	**-**	-
Premiums received [2]		**3,366**	3,114	2,910	**-**	-
Policy payments and commission expense [2]		**(3,854)**	(3,301)	(3,307)	**-**	-
Other liabilities at fair value through Income Statement		**156**	1,872	738	**1,588**	246
Cash flows from operating activities before changes in operating assets and liabilities		**14,421**	9,079	11,841	**13,724**	5,904
Changes in operating assets and liabilities arising from cash flow movements						
Movement in available-for-sale investments:						
Purchases		**(54,608)**	(50,233)	(60,967)	**(53,883)**	(48,759)
Proceeds		**49,392**	46,150	53,569	**48,750**	46,541
Net increase in loans, bills discounted and other receivables		**(38,744)**	(52,825)	(41,768)	**(31,708)**	(45,917)
Net decrease/(increase) in receivables due from other financial institutions and regulatory authorities		**1,100**	803	(3,799)	**1,121**	238
Net (increase)/decrease in securities purchased under agreements to resell		**(13,993)**	4,574	(6,174)	**(13,381)**	4,467
Insurance business:						
Purchase of insurance assets at fair value through Income Statement		**(1,789)**	(2,020)	(2,741)	**-**	-
Proceeds from sale/maturity of insurance assets at fair value through Income Statement		**3,152**	4,276	4,789	**-**	-
Net (increase)/decrease in other assets		**(174)**	(108)	39	**(152)**	(157)
Net increase in deposits and other public borrowings		**39,821**	37,783	41,229	**36,379**	35,054
Net increase/(decrease) in payables due to other financial institutions		**666**	(6,323)	8,598	**718**	(5,511)
Net (increase)/decrease in securities sold under agreements to repurchase		**(853)**	4,148	3,015	**(804)**	4,257
Net increase/(decrease) in other liabilities		**802**	135	(448)	**(1,947)**	(1,580)
Changes in operating assets and liabilities arising from cash flow movements		**(15,228)**	(13,640)	(4,658)	**(14,907)**	(11,367)
Net cash (used in)/provided by operating activities	39 (a)	**(807)**	(4,561)	7,183	**(1,183)**	(5,463)
Cash flows from investing activities						
Payments for acquisition of controlled entities	39 (d)	**(31)**	(857)	(29)	**-**	-
Net proceeds from disposal of entities and businesses (net of cash disposals)		**1**	110	72	**-**	110
Dividends received		**94**	78	71	**1,200**	1,462
Net amounts received from controlled entities [3]		**-**	-	-	**5,500**	1,307
Proceeds from sale of property, plant and equipment		**381**	405	69	**50**	122
Purchases of property, plant and equipment		**(602)**	(1,259)	(578)	**(320)**	(426)
Payments for acquisitions of investments in associates/joint ventures		**(25)**	-	(270)	**(15)**	-
Net purchase of intangible assets		**(495)**	(509)	(550)	**(409)**	(450)
Net cash (used in)/provided by investing activities		**(677)**	(2,032)	(1,215)	**6,006**	2,125

(1) It should be noted that the Group does not use these accounting Statements of Cash Flows in the internal management of its liquidity positions.
(2) Represents gross premiums and policy payments before splitting between policyholders and shareholders.
(3) Amounts received from and paid to controlled entities are presented in line with how they are managed and settled.

Statements of Cash Flows [1] (continued)

For the year ended 30 June 2017

		Group			Bank	
		2017	2016	2015	2017	2016
	Note	$M	$M	$M	$M	$M
Cash flows from financing activities						
Dividends paid (excluding Dividend Reinvestment Plan)		(6,084)	(5,827)	(6,200)	(6,084)	(5,777)
Redemption of other equity instruments (net of costs)		-	(939)	-	(406)	(1,483)
Proceeds from issuance of debt securities		94,560	98,958	68,655	77,938	88,920
Redemption of issued debt securities		(81,758)	(97,740)	(73,377)	(71,345)	(90,149)
Purchase of treasury shares		(92)	(108)	(790)	-	-
Sale of treasury shares		34	50	744	-	-
Issue of loan capital		3,757	3,949	6,184	3,379	3,943
Redemption of loan capital		-	(1,678)	(2,971)	3	(2,645)
Proceeds from issuance of shares (net of issue costs)		(6)	5,022	-	(6)	5,022
Other		61	(67)	(120)	30	179
Net cash provided by/(used in) financing activities		10,472	1,620	(7,875)	3,509	(1,990)
Net increase/(decrease) in cash and cash equivalents		8,988	(4,973)	(1,907)	8,332	(5,328)
Effect of foreign exchange rates on cash and cash equivalents		(318)	150	2,049	(292)	72
Cash and cash equivalents at beginning of year		14,447	19,270	19,128	12,909	18,165
Cash and cash equivalents at end of year	39 (b)	23,117	14,447	19,270	20,949	12,909

(1) It should be noted that the Group does not use these accounting Statements of Cash Flows in the internal management of its liquidity positions.

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

Note 1 Accounting Policies

The Financial Statements of the Commonwealth Bank of Australia (the Bank) and the Bank and its subsidiaries (the Group) for the year ended 30 June 2017, were approved and authorised for issue by the Board of Directors on 8 August 2017. The Directors have the power to amend and reissue the Financial Statements.

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

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

Basis of Preparation

(a) Basis of Accounting

This General Purpose Financial Report has been prepared in accordance with Australian Accounting Standards (the standards), Australian Interpretations, and the Corporations Act 2001.

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

(b) Historical Cost Convention

This financial report has been prepared under the historical cost convention, except for certain assets and liabilities (including derivative instruments) measured at fair value.

(c) Rounding of Amounts

The amounts in this financial report have been rounded in accordance with ASIC Corporations Instrument 2016/191 to the nearest million dollars, unless otherwise indicated.

(d) Segment Reporting

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

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

(e) Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year other than the changes outlined below.

Comparatives

Where necessary, comparative information has been restated to conform to changes in presentation in the current year. All comparative changes made have been footnoted throughout the Financial Statements. Other than changes to the presentation of segment information, as disclosed in Note 26, the restatements are not considered to have a material impact on the Financial Statements.

During the year, the Group changed its accounting policy in relation to the recognition of Global Asset Management long-term incentives provided to certain employees in Wealth Management. The new accounting policy expenses the long-term incentives when granted rather than over the vesting period per the previous accounting policy. The new policy more closely aligns the accounting with the economic substance of the arrangements. The change has been applied retrospectively and results in a reduction in net profit after tax of $4 million (30 June 2015: $10 million), a reduction of $192 million in retained earnings (30 June 2015: $188 million), a decrease of $77 million in total assets (30 June 2015: $43 million increase) and an increase in total liabilities of $115 million (30 June 2015: $231 million).

(f) Principles of Consolidation

Subsidiaries

The consolidated financial report comprises the financial report of the Bank and its subsidiaries. Subsidiaries are entities (including structured entities) over which the Bank has control. The Bank controls another entity when it has:

- power over the relevant activities of the entity, for example through voting or other rights;
- exposure to, or rights to, variable returns from the Bank's involvement with the entity; and
- the ability to use its power over the entity to affect the Bank's returns from the entity.

Transactions between subsidiaries in the Group are eliminated. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, and Balance Sheet.

Subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated when control ceases.

Subsidiaries are accounted for at cost less accumulated impairments at the Bank level.

Business Combinations

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

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

Investment in Associates and Joint Ventures

Associates and joint ventures are entities over which the Group has significant influence or joint control, but not control. In the consolidated financial report, they are equity accounted. They are initially recorded at cost and adjusted for

Notes to the financial statements

Note 1 Accounting Policies (continued)

the Group's share of the associates' and joint ventures' post-acquisition profits or losses and other comprehensive income (OCI), less any dividends received. At the Bank level, they are accounted for at cost less accumulated impairments.

The Group assesses, at each Balance Sheet date, whether there is any objective evidence of impairment. The main indicators of impairment are as for equity securities classified as available-for-sale (Note 1(t)). If there is an indication that an investment may be impaired, then the entire carrying amount of the investment in associate or joint venture is tested for impairment by comparing the recoverable amount (higher of value in use and fair value less disposal costs) with its carrying amount. Impairment losses recognised in the Income Statement are subsequently reversed through the Income Statement if there has been a change in the estimates used to determine recoverable amount since the impairment loss was recognised.

(g) Foreign Currency Translation

Functional and Presentation Currency

The consolidated are presented in Australian dollars, which is the Bank's functional and presentation currency. The functional currency of the Group's foreign operations (including subsidiaries, branches, associates, and joint ventures) will vary based on the currency of the main economy to which it is exposed.

Foreign Currency Transactions

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

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

Foreign Operations

Where the Group's foreign operations do not have an Australian dollar functional currency:

- assets and liabilities are translated at the prevailing exchange rate at Balance Sheet date;
- revenue and expenses are translated at the average exchange rate for the period (or the prevailing rate at the transaction date where the average is not a reasonable approximation); and
- all resulting exchange differences are recognised in the foreign currency translation reserve.

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

(h) Offsetting

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

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

(i) Fair Value Measurement

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities at fair value through Income Statement, available-for-sale investments and all derivative instruments are initially recognised and subsequently measured at fair value.

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

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

Income Statement

(j) Interest Income

Interest income is brought to account using the effective interest method. The effective interest method calculates the amortised cost of a financial instrument and allocates the interest income or interest expense over the relevant period.

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

(k) Fee and Commission Income

Fees and commissions that relate to the execution of a significant act (for example, advisory or arrangement services, placement fees and underwriting fees) are recognised when the significant act has been completed.

Notes to the financial statements

Note 1 Accounting Policies (continued)

Fees charged for providing ongoing services (for example, managing and administering existing facilities and funds) are recognised as income over the service period. Fees and commissions, which include commitment fees to originate a loan that is unlikely to be drawn down, are recognised as fee income as the facility is provided.

(l) Other Income

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

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

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

(m) Interest Expense

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

Interest expense includes issue costs that are initially recognised as part of the carrying value of the liability and amortised over the expected life using the effective interest method. These include fees and commissions payable to advisers and other expenses such as external legal costs, provided these are incremental costs that are directly related to the issue of a financial liability. It also includes payments made under a liquidity facility arrangement with the Reserve Bank of Australia and other financing charges.

(n) Operating Expenses

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

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

Staff expenses include share based payments which may be cash or equity settled. The fair value of equity settled remuneration is calculated at grant date and amortised to the Income Statement over the vesting period, with a corresponding increase in the employee compensation reserve. Market vesting conditions, such as share price performance conditions, are taken into account when estimating the fair value. Non–market vesting conditions, such as service conditions, are taken into account by adjusting the number of the equity instruments included in the measurement of the expense.

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

Occupancy and equipment expenses include the depreciation and lease rentals that are outlined in Note 1(w) and Note 1(u) respectively.IT expenses are recognised as incurred unless they qualify for capitalisation as an asset due to the related service generating probable future economic benefits. If capitalised the asset is subsequently amortised per Note 1(x).

Taxation

(o) Income Tax Expense

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

(p) Current Tax

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

(q) Deferred Tax

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

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities (i.e. through use or through sale), using tax rates which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available for it to be used against. Deferred tax assets and liabilities are offset where they relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities within the same taxable group.

(r) The Tax Consolidated Group

Tax consolidation legislation allows Australian resident entities to elect to consolidate and be treated as a single entity for Australian tax purposes. The Bank, as the head of the tax consolidated group, and its wholly-owned Australian subsidiaries, elected to be taxed as a single entity under this regime with effect from 1 July 2002.

The members of the tax consolidated group have entered into tax funding and tax sharing agreements, which set out the funding obligations of members of the tax consolidated group in respect of tax amounts.

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

The measurement and disclosure of deferred tax assets and liabilities have been performed in accordance with the principles in AASB 112 'Income Taxes', and on a modified standalone basis under UIG 1052 'Tax Consolidation Accounting'.

(s) Cash and Liquid Assets

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

Note 1 Accounting Policies (continued)

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

(t) Financial Assets

The Group classifies its financial assets in the following categories:

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

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

Financial instruments, except for loans and receivables, are initially recognised by the Group on the trade date, i.e. the date that the Group becomes a party to the contractual provisions of the instruments.

This applies to trades transacted in a regular way, i.e. purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and receivables are recognised on settlement date, when funding is advanced to the borrowers.

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

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

Financial Assets at Fair Value through the Income Statement

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

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

Insurance assets are investments that back life insurance contracts and life investment contracts. Refer to Note 1 (ff).

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

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

Derivative Financial Instruments

Derivative financial instruments are contracts whose value is derived from one or more underlying price, index or other variable. They include forward rate agreements, futures, options and interest rate, currency, equity and credit swaps. Derivatives are entered into for trading or hedging purposes.

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

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

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

(i) Fair Value Hedges

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

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

(ii) Cash Flow Hedges

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

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

(iii) Net Investment Hedges

Gains and losses on derivative contracts relating to the effective portion of the net investment hedge are recognised in the foreign currency translation reserve in equity.

Ineffective portions are recognised immediately in the Income Statement. Gains and losses accumulated in equity are

Note 1 Accounting Policies (continued)

included in the Income Statement when the foreign subsidiary or branch is disposed of.

(iv) Embedded Derivatives

In certain instances, a derivative may be embedded within a host contract. It is accounted for separately as a stand-alone derivative at fair value, where:

- the host contract is not carried at fair value through the Income Statement; and
- the economic characteristics and risks of the embedded derivative are not closely related to the host contract.

Available-for-Sale Investments

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

Subsequent to initial recognition, AFS investments are measured at fair value with unrealised gains and losses arising from changes in fair value recognised in the AFS investment reserve within equity, net of applicable income taxes until such investments are sold, collected, otherwise disposed of, or become impaired.

Interest, premiums and dividends are recognised in the Income Statement when earned. Foreign exchange gains and losses on AFS equity instruments are recognised directly in equity.

The Group assesses at each Balance Sheet date, whether there is any objective evidence of impairment as a result of one or more events which have an impact on the estimated future cash flows of the AFS investments that can be reliably estimated. For equity securities classified as an AFS investment, the main indicators of impairment are significant changes in the market, economic or legal environment and a significant or prolonged decline in fair value below cost.

If any such evidence exists for AFS investments, cumulative losses are removed from equity and recognised in the Income Statement. If, in a subsequent period, the fair value of an AFS debt security increases and the increase can be linked objectively to an event occurring after the impairment event, the impairment is reversed through the Income Statement. Impairment losses on AFS equity securities are not reversed.

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

Loans, Bills Discounted and Other Receivables

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

Loans, bills discounted and other receivables include overdrafts, home loans, credit card and other personal lending, term loans, bill financing, redeemable preference shares, securities, finance leases, and receivables due from other financial institutions (including loans, deposits with regulatory authorities and settlement account balances due from other banks). Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method and are presented net of provisions for impairment. Discounted bills included in this category due to their nature meet the definition of trading asset. They are measured at fair value through Income Statement in line with the accounting policy for assets held for trading.

The Group assesses at each Balance Sheet date whether there is any objective evidence of impairment. If there is objective evidence that an impairment loss on loans and other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short-term balances are not discounted.

Loans and other receivables are presented net of provisions for loan impairment. The Group has individually and collectively assessed provisions. Individually assessed provisions are made against financial assets that are individually significant, or which have been individually assessed as impaired.

Individual provisions for impairment are recognised to reduce the carrying amount of non-performing facilities to the present value of their expected future cash flows. Individually significant provisions are calculated based on discounted cash flows.

The unwinding of the discount, from initial recognition of impairment through to recovery of the written down amount, is recognised as interest income.

In subsequent periods, interest in arrears/due on non-performing facilities is recognised in the Income Statement using the original effective interest rate.

All loans and other receivables that do not have an individually assessed provision are assessed collectively for impairment. Collective provisions are maintained to reduce the carrying amount of portfolios of similar loans and advances to the present value of their expected future cash flows at the Balance Sheet date.

The expected future cash flows for portfolios of assets with similar credit risk characteristics are estimated on the basis of historical loss experience. Loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the loss experience is based and to remove the effects of conditions in the period that do not currently exist. Increases or decreases in the provision amount are recognised in the Income Statement.

Derecognition of Financial Assets and Financial Liabilities

The Group derecognises financial assets when the rights to receive cash flows from the asset have expired or when the Group transfers its rights to receive cash flows from the asset together with substantially all the risks and rewards of the asset. The Group enters into certain transactions where it transfers financial assets recognised on its Balance Sheet but retains either all or a majority of the risks and rewards of the transferred financial assets

If all or substantially all risks and rewards are retained, the transferred financial assets are not derecognised from the Balance Sheet. Transactions where transfers of financial assets result in the Group retaining all or substantially all risks and rewards include reverse repurchase transactions and some of the Group's securitisation and covered bonds programs.

Note 1 Accounting Policies (continued)

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Income Statement.

Repurchase and Reverse Repurchase Agreements

Securities sold under repurchase agreements are retained in the Financial Statements where substantially all the risks and rewards of ownership remain with the Group.

A counterparty liability is recognised within deposits and public borrowings. The difference between the sale price and the repurchase price is accrued over the life of the repurchase agreement and charged to interest expense in the Income Statement.

Securities purchased under agreements to resell, where the Group does not acquire the risks and rewards of ownership, are recorded as receivables in cash and liquid assets. The security is not included in the Balance Sheet as the Group is not exposed to substantially all its risks and rewards. Interest income is accrued on the underlying receivable amount.

Provision for Off Balance Sheet Items

Guarantees and other contingent liabilities are accounted for as off Balance Sheet items. Provisioning for these exposures is calculated under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'.

Loan assets under committed lending facilities are not recognised until the facilities are drawn upon.

The Group has determined that it is appropriate to establish provisions in relation to such facilities where a customer has been downgraded. These provisions are disclosed as other liabilities in the Balance Sheet.

(u) Lease Receivables

Leases are classified as either finance or operating leases. Under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred to the lessee. Under an operating lease, these risks remain with the lessor.

As a lessor, the assets the Group has leased out under finance leases are recognised as lease receivables on the Balance Sheet at an amount equal to the net investment in the lease. Finance lease income reflects a constant periodic return on this net investment and is recognised within interest income in the Income Statement.

The assets the Group has leased out under operating leases continue to be recognised on the Balance Sheet as property, plant and equipment and are depreciated accordingly. Operating lease revenue is recognised in the Income Statement on a straight line basis over the lease term. As a lessee, rental expense is recognised on a straight line basis over the lease term.

(v) Shares in and Loans to Controlled Entities

Investments in controlled entities are initially recorded at cost and subsequently held at the lower of cost and recoverable amount. Loans to controlled entities are subsequently recorded at amortised cost less impairment.

(w) Property, Plant and Equipment

The Group measures its property assets (land and buildings) at fair value, based on annual independent market valuations.

Revaluation adjustments are reflected in the asset revaluation reserve, except to the extent they reverse a revaluation decrease of the same asset previously recognised in the Income Statement. Upon disposal, realised amounts in the asset revaluation reserve are transferred to retained profits.

Other property, plant and equipment assets are stated at cost, including direct and incremental acquisition costs less accumulated depreciation and impairment if required. Subsequent costs are capitalised where it enhances the asset. Depreciation is calculated using the straight line method over the asset's estimated useful economic life.

The useful lives of major depreciable asset categories are as follows:

Land	Indefinite (not depreciated)
Buildings	Up to 30 years
Equipment	3 – 8 years
Leasehold improvements	Lesser of unexpired lease term or lives as above
Assets under lease	
▪ Aircraft	25 years
▪ Rail	35 – 40 years
▪ Ships	25 – 40 years
Other property, plant and equipment	
▪ Infrastructure assets	50 – 100 years

The Group assesses at each Balance Sheet date useful lives and residual values and whether there is any objective evidence of impairment. If an asset's carrying value is greater than its recoverable amount, the carrying amount is written down immediately to its recoverable amount.

(x) Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance. They are recognised only if it is probable the asset will generate future benefits for the Group. Those assets with an indefinite useful life are tested for impairment annually. All intangible assets must be tested for impairment when there is an indication that its carrying amount may be greater than its recoverable amount.

Goodwill

Goodwill arising from business combinations is included in intangible assets on the Balance Sheet and has an indefinite useful life. Goodwill is tested for impairment annually through allocation to a group of Cash Generating Units (CGUs). The CGUs' recoverable amount is then compared to its carrying amount and an impairment is recognised for any excess carrying value. The CGUs and how their recoverable amount is calculated are listed in Note 15.

Notes to the financial statements

Note 1 Accounting Policies (continued)

Computer Software Costs

Certain internal and external costs directly incurred in acquiring and developing software, net of specific project related grants, are capitalised and amortised over the estimated useful life. The majority of software projects are amortised over two to five years. The Core Banking Modernisation software project is amortised over ten years.

Software maintenance is expensed as incurred.

Core Deposits

Core deposits were initially recognised at fair value following the acquisition of Bankwest and represent the value of the deposit base acquired. Core deposits are amortised over their estimated useful life of seven years. The core deposits were fully amortised in the year ended 30 June 2016.

Brand Names

Brand names are initially recognised at fair value when acquired in a business combination. Brand names are amortised over their useful life, which is considered to be similar to the period of the brand name's existence at the time of purchase. Where the brand name is assessed to have an indefinite useful life, it is carried at cost less accumulated impairment. An indefinite useful life is considered appropriate when there is no foreseeable limit to the period over which the brand name is expected to generate cash flows.

Other Intangibles

Other intangibles predominantly comprise customer lists. Customer relationships acquired as part of a business combination are initially measured at fair value. They are subsequently measured at cost less accumulated amortisation and any impairment losses. Amortisation is calculated based on the timing of projected cash flows of the relationships over their estimated useful lives.

Liabilities

(y) Financial Liabilities

The Group classifies its financial liabilities in the following categories:

- liabilities at fair value through Income Statement;
- liabilities at amortised cost; and
- derivative liabilities (refer to Note 1(t)).

Financial liabilities are initially recognised at their fair value less directly attributable transaction costs, except in the case of financial liabilities recorded at fair value through Income Statement. Directly attributable transaction costs on these liabilities are expensed on subsequent fair value measurement.

Liabilities at Fair Value through Income Statement

The Group designates certain liabilities at fair value through Income Statement on origination where those liabilities are managed on a fair value basis, where the liabilities eliminate an accounting mismatch, or where they contain embedded derivatives.

Subsequent to initial recognition, these liabilities are measured at fair value. Changes in fair value relating to the Group's own credit risk are recognised in other comprehensive income, with the remaining fair value movement recognised in other operating income. Interest incurred is recorded within net interest income using the effective interest method.

Liabilities at Amortised Cost

(i) Deposits From Customers

Deposits from customers include certificates of deposit, term deposits, savings deposits, other demand deposits and debentures. Subsequent to initial recognition, they are measured at amortised cost. Interest and yield related fees are recognised on an effective interest basis.

(ii) Payables Due to Other Financial Institutions

Payables due to other financial institutions include deposits, vostro balances and settlement account balances due to other banks. Subsequent to initial recognition, they are measured at amortised cost. Interest and yield related fees are recognised using the effective interest method.

(iii) Debt Issues

Debt issues are short and long-term debt issues of the Group, including commercial paper, notes, term loans and medium term notes. Commercial paper, floating, fixed and structured debt issues are recorded at amortised cost using the effective interest method.

Premiums, discounts and associated issue expenses are recognised in the Income Statement using the effective interest method from the date of issue, to ensure that securities attain their redemption values by maturity date.

Interest is recognised in the Income Statement using the effective interest method. Any profits or losses arising from redemption prior to maturity are taken to the Income Statement in the period in which they are realised.

The Group hedges interest rate and foreign currency risk on certain debt issues. When fair value hedge accounting is applied to fixed rate debt issues, the carrying values are adjusted for changes in fair value related to the hedged risks, rather than carried at amortised cost.

(iv) Loan Capital

Loan capital is debt issued by the Group with terms and conditions that qualify for inclusion as capital, under APRA Prudential Standards. It is initially recorded at fair value, plus directly attributable transaction costs and thereafter at amortised cost using the effective interest method.

(v) Bank Acceptances of Customers - Liability

These are bills of exchange initially accepted and discounted by the Group and subsequently sold into the market. They are recognised at amortised cost. The market exposure is recognised as a liability. An asset of equal value is recognised to reflect the offsetting claim against the drawer of the bill.

Bank acceptances generate interest and fee income that is recognised in the Income Statement when earned.

(vi) Financial Guarantees and Credit Commitments

In the ordinary course of business, the Group gives financial guarantees consisting of letters of credit, guarantees and acceptances. Financial guarantees are recognised within other liabilities initially at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Income Statement, and the best estimate of expenditure required to settle any financial obligation arising

Note 1 Accounting Policies (continued)

as a result of the guarantee. Any increase in the liability relating to financial guarantees is recorded in the Income Statement. The premium received is recognised in the Income Statement in other operating income on a straight line basis over the life of the guarantee.

Loan commitments are defined amounts (unutilised credit lines or undrawn portions of credit lines) against which clients can borrow money under defined terms and conditions. Loan commitments that are cancellable by the Group are not recognised on the Balance Sheet. Upon a loan drawdown by the counterparty, the amount of the loan is accounted for in accordance with accounting policies for loans and receivables. Irrevocable loan commitments are not recorded in the Balance Sheet, but a provision is recognised if it is probable that a loss has been incurred and a reliable estimate of the amount can be made.

(z) Employee Benefits

Annual Leave

The provision for annual leave represents the current outstanding liability to employees for annual leave entitlements at Balance Sheet date.

Long Service Leave

The provision for long service leave is discounted to present value and is set based on actuarial assumptions. The assumptions and provision balance are subject to periodic review.

Other Employee Benefits

Other employee entitlements comprises liabilities to a registered health fund for subsidies with respect to retired and current employees, and employee incentives under employee share plans and bonus schemes.

Defined Benefit Superannuation Plans

The Group currently sponsors two defined benefit superannuation plans for its employees.

The net defined benefit liability or asset recognised in the Balance Sheet is the present value of the defined benefit obligation as at the Balance Sheet date less the fair value of plan assets. The defined benefit obligation is calculated by independent fund actuaries.

In each reporting period, the movement in the net defined benefit liability or asset is recognised as follows:

- The net movement relating to the current period service cost, net interest cost (income), past service and other costs (such as the effects of any curtailments and settlements) is recognised as an employee expense in the Income Statement;
- Remeasurements relating to actuarial gains and losses and the difference between interest income and the return on plan assets are recognised directly in retained profits through OCI;
- Contributions made by the Group are recognised directly against the net defined benefit liability or asset; and
- Net interest cost (income) is determined by multiplying the rate of high quality corporate bonds by the net defined benefit obligation (asset) at the beginning of the reporting period and adjusted for changes in the net defined benefit liability (asset) due to contributions and benefit payments.

Defined Contribution Superannuation Plans

The Group sponsors a number of defined contribution superannuation plans. The Group recognises contributions due in respect of the accounting period in the Income Statement. Any contributions unpaid at the Balance Sheet date are included as a liability.

(aa) Provisions

Provisions are recognised when a probable obligation has arisen as a result of a past event that can be reliably measured. Note 19 Other Provisions contains a description of provisions held.

Equity

(bb) Shareholders' Equity

Ordinary shares are recognised at the amount paid up per ordinary share, net of directly attributable issue costs. Where the Bank or other members of the Group purchase shares in the Bank, the consideration paid is deducted from total Shareholders' Equity and the shares are treated as treasury shares until they are subsequently sold, reissued or cancelled. Where such shares are sold or reissued, any consideration received is included in Shareholders' Equity.

(cc) Reserves

General Reserve

The general reserve is derived from revenue profits and is available for dividend payments except for undistributable profits in respect of the Group's life insurance businesses.

Capital Reserve

The capital reserve held by the Bank relates to historic internal Group restructuring performed at fair value. The capital reserve is eliminated on consolidation.

Asset Revaluation Reserve

The asset revaluation reserve is used to record revaluation adjustments on the Group's property assets. Where an asset is sold or disposed of, any balance in the reserve in relation to the asset is transferred directly to retained profits.

Foreign Currency Translation Reserve

Exchange differences arising on translation of the Group's foreign operations are accumulated in the foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the foreign investment is disposed of or wound up.

Cash Flow Hedge Reserve

The cash flow hedge reserve is used to record fair value gains or losses associated with the effective portion of designated cash flow hedging instruments. Amounts are reclassified to profit or loss when the hedged transaction impacts profit or loss.

Employee Compensation Reserve

The employee compensation reserve is used to recognise the fair value of shares and other equity instruments issued to employees under the employee share plans and bonus schemes.

Notes to the financial statements

Note 1 Accounting Policies (continued)

Available-for-Sale Investment Reserve

The available-for-sale investment reserve includes changes in the fair value of available-for-sale financial assets. These changes are transferred to profit or loss when the asset is derecognised or impaired.

Life and General Insurance Business

The Group's consolidated Financial Statements include the assets, liabilities, income and expenses of the life and general insurance businesses conducted by various subsidiaries of the Bank.

Insurance contracts involve the acceptance of significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The insured benefit is either not linked or only partly linked to the market value of the investments held, and the financial risks are substantially borne by the insurer.

General insurance contracts are insurance contracts that are not life insurance contracts.

Life investment contracts involve the origination of one or more financial instruments and may involve the provision of management services. Life investment contracts do not meet the definition of insurance contracts as they do not involve an acceptance of significant insurance risk by the Group's life insurers. The financial risks are substantially borne by the policyholder. Shareholders can only receive a distribution when the capital adequacy requirements of the Life Insurance Act 1995 (Life Act) are met.

(dd) Revenue

Life insurance premiums received for providing services and bearing risks are recognised as revenue. Premiums with a regular due date are recognised as revenue on a due and receivable basis. Premiums with no due date are recognised on a cash received basis.

Life investment premiums comprise a management fee, which is recognised as revenue over the service period, and a deposit portion that increases investment contract liabilities. Premiums with no due date are recognised on a cash received basis.

General insurance premium comprises amounts charged to policyholders, including fire service levies, but excludes taxes collected on behalf of third parties. The earned portion of premiums received and receivable is recognised as revenue. Premium revenue is earned from the date of attachment of risk and over the term of the policies written, based on actuarial assessment of the likely pattern in which risk will emerge. The portion not yet earned based on the pattern assessment is recognised as unearned premium liability.

Returns on all investments controlled by life and general insurance businesses are recognised as revenue.

(ee) Expenses

Life and general insurance contract claims are recognised as an expense when a liability has been established.

Acquisition costs (which include commission costs) are the costs associated with obtaining and recording insurance contracts. Acquisition costs are deferred when they relate to the acquisition of new business. These costs are amortised on the same basis as the earning pattern of the premium, over the life of the contract. The amount deferred is limited to the extent that they are deemed recoverable from the expected future profits.

(ff) Investment Assets

Assets backing insurance liabilities are carried at fair value through Income Statement.

Investments held in the life insurance funds are subject to the restrictions imposed under the Life Act.

(gg) Policy Liabilities

Life insurance contract liabilities are measured at the net present value of future receipts from and payments to policyholders using a risk free discount rate (or expected fund earning rate where benefits are contractually linked to the asset performance), and are calculated in accordance with the principles of Margin on Services profit reporting as set out in Prudential Standard LPS 340 'Valuation of Policy Liabilities' issued by APRA.

Life investment contract liabilities are measured at fair value. The balance is no less than the contract surrender value.

General insurance policy liabilities comprise two components: unearned premium liability and outstanding claims liability.

The unearned premium liability is subject to a liability adequacy test.

Any deficiency will be recognised as an expense in the Income Statement by first writing down any related deferred acquisition costs, with any excess being recorded on the Balance Sheet as an unexpired risk liability.

The provision for outstanding claims is measured as the central estimate of the present value of expected future claims payments plus a risk margin. The expected future payments include those in relation to claims reported but not yet paid; claims incurred but not reported; claims incurred but not enough reported; and estimated claims handling costs.

Other

(hh) Managed Funds Units on Issue

When a controlled unit trust is consolidated, any amounts due to external unit-holders remain as managed funds units on issue liabilities in the Group's consolidated Balance Sheet. In the Income Statement, the net profit or loss of the controlled entities relating to external unit-holders is excluded from the Group's net profit or loss.

(ii) Asset Securitisation

The Group packages and sells asset backed securities to investors through an asset securitisation program.

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 Group also directs any decisions over relevant activities of the program and therefore controls the entities through which asset securitisation is conducted and so it consolidates these entities.

Liabilities associated with asset securitisation entities and related issue costs are accounted for on an amortised cost basis using the effective interest method. Interest rate swaps and liquidity facilities are provided at arm's length to the program by the Group in accordance with APRA Prudential Guidelines.

Derivatives return the risks and rewards of ownership of the securitised assets to the Group, resulting in their continued

Notes to the financial statements

Note 1 Accounting Policies (continued)

recognition by the Group. An imputed borrowing is recognised by the Bank inclusive of the derivative and any related fees.

(jj) Fiduciary Activities

Certain controlled entities within the Group act as Responsible Entity, Trustee and/or Manager for a number of wholesale, superannuation and investment funds, trusts and approved deposit funds.

The assets and liabilities of these trusts and funds are not included in the consolidated Financial Statements as the Group does not have direct or indirect control of the trusts and funds. Commissions and fees earned in respect of the activities are included in the Income Statement of the Group.

Critical Judgements and Estimates

The application of the Group's accounting policies requires the use of judgement, estimates and assumptions. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, and are reviewed on an ongoing basis. Actual results may differ from these estimates, which could impact the Group's net assets and profit.

(kk) Provisions for Impairment of Financial Assets

Provisions for impairment of financial assets are raised where there is objective evidence of impairment (where the Group does not expect to receive all of the cashflows contractually due) at an amount adequate to cover assessed credit related losses. Financial assets are either individually or collectively assessed.

Credit losses arise primarily from loans, but also from other credit instruments such as bank acceptances, contingent liabilities, guarantees and other financial instruments.

Individually Assessed Provisions

Individually assessed provisions are made against financial assets that are individually significant, or which have been individually assessed as impaired. The provisions are established based primarily on estimates of the realisable (fair) value of collateral taken and are measured as the difference between a financial asset's carrying amount and the present value of the expected future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short-term balances are not discounted.

Collective Provisions

Loans and receivables that do not have an individually assessed provision are assessed collectively for impairment.

The collective provision is maintained to reduce the carrying amount of portfolios of similar loans and receivables to their estimated recoverable amounts at the Balance Sheet date.

The evaluation process is subject to a series of estimates and judgements. In the risk rated segment, the risk rating system, including the frequency of default and loss given default rates, loss history, and the size, structure and diversity of individual borrowers are considered. Current developments in portfolios (industry, geographic and term) are reviewed.

In the statistically managed (retail) segment, the history of defaults and losses, and the size, structure and diversity of portfolios are considered.

Management also considers overall indicators of portfolio performance, quality and economic conditions.

Changes in these estimates could have a direct impact on the level of provision determined.

(ll) Provisions (Other than Loan Impairment)

Provisions are held in respect of a range of future obligations as outlined in Note 19. Some of the provisions involve significant judgement about the likely outcome of various events and estimated future cash flows.

The measurement of these obligations involves the exercise of management judgements about the ultimate outcomes of the transactions. Payments which are expected to be incurred later than one year are discounted at a rate which reflects both current interest rates and the risks specific to that provision.

(mm) Life Insurance Policyholder Liabilities

The determination of life insurance policyholder liabilities involves the following key actuarial assumptions:

- Business assumptions including amount, timing and duration of claims/policy payments, policy lapse rates and acquisition and maintenance expense levels;
- Long-term economic assumptions for discount, interest, inflation and market earnings rates; and
- Determining whether the projection or accumulation method is appropriate. The selection of the method is generally governed by the product type.

The determination of assumptions relies on making judgements on variances from long-term assumptions. Where experience differs from long-term assumptions:

- Recent results may be a statistical aberration; or
- There may be a commencement of a new paradigm requiring a change in long-term assumptions.

The Group's actuaries arrive at conclusions regarding the statistical analysis using their experience and judgement. Further detail on the financial position on performance of the Group's Life Insurance operations is set out in Note 27.

(nn) Consolidation of Structured Entities

The Group exercises judgement at inception and periodically thereafter, to assess whether that structured entity should be consolidated based on the Bank's power over the relevant activities of the entity and the significance of its exposure to variable returns of the structured entity. Such assessments are predominantly required for the Group's securitisation program, structured transactions and involvement with investment funds.

(oo) Financial Instruments at Fair Value

A significant portion of financial instruments are carried at fair value on the Balance Sheet.

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Notes to the financial statements

Note 1 Accounting Policies (continued)

Valuation techniques include using recent arm's length market transactions between knowledgeable willing parties (if available), reference to the current fair value of substantially similar instruments' discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity specific inputs. It incorporates all factors that the Group believes market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Data inputs that the Group relies upon when valuing financial instruments relate to counterparty credit risk, volatility, correlation and extrapolation.

Periodically, the Group calibrates its valuation techniques and tests them for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) and any other available observable market data. Note 40 includes details of non-observable inputs used to fair value financial instruments.

(pp) Goodwill

Goodwill is allocated to CGUs whose recoverable amount is calculated for the purpose of impairment testing. The recoverable amount calculation relies primarily on publicly available earnings multiples. Note 15 includes the details of the inputs used in recoverable amount calculations.

(qq) Taxation

Provisions for taxation require significant judgement with respect to outcomes that are uncertain. For such uncertainties, the Group has estimated its tax provisions based on its expected outcomes.

(rr) Superannuation Obligations

The Group's defined benefit plans are described in Note 35. Actuarial valuations of the plan's obligations and fair value of the plan's assets are performed semi-annually.

The actuarial valuation of plan obligations is dependent upon a series of assumptions, including price inflation, discount rates, salary growth, mortality, morbidity and investment returns assumptions. Different assumptions could significantly alter the difference between plan assets and obligations, and the superannuation cost charged.

Future Accounting Developments

AASB 9 'Financial Instruments' introduces an 'expected credit loss' model, revised classification and measurement requirements and modified hedge accounting rules. AASB 9 is not mandatorily effective until 1 July 2018 and the Group does not intend to early adopt the standard.

Impairment

AASB 9 expected credit loss model replaces the existing incurred loss model requirement to recognise impairment when there is objective evidence of default. It requires entities to recognise expected credit losses based on unbiased forward looking information. The key changes under AASB 9 are as follows:

AASB 9 requires more timely recognition of expected credit losses using a three stage approach. For financial assets where there has been no significant increase in credit risk since origination, a provision equivalent to 12 months expected credit losses is recognised. For financial assets where there has been a significant increase in credit risk or where the asset is credit impaired, a provision equivalent to full lifetime expected loss is required.

Expected credit losses are probability weighted amounts determined by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions.

Classification and measurement

AASB 9 replaces the classification and measurement requirements in AASB 139 with the approach that classifies financial assets based on a business model for managing financial assets and whether the contractual cash flows represent solely payments of principal and interest. Financial assets can be classified as financial assets at amortised cost, financial assets at fair value through profit or loss or financial assets at fair value through OCI. Non-traded equity instruments can be measured at fair value through OCI.

Hedging

AASB 9 will change hedge accounting by introducing more principal based approach to hedge effectiveness testing and by increasing eligibility of both hedge instruments and hedged items. Adoption of the new hedge accounting model is optional and current hedge accounting under AASB 139 can continue to apply until the IASB completes its accounting for dynamic risk management project. The Group will apply the new hedge accounting requirements from 1 July 2018.

A Group-wide program has been in progress to implement AASB 9 requirements. It is not practical to disclose a financial impact until the implementation program is further advanced and reliable estimates of the impact are available.

AASB 15 'Revenue from Contracts with Customers' introduces a single model for the recognition of revenue based on when control of goods and services transfers to a customer. It does not apply to financial instruments. AASB 15 is not mandatory until 1 July 2018 for the Group.

AASB 16 'Leases' amends the accounting for leases. Lessees will be required to bring all leases on Balance Sheet as the distinction between operating and finance leases has been eliminated. Lessor accounting remains largely unchanged. AASB 16 is not mandatory until 1 July 2019 for the Group.

AASB 17 'Insurance Contracts' introduces three new measurement approaches for accounting for insurance contracts. These include the Building Block Approach for long term contracts; the Premium Allocation Approach for short term contracts and a Variable Fee Approach for direct participating contracts. In addition, the level of contract aggregration is likely to be lower than under current practices. AASB 17 is not mandatory until 1 July 2021 for the Group.

The potential financial impacts of the above to the Group have not yet been determined. The Group does not intend to early adopt these standards.

Other amendments to existing standards that are not yet effective are not expected to result in significant changes to the Group's accounting policies.

Notes to the financial statements

Note 2 Profit

Profit before income tax has been determined as follows:

	Group			Bank	
	2017	2016	2015	2017	2016
	$M	$M	$M	$M	$M
Interest Income					
Loans and bills discounted	**30,723**	30,966	31,476	**27,214**	27,576
Other financial institutions	**152**	137	73	**133**	122
Cash and liquid assets	**321**	291	268	**291**	246
Assets at fair value through Income Statement	**490**	576	518	**467**	553
Available-for-sale investments	**1,607**	1,847	1,810	**1,510**	1,740
Controlled entities	**-**	-	-	**3,919**	4,423
Total interest income [1]	**33,293**	33,817	34,145	**33,534**	34,660
Interest Expense					
Deposits	**10,453**	11,685	12,936	**9,039**	10,176
Other financial institutions	**300**	277	220	**274**	246
Liabilities at fair value through Income Statement	**102**	211	222	**58**	110
Debt issues	**4,159**	4,125	4,372	**3,326**	3,361
Loan capital	**679**	584	572	**650**	563
Controlled entities	**-**	-	-	**4,417**	5,089
Total interest expense [2]	**15,693**	16,882	18,322	**17,764**	19,545
Net interest income	**17,600**	16,935	15,823	**15,770**	15,115
Other Operating Income					
Lending fees	**1,078**	1,010	1,005	**1,002**	927
Commissions	**2,482**	2,215	2,209	**2,092**	1,838
Trading income	**1,149**	1,087	1,039	**1,043**	975
Net gain/(loss) on non-trading financial instruments [3] [4]	**433**	(27)	251	**413**	(90)
Net gain/(loss) on sale of property, plant and equipment	**6**	(21)	(8)	**(3)**	(15)
Net hedging ineffectiveness	**62**	(72)	(95)	**30**	(35)
Dividends - Controlled entities	**-**	-	-	**1,105**	1,407
Dividends - Other	**10**	12	16	**95**	55
Net funds management operating income [5]	**2,051**	2,061	2,003	**-**	-
Insurance contracts income	**844**	1,006	1,014	**-**	-
Share of profit from associates and joint ventures net of impairment	**292**	289	285	**(5)**	21
Other [6]	**114**	83	126	**807**	952
Total other operating income	**8,521**	7,643	7,845	**6,579**	6,035
Total net operating income before impairment and operating expenses	**26,121**	24,578	23,668	**22,349**	21,150
Impairment Expense					
Loan impairment expense	**1,095**	1,256	988	**1,040**	1,153
Total impairment expense (Note 13)	**1,095**	1,256	988	**1,040**	1,153

(1) Total interest income for financial assets that are not at fair value through profit or loss is $32,652 million (2016: $33,002 million, 2015: $33,208 million) for the Group and $32,917 million (2016: $33,868 million) for the Bank.
(2) Total interest expense for financial liabilities that are not at fair value through profit or loss is $15,591 million (2016: $16,713 million, 2015: $18,100 million) for the Group and $17,706 million (2016: $19,435 million) for the Bank.
(3) Includes non-trading derivatives that are held for risk management purposes.
(4) The current year includes a $397 million gain on sale of the Group's remaining investment in Visa Inc.
(5) Includes net profit of $25 million from First Gas Limited (2016: $nil; 2015 $nil).
(6) Includes depreciation of $88 million (2016: $107 million, 2015: $80 million) and impairment of $6 million (2016: $69 million, 2015: $nil) in relation to assets held for lease by the Group. Includes depreciation of $13 million (2016: $26 million) and impairment of $2 million (2016: $nil) in relation to assets held for lease by the Bank.

Notes to the financial statements

Note 2 Profit (continued)

	Group			Bank	
	2017	2016	2015	2017	2016
	$M	$M	$M	$M	$M
Staff Expenses					
Salaries and related on-costs [1]	**5,652**	5,657	5,331	**4,112**	4,128
Share-based compensation	**122**	102	96	**118**	99
Superannuation	**494**	410	399	**388**	316
Total staff expenses	**6,268**	6,169	5,826	**4,618**	4,543
Occupancy and Equipment Expenses					
Operating lease rentals	**661**	650	620	**572**	564
Depreciation of property, plant and equipment	**288**	266	253	**237**	221
Other occupancy expenses	**190**	218	213	**155**	171
Total occupancy and equipment expenses	**1,139**	1,134	1,086	**964**	956
Information Technology Services					
Application maintenance and development	**512**	511	430	**455**	450
Data processing	**210**	197	183	**209**	197
Desktop	**188**	143	110	**173**	132
Communications	**193**	203	190	**173**	180
Amortisation of software assets [2]	**779**	379	308	**724**	333
Software write-offs	**6**	1	11	**6**	-
IT equipment depreciation	**53**	51	60	**51**	47
Total information technology services	**1,941**	1,485	1,292	**1,791**	1,339
Other Expenses					
Postage and stationery	**187**	192	195	**168**	171
Transaction processing and market data	**186**	179	153	**130**	129
Fees and commissions:					
Professional fees	**404**	247	390	**367**	209
Other	**76**	93	97	**346**	353
Advertising, marketing and loyalty	**437**	491	522	**380**	392
Amortisation of intangible assets (excluding software and merger related amortisation)	**11**	14	16	**-**	-
Non-lending losses	**125**	103	118	**115**	74
Other	**304**	327	308	**301**	333
Total other expenses	**1,730**	1,646	1,799	**1,807**	1,661
Total expenses	**11,078**	10,434	10,003	**9,180**	8,499
Investment and Restructuring					
Merger related amortisation [3]	**4**	39	75	**4**	39
Total investment and restructuring	**4**	39	75	**4**	39
Total operating expenses	**11,082**	10,473	10,078	**9,184**	8,538
Profit before income tax	**13,944**	12,849	12,602	**12,125**	11,459
Net hedging ineffectiveness comprises:					
Gain/(loss) on fair value hedges:					
Hedging instruments	**841**	(709)	(568)	**1,862**	(1,409)
Hedged items	**(799)**	642	493	**(1,829)**	1,369
Cash flow and net investment hedge ineffectiveness	**20**	(5)	(20)	**(3)**	5
Net hedging ineffectiveness	**62**	(72)	(95)	**30**	(35)

(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1.
(2) The current year includes a $393 million one-off expense for acceleration of amortisation on certain software assets.
(3) Merger related amortisation relates to Bankwest core deposits and customer lists.

Notes to the financial statements

Note 3 Average Balances and Related Interest

The following tables have been produced using statutory Balance Sheet and Income Statement categories. The tables list the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate (predominantly daily averages). Interest is accounted for based on product yield.

Where assets or liabilities are hedged, the amounts are shown net of the hedge, however individual items not separately hedged may be affected by movements in exchange rates. The overseas component comprises overseas branches of the Bank and overseas domiciled controlled entities. Non-accrual loans are included in interest earning assets under Loans, bills discounted and other receivables. The official cash rate in Australia decreased by 25 basis points (2016: 25 basis points), while rates in New Zealand decreased 50 basis points (2016: 100 basis points) during the year which is reflected in Overseas.

									Group
		2017			2016				2015
Interest earning assets [1]	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %
Cash and liquid assets									
Australia	**17,734**	**271**	**1. 5**	11,536	186	1. 6	8,951	174	1. 9
Overseas	**19,626**	**50**	**0. 3**	20,183	105	0. 5	21,500	94	0. 4
Receivables due from other financial institutions									
Australia	**2,266**	**20**	**0. 9**	3,387	26	0. 8	3,418	20	0. 6
Overseas	**8,850**	**132**	**1. 5**	8,986	111	1. 2	7,262	53	0. 7
Assets at fair value through Income Statement - Trading and Other									
Australia	**21,731**	**422**	**1. 9**	19,354	500	2. 6	17,367	396	2. 3
Overseas	**3,895**	**68**	**1. 7**	3,090	76	2. 5	4,618	122	2. 6
Available-for-sale investments									
Australia	**66,615**	**1,458**	**2. 2**	66,543	1,662	2. 5	58,338	1,656	2. 8
Overseas	**13,870**	**149**	**1. 1**	12,770	185	1. 4	10,094	154	1. 5
Loans, bills discounted and other receivables [2]									
Australia [3]	**581,093**	**26,266**	**4. 5**	554,206	26,620	4. 8	522,430	27,117	5. 0
Overseas	**99,061**	**4,457**	**4. 5**	90,541	4,346	4. 8	82,186	4,359	5. 3
Total interest earning assets and interest income	**834,741**	**33,293**	**4. 0**	790,596	33,817	4. 3	736,164	34,145	4. 6

(1) Comparative information has been restated to conform to presentation in the current year.
(2) Loans, bills discounted and other receivables includes bank acceptances.
(3) Net of average mortgage offset balances that were reclassified as Non-interest earning assets. Gross Australian loan balance is $616,418 million (2016: $581,067 million, 2015: $542,138 million).

			Group
	2017	2016	2015
Non-interest earning assets	Average Balance $M	Average Balance $M	Average Balance $M
Assets at fair value through Income Statement - Insurance			
Australia	**12,105**	11,819	12,531
Overseas	**2,477**	2,502	2,574
Property, plant and equipment			
Australia	**3,743**	2,827	2,531
Overseas	**289**	266	249
Other assets			
Australia [1] [2]	**108,987**	97,068	81,563
Overseas [1]	**13,774**	14,889	11,623
Provisions for impairment			
Australia	**(3,303)**	(3,272)	(3,524)
Overseas	**(424)**	(375)	(288)
Total non-interest earning assets	**137,648**	125,724	107,259
Total assets	**972,389**	916,320	843,423
Percentage of total assets applicable to overseas operations (%)	**16. 6**	16. 7	16. 6

(1) Comparative information has been restated to conform to presentation in the current year.
(2) Includes average mortgage offset balances.

Notes to the financial statements

Note 3 Average Balances and Related Interest (continued)

Interest bearing liabilities (1)	2017 Average Balance $M	2017 Interest $M	2017 Average Rate %	2016 Average Balance $M	2016 Interest $M	2016 Average Rate %	Group 2015 Average Balance $M	Group 2015 Interest $M	Group 2015 Average Rate %
Time deposits									
Australia (2)	**207,501**	**5,579**	**2. 7**	196,883	5,847	3. 0	207,120	7,063	3. 4
Overseas	**48,461**	**1,555**	**3. 2**	41,541	1,417	3. 4	38,706	1,097	2. 8
Savings deposits									
Australia (2)	**144,631**	**2,005**	**1. 4**	156,648	2,844	1. 8	141,224	3,076	2. 2
Overseas	**16,136**	**172**	**1. 1**	16,688	293	1. 8	14,821	439	3. 0
Other demand deposits									
Australia	**106,267**	**1,041**	**1. 0**	94,904	1,156	1. 2	81,534	1,123	1. 4
Overseas	**8,154**	**101**	**1. 2**	7,288	128	1. 8	5,916	138	2. 3
Payables due to other financial institutions									
Australia	**11,098**	**158**	**1. 4**	14,367	154	1. 1	11,661	139	1. 2
Overseas	**19,235**	**142**	**0. 7**	22,664	123	0. 5	20,030	81	0. 4
Liabilities at fair value through Income Statement									
Australia	**7,049**	**63**	**0. 9**	4,516	95	2. 1	4,398	108	2. 5
Overseas	**1,467**	**39**	**2. 7**	2,349	116	4. 9	2,696	114	4. 2
Debt issues (3)									
Australia	**136,614**	**3,322**	**2. 4**	136,453	3,469	2. 5	132,766	3,823	2. 9
Overseas	**32,307**	**837**	**2. 6**	25,564	656	2. 6	21,023	549	2. 6
Loan capital									
Australia	**11,239**	**447**	**4. 0**	9,442	388	4. 1	6,715	301	4. 5
Overseas	**5,453**	**232**	**4. 3**	4,447	196	4. 4	4,766	271	5. 7
Total interest bearing liabilities and interest expense	**755,612**	**15,693**	**2. 1**	733,754	16,882	2. 3	693,376	18,322	2. 6

(1) Certain comparative information has been restated to conform to presentation in the current year.
(2) Net of average mortgage offset balances that were reclassified to Non-interest bearing liabilities.
(3) Debt issues includes bank acceptances.

Non-interest bearing liabilities	2017 Average Balance $M	2016 Average Balance $M	Group 2015 Average Balance $M
Deposits not bearing interest			
Australia (1) (2)	**72,303**	47,182	30,956
Overseas	**3,671**	3,035	2,589
Insurance policy liabilities			
Australia	**11,190**	11,482	11,811
Overseas	**1,368**	1,406	1,471
Other liabilities			
Australia	**53,418**	48,604	40,077
Overseas (1)	**12,796**	13,178	12,160
Total non-interest bearing liabilities	**154,746**	124,887	99,064
Total liabilities	**910,358**	858,641	792,440
Shareholders' Equity (1)	**62,031**	57,679	50,983
Total liabilities and Shareholders' Equity	**972,389**	916,320	843,423
Total liabilities applicable to overseas operations (%)	**16. 4**	16. 1	15. 7

(1) Comparative information has been restated to conform to presentation in the current year.
(2) Includes average mortgage offset balances.

Note 3 Average Balances and Related Interest (continued)

Changes in Net Interest Income: Volume and Rate Analysis

The following tables show the movement in interest income and expense due to changes in volume and interest rates. Volume variances reflect the change in interest from the prior year due to movement in the average balance. Rate variances reflect the change in interest from the prior year due to changes in interest rates.

Volume and rate variance for total interest earning assets and interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

Changes in net interest income: Volume and rate analysis [1]	June 2017 vs June 2016 Volume $M	Rate $M	Total $M	June 2016 vs June 2015 Volume $M	Rate $M	Total $M
Interest Earning Assets						
Cash and liquid assets						
Australia	**97**	**(12)**	**85**	46	(34)	12
Overseas	**(2)**	**(53)**	**(55)**	(6)	17	11
Receivables due from other financial institutions						
Australia	**(9)**	**3**	**(6)**	-	6	6
Overseas	**(2)**	**23**	**21**	17	41	58
Assets at fair value through Income Statement - Trading and Other						
Australia	**54**	**(132)**	**(78)**	48	56	104
Overseas	**17**	**(25)**	**(8)**	(39)	(7)	(46)
Available-for-sale investments						
Australia	**2**	**(206)**	**(204)**	219	(213)	6
Overseas	**14**	**(50)**	**(36)**	40	(9)	31
Loans, bills discounted and other receivables						
Australia	**1,253**	**(1,607)**	**(354)**	1,588	(2,085)	(497)
Overseas	**396**	**(285)**	**111**	422	(435)	(13)
Changes in interest income	**1,824**	**(2,348)**	**(524)**	2,426	(2,754)	(328)
Interest Bearing Liabilities and Loan Capital						
Time deposits						
Australia	**300**	**(568)**	**(268)**	(327)	(889)	(1,216)
Overseas	**229**	**(91)**	**138**	89	231	320
Savings deposits						
Australia	**(192)**	**(647)**	**(839)**	308	(540)	(232)
Overseas	**(8)**	**(113)**	**(121)**	44	(190)	(146)
Other demand deposits						
Australia	**125**	**(240)**	**(115)**	174	(141)	33
Overseas	**13**	**(40)**	**(27)**	28	(38)	(10)
Payables due to other financial institutions						
Australia	**(41)**	**45**	**4**	31	(16)	15
Overseas	**(22)**	**41**	**19**	12	30	42
Liabilities at fair value through Income Statement						
Australia	**38**	**(70)**	**(32)**	3	(16)	(13)
Overseas	**(34)**	**(43)**	**(77)**	(16)	18	2
Debt issues						
Australia	**4**	**(151)**	**(147)**	100	(454)	(354)
Overseas	**174**	**7**	**181**	118	(11)	107
Loan capital						
Australia	**73**	**(14)**	**59**	117	(30)	87
Overseas	**44**	**(8)**	**36**	(16)	(59)	(75)
Changes in interest expense	**478**	**(1,667)**	**(1,189)**	998	(2,438)	(1,440)
Changes in net interest income	**938**	**(273)**	**665**	1,168	(56)	1,112

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

Notes to the financial statements

Note 4 Income Tax

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

	Group (1)			Bank	
	2017 $M	2016 $M	2015 $M	2017 $M	2016 $M
Profit before Income Tax	**13,944**	12,849	12,602	**12,125**	11,459
Prima facie income tax at 30%	**4,183**	3,855	3,781	**3,638**	3,438
Effect of amounts which are non-deductible/(assessable) in calculating taxable income:					
Taxation offsets and other dividend adjustments	**(11)**	(4)	(6)	**(369)**	(426)
Tax adjustment referable to policyholder income	**22**	71	69	**-**	-
Tax losses not previously brought to account	**(56)**	(5)	(9)	**(56)**	(5)
Offshore tax rate differential	**(76)**	(79)	(116)	**(15)**	(32)
Offshore banking unit	**(42)**	(33)	(39)	**(40)**	(27)
Effect of changes in tax rates	**4**	1	2	**(1)**	1
Income tax (over) provided in previous years	**(66)**	(177)	(163)	**(53)**	(171)
Other	**34**	(23)	9	**42**	42
Total income tax expense	**3,992**	3,606	3,528	**3,146**	2,820
Corporate tax expense	**3,960**	3,505	3,429	**3,146**	2,820
Policyholder tax expense	**32**	101	99	**-**	-
Total income tax expense	**3,992**	3,606	3,528	**3,146**	2,820
Effective tax rate (%) (2)	**28. 5**	27. 5	27. 4	**26. 0**	24. 6

(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1.
(2) Policyholder tax is excluded from both profit before income tax and tax expense for the purpose of calculating the Group's effective tax rate as it is not incurred directly by the Group.

Income tax expense attributable to profit from ordinary activities	Group (1)			Bank	
	2017 $M	2016 $M	2015 $M	2017 $M	2016 $M
Australia					
Current tax expense	**3,884**	2,971	2,865	**3,453**	2,708
Deferred tax expense	**(336)**	84	124	**(341)**	28
Total Australia	**3,548**	3,055	2,989	**3,112**	2,736
Overseas					
Current tax expense	**435**	507	547	**68**	103
Deferred tax expense/(benefit)	**9**	44	(8)	**(34)**	(19)
Total overseas	**444**	551	539	**34**	84
Income Tax Expense attributable to profit from ordinary activities	**3,992**	3,606	3,528	**3,146**	2,820

(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1.

Note 4 Income Tax (continued)

	Group (1)			Bank	
	2017 $M	2016 $M	2015 $M	2017 $M	2016 $M
Deferred tax asset balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement:					
Provision for employee benefits	**493**	501	496	**387**	385
Provisions for impairment on loans, bills discounted and other receivables	**1,032**	1,051	1,008	**946**	961
Other provisions not tax deductible until expense incurred	**201**	216	283	**129**	125
Financial instruments	**1**	56	36	**-**	10
Defined benefit superannuation plan	**320**	310	293	**320**	310
Unearned Income	**228**	101	98	**228**	101
Other	**224**	126	109	**165**	81
Total amount recognised in the Income Statement	**2,499**	2,361	2,323	**2,175**	1,973
Amounts recognised directly in Other Comprehensive Income:					
Cash flow hedge reserve	**123**	161	155	**13**	9
Other reserves	**12**	16	6	**17**	11
Total amount recognised directly in Other Comprehensive Income	**135**	177	161	**30**	20
Total deferred tax assets (before set off)	**2,634**	2,538	2,484	**2,205**	1,993
Set off to tax pursuant to set-off provisions in Note 1(q)	**(1,672)**	(2,149)	(1,986)	**(825)**	(1,200)
Net deferred tax assets	**962**	389	498	**1,380**	793
Deferred tax liability balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement:					
Lease financing	**235**	282	341	**96**	108
Intangible assets	**8**	149	123	**8**	146
Financial instruments	**179**	196	235	**14**	13
Insurance	**485**	510	425	**-**	-
Investments in associates	**122**	95	78	**-**	-
Other	**246**	233	97	**25**	49
Total amount recognised in the Income Statement	**1,275**	1,465	1,299	**143**	316
Amounts recognised directly in Other Comprehensive Income:					
Revaluation of properties	**76**	74	76	**76**	74
Foreign currency translation reserve	**8**	26	40	**-**	-
Cash flow hedge reserve	**70**	416	293	**37**	329
Defined benefit superannuation plan	**445**	376	365	**445**	376
Available-for-sale investments reserve	**130**	132	264	**124**	105
Total amount recognised directly in Other Comprehensive Income	**729**	1,024	1,038	**682**	884
Total deferred tax liabilities (before set off)	**2,004**	2,489	2,337	**825**	1,200
Set off to tax pursuant to set-off provisions in Note 1(q)	**(1,672)**	(2,149)	(1,986)	**(825)**	(1,200)
Net deferred tax liabilities	**332**	340	351	**-**	-
Deferred tax assets opening balance:	**389**	498	629	**793**	771
Movement in temporary differences during the year:					
Provisions for employee benefits	**(8)**	5	16	**2**	16
Provisions for impairment on loans, bills discounted and other receivables	**(19)**	43	(36)	**(15)**	17
Other provisions not tax deductible until expense incurred	**(15)**	(67)	123	**4**	(109)
Financial instruments	**(97)**	36	87	**-**	19
Defined benefit superannuation plan	**10**	17	28	**10**	17
Unearned Income	**127**	3	10	**127**	3
Other	**98**	17	(36)	**84**	(5)
Set off to tax pursuant to set-off provisions in Note 1(q)	**477**	(163)	(323)	**375**	64
Deferred tax assets closing balance	**962**	389	498	**1,380**	793

(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1.

Notes to the financial statements

Note 4 Income Tax (continued)

	Group			Bank	
	2017 $M	2016 $M	2015 $M	2017 $M	2016 $M
Deferred tax liabilities opening balance:	**340**	351	366	**-**	-
Movement in temporary differences during the year:					
Lease financing	**(47)**	(59)	(40)	**(12)**	(62)
Defined benefit superannuation plan	**69**	11	136	**69**	11
Intangible assets	**(141)**	26	78	**(138)**	28
Financial instruments	**(383)**	(62)	167	**(272)**	(27)
Insurance	**(25)**	85	19	**-**	-
Investments in associates	**27**	17	16	**-**	-
Other	**15**	134	(68)	**(22)**	(14)
Set off to tax pursuant to set-off provisions in Note 1(q)	**477**	(163)	(323)	**375**	64
Deferred tax liabilities closing balance	**332**	340	351	**-**	-

Deferred tax assets have not been recognised in respect of the following items because it is not considered probable that future taxable profit will be available against which they can be realised:

	Group			Bank	
	2017	2016	2015	2017	2016
Deferred tax assets not taken to account	$M	$M	$M	$M	$M
Tax losses and other temporary differences on revenue account:					
Expire under current legislation	**52**	124	83	**47**	117
Do not expire under current legislation	**29**	7	-	**-**	-
Total	**81**	131	83	**47**	117

Tax Consolidation

The Bank has recognised a tax consolidation contribution to the wholly-owned tax consolidated entity of $97 million (2016: $99 million).

The amount receivable by the Bank under the tax funding agreement was $302 million as at 30 June 2017 (2016: $213 million receivable). This balance is included in 'Other assets' in the Bank's separate Balance Sheet.

Notes to the financial statements

Note 5 Dividends

	Group			Bank	
	2017 $M	2016 $M	2015 $M	2017 $M	2016 $M
Ordinary Shares					
Interim ordinary dividend (fully franked) (2017: 199 cents; 2016: 198 cents; 2015: 198 cents)					
Interim ordinary dividend paid - cash component only	**2,871**	2,829	2,636	**2,871**	2,829
Interim ordinary dividend paid - Dividend Reinvestment Plan	**558**	552	574	**558**	552
Total dividend paid	**3,429**	3,381	3,210	**3,429**	3,381
Other Equity Instruments					
Dividend paid	**-**	56	52	**-**	-
Total dividend provided for, reserved or paid	**3,429**	3,437	3,262	**3,429**	3,381
Other provision carried	**100**	90	82	**100**	90
Dividend proposed and not recognised as a liability (fully franked) (2017: 230 cents; 2016: 222 cents; 2015: 222 cents) (1)	**3,979**	3,808	3,613	**3,979**	3,808
Provision for dividends					
Opening balance	**90**	82	73	**90**	82
Provision made during the year	**7,237**	6,994	6,744	**7,237**	6,994
Provision used during the year	**(7,227)**	(6,986)	(6,735)	**(7,227)**	(6,986)
Closing balance (Note 19)	**100**	90	82	**100**	90

(1) The 2017 final dividend will be satisfied by cash disbursements with the Dividend Reinvestment Plan (DRP) anticipated to be satisfied by the issue of shares of approximately $1.4 billion. The 2016 final dividend was satisfied by cash disbursements of $3,222 million and $586 million being reinvested by the participants through the DRP. The 2015 final dividend was satisfied by cash disbursements $2,958 million and $655 million being reinvested by the participants through the DRP.

Final Dividend

The Directors have declared a franked final dividend of 230 cents per share amounting to $3,979 million. The dividend will be payable on 29 September 2017 to shareholders on the register at 5pm AEST on 17 August 2017. The ex-dividend date is 16 August 2017.

The Board determines the dividends based on the Group's net profit after tax ("cash basis") per share, having regard to a range of factors including:

- Current and expected rates of business growth and the mix of business;
- Capital needs to support economic, regulatory and credit ratings requirements;
- Investments and/or divestments to support business development;
- Competitors comparison and market expectations; and
- Earnings per share growth.

Dividend Franking Account

After fully franking the final dividend to be paid for the year, the amount of credits available, at the 30% tax rate as at 30 June 2017 to frank dividends for subsequent financial years, is $1,067 million (2016: $532 million). This figure is based on the franking accounts of the Bank at 30 June 2017, adjusted for franking credits that will arise from the payment of income tax payable on profits for the year, franking debits that will arise from the payment of dividends proposed, and franking credits that the Bank may be prevented from distributing in subsequent financial periods.

The Bank expects that future tax payments will generate sufficient franking credits for the Bank to be able to continue to fully frank future dividend payments. These calculations have been based on the taxation law as at 30 June 2017.

Dividend History

Half year ended	Cents Per Share	Payment Date	Half-year Payout Ratio (1) %	Full Year Payout Ratio (1) %	DRP Price $	DRP Participation Rate (2) %
31 December 2014	198	02/04/2015	71. 2	-	91. 26	17. 9
30 June 2015	222	01/10/2015	80. 4	75. 8	74. 75	18. 1
31 December 2015	198	31/03/2016	73. 6	-	72. 68	16. 3
30 June 2016	222	29/09/2016	83. 1	78. 4	72. 95	15. 4
31 December 2016	199	04/04/2017	70. 1	-	83. 21	16. 3
30 June 2017	230	29/09/2017	79. 0	74. 6	-	-

(1) Dividend Payout Ratio: dividends divided by statutory earnings (earnings are net of dividends on other equity instruments).
(2) DRP Participation Rate: the percentage of total issued share capital participating in the DRP.

Notes to the financial statements

Note 6 Earnings Per Share

Earnings per ordinary share [1]	Group [2] 2017	2016	2015
	Cents per Share		
Basic	577. 6	542. 3	553. 1
Fully diluted	559. 1	529. 2	539. 1

(1) EPS calculations are based on actual amounts prior to rounding to the nearest million.
(2) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1.

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares on issue during the year, adjusted for any bonus element included in ordinary shares issued and excluding treasury shares held.

Diluted earnings per share amounts are calculated by dividing net profit attributable to ordinary equity holders of the Bank (after adding back interest on the convertible redeemable loan capital instruments) by the weighted average number of ordinary shares issued during the year (as calculated under basic earnings per share adjusted for the effects of dilutive convertible non-cumulative redeemable loan capital instruments and shares issuable under executive share plans).

Reconciliation of earnings used in calculation of earnings per share	Group 2017 $M	2016 $M	2015 $M
Profit after income tax [1]	9,952	9,243	9,074
Less: Other equity instrument dividends	-	(50)	(52)
Less: Non-controlling interests	(24)	(20)	(21)
Earnings used in calculation of basic earnings per share	9,928	9,173	9,001
Add: Profit impact of assumed conversions of loan capital	218	195	225
Earnings used in calculation of fully diluted earnings per share	10,146	9,368	9,226

(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1.

	Number of Shares 2017 M	2016 M	2015 M
Weighted average number of ordinary shares used in the calculation of basic earnings per share	1,719	1,692	1,627
Effect of dilutive securities - executive share plans and convertible loan capital instruments	96	79	84
Weighted average number of ordinary shares used in the calculation of fully diluted earnings per share	1,815	1,771	1,711

Note 7 Cash and Liquid Assets

	Group		Bank	
	2017 $M	2016 $M	2017 $M	2016 $M
Notes, coins and cash at banks	14,635	12,103	12,707	10,809
Money at short call	8,281	2,201	8,167	2,073
Securities purchased under agreements to resell	22,733	8,925	21,865	8,673
Bills received and remittances in transit	201	143	75	27
Total cash and liquid assets	45,850	23,372	42,814	21,582

Note 8 Receivables Due from Other Financial Institutions

	Group		Bank	
	2017 $M	2016 $M	2017 $M	2016 $M
Placements with and loans to other financial institutions	9,815	11,384	8,641	10,140
Deposits with regulatory authorities [1]	222	207	37	42
Total receivables due from other financial institutions	10,037	11,591	8,678	10,182

(1) Required by law for the Group to operate in certain regions.

The majority of the above amounts are expected to be recovered within 12 months of the Balance Sheet date.

Note 9 Assets at Fair Value through Income Statement

Assets at Fair Value through Income Statement	Group [1] 2017 $M	Group [1] 2016 $M	Bank [1] 2017 $M	Bank [1] 2016 $M
Trading				
Government bonds, notes and securities	**20,370**	17,653	**19,879**	17,440
Corporate/financial institution bonds, notes and securities	**4,640**	5,353	**3,873**	4,808
Shares and equity investments	**922**	2,484	**603**	2,160
Commodities	**6,772**	8,577	**6,772**	8,577
Total trading assets	**32,704**	34,067	**31,127**	32,985
Insurance [2] [3]				
Investments backing life risk contracts				
Equity security investments	**397**	510	**-**	-
Debt security investments	**3,055**	3,563	**-**	-
Property investments	**86**	82	**-**	-
Other assets	**668**	703	**-**	-
Investments backing life investment contracts				
Equity security investments	**5,072**	4,383	**-**	-
Debt security investments	**2,473**	2,417	**-**	-
Property investments	**109**	123	**-**	-
Other assets	**1,809**	1,766	**-**	-
Total life insurance investment assets	**13,669**	13,547	**-**	-
Other [4]				
Government securities	**51**	43	**-**	-
Receivables due from other corporate/financial institutions	**264**	250	**-**	-
Other lending	**796**	1,187	**796**	1,187
Total other assets at fair value through Income Statement	**1,111**	1,480	**796**	1,187
Total assets at fair value through Income Statement [5]	**47,484**	49,094	**31,923**	34,172
Maturity Distribution of assets at fair value through income statement				
Less than twelve months	**35,951**	36,065	**31,923**	34,172
More than twelve months	**11,533**	13,029	**-**	-
Total assets at fair value through Income Statement	**47,484**	49,094	**31,923**	34,172

(1) Comparative information has been reclassified to conform to presentation in the current year.
(2) Investments held in the Australian statutory funds may only be used within the restrictions imposed under the Life Insurance Act 1995.
(3) Insurance assets include investment assets of controlled and consolidated trusts that are not wholly owned by the Group. Such assets relate to insurance contracts issued by the Group and managed fund units held by external unit holders.
(4) Designated at Fair Value through Income Statement at inception as they are managed by the Group on a fair value basis or to eliminate an accounting mismatch.
(5) In addition to the assets above, the Group also measures bills discounted that are intended to be sold into the market at fair value. These are classified within Loans, bills discounted and other receivables (refer to Note 12).

Note 10 Derivative Financial Instruments

Derivative Contracts

Derivatives are classified as "Held for Trading" or "Held for Hedging". Held for Trading derivatives are contracts entered into in order to meet customers' needs, to undertake market making and positioning activities, or for risk management purposes that do not qualify for hedge accounting. Held for Hedging derivatives are instruments held for risk management purposes, which meet the criteria for hedge accounting.

Derivatives Transacted for Hedging Purposes

There are three types of allowable hedging relationships: fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation. For details on the accounting treatment of each type of hedging relationship refer to Note 1(t).

Fair Value Hedges

Fair value hedges are used by the Group to manage exposure to changes in the fair value of an asset, liability or unrecognised firm commitment. Changes in fair values can arise from fluctuations in interest or foreign exchange rates. The Group principally uses interest rate swaps, cross currency swaps and futures to protect against such fluctuations.

All gains and losses associated with the ineffective portion of fair value hedge relationships are recognised immediately as 'Other operating income' in the Income Statement.

Cash Flow Hedges

Cash flow hedges are used by the Group to manage exposure to variability in future cash flows, which could affect profit or loss and may result from fluctuations in interest and exchange rates or in commodity prices on financial assets, liabilities or highly probable forecast transactions. The Group principally uses derivative instruments to protect against such fluctuations.

Notes to the financial statements

Note 10 Derivative Financial Instruments (continued)

Where it is appropriate, non-derivative financial assets and liabilities are also designated as hedging instruments in cash flow hedge relationships.

Amounts accumulated in Other Comprehensive Income in respect of cash flow hedges are recycled to the Income Statement when the forecast transaction occurs. Underlying cash flows from cash flow hedges are discounted to calculate deferred gains and losses which are expected to occur in the following periods:

	Group Total		Bank Total	
	2017 $M	2016 $M	2017 $M	2016 $M
Within 6 months	**(72)**	(46)	**3**	(9)
6 months - 1 year	**(26)**	8	**15**	80
1 - 2 years	**133**	108	**131**	153
2 - 5 years	**(168)**	846	**(34)**	969
After 5 years	**(45)**	(237)	**(24)**	(148)
Net deferred gains/(losses)	**(178)**	**679**	**91**	**1,045**

Net Investment Hedges

The Group uses foreign exchange forward transactions to minimise its exposure to the currency translation risk of certain net investments in foreign operations. In the current and prior year, there have been no material gains or losses as a result of ineffective net investment hedges.

The fair value of derivative financial instruments is set out in the following tables:

	Group 2017		2016	
Derivatives assets and liabilities	Fair Value Asset $M	Fair Value Liability $M	Fair Value Asset $M	Fair Value Liability $M
Held for trading				
Foreign exchange rate related contracts:				
Forward contracts	**5,735**	**(6,058)**	9,055	(8,656)
Swaps	**7,556**	**(8,473)**	6,646	(9,762)
Futures	**-**	**-**	1	-
Options purchased and sold	**785**	**(832)**	874	(897)
Total foreign exchange rate related contracts	**14,076**	**(15,363)**	16,576	(19,315)
Interest rate related contracts:				
Swaps	**6,232**	**(4,654)**	10,590	(7,266)
Futures	**64**	**(192)**	15	(42)
Options purchased and sold	**918**	**(1,048)**	1,120	(1,261)
Total interest rate related contracts	**7,214**	**(5,894)**	11,725	(8,569)
Credit related swaps	**42**	**(72)**	38	(50)
Equity related contracts:				
Swaps	**18**	**(85)**	38	(86)
Options purchased and sold	**2**	**(9)**	14	(27)
Total equity related contracts	**20**	**(94)**	52	(113)
Commodity related contracts:				
Swaps	**452**	**(284)**	593	(510)
Options purchased and sold	**16**	**(35)**	40	(43)
Total commodity related contracts	**468**	**(319)**	633	(553)
Identified embedded derivatives	**190**	**(131)**	338	(125)
Total derivative assets/(liabilities) held for trading	**22,010**	**(21,873)**	29,362	(28,725)

Note 10 Derivative Financial Instruments (continued)

	2017 Fair Value Asset $M	2017 Fair Value Liability $M	Group 2016 Fair Value Asset $M	Group 2016 Fair Value Liability $M
Fair value hedges				
Foreign exchange rate related swaps	**5,242**	**(4,184)**	8,631	(4,612)
Interest rate related swaps	**451**	**(2,096)**	881	(2,930)
Total fair value hedges	**5,693**	**(6,280)**	9,512	(7,542)
Cash flow hedges				
Foreign exchange rate related swaps	**2,615**	**(1,371)**	5,002	(2,150)
Interest rate related swaps	**1,402**	**(794)**	2,691	(1,495)
Total cash flow hedges	**4,017**	**(2,165)**	7,693	(3,645)
Net investment hedges				
Foreign exchange rate related forward contracts	**4**	**(12)**	-	(9)
Total net investment hedges	**4**	**(12)**	-	(9)
Total derivative assets/(liabilities) held for hedging	**9,714**	**(8,457)**	17,205	(11,196)

Held for trading derivatives are expected to be recovered or due to be settled within 12 months of the Balance Sheet date. The majority of hedging derivatives are expected to be recovered or due to be settled more than 12 months after the Balance Sheet date.

Derivatives assets and liabilities	2017 Fair Value Asset $M	2017 Fair Value Liability $M	Bank 2016 Fair Value Asset $M	Bank 2016 Fair Value Liability $M
Held for trading				
Foreign exchange rate related contracts:				
Forward contracts	**5,706**	**(6,014)**	9,010	(8,554)
Swaps	**8,356**	**(9,181)**	8,366	(10,691)
Futures	**-**	**-**	1	-
Options purchased and sold	**785**	**(830)**	873	(894)
Derivatives held with controlled entities	**688**	**(1,998)**	915	(3,083)
Total foreign exchange rate related contracts	**15,535**	**(18,023)**	19,165	(23,222)
Interest rate related contracts:				
Swaps	**5,963**	**(4,357)**	10,166	(6,868)
Futures	**55**	**(191)**	15	(37)
Options purchased and sold	**917**	**(1,047)**	1,119	(1,255)
Derivatives held with controlled entities	**110**	**(139)**	216	(261)
Total interest rate related contracts	**7,045**	**(5,734)**	11,516	(8,421)
Credit related swaps	**42**	**(72)**	38	(50)
Equity related contracts:				
Swaps	**18**	**(85)**	38	(86)
Options purchased and sold	**2**	**(9)**	14	(27)
Total equity related contracts	**20**	**(94)**	52	(113)
Commodity related contracts:				
Swaps	**452**	**(285)**	593	(510)
Options purchased and sold	**16**	**(34)**	40	(43)
Total commodity related contracts	**468**	**(319)**	633	(553)
Identified embedded derivatives	**190**	**(131)**	338	(125)
Total derivative assets/(liabilities) held for trading	**23,300**	**(24,373)**	31,742	(32,484)

Notes to the financial statements

Note 10 Derivative Financial Instruments (continued)

				Bank
		2017		2016
	Fair Value Asset $M	Fair Value Liability $M	Fair Value Asset $M	Fair Value Liability $M
Fair value hedges				
Foreign exchange rate related contracts:				
Swaps	**4,337**	**(3,504)**	6,856	(3,815)
Derivatives held with controlled entities	**349**	**(789)**	52	(1,934)
Total foreign exchange rate related contracts	**4,686**	**(4,293)**	6,908	(5,749)
Interest rate related contracts:				
Swaps	**364**	**(1,895)**	738	(2,673)
Derivatives held with controlled entities	**2**	**(56)**	-	(194)
Total interest rate related contracts	**366**	**(1,951)**	738	(2,867)
Total fair value hedges	**5,052**	**(6,244)**	7,646	(8,616)
Cash flow hedges				
Foreign exchange rate related contracts:				
Swaps	**2,444**	**(948)**	4,688	(1,613)
Derivatives held with controlled entities	**11**	**(81)**	13	(188)
Total foreign exchange rate related contracts	**2,455**	**(1,029)**	4,701	(1,801)
Interest rate related contracts:				
Swaps	**1,253**	**(511)**	2,433	(969)
Derivatives held with controlled entities	**30**	**(4)**	3	(5)
Total interest rate related contracts	**1,283**	**(515)**	2,436	(974)
Total cash flow hedges	**3,738**	**(1,544)**	7,137	(2,775)
Net investment hedges				
Foreign exchange rate related forward contracts	**4**	**(12)**	-	(9)
Total net investment hedges	**4**	**(12)**	-	(9)
Total derivative assets/(liabilities) held for hedging	**8,794**	**(7,800)**	14,783	(11,400)

Held for trading derivatives are expected to be recovered or due to be settled within 12 months of the Balance Sheet date. The majority of hedging derivatives are expected to be recovered or due to be settled more than 12 months after the Balance Sheet date.

Note 11 Available-for-Sale Investments

	Group		Bank	
	2017	2016	2017	2016
	$M	$M	$M	$M
Government bonds, notes and securities	48,257	47,190	46,424	45,754
Corporate/financial institution bonds, notes and securities	22,129	18,740	21,199	17,724
Shares and equity investments	295	959	37	486
Covered bonds, mortgage backed securities and SSA (1)	12,854	14,009	11,359	12,397
Total available-for-sale investments	83,535	80,898	79,019	76,361

(1) Supranational, Sovereign and Agency Securities (SSA).

The amounts expected to be recovered within 12 months of the Balance Sheet date are $18,052 million (2016: $16,324 million) for the Group and $16,900 million (2016: $15,660 million) for the Bank.

Maturity Distribution and Weighted Average Yield

	Group Maturity Period at 30 June 2017									
	0 to 1 Year		1 to 5 Years		5 to 10 Years		10 or more Years		Non-Maturing	Total
	$M	%	$M	%	$M	%	$M	%	$M	$M
Government bonds, notes and securities	9,514	0. 55	15,379	1. 96	17,641	2. 57	5,723	3. 10	-	48,257
Corporate/financial institution bonds, notes and securities	7,117	1. 84	14,565	2. 69	447	2. 88	-	-	-	22,129
Shares and equity investments	-	-	-	-	-	-	-	-	295	295
Covered bonds, mortgage backed securities and SSA	1,364	2. 81	3,999	2. 76	624	2. 68	6,867	2. 69	-	12,854
Total available-for-sale investments	17,995	-	33,943	-	18,712	-	12,590	-	295	83,535

The maturity table is based on contractual terms.

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Notes to the financial statements

Note 12 Loans, Bills Discounted and Other Receivables

	Group		Bank	
	2017	2016	2017	2016
	$M	$M	$M	$M
Australia				
Overdrafts	**24,385**	26,857	**24,385**	26,857
Home loans (1)	**436,184**	409,452	**430,056**	404,352
Credit card outstandings	**12,073**	12,122	**12,073**	12,122
Lease financing	**4,302**	4,412	**3,161**	3,073
Bills discounted (2)	**7,486**	10,507	**7,486**	10,507
Term loans and other lending	**149,506**	140,784	**149,294**	140,700
Total Australia	**633,936**	604,134	**626,455**	597,611
Overseas				
Overdrafts	**1,545**	1,592	**277**	318
Home loans (1)	**49,673**	46,622	**519**	550
Credit card outstandings	**960**	912	**-**	-
Lease financing	**36**	72	**9**	28
Term loans and other lending	**50,389**	46,967	**24,533**	23,754
Total overseas	**102,603**	96,165	**25,338**	24,650
Gross loans, bills discounted and other receivables	**736,539**	700,299	**651,793**	622,261
Less				
Provisions for Loan Impairment (Note 13):				
Collective provision	**(2,722)**	(2,783)	**(2,457)**	(2,510)
Individually assessed provisions	**(971)**	(935)	**(888)**	(855)
Unearned income:				
Term loans	**(681)**	(701)	**(680)**	(699)
Lease financing	**(403)**	(482)	**(265)**	(278)
	(4,777)	(4,901)	**(4,290)**	(4,342)
Net loans, bills discounted and other receivables	**731,762**	695,398	**647,503**	617,919

(1) Home loans balance includes residential mortgages that have been assigned to securitisation vehicles and covered bond trusts. Further detail on these residential mortgages is disclosed in Note 41.
(2) The Group measures bills discounted intended to be sold into the market at fair value and includes these within loans, bills discounted and other receivables to reflect the nature of the lending arrangement.

Based on behavioural terms and current market conditions, the amounts expected to be recovered within 12 months of the Balance Sheet date are $177,267 million (2016: $206,157 million) for the Group, and $161,734 million (2016: $191,962 million) for the Bank. The maturity tables below are based on contractual terms.

Finance Lease Receivables

The Group and the Bank provide finance leases to a broad range of clients to support financing needs in acquiring transportation assets such as trains, aircraft, ships and major production and manufacturing equipment.

Finance lease receivables are included within loans, bills discounted and other receivables to customers.

	Group					
	2017			2016		
	Gross Investment in Finance Lease Receivable	Unearned Income	Present Value of Minimum Lease Payment Receivable	Gross Investment in Finance Lease Receivable	Unearned Income	Present Value of Minimum Lease Payment Receivable
	$M	$M	$M	$M	$M	$M
Not later than one year	**1,439**	**(151)**	**1,288**	1,247	(161)	1,086
One year to five years	**2,651**	**(187)**	**2,464**	2,906	(287)	2,619
Over five years	**248**	**(65)**	**183**	331	(34)	297
	4,338	**(403)**	**3,935**	4,484	(482)	4,002

Note 12 Loans, Bills Discounted and Other Receivables (continued)

						Bank
		2017				2016
	Gross Investment in Finance Lease Receivable $M	Unearned Income $M	Present Value of Minimum Lease Payment Receivable $M	Gross Investment in Finance Lease Receivable $M	Unearned Income $M	Present Value of Minimum Lease Payment Receivable $M
Not later than one year	**1,166**	**(95)**	**1,071**	1,008	(94)	914
One year to five years	**1,797**	**(108)**	**1,689**	1,856	(155)	1,701
Over five years	**207**	**(62)**	**145**	237	(29)	208
	3,170	**(265)**	**2,905**	3,101	(278)	2,823

Contractual Maturity Tables

				Group
				Maturity Period at 30 June 2017
Industry [(1)]	Maturing 1 Year or Less $M	Maturing Between 1 and 5 Years $M	Maturing After 5 Years $M	Total $M
Australia				
Sovereign	**17,128**	**772**	**185**	**18,085**
Agriculture	**3,597**	**4,595**	**592**	**8,784**
Bank and other financial	**8,841**	**6,141**	**443**	**15,425**
Home loans	**8,548**	**37,784**	**389,852**	**436,184**
Construction	**1,158**	**2,176**	**431**	**3,765**
Other personal	**7,873**	**13,268**	**2,042**	**23,183**
Asset financing	**2,903**	**4,842**	**127**	**7,872**
Other commercial and industrial	**41,567**	**68,581**	**10,490**	**120,638**
Total Australia	**91,615**	**138,159**	**404,162**	**633,936**
Overseas				
Sovereign	**1,180**	**600**	**120**	**1,900**
Agriculture	**2,170**	**5,270**	**2,408**	**9,848**
Bank and other financial	**2,837**	**2,292**	**646**	**5,775**
Home loans	**7,562**	**5,838**	**36,273**	**49,673**
Construction	**284**	**152**	**198**	**634**
Other personal	**1,687**	**25**	**1**	**1,713**
Asset financing	**17**	**170**	**277**	**464**
Other commercial and industrial	**10,539**	**15,162**	**6,895**	**32,596**
Total overseas	**26,276**	**29,509**	**46,818**	**102,603**
Gross loans, bills discounted and other receivables	**117,891**	**167,668**	**450,980**	**736,539**

(1) The industry split has been prepared on an industry exposure basis.

Interest rate	Maturing 1 Year or Less $M	Maturing Between 1 and 5 Years $M	Maturing After 5 Years $M	Total $M
Australia	**73,530**	**120,749**	**338,035**	**532,314**
Overseas	**12,920**	**17,750**	**20,134**	**50,804**
Total variable interest rates	**86,450**	**138,499**	**358,169**	**583,118**
Australia	**18,085**	**17,410**	**66,127**	**101,622**
Overseas	**13,356**	**11,759**	**26,684**	**51,799**
Total fixed interest rates	**31,441**	**29,169**	**92,811**	**153,421**
Gross loans, bills discounted and other receivables	**117,891**	**167,668**	**450,980**	**736,539**

Notes to the financial statements

Note 12 Loans, Bills Discounted and Other Receivables (continued)

	Group			
	Maturity Period at 30 June 2016			
Industry [1] [2]	Maturing 1 Year or Less $M	Maturing Between 1 and 5 Years $M	Maturing After 5 Years $M	Total $M
Australia				
Sovereign	17,249	1,219	811	19,279
Agriculture	3,054	4,269	678	8,001
Bank and other financial	8,916	6,470	343	15,729
Home loans	14,808	40,454	354,190	409,452
Construction	1,806	1,273	725	3,804
Other personal	8,975	13,741	808	23,524
Asset financing	2,822	4,707	148	7,677
Other commercial and industrial	36,945	70,490	9,233	116,668
Total Australia	94,575	142,623	366,936	604,134
Overseas				
Sovereign	186	930	317	1,433
Agriculture	1,741	3,401	3,602	8,744
Bank and other financial	1,440	1,048	983	3,471
Home loans	6,635	4,701	35,286	46,622
Construction	160	89	103	352
Other personal	1,676	42	1	1,719
Asset financing	8	54	164	226
Other commercial and industrial	16,032	14,050	3,516	33,598
Total overseas	27,878	24,315	43,972	96,165
Gross loans, bills discounted and other receivables	122,453	166,938	410,908	700,299

(1) The industry split has been prepared on an industry exposure basis.
(2) Comparative information has been reclassified to conform to presentation in the current period.

Interest rate	Maturing 1 Year or Less $M	Maturing Between 1 and 5 Years $M	Maturing After 5 Years $M	Total $M
Australia	72,158	113,467	313,702	499,327
Overseas	17,832	14,576	20,005	52,413
Total variable interest rates	89,990	128,043	333,707	551,740
Australia	22,417	29,156	53,234	104,807
Overseas	10,046	9,739	23,967	43,752
Total fixed interest rates	32,463	38,895	77,201	148,559
Gross loans, bills discounted and other receivables	122,453	166,938	410,908	700,299

Note 13 Provisions for Impairment

Provisions for impairment losses	Group 2017 $M	2016 $M	2015 $M	Bank 2017 $M	2016 $M
Collective provision					
Opening balance	**2,818**	2,762	2,779	**2,545**	2,553
Net collective provision funding	**617**	664	589	**621**	566
Impairment losses written off	**(894)**	(846)	(770)	**(871)**	(782)
Impairment losses recovered	**210**	225	176	**186**	207
Other	**(4)**	13	(12)	**1**	1
Closing balance	**2,747**	2,818	2,762	**2,482**	2,545
Individually assessed provisions					
Opening balance	**944**	887	1,127	**864**	832
Net new and increased individual provisioning	**670**	788	659	**585**	760
Write-back of provisions no longer required	**(192)**	(196)	(260)	**(166)**	(173)
Discount unwind to interest income	**(31)**	(27)	(38)	**(31)**	(27)
Impairment losses written off	**(454)**	(571)	(709)	**(399)**	(590)
Other	**43**	63	108	**44**	62
Closing balance	**980**	944	887	**897**	864
Total provisions for impairment losses	**3,727**	3,762	3,649	**3,379**	3,409
Less: Provision for Off Balance Sheet exposures	**(34)**	(44)	(31)	**(34)**	(44)
Total provisions for loan impairment	**3,693**	3,718	3,618	**3,345**	3,365

Provision ratios	Group 2017 %	2016 %	2015 %	Bank 2017 %	2016 %
Total provisions for impaired assets as a % of gross impaired assets	**36. 05**	36. 17	35. 94	**39. 51**	39. 59
Total provisions for impairment losses as a % of gross loans and acceptances	**0. 51**	0. 54	0. 56	**0. 52**	0. 55

Loan impairment expense	Group 2017 $M	2016 $M	2015 $M	Bank 2017 $M	2016 $M
Net collective provision funding	**617**	664	589	**621**	566
Net new and increased individual provisioning	**670**	788	659	**585**	760
Write-back of individually assessed provisions	**(192)**	(196)	(260)	**(166)**	(173)
Total loan impairment expense	**1,095**	1,256	988	**1,040**	1,153

Notes to the financial statements

Note 13 Provisions for Impairment (continued)

Individually assessed provisions by industry classification	Group 2017 $M	2016 $M	2015 $M	2014 $M	2013 $M
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**47**	42	133	123	168
Bank and other financial	**27**	29	36	68	217
Home loans	**249**	193	148	151	182
Construction	**25**	25	20	29	89
Other personal	**9**	7	10	14	14
Asset financing	**18**	28	28	30	23
Other commercial and industrial	**442**	483	400	620	871
Total Australia	**817**	807	775	1,035	1,564
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**25**	23	14	3	16
Bank and other financial	**-**	4	-	15	5
Home loans	**4**	6	10	11	17
Construction	**1**	8	1	1	-
Other personal	**-**	1	-	-	-
Asset financing	**10**	10	10	-	-
Other commercial and industrial	**123**	85	77	62	26
Total overseas	**163**	137	112	92	64
Total individually assessed provisions	**980**	944	887	1,127	1,628

Loans written off by industry classification	Group 2017 $M	2016 $M	2015 $M	2014 $M	2013 $M
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**17**	84	65	138	30
Bank and other financial	**1**	10	36	122	79
Home loans	**115**	82	72	113	217
Construction	**16**	11	14	52	139
Other personal	**792**	747	686	677	622
Asset financing	**41**	54	45	37	25
Other commercial and industrial	**210**	249	404	568	686
Total Australia	**1,192**	1,237	1,322	1,707	1,798
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**15**	7	3	3	4
Bank and other financial	**5**	-	69	-	10
Home loans	**4**	7	8	13	21
Construction	**8**	-	-	-	-
Other personal	**60**	54	42	30	25
Asset financing	**-**	-	-	-	-
Other commercial and industrial	**64**	112	35	60	31
Total overseas	**156**	180	157	106	91
Gross loans written off	**1,348**	1,417	1,479	1,813	1,889
Recovery of amounts previously written off					
Australia	**194**	211	165	148	144
Overseas	**16**	14	11	17	10
Total amounts recovered	**210**	225	176	165	154
Net loans written off	**1,138**	1,192	1,303	1,648	1,735

Note 13 Provisions for Impairment (continued)

Loans recovered by industry classification	2017 $M	2016 $M	2015 $M	2014 $M	Group 2013 $M
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**-**	1	-	-	-
Bank and other financial	**1**	27	9	6	8
Home loans	**3**	3	3	4	4
Construction	**1**	1	-	-	-
Other personal	**170**	154	125	106	113
Asset financing	**7**	4	4	5	6
Other commercial and industrial	**12**	21	24	27	13
Total Australia	**194**	211	165	148	144
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**-**	-	-	3	-
Bank and other financial	**-**	1	-	3	1
Home loans	**1**	1	1	1	1
Construction	**1**	-	-	-	-
Other personal	**11**	10	10	8	8
Asset financing	**-**	-	-	-	-
Other commercial and industrial	**3**	2	-	2	-
Total overseas	**16**	14	11	17	10
Total loans recovered	**210**	225	176	165	154

Note 14 Property, Plant and Equipment

	Group 2017 $M	2016 $M	Bank 2017 $M	2016 $M
Land and Buildings (1)				
At 30 June valuation	**471**	496	**426**	446
Total land and buildings	**471**	496	**426**	446
Leasehold Improvements				
At cost	**1,589**	1,557	**1,339**	1,307
Accumulated depreciation	**(1,024)**	(952)	**(885)**	(817)
Closing balance	**565**	605	**454**	490
Equipment				
At cost	**2,044**	1,891	**1,652**	1,502
Accumulated depreciation	**(1,496)**	(1,406)	**(1,188)**	(1,106)
Closing balance	**548**	485	**464**	396
Total property, plant and equipment held for own use	**1,584**	1,586	**1,344**	1,332
Assets Held for Lease				
At cost	**1,437**	1,558	**212**	247
Accumulated depreciation	**(319)**	(271)	**(62)**	(76)
Closing balance	**1,118**	1,287	**150**	171
Other Property, Plant and Equipment (2)				
At cost	**1,189**	1,067	**-**	-
Accumulated depreciation	**(18)**	-	**-**	-
Closing balance	**1,171**	1,067	**-**	-
Total property, plant and equipment	**3,873**	3,940	**1,494**	1,503

(1) Had land and buildings been measured using the cost model rather than fair value, the carrying value would have been $243 million (2016: $270 million) for Group and $231 million (2016: $249 million) for Bank.

(2) Relates to property, plant and equipment held via a partly owned fund within the Group's life insurance business. The investment in the fund is used to back life insurance policy liabilities. As a result the underlying property, plant and equipment is not considered to be held for the use of the Bank.

The majority of the above amounts have expected useful lives longer than 12 months after the Balance Sheet date. There are no significant items of property, plant and equipment that are currently under construction.

Notes to the financial statements

Note 14 Property, Plant and Equipment (continued)

Land and buildings are carried at fair value based on independent valuations performed during the year; refer to Note 1(w). These fair values fall under the Level 3 category of the fair value hierarchy as defined in Note 40.

Reconciliation of the carrying amounts of Property, Plant and Equipment is set out below:

	Group		Bank	
	2017	2016	2017	2016
	$M	$M	$M	$M
Land and Buildings				
Carrying amount at the beginning of the year	**496**	463	**446**	416
Additions	**6**	73	**5**	70
Disposals	**(31)**	(14)	**(22)**	(11)
Net revaluations	**32**	2	**28**	1
Depreciation	**(32)**	(31)	**(31)**	(30)
Foreign currency translation adjustment	**-**	3	**-**	-
Carrying amount at the end of the year	**471**	496	**426**	446
Leasehold Improvements				
Carrying amount at the beginning of the year	**605**	609	**490**	496
Additions	**107**	148	**85**	130
Disposals	**(9)**	(18)	**(6)**	(16)
Depreciation	**(135)**	(137)	**(113)**	(118)
Foreign currency translation adjustment	**(3)**	3	**(2)**	(2)
Carrying amount at the end of the year	**565**	605	**454**	490
Equipment				
Carrying amount at the beginning of the year	**485**	378	**396**	304
Additions	**259**	260	**225**	218
Disposals	**(22)**	(8)	**(13)**	(6)
Depreciation	**(174)**	(149)	**(144)**	(120)
Foreign currency translation adjustment	**-**	4	**-**	-
Carrying amount at the end of the year	**548**	485	**464**	396
Assets Held for Lease				
Carrying amount at the beginning of the year	**1,287**	1,383	**171**	293
Additions	**229**	448	**6**	8
Disposals	**(304)**	(385)	**(12)**	(104)
Impairment losses	**(6)**	(69)	**(2)**	-
Depreciation	**(88)**	(107)	**(13)**	(26)
Foreign currency translation adjustment	**-**	17	**-**	-
Carrying amount at the end of the year	**1,118**	1,287	**150**	171
Other Property, Plant and Equipment				
Carrying amount at the beginning of the year	**1,067**	-	**-**	-
Acquisitions attributed to business combinations	**120**	693	**-**	-
Additions	**-**	330	**-**	-
Depreciation	**(18)**	-	**-**	-
Foreign currency translation adjustment	**2**	44	**-**	-
Carrying amount at the end of the year	**1,171**	1,067	**-**	-

Note 15 Intangible Assets

	Group		Bank	
	2017	2016	2017	2016
	$M	$M	$M	$M
Goodwill				
Purchased goodwill at cost	**7,872**	7,925	**2,522**	2,522
Closing balance	**7,872**	7,925	**2,522**	2,522
Computer Software Costs				
Cost	**4,329**	3,823	**3,792**	3,361
Accumulated amortisation	**(2,395)**	(1,595)	**(2,057)**	(1,300)
Closing balance	**1,934**	2,228	**1,735**	2,061
Core Deposits (1)				
Cost	**495**	495	**495**	495
Accumulated amortisation	**(495)**	(495)	**(495)**	(495)
Closing balance	**-**	-	**-**	-
Brand Names (2)				
Cost	**190**	190	**186**	186
Accumulated amortisation	**(1)**	(1)	**-**	-
Closing balance	**189**	189	**186**	186
Other Intangibles (3)				
Cost	**154**	156	**38**	38
Accumulated amortisation	**(125)**	(114)	**(32)**	(29)
Closing balance	**29**	42	**6**	9
Total Intangible assets	**10,024**	10,384	**4,449**	4,778

(1) Core deposits represent the value of the Bankwest deposit base compared to the avoided cost of alternative funding sources such as securitisation and wholesale funding. This asset was acquired on 19 December 2008 with a useful life of seven years based on the weighted average attrition rate of the Bankwest deposit portfolio. It was fully amortised during the 2016 financial year.

(2) Brand names predominantly represent the value of royalty costs foregone by the Group through acquiring the Bankwest brand name. The royalty costs that would have been incurred by an entity using the Bankwest brand name are based on an annual percentage of income generated by Bankwest. The Bankwest brand name has an indefinite useful life. It is not subject to amortisation, but is subject to annual impairment testing. No impairment was required as a result of this test. The balance also includes Count Financial Limited brand name ($4 million) that is amortised over the estimated useful life of 20 years.

(3) Other intangibles include the value of credit card relationships acquired from Bankwest and Count franchise relationships. This value represents future net income generated from the relationships that existed at Balance Sheet date. The assets have a useful life of 10 years based on the attrition rates of customers.

Impairment Tests for Goodwill and Intangible Assets with Indefinite Lives

To assess whether goodwill and other assets with indefinite useful lives are impaired, the carrying amount of a cash-generating unit or a group of cash-generating units are compared to the recoverable amount. The recoverable amount is determined based on fair value less cost to sell, using an earnings multiple applicable to that type of business. The category of this fair value is Level 3 as defined in Note 40.

Earnings multiples relating to the Group's Banking and Wealth Management cash-generating units are sourced from publicly available data associated with Australian businesses displaying similar characteristics to those cash-generating units, and are applied to current earnings. The key assumption is the Price-Earnings (P/E) multiple observed for these businesses, which for the Banking businesses (excluding IFS) were in the range of 12.4 – 12.8 (2016: 10.4 – 12.4), for the IFS businesses 5.9 – 14.5 (2016: 6.2 – 16.4) and for Wealth Management businesses were in the range of 12.0 – 18.4 (2016: 11.6 – 15.1).

Notes to the financial statements

Note 15 Intangible Assets (continued)

Goodwill Allocation to Cash-Generating Units

	Group	
	2017	2016
	$M	$M
Retail Banking Services	**4,149**	4,149
Business and Private Banking	**297**	297
Wealth Management	**2,678**	2,732
New Zealand	**697**	698
IFS and Other	**51**	49
Total	**7,872**	7,925

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

	Group		Bank	
	2017	2016	2017	2016
	$M	$M	$M	$M
Goodwill				
Opening balance	**7,925**	7,599	**2,522**	2,522
Additions	**16**	304	**-**	-
Transfers/disposals/other adjustments (1)	**(69)**	22	**-**	-
Closing balance	**7,872**	7,925	**2,522**	2,522
Computer Software Costs				
Opening balance	**2,228**	2,089	**2,061**	1,944
Additions (2)	**491**	519	**404**	450
Amortisation and write-offs	**(785)**	(380)	**(730)**	(333)
Closing balance	**1,934**	2,228	**1,735**	2,061
Core Deposits				
Opening balance	**-**	34	**-**	34
Amortisation	**-**	(34)	**-**	(34)
Closing balance	**-**	-	**-**	-
Brand Names				
Opening balance	**189**	189	**186**	186
Amortisation	**-**	-	**-**	-
Closing balance	**189**	189	**186**	186
Other Intangibles				
Opening balance	**42**	59	**9**	14
Additions	**2**	2	**-**	-
Disposals	**-**	-	**-**	-
Amortisation	**(15)**	(19)	**(3)**	(5)
Closing balance	**29**	42	**6**	9

(1) Includes foreign currency revaluation.
(2) Primarily relates to internal development costs.

Note 16 Other Assets

	Group		Bank	
	2017	2016	2017	2016
	$M	$M	$M	$M
Accrued interest receivable	2,326	2,312	3,097	3,118
Accrued fees/reimbursements receivable	1,348	1,110	137	157
Securities sold not delivered	2,352	2,177	1,833	1,726
Intragroup current tax receivable	-	-	302	213
Current tax assets	23	17	-	-
Prepayments (1)	257	260	182	200
Life insurance other assets	524	537	-	39
Defined benefit superannuation plan surplus	426	261	426	261
Other	626	487	480	283
Total other assets	**7,882**	7,161	**6,457**	5,997

(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1.

Except for the defined benefits superannuation plan surplus, the majority of the above amounts are expected to be recovered within 12 months of the Balance Sheet date.

Note 17 Deposits and Other Public Borrowings

	Group		Bank	
	2017	2016	2017	2016
	$M	$M	$M	$M
Australia				
Certificates of deposit	39,854	43,762	41,856	45,639
Term deposits	158,453	138,443	158,691	138,664
On-demand and short-term deposits	293,579	281,648	292,819	281,059
Deposits not bearing interest	41,787	35,164	41,764	35,145
Securities sold under agreements to repurchase	16,175	17,124	16,406	17,305
Total Australia	**549,848**	516,141	**551,536**	517,812
Overseas				
Certificates of deposit	12,496	9,098	10,021	6,254
Term deposits	36,308	32,069	8,047	9,359
On-demand and short term deposits	24,012	27,327	1,605	2,597
Deposits not bearing interest	3,896	3,410	49	64
Securities sold under agreements to repurchase	95	-	95	-
Total overseas	**76,807**	71,904	**19,817**	18,274
Total external deposits and other public borrowings	**626,655**	588,045	**571,353**	536,086

The majority of the amounts are due to be settled within 12 months of the Balance Sheet date.

The contractual maturity profile of Certificates of deposit and Term deposits are shown in the table below:

					Group At 30 June 2017
	Maturing Three Months or Less	Maturing Between Three and Six Months	Maturing Between Six and Twelve Months	Maturing after Twelve Months	Total
	$M	$M	$M	$M	$M
Australia					
Certificates of deposit (1)	18,384	12,417	2,908	6,145	39,854
Term deposits	97,878	22,869	29,164	8,542	158,453
Total Australia	116,262	35,286	32,072	14,687	198,307
Overseas					
Certificates of deposit (1)	4,749	1,750	5,957	40	12,496
Term deposits	18,906	10,234	4,779	2,389	36,308
Total overseas	23,655	11,984	10,736	2,429	48,804
Total certificates of deposits and term deposits	139,917	47,270	42,808	17,116	247,111

(1) All certificates of deposit issued by the Group are for amounts greater than $100,000.

Note 17 Deposits and Other Public Borrowings (continued)

	Group At 30 June 2016				
	Maturing Three Months or Less $M	Maturing Between Three and Six Months $M	Maturing Between Six and Twelve Months $M	Maturing after Twelve Months $M	Total $M
Australia					
Certificates of deposit (1)	21,571	11,370	653	10,168	43,762
Term deposits	84,848	20,852	26,012	6,731	138,443
Total Australia	106,419	32,222	26,665	16,899	182,205
Overseas					
Certificates of deposit (1)	6,906	1,452	532	208	9,098
Term deposits	16,534	7,815	4,851	2,869	32,069
Total overseas	23,440	9,267	5,383	3,077	41,167
Total certificates of deposits and term deposits	129,859	41,489	32,048	19,976	223,372

(1) All certificates of deposit issued by the Group are for amounts greater than $100,000.

Note 18 Liabilities at Fair Value through Income Statement

	Group		Bank	
	2017 $M	2016 $M	2017 $M	2016 $M
Deposits and other borrowings (1)	**7,212**	5,695	**6,197**	4,416
Debt instruments (1)	**655**	1,848	**267**	276
Trading liabilities	**2,525**	2,749	**2,525**	2,749
Total liabilities at fair value through Income Statement	**10,392**	10,292	**8,989**	7,441

(1) These liabilities have been initially designated at fair value through the Income Statement.

Of the above amounts, trading liabilities are expected to be settled within 12 months of the Balance Sheet date for the Group and the Bank. For the Group, the majority of the other amounts are expected to be settled within 12 months of the Balance Sheet date. For the Bank, the majority of debt instruments are expected to be settled more than 12 months after the Balance Sheet date.

The amount that would be contractually required to be paid at maturity to the holders of the financial liabilities designated at fair value through Income Statement for the Group is $7,878 million (2016: $7,345 million) and for the Bank is $6,437 million (2016: $4,501 million).

Note 19 Other Provisions

		Group		Bank	
	Note	2017 $M	2016 $M	2017 $M	2016 $M
Employee entitlements		**847**	823	**757**	730
General insurance claims		**273**	260	**-**	-
Self insurance and non-lending losses		**232**	196	**224**	162
Dividends	5	**100**	90	**100**	90
Compliance, programs and regulation		**69**	78	**69**	78
Restructuring costs		**52**	28	**50**	27
Other		**207**	181	**172**	162
Total other provisions		**1,780**	1,656	**1,372**	1,249

Maturity Distribution of Other Provisions

	Group		Bank	
	2017 $M	2016 $M	2017 $M	2016 $M
Less than twelve months	**1,441**	1,320	**1,089**	968
More than twelve months	**339**	336	**283**	281
Total other provisions	**1,780**	1,656	**1,372**	1,249

Note 19 Other Provisions (continued)

Reconciliation	Group 2017 $M	Group 2016 $M	Bank 2017 $M	Bank 2016 $M
General insurance claims:				
Opening balance	**260**	314	**-**	-
Additional provisions	**548**	502	**-**	-
Amounts utilised during the year	**(535)**	(556)	**-**	-
Closing balance	**273**	260	**-**	-
Self insurance and non-lending losses:				
Opening balance	**196**	198	**162**	181
Additional provisions	**73**	15	**73**	15
Amounts utilised during the year	**(37)**	(17)	**(11)**	(17)
Release of provision	**-**	-	**-**	(17)
Closing balance	**232**	196	**224**	162
Compliance, programs and regulation:				
Opening balance	**78**	193	**78**	193
Additional provisions	**79**	-	**78**	-
Amounts utilised during the year	**(88)**	(115)	**(87)**	(115)
Closing balance	**69**	78	**69**	78
Restructuring:				
Opening balance	**28**	43	**27**	41
Additional provisions	**28**	-	**27**	-
Amounts utilised during the year	**(4)**	(15)	**(4)**	(14)
Closing balance	**52**	28	**50**	27
Other:				
Opening balance	**181**	146	**162**	97
Additional provisions	**127**	60	**93**	85
Amounts utilised during the year	**(76)**	(11)	**(60)**	(6)
Release of provision	**(25)**	(14)	**(23)**	(14)
Closing balance	**207**	181	**172**	162

Provision Commentary

General Insurance Claims

This provision is to cover future claims on general insurance contracts that have been incurred but not reported. The provision will be realised upon settlement of claims whose maturities were uncertain at the reporting date.

Self Insurance and Non-Lending Losses

Self insurance provision relates to non-transferred insurance risks on lending products the Group originates. The self insurance provision is reassessed annually in accordance with actuarial advice.

This provision covers certain non-lending losses, including customer remediation, and represents losses that have not arisen as a consequence of an impaired credit decision.

Compliance, Programs and Regulation

This provision relates to project and other administrative costs associated with certain compliance and regulatory programs of the Group.

Restructuring

Provisions are recognised for restructuring activities when a detailed plan has been developed and a valid expectation that the plan will be carried out is held by those affected by it. The majority of the provision is expected to be used within 12 months of the Balance Sheet date.

Advice Review Programs

Certain remediation programs are being undertaken in the Group's advice business and the current status as at the date of this report is as follows:

- The Open Advice Review program for customers of Commonwealth Financial Planning Limited (CFPL) and Financial Wisdom Limited (FWL), who received advice between 1 September 2003 and 1 July 2012. Registrations for the program closed in July 2015. Customer file assessments are complete and remediation is ongoing. The program's independent expert, Promontory Financial Group, released its final report in June 2017, noting progress towards completion and compliance with the program's documented processes and objectives.

Notes to the financial statements

Note 19 Other Provisions (continued)

Advice Review Programs (continued)

- Variations to CFPL's and FWL's licence conditions were agreed with ASIC in August 2014. The licensees are continuing to work with ASIC and the compliance expert to complete further reviews of customer files for 17 advisers identified by the compliance expert. The reviews will assess if the advice provided was appropriate, and where required, customers will be remediated.
- A review of service delivery against past adviser service package offerings from 1 July 2007 to 30 June 2015. In instances where the Group's records do not show that customers who paid for the service package during this period received an annual review, customers are being refunded with interest. Affected customers have been advised and payments are nearing completion.

The Group has provided for the cost of running these programs, together with anticipated remediation costs. Key assumptions in determining the remediation and program cost provisions include customer registrations and responses, remediation rates and amounts, case complexity and program scope. These have been developed considering historical evidence, current information available and the exercise of judgement. As the nature of these estimates and assumptions are uncertain, the provisions may change. The Group considers that provisions held are adequate and represent our best estimate of the anticipated future costs.

The Group will re-evaluate the assumptions underpinning the provisions at each reporting date as more information becomes available.

Note 20 Debt Issues

		Group		Bank	
		2017	2016	2017	2016
	Note	$M	$M	$M	$M
Medium-term notes		**96,016**	88,343	**83,637**	79,246
Commercial paper		**28,800**	29,033	**26,685**	27,105
Securitisation notes	41	**13,771**	12,106	**-**	-
Covered bonds	41	**28,984**	31,802	**24,644**	27,863
Total debt issues		**167,571**	161,284	**134,966**	134,214
Short Term Debt Issues by currency					
USD		**29,856**	29,008	**27,314**	27,080
AUD		**1,858**	214	**1,858**	214
GBP		**5,687**	6,741	**5,687**	6,741
Other currencies		**769**	312	**769**	312
Total short term debt issues		**38,170**	36,275	**35,628**	34,347
Long Term Debt Issues by currency (1)					
USD		**45,343**	43,479	**44,120**	43,013
EUR		**28,109**	28,329	**22,241**	24,210
AUD		**32,405**	27,223	**16,883**	13,164
GBP		**6,059**	5,604	**4,075**	4,283
NZD		**5,129**	4,839	**1,079**	1,119
JPY		**3,790**	6,547	**3,680**	6,453
Other currencies		**8,158**	8,464	**6,852**	7,101
Offshore loans (all JPY)		**408**	524	**408**	524
Total long term debt issues		**129,401**	125,009	**99,338**	99,867
Maturity Distribution of Debt Issues (2)					
Less than twelve months		**57,640**	64,459	**47,976**	57,901
Greater than twelve months		**109,931**	96,825	**86,990**	76,313
Total debt issues		**167,571**	161,284	**134,966**	134,214

(1) Long-term debt disclosed relates to debt issues which have a maturity at inception of greater than 12 months.
(2) Represents the remaining contractual maturity of the underlying instrument.

The Bank's long-term debt issues include notes issued under the: USD70 billion Euro Medium Term Note Program; the USD50 billion US Medium Term Note Program; the USD30 billion Covered Bond Program; ASB Domestic Medium Term Note Program; the USD25 billion CBA New York Branch Medium Term Note Program; EUR7 billion ASB Covered Bond Program and other applicable debt documentation. Notes issued under debt programs are both fixed and variable rate. Interest rate risk associated with the notes is incorporated within the Bank's interest rate risk framework.

Note 20 Debt Issues (continued)

Short term borrowings by Commercial paper program [1]	2017	2016	2015
			Group
	$M (except where indicated)		
Total			
Outstanding at year-end [2]	**28,800**	29,033	37,032
Maximum amount outstanding at any month end	**33,779**	41,453	39,774
Average amount outstanding	**29,226**	37,368	35,621
US Commercial Paper Program			
Outstanding at year-end [2]	**28,393**	27,117	35,754
Maximum amount outstanding at any month end	**31,460**	38,528	38,147
Average amount outstanding	**27,593**	35,208	34,018
Weighted average interest rate on:			
Average amount outstanding	**1. 2%**	0. 5%	0. 3%
Outstanding at year end	**1. 5%**	0. 8%	0. 3%
Euro Commercial Paper Program			
Outstanding at year-end [2]	**407**	1,916	1,278
Maximum amount outstanding at any month end	**2,789**	2,925	2,327
Average amount outstanding	**1,633**	2,160	1,603
Weighted average interest rate on:			
Average amount outstanding	**1. 0%**	0. 7%	0. 7%
Outstanding at year end	**1. 2%**	0. 9%	0. 9%

(1) Short term borrowings include callable medium term notes of $9,370 million which have been excluded from the table above.
(2) The amount outstanding at year end is measured at amortised cost.

Exchange rates utilised [1]	Currency	As At 30 June 2017	As At 30 June 2016
AUD 1.00 =	USD	**0. 7684**	0. 7431
	EUR	**0. 6720**	0. 6689
	GBP	**0. 5903**	0. 5534
	NZD	**1. 0493**	1. 0470
	JPY	**86. 1110**	76. 2441

(1) End of day, Sydney time.

Guarantee Arrangement

Guarantee under the Commonwealth Bank Sale Act

Historically, the due payment of all monies payable by the Bank was guaranteed by the Commonwealth of Australia under section 117 of the Commonwealth Banks Act 1959 (as amended) at 30 June 1996. With the sale of the Commonwealth's shareholding in the Bank this guarantee has been progressively phased out under transitional arrangements found in the Commonwealth Bank Sale Act 1995.

Demand deposits are no longer guaranteed by the Commonwealth under this guarantee. However, debt issues payable by the Bank under a contract entered into prior to 19 July 1996 remain guaranteed until maturity.

Note 21 Bills Payable and Other Liabilities

		Group		Bank	
		2017	2016	2017	2016
	Note	$M	$M	$M	$M
Bills payable		**1,495**	948	**1,431**	891
Accrued interest payable		**2,633**	2,659	**1,920**	1,925
Accrued fees and other items payable [1]		**2,586**	2,568	**1,693**	1,755
Defined benefit superannuation plan deficit	35	**11**	51	**11**	51
Securities purchased not delivered		**2,771**	1,438	**2,297**	964
Unearned income		**1,430**	1,018	**1,007**	599
Life insurance other liabilities and claims payable		**297**	214	**-**	81
Other		**709**	993	**2,550**	5,376
Total bills payable and other liabilities		**11,932**	9,889	**10,909**	11,642

(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1.

Other than the defined benefit superannuation plan deficit, the majority of the amounts are expected to be settled within 12 months of the Balance Sheet date.

Notes to the financial statements

Note 22 Loan Capital

		Currency Amount (M)	Footnotes	Group 2017 $M	Group 2016 $M	Bank 2017 $M	Bank 2016 $M
Tier 1 Loan Capital							
Undated	FRN	USD 100	(1)	**130**	135	**130**	135
Undated	PERLS VI	AUD 2,000	(2)	**1,994**	1,990	**1,994**	1,990
Undated	PERLS VII	AUD 3,000	(2)	**2,979**	2,978	**2,979**	2,978
Undated	PERLS VIII	AUD 1,450	(2)	**1,435**	1,437	**1,435**	1,437
Undated	PERLS IX	AUD 1,640	(2)	**1,622**	-	**1,622**	-
Total Tier 1 Loan Capital				**8,160**	6,540	**8,160**	6,540
Tier 2 Loan Capital							
AUD denominated			(3)	**1,773**	1,772	**1,773**	1,772
USD denominated			(4)	**3,047**	2,145	**3,047**	2,145
JPY denominated			(5)	**850**	262	**850**	262
GBP denominated			(6)	**254**	270	**254**	270
NZD denominated			(7)	**755**	378	**-**	-
EUR denominated			(8)	**3,338**	3,351	**3,338**	3,351
Other currencies denominated			(9)	**293**	202	**293**	202
Total Tier 2 Loan Capital				**10,310**	8,380	**9,555**	8,002
Fair value hedge adjustments				**256**	624	**244**	596
Total Loan Capital				**18,726**	15,544	**17,959**	15,138

As at the reporting date, the majority of securities of the Group and the Bank are not contractually due for redemption in the next 12 months (note the Group has the right to call some securities earlier than the contractual maturity date).

(1) USD100 million Floating Rate Notes

On 15 October 1986, the State Bank of Victoria issued USD125 million of floating rate notes, the current outstanding balance is USD100 million. The floating rate notes are perpetual but were able to be redeemed from October 1991. They were assigned to the Bank on 1 January 1991.

The Bank entered into an agreement with the Commonwealth of Australia on 31 December 1991 which provides that, if certain events occur, the Bank may either issue CBA ordinary shares to the Commonwealth of Australia, or (with the consent of the Commonwealth of Australia) conduct a renounceable rights issue for CBA ordinary shares to all shareholders. The capital raised must be used to pay any amounts due and payable on the floating rate notes.

The floating rate notes were issued into the international markets and are subject to English law. They qualify as Additional Tier 1 Capital of the Bank under the Basel III transitional arrangements for capital instruments as implemented by APRA.

(2) PERLS VI, PERLS VII, PERLS VIII and PERLS IX

On 17 October 2012, the Bank issued $2,000 million of Perpetual Exchangeable Resaleable Listed Securities (PERLS VI). On 1 October 2014, the Bank issued $3,000 million of CommBank PERLS VII Capital Notes. (PERLS VII). On 30 March 2016, the Bank issued $1,450 million of CommBank PERLS VIII Capital Notes (PERLS VIII). On 31 March 2017, the Bank issued $1,640 million of CommBank PERLS IX Capital Notes (PERLS IX). PERLS VI, PERLS VII, PERLS VIII and PERLS IX are subordinated, unsecured notes.

PERLS VI, PERLS VII, PERLS VIII and PERLS IX are listed on the ASX and are subject to New South Wales law. They qualify as Additional Tier 1 Capital of the Bank under Basel III as implemented by APRA.

(3) AUD denominated Tier 2 Loan Capital issuances

- $25 million subordinated floating rate notes, issued April 1999, due April 2029;
- $1,000 million subordinated notes issued November 2014, due November 2024; and
- $750 million subordinated notes issued June 2016, due June 2026.

(4) USD denominated Tier 2 Loan Capital issuances

- USD350 million subordinated fixed rate notes, issued June 2003, due June 2018; and
- USD1,250 million subordinated notes issued December 2015, due December 2025; and
- USD750 million subordinated EMTN (Euro Medium Term Notes) issued October 2016, due October 2026.

(5) JPY denominated Tier 2 Loan Capital issuances

- JPY20 billion perpetual subordinated EMTN, issued February 1999;
- JPY40 billion subordinated EMTNs issued December 2016 (three tranches JPY20 billion, JPY10 billion and JPY10 billion), due December 2026; and
- JPY13.3 billion subordinated EMTN issued March 2017, due March 2027.

(6) GBP denominated Tier 2 Loan Capital issuances

- GBP150 million subordinated EMTN, issued June 2003, due December 2023.

(7) NZD denominated Tier 2 Loan Capital issuances

- NZD400 million subordinated, unsecured notes, issued April 2014, due June 2024:

  On 17 April 2014, a wholly owned entity of the Bank (ASB Bank Limited) issued NZD400 million subordinated, unsecured notes (ASB Notes) with a face value of NZD1 each; and

Note 22 Loan Capital (continued)

- NZD400 million subordinated, unsecured notes, issued November 2016, due December 2026:

  On 30 November 2016, ASB Bank Limited issued NZD400 million subordinated, unsecured notes (ASB Notes 2) with a face value of NZD1 each.

ASB Notes and ASB Notes 2 are listed on the New Zealand Stock Exchange (NZX) debt market and are subject to New South Wales and New Zealand law. They qualify as Tier 2 Capital of the Bank and ASB under Basel III as implemented by APRA and the RBNZ.

(8) EUR denominated Tier 2 Loan Capital Issuances

- EUR1,000 million subordinated notes, issued August 2009, due August 2019; and
- EUR1,250 million subordinated notes issued April 2015, due April 2027.

(9) Other foreign currency denominated Tier 2 Loan Capital Issuances

- CNY1,000 million subordinated notes issued March 2015, due March 2025; and
- HKD608 million subordinated EMTN issued March 2017, due March 2027.

All Tier 2 Capital securities issued prior to 1 January 2013 qualify as Tier 2 Capital of the Bank under the Basel III transitional arrangements for capital instruments as implemented by APRA. All Tier 2 Capital securities issued after 1 January 2013 qualify as Tier 2 Capital of the Bank under Basel III as implemented by APRA.

PERLS VI, PERLS VII, PERLS VIII, PERLS IX, and all Tier 2 Capital securities issued after 1 January 2013, are subject to Basel III, under which these securities must be exchanged for a variable number of CBA ordinary shares or written down if a capital trigger event (PERLS VI, PERLS VII, PERLS VIII, and PERLS IX only) or a non-viability trigger event (all securities) occurs. Any exchange will occur as described in the terms of the applicable instrument documentation.

Note 23 Shareholders' Equity

Ordinary Share Capital

	Group		Bank	
	2017	2016	2017	2016
	$M	$M	$M	$M
Ordinary Share Capital				
Shares on issue:				
Opening balance	**34,129**	27,898	**34,125**	27,894
Issue of shares (net of issue costs)	**(6)**	5,022	**(6)**	5,022
Dividend reinvestment plan (net of issue costs) (1)	**1,143**	1,209	**1,143**	1,209
	35,266	34,129	**35,262**	34,125
Less treasury shares:				
Opening balance	**(284)**	(279)	**-**	-
Purchase of treasury shares (2)	**(92)**	(108)	**-**	-
Sale and vesting of treasury shares (2)	**81**	103	**-**	-
	(295)	(284)	**-**	-
Closing balance	**34,971**	33,845	**35,262**	34,125

(1) The determined dividend includes an amount attributable to Dividend Reinvestment Plan (DRP) of $558 million (interim 2016/2017), $586 million (final 2015/2016), $552 million (interim 2015/2016) and $655 million (final 2014/2015) with $557 million, $586 million, $552 million and $657 million ordinary shares being issued under plan rules respectively which include the carry forward of DRP balance from previous dividends.

(2) The movement in treasury shares held within Life Insurance Statutory Funds, and 2,658,100 shares acquired at an average price of $79.65 for the purpose of satisfying the Company's obligations under various equity settled share plans. Other than shares purchased as part of the Non-Executive Director fee sacrifice arrangements disclosed in Note 24, shares purchased were not on behalf of or initially allocated to a director.

	Group		Bank	
	2017	2016	2017	2016
Number of shares on issue	Shares	Shares	Shares	Shares
Opening balance (excluding treasury shares deduction)	**1,715,142,177**	1,627,592,713	**1,715,142,177**	1,627,592,713
Issue of shares	**-**	71,161,207	**-**	71,161,207
Dividend reinvestment plan issues:				
2014/2015 Final dividend fully paid ordinary shares $74.75	**-**	8,790,794	**-**	8,790,794
2015/2016 Interim dividend fully paid ordinary shares $72.68	**-**	7,597,463	**-**	7,597,463
2015/2016 Final dividend fully paid ordinary shares $72.95	**8,036,332**	-	**8,036,332**	-
2016/2017 Interim dividend fully paid ordinary shares $83.21	**6,689,652**	-	**6,689,652**	-
Closing balance (excluding treasury shares deduction)	**1,729,868,161**	1,715,142,177	**1,729,868,161**	1,715,142,177
Less: treasury shares (1)	**(3,854,763)**	(4,080,435)	**-**	-
Closing balance	**1,726,013,398**	1,711,061,742	**1,729,868,161**	1,715,142,177

(1) Relates to Treasury shares held within the Life Insurance statutory funds and the employees share scheme trust.

Notes to the financial statements

Note 23 Shareholders' Equity (continued)

Ordinary Share Capital (continued)

Ordinary shares have no par value and the Company does not have a limited amount of share capital.

Ordinary shares entitle holders to receive dividends payable to ordinary shareholders and to participate in the proceeds available to ordinary shareholders on winding up of the Company in proportion to the number of fully paid ordinary shares held.

On a show of hands every holder of fully paid ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll one vote for each share held.

Other Equity Instruments

	Group		Bank	
	2017	2016	2017	2016
Other equity instruments	$M	$M	$M	$M
Issued and paid up	-	-	-	406
	Shares	Shares	Shares	Shares
Number of shares	-	-	-	300,000

On 15 March 2006, a wholly owned entity of the Bank (CBA Capital Trust II) issued USD700 million of Trust Preferred Securities (TPS 2006) into the US capital markets. All TPS 2006 were redeemed for cash on 15 March 2016. Shares issued by the Bank were partially redeemed on 15 March 2016 and the remaining shares were fully redeemed on 5 October 2016.

Retained Profits and Reserves

	Group		Bank	
	2017	2016	2017	2016
Retained Profits	$M	$M	$M	$M
Opening balance (1)	23,435	21,340	20,430	18,763
Actuarial gains from defined benefit superannuation plans	175	10	175	10
Losses on liabilities at fair value due to changes in own credit risk	(3)	(1)	(3)	(1)
Realised gains and dividend income on treasury shares	26	20	-	-
Operating profit attributable to Equity holders of the Bank	9,928	9,223	8,979	8,639
Total available for appropriation	33,561	30,592	29,581	27,411
Net loss on sale/redemption of other equity (2)	-	(10)	-	-
Transfers from/(to) general reserve	33	(120)	(2)	(4)
Transfers from asset revaluation reserve	(27)	19	(30)	19
Transfers to employee compensation reserve	-	(2)	-	(2)
Interim dividend - cash component	(2,871)	(2,829)	(2,871)	(2,829)
Interim dividend - Dividend Reinvestment Plan	(558)	(552)	(558)	(552)
Final dividend - cash component	(3,222)	(2,958)	(3,222)	(2,958)
Final dividend - Dividend Reinvestment Plan	(586)	(655)	(586)	(655)
Other dividends	-	(50)	-	-
Closing balance	26,330	23,435	22,312	20,430

(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1.
(2) Includes other equity instruments and non-controlling interests.

Note 23 Shareholders' Equity (continued)

Retained Profits and Reserves (continued)

Reserves	Group 2017 $M	Group 2016 $M	Bank 2017 $M	Bank 2016 $M
General Reserve				
Opening balance	**939**	819	**578**	574
Appropriation (to)/from retained profits	**(33)**	120	**2**	4
Closing balance	**906**	939	**580**	578
Capital Reserve				
Opening balance	**-**	-	**1,254**	1,254
Closing balance	**-**	-	**1,254**	1,254
Asset Revaluation Reserve				
Opening balance	**173**	191	**147**	165
Revaluation of properties	**32**	2	**28**	1
Transfer to retained profits	**27**	(19)	**30**	(19)
Tax on revaluation of properties	**(9)**	(1)	**(9)**	-
Closing balance	**223**	173	**196**	147
Foreign Currency Translation Reserve				
Opening balance	**739**	356	**46**	(7)
Currency translation adjustments of foreign operations	**(315)**	389	**(23)**	62
Currency translation on net investment hedge	**14**	(12)	**12**	(9)
Tax on translation adjustments	**19**	6	**-**	-
Closing balance	**457**	739	**35**	46
Cash Flow Hedge Reserve				
Opening balance	**473**	263	**732**	530
Gains and losses on cash flow hedging instruments:				
Recognised in other comprehensive income	**(1,282)**	250	**(987)**	479
Transferred to Income Statement:				
Interest income	**(1,241)**	(968)	**(1,226)**	(916)
Interest expense	**1,684**	1,018	**1,258**	725
Tax on cash flow hedging instruments	**259**	(90)	**289**	(86)
Closing balance	**(107)**	473	**66**	732
Employee Compensation Reserve				
Opening balance	**132**	122	**132**	122
Current period movement	**32**	10	**32**	10
Closing balance	**164**	132	**164**	132
Available-for-Sale Investments Reserve				
Opening balance	**278**	594	**226**	557
Net gains and (losses) on revaluation of available-for-sale investments	**414**	(236)	**494**	(248)
Net (gains) and losses on available-for-sale investments transferred to Income Statement on disposal	**(464)**	(222)	**(447)**	(222)
Tax on available-for-sale investments	**(2)**	142	**(12)**	139
Closing balance	**226**	278	**261**	226
Total Reserves	**1,869**	2,734	**2,556**	3,115

Notes to the financial statements

Note 24 Share-Based Payments

The Group operates a number of cash and equity settled share plans as detailed below.

Group Leadership Reward Plan (GLRP)

The GLRP is the Group's long-term variable remuneration plan for the CEO and Group Executives. The GLRP focuses on driving performance and shareholder alignment in the longer term.

Participants are awarded a maximum number of Reward Rights, which may convert into CBA shares on a 1-for-1 basis. The Board has discretion to apply a cash equivalent.

The Reward Rights may vest at the end of a performance period of up to four years subject to the satisfaction of performance hurdles as follows:

- 25% of the award is assessed against Customer Satisfaction compared to ANZ, NAB, Westpac and other key competitors for the Group's wealth management business by reference to independent external surveys; and
- 75% of the award is assessed against TSR compared to the 20 largest companies listed on the ASX (by market capitalisation) at the beginning of each respective performance period, excluding resource companies and CBA.

Each performance hurdle is independent, such that the total number of Reward Rights that vest will be the aggregate of rights that vest against the Customer Satisfaction and the TSR hurdles at the end of the performance period.

A scale is applied to each performance hurdle, to determine the portion of each award that vests as follows:

Hurdle	Scale
Customer satisfaction	▪ 100% vests where the weighted average ranking for CBA over the performance period is 1st (i.e. 1.00), 50% where CBA's weighted average ranking is 2nd (i.e. 2.00). If CBA's weighted average ranking is between 1st and 2nd (i.e. between 1.00 and 2.00), vesting occurs on a sliding scale between 100% and 50% on a pro-rata straight line basis. If CBA's weighted average ranking is lower than 2nd (i.e. greater than 2.00), none of this portion will vest.
TSR	▪ Full vesting applies where CBA is ranked in the top quartile of the peer group at the end of the performance period, 50% will vest if CBA is ranked at the median, with vesting on a sliding scale between the median and 75th percentile. If the Group's TSR is ranked below the median of the peer group, none of this portion will vest.

The 2013 financial year award reached the end of its performance period on 30 June 2016 and in line with the plan rules 20.31% of the awarded rights vested.

The following table provides details of outstanding awards of performance rights granted under the GLRP.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June	Expense ($'000)
2017	1,250,589	295,725	(75,442)	(295,973)	1,174,899	15,658
2016	1,265,446	291,188	(263,969)	(42,076)	1,250,589	12,930

The average fair value at the grant date for TSR and Customer Satisfaction Reward Rights issued during the year was $65.76 and $83.71 respectively per right (2016: $32.96 and $75.21 respectively). The fair value of TSR hurdled Reward Rights granted during the period has been independently calculated at grant date using a Monte-Carlo pricing model. The assumptions included in the valuation of the 2017 financial year award includes a risk-free interest rate of 2.27%, a nil dividend yield on the Bank's ordinary shares and a volatility in the Bank share price of 15%. The fair value for customer satisfaction hurdled Reward Rights granted during the period is the closing price of CBA shares on the grant date.

Group Rights Plan (GRP)

The GRP facilitates mandatory short-term variable remuneration deferral, sign-on incentives and retention awards. Participants are awarded rights to shares, that vest on a 1-for-1 basis, provided the participant remains in employment of the Group until vesting date. The Board has discretion to apply a cash equivalent.

The following table provides details of outstanding awards of shares granted under the GRP.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June	Expense ($'000)
2017	1,795,728	1,067,588	(673,224)	(64,165)	2,125,927	70,455
2016	1,238,974	825,705	(181,138)	(87,813)	1,795,728	53,097

The weighted average fair value at grant date of the awards issued during the year was $72.07 (2016: $74.11).

Employee Share Acquisition Plan (ESAP)

Under the ESAP eligible employees have the opportunity to receive up to $1,000 worth of shares each year if the Group meets the required performance hurdle of growth in the Group's net profit after tax ("cash basis"). If the hurdle is not met, the Board has discretion to determine whether a full award, a partial award or no award is made.

Note 24 Share-Based Payments (continued)

The number of shares a participant receives is calculated by dividing the award amount by the average price paid for CBA shares purchased during the purchase period preceding the grant date. Shares granted are restricted from sale until the earlier of three years or until such time as the participant ceases employment with the Group. Participants receive full dividend entitlements and voting rights attached to those shares.

The Group achieved the performance target for 2016 resulting in shares being awarded to each eligible employee during the financial year ended 30 June 2017. The following table provides details of shares granted under the ESAP.

Period	Allocation date	Participants	Number of Shares Allocated by Participant	Total Number of Shares Allocated	Issue Price $	Total Fair Value $
2017	9 Sep 2016	32,049	13	416,637	71.89	29,952,034
2016	17 Sep 2015	32,336	13	420,368	74.88	31,477,156

It is estimated that approximately $34 million of CBA shares will be purchased on market at the prevailing market price for the 2017 grant.

Other Employee Awards

A number of other plans are operated by the Group, including:

- The Employee Share (Performance Unit) Plan, which is the cash-based version of the GRP; and
- The International Employee Share Acquisition Plan, which is the cash-based version of the ESAP.

The following table provides a summary of the movement in awards during the year.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June	Expense ($'000)
2017	298,693	269,766	(77,300)	(32,395)	458,764	17,913
2016	677,708	209,170	(573,959)	(14,226)	298,693	10,447

The average fair value at grant date of the awards issued during the year was $71.83 (2016: $74.86).

Salary Sacrifice Arrangements

The Group facilitates the purchase of CBA shares via salary sacrifice as follows:

Type	Arrangements
Australian-based employees (ESSSP)	▪ Can elect to sacrifice between $2,000 and $5,000 p.a. of their fixed remuneration and/or annual STI ▪ Restricted from sale for a minimum of two years and a maximum of seven years or earlier, if the employee ceases employment with the Group.
Non-Executive Directors	▪ Required to defer 20% of post-tax fees until a minimum shareholding requirement of 5,000 shares is reached. ▪ Restricted from sale for ten years or when the Non-Executive Director retires from the Board if earlier.

Shares are purchased on market at the prevailing market price at that time and receive full dividend entitlements and voting rights. The following table provides details of shares granted under the ESSSP.

Period	Participants	Number of shares purchased	Average purchase price $	Total purchase consideration $
2017	828	37,310	77.14	2,878,131
2016	775	36,264	75.66	2,743,646

During the year, two (2016: one) Non-Executive Directors applied $43,427 in fees (2016: 28,994) to purchase 564 shares (2016: 382 shares).

Note 25 Capital Adequacy

Capital Management

The Group is an Authorised Deposit-taking Institution (ADI) regulated by APRA under the authority of the Banking Act 1959. APRA has set minimum regulatory capital requirements for banks based on the Basel Committee on Banking Supervision (BCBS) guidelines.

The Basel III measurement and monitoring of capital has been effective from 1 January 2013. APRA has adopted a more conservative approach than the minimum standards published by the BCBS and also adopted an accelerated timetable for implementation. The requirements define what is acceptable as capital and provide methods of measuring the risks incurred by the Bank.

The regulatory capital requirements are measured for the Extended Licenced Entity Group (known as "Level 1", comprising the Bank and APRA approved subsidiaries) and for the Bank and all of its banking subsidiaries, which includes ASB Bank (known as "Level 2" or the "Group").

All entities which are consolidated for accounting purposes are included within the Group capital adequacy calculations except for:

- The insurance and funds management operating subsidiaries; and
- The entities through which securitisation of Group assets are conducted.

Regulatory capital is divided into Common Equity Tier 1 (CET1), Tier 1 and Tier 2 Capital. CET1 primarily consists of Shareholders' Equity, less goodwill and other prescribed adjustments. Tier 1 Capital is comprised of CET1 plus other capital instruments acceptable to APRA. Tier 2 Capital is comprised primarily of hybrid and debt instruments acceptable to APRA. Total Capital is the aggregate of Tier 1 and Tier 2 Capital.

The tangible component of the investment in the insurance and funds management operations are deducted 100% from CET1.

Capital adequacy is measured by means of a risk based capital ratio. The capital ratios reflect capital (CET1, Tier 1, Tier 2 or Total Capital) as a percentage of total Risk Weighted Assets (RWA). RWA represents an allocation of risks associated with the Group's assets and other related exposures.

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

The Group's capital position is monitored on a continuous basis and reported monthly to the Executive Committee and at regular intervals throughout the year to the Risk Committee. Three-year capital forecasts are conducted on a quarterly basis with a detailed capital and strategic plan presented to the Board annually.

The Group's capital ratios throughout the 2016 and 2017 financial years were in compliance with both APRA minimum capital adequacy requirements and the Board Approved minimums. The Group is required to inform APRA immediately of any breach or potential breach of its minimum prudential capital adequacy requirements, including details of remedial action taken or planned to be taken.

Note 26 Financial Reporting by Segments

The principal activities of the Group are carried out in the business segments below. These segments are based on the distribution channels through which the customer relationship is being managed.

During the year, refinements have been made to the allocation of customer balances and associated revenue and expenses between business segments, including updated transfer pricing allocations. These changes have not impacted the Group's net profit, but have resulted in changes to the presentation of the Income Statement and Balance Sheet of the affected segments. There have also been changes to the recognition of Global Asset Management long-term incentives in Wealth Management, as set out in Note 1 Accounting Policies, which have had a minor impact on the Group's cash net profit. Comparative information has been restated to reflect these changes.

The primary sources of revenue are interest and fee income (Retail Banking Services, Institutional Banking and Markets, Business and Private Banking, Bankwest, New Zealand, IFS and Other Divisions) and insurance premium and funds management income (Wealth Management, New Zealand, IFS and Other Divisions).

Revenues and expenses occurring between segments are subject to transfer pricing arrangements. All intra-group profits are eliminated on consolidation.

Business segments are managed on the basis of net profit after income tax ("cash basis"). Management uses "cash basis" to assess performance and it provides the basis for the determination of the Bank's dividends. The "cash basis" presents a clear view of the Group's underlying operating results, excluding a number of items that introduce volatility and/or one-off distortions of the Group's current period performance. These items, such as hedging and IFRS volatility, are calculated consistently year on year and do not discriminate between positive and negative adjustments.

(i) Retail Banking Services

Retail Banking Services provides home loan, consumer finance and retail deposit products and servicing to all Retail bank customers and non-relationship managed small business customers. In addition, commission is received for the distribution of Wealth Management products through the retail distribution network.

(ii) Business and Private Banking

Business and Private Banking provides specialised banking services to relationship managed business and Agribusiness customers, private banking to high net worth individuals and margin lending and trading through CommSec.

(iii) Institutional Banking and Markets

Institutional Banking and Markets services the Group's major corporate, institutional and government clients using a relationship management model based on industry expertise and insights. The client offering includes debt raising, financial and commodities price risk management and transactional banking capabilities. Institutional Banking and Markets has international operations in London, New York, Houston, Japan, Singapore, Malta, Hong Kong, New Zealand, Beijing and Shanghai.

(iv) Wealth Management

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

(v) New Zealand

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

(vi) Bankwest

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

(vii) IFS and Other Divisions

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

- International Financial Services incorporates the Asian retail and business banking operations (Indonesia, China, Vietnam and India), associate investments in China and Vietnam, the life insurance operations in Indonesia and a financial services technology business in South Africa. It does not include the Business and Private Banking, Institutional Banking and Markets and Colonial First State Global Asset Management businesses in Asia;
- Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Marketing, Secretariat and Treasury; and
- Group wide elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.

Note 26 Financial Reporting by Segments (continued)

	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Management	New Zealand	Bankwest	IFS and Other	2017 Total
	$M	$M	$M	$M	$M	$M	$M	$M
Net interest income	9,225	3,044	1,507	-	1,654	1,644	526	**17,600**
Other banking income [1]	2,000	925	1,347	-	290	243	715	**5,520**
Total banking income	11,225	3,969	2,854	-	1,944	1,887	1,241	**23,120**
Funds management income	-	-	-	1,894	92	-	48	**2,034**
Insurance income	-	-	-	438	278	-	70	**786**
Total operating income	11,225	3,969	2,854	2,332	2,314	1,887	1,359	**25,940**
Investment experience [2]	-	-	-	79	(7)	-	(7)	**65**
Total net operating income before impairment and operating expenses	11,225	3,969	2,854	2,411	2,307	1,887	1,352	**26,005**
Operating expenses [3]	(3,452)	(1,551)	(1,072)	(1,653)	(909)	(794)	(1,647)	**(11,078)**
Loan impairment expense	(699)	(74)	(64)	-	(65)	(89)	(104)	**(1,095)**
Net profit before income tax	7,074	2,344	1,718	758	1,333	1,004	(399)	**13,832**
Corporate tax (expense)/benefit	(2,110)	(705)	(412)	(201)	(360)	(302)	163	**(3,927)**
Non-controlling interests	-	-	-	(4)	-	-	(20)	**(24)**
Net profit after tax - "cash basis" [4]	4,964	1,639	1,306	553	973	702	(256)	**9,881**
Hedging and IFRS volatility	-	-	-	-	27	-	46	**73**
Other non-cash items	-	-	-	(23)	-	(3)	-	**(26)**
Net profit after tax - "statutory basis"	4,964	1,639	1,306	530	1,000	699	(210)	**9,928**
Additional information								
Amortisation and depreciation	(220)	(114)	(109)	(38)	(81)	(27)	(546)	**(1,135)**
Balance Sheet								
Total assets	356,503	106,972	173,234	22,014	86,784	86,166	144,701	**976,374**
Total liabilities	252,773	83,499	161,807	27,455	80,625	56,691	249,808	**912,658**

(1) Includes a $397 million gain on the sale of the Group's remaining investment in Visa Inc.
(2) Investment experience is presented on a pre-tax basis.
(3) Includes a $393 million one-off expense for acceleration of amortisation on certain software assets.
(4) This balance excludes non-cash items, such as unrealised gains and losses relating to hedging and IFRS volatility ($73 million gain), Bankwest non-cash items ($3 million expense) and treasury shares valuation adjustment ($23 million expense).

Notes to the financial statements

Note 26 Financial Reporting by Segments (continued)

2016 [1]	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Total $M
Net interest income	8,717	3,001	1,617	-	1,581	1,657	362	16,935
Other banking income	1,794	839	1,276	-	288	217	446	4,860
Total banking income	10,511	3,840	2,893	-	1,869	1,874	808	21,795
Funds management income	-	-	-	1,891	80	-	45	2,016
Insurance income	-	-	-	502	242	-	51	795
Total operating income	10,511	3,840	2,893	2,393	2,191	1,874	904	24,606
Investment experience [2]	-	-	-	121	16	-	4	141
Total net operating income before impairment and operating expenses	10,511	3,840	2,893	2,514	2,207	1,874	908	24,747
Operating expenses	(3,373)	(1,488)	(1,082)	(1,681)	(889)	(773)	(1,148)	(10,434)
Loan impairment expense	(663)	(176)	(252)	-	(120)	10	(55)	(1,256)
Net profit before income tax	6,475	2,176	1,559	833	1,198	1,111	(295)	13,057
Corporate tax (expense)/benefit	(1,935)	(654)	(369)	(221)	(317)	(333)	237	(3,592)
Non-controlling interests	-	-	-	-	-	-	(20)	(20)
Net profit after tax - "cash basis" [3]	4,540	1,522	1,190	612	881	778	(78)	9,445
Hedging and IFRS volatility	-	-	-	-	(139)	-	(60)	(199)
Other non-cash items	-	-	-	4	-	(27)	-	(23)
Net profit after tax - "statutory basis"	4,540	1,522	1,190	616	742	751	(138)	9,223
Additional information								
Amortisation and depreciation	(214)	(112)	(87)	(39)	(77)	(60)	(160)	(749)
Balance Sheet								
Total assets	334,632	101,452	181,252	21,003	80,386	82,880	131,396	933,001
Total liabilities	238,524	76,181	154,519	26,234	73,831	51,100	252,048	872,437

(1) Comparative information has been restated to reflect refinements to the allocation of customer balances, revenue and expense methodology including updated transfer pricing allocations, and a change in incentive accounting policy detailed in Note 1.
(2) Investment experience is presented on a pre-tax basis.
(3) This balance excludes non-cash items, such as unrealised gains and losses relating to hedging and IFRS volatility ($199 million expense), Bankwest non-cash items ($27 million expense) and treasury shares valuation adjustment ($4 million gain).

Notes to the financial statements

Note 26 Financial Reporting by Segments (continued)

Products and Services Information

Revenue from external customers by product or service is disclosed in Note 2. No single customer amounted to greater than 10% of the Group's revenue.

Geographical Information

	Group					
	Year Ended 30 June					
	2017		2016		2015	
Financial performance and position	$M	%	$M	%	$M	%
Income						
Australia	**37,304**	**83. 0**	36,721	82. 7	37,656	83. 1
New Zealand	**5,099**	**11. 3**	5,015	11. 3	5,215	11. 5
Other locations (1)	**2,546**	**5. 7**	2,643	6. 0	2,456	5. 4
Total Income	**44,949**	**100. 0**	44,379	100. 0	45,327	100. 0
Non-Current Assets						
Australia	**15,301**	**91. 8**	15,687	91. 7	14,149	91. 7
New Zealand	**1,045**	**6. 2**	1,087	6. 4	994	6. 4
Other locations (1)	**329**	**2. 0**	326	1. 9	297	1. 9
Total non-current assets (2)	**16,675**	**100. 0**	17,100	100. 0	15,440	100. 0

(1) Other locations include: United Kingdom, United States, Japan, Singapore, Malta, Hong Kong, Indonesia, China, India, Vietnam and South Africa.
(2) Non-current assets include Property, plant and equipment, Investments in associates and joint ventures and intangibles.

The geographical segment represents the location in which the transaction was recognised.

Note 27 Life Insurance

Life Insurance

The following information is provided to disclose the statutory life insurance business transactions contained in the Group Financial Statements and the underlying methods and assumptions used in their calculations.

All financial assets within the life statutory funds have been determined to support either life insurance or life investment contracts. Refer to Note 1(dd) – (gg). The insurance segment result is prepared on a business segment basis.

	Life Insurance Contracts		Life Investment Contracts		Group	
	2017	2016	2017	2016	2017	2016
Summarised Income Statement	$M	$M	$M	$M	$M	$M
Net premium income and related revenue	**2,045**	2,077	**240**	235	**2,285**	2,312
Outward reinsurance premiums expense	**(273)**	(291)	**-**	-	**(273)**	(291)
Claims expense	**(1,592)**	(1,437)	**(106)**	(82)	**(1,698)**	(1,519)
Reinsurance recoveries	**260**	244	**-**	-	**260**	244
Investment revenue (excluding investments in subsidiaries)	**153**	494	**671**	338	**824**	832
Increase in contract liabilities	**(58)**	(316)	**(570)**	(297)	**(628)**	(613)
Operating income	**535**	771	**235**	194	**770**	965
Acquisition expenses	**(97)**	(95)	**(5)**	(3)	**(102)**	(98)
Maintenance expenses	**(226)**	(239)	**(53)**	(54)	**(279)**	(293)
Management expenses	**(11)**	(11)	**(12)**	(13)	**(23)**	(24)
Net profit before income tax	**201**	426	**165**	124	**366**	550
Corporate tax expense	**(39)**	(72)	**(32)**	(32)	**(71)**	(104)
Policyholder tax expense	**3**	(99)	**(35)**	(2)	**(32)**	(101)
Net profit after income tax	**165**	255	**98**	90	**263**	345

Notes to the financial statements

Note 27 Life Insurance (continued)

Sources of life insurance net profit	Life Insurance Contracts 2017 $M	Life Insurance Contracts 2016 $M	Life Investment Contracts 2017 $M	Life Investment Contracts 2016 $M	Group 2017 $M	Group 2016 $M
Net profit after income tax is represented by:						
Emergence of planned profit margins	**247**	269	**101**	94	**348**	363
Difference between actual and planned experience	**(7)**	(43)	**2**	(3)	**(5)**	(46)
Effects of changes to underlying assumptions	**(3)**	(2)	**-**	-	**(3)**	(2)
Reversal of previously recognised losses or loss recognition on groups of related products	**(100)**	(60)	**(6)**	(2)	**(106)**	(62)
Investment earnings on assets in excess of policyholder liabilities	**28**	70	**1**	1	**29**	71
Other movements	**-**	21	**-**	-	**-**	21
Net profit after income tax	**165**	255	**98**	90	**263**	345
Life insurance premiums received and receivable	**2,433**	2,460	**726**	501	**3,159**	2,961
Life insurance claims paid and payable	**1,620**	1,480	**1,745**	1,243	**3,365**	2,723

The disclosure of the components of net profit after income tax is required to be separated between policyholders' and shareholders' interests. As policyholder profits are an expense of the Group and not attributable to shareholders, no such disclosure is required.

Reconciliation of movements in policy liabilities	Life Insurance Contracts 2017 $M	Life Insurance Contracts 2016 $M	Life Investment Contracts 2017 $M	Life Investment Contracts 2016 $M	Group 2017 $M	Group 2016 $M
Contract policy liabilities						
Gross policy liabilities opening balance	**4,054**	3,752	**8,582**	9,159	**12,636**	12,911
Movement in policy liabilities reflected in the Income Statement	**96**	344	**570**	297	**666**	641
Contract contributions recognised in policy liabilities	**3**	7	**442**	216	**445**	223
Contract withdrawals recognised in policy liabilities	**(47)**	(50)	**(1,637)**	(1,163)	**(1,684)**	(1,213)
Non-cash movements	**(19)**	(17)	**-**	-	**(19)**	(17)
FX translation adjustment	**(8)**	18	**(18)**	73	**(26)**	91
Gross policy liabilities closing balance	**4,079**	4,054	**7,939**	8,582	**12,018**	12,636
Liabilities ceded under reinsurance						
Opening balance	**(385)**	(357)	**-**	-	**(385)**	(357)
Increase in reinsurance assets	**(38)**	(28)	**-**	-	**(38)**	(28)
Closing balance	**(423)**	(385)	**-**	-	**(423)**	(385)
Net policy liabilities						
Expected to be realised within 12 months	**459**	479	**1,475**	1,872	**1,934**	2,351
Expected to be realised in more than 12 months	**3,197**	3,190	**6,464**	6,710	**9,661**	9,900
Total net insurance policy liabilities	**3,656**	3,669	**7,939**	8,582	**11,595**	12,251

Capital Adequacy of the Group's Life Insurance Company

Under the Life Insurance Act 1995, life insurers are required to hold reserves in excess of the amount of policy liabilities. These additional reserves are necessary to support the life insurer's capital requirements under its business plan and to provide a buffer to absorb unanticipated losses from its activities and, in the event of such losses, enable the life company to continue to meet its insurance obligations. APRA has issued Life Prudential Standard LPS 110 to LPS 118 'Capital Adequacy' for determining the level of capital reserves. These prudential standards prescribe the methodology for determining both the minimum capital requirements for each of its funds and the composition of assets available to meet these capital requirements.

The table below shows the Capital Adequacy Multiple representing the ratio or assets available for capital over the capital reserve.

Capital Adequacy Multiple	2017 Times	2016 Times
The Colonial Mutual Life Assurance Society Limited, Australia	**1. 58**	1. 44

Notes to the financial statements

Note 28 Remuneration of Auditors

During the financial year, the following fees were paid or payable for services provided by the auditor of the Group and the Bank, and its network firms:

	Group		Bank	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
a) Audit and audit related services				
Audit services				
PricewaterhouseCoopers Australian firm	**16,643**	15,779	**10,758**	11,271
Network firms of PricewaterhouseCoopers Australian firm	**5,167**	4,886	**705**	703
Total remuneration for audit services	**21,810**	20,665	**11,463**	11,974
Audit related services				
PricewaterhouseCoopers Australian firm	**5,765**	3,433	**4,952**	2,564
Network firms of PricewaterhouseCoopers Australian firm	**981**	1,083	**178**	374
Total remuneration for audit related services	**6,746**	4,516	**5,130**	2,938
Total remuneration for audit and audit related services	**28,556**	25,181	**16,593**	14,912
b) Non-audit services				
Taxation services				
PricewaterhouseCoopers Australian firm	**617**	1,215	**197**	1,161
Network firms of PricewaterhouseCoopers Australian firm	**1,601**	1,465	**834**	598
Total remuneration for tax related services	**2,218**	2,680	**1,031**	1,759
Other Services				
PricewaterhouseCoopers Australian firm	**4,347**	4,741	**4,300**	4,394
Network firms of PricewaterhouseCoopers Australian firm	**534**	123	**-**	-
Total remuneration for other services	**4,881**	4,864	**4,300**	4,394
Total remuneration for non-audit services	**7,099**	7,544	**5,331**	6,153
Total remuneration for audit and non-audit services (1)	**35,655**	32,725	**21,924**	21,065

(1) An additional amount of $10,728,963 (2016: $9,429,368) was paid to PricewaterhouseCoopers by way of fees for entities not consolidated into the Financial Statements. Of this amount, $8,401,175 (2016: $7,279,197) relates to audit and audit-related services.

The Audit Committee has considered the non-audit services provided by PricewaterhouseCoopers and is satisfied that the services and the level of fees are compatible with maintaining auditors' independence. All such services were approved by the Audit Committee in accordance with pre-approved policies and procedures.

Audit related services principally includes assurance and attestation reviews of the Group's foreign disclosures for overseas investors, services in relation to regulatory requirements, acquisition accounting advice as well as reviews of internal control systems and financial or regulatory information.

Taxation services included assistance and training in relation to tax legislation and developments.

Other services include project assurance, reviews of compliance with legal and regulatory frameworks, review of governance, risk and control frameworks as well as benchmarking reviews.

Note 29 Lease Commitments

	Group		Bank	
	2017	**2016**	**2017**	**2016**
	$M	**$M**	**$M**	**$M**
Lease Commitments - Property, Plant and Equipment				
Due within one year	**662**	606	**603**	550
Due after one year but not later than five years	**1,826**	1,847	**1,641**	1,672
Due after five years	**2,160**	2,436	**1,951**	2,212
Total lease commitments - property, plant and equipment	**4,648**	4,889	**4,195**	4,434

Lease Arrangements

Operating leases are entered into to meet the business needs of entities in the Group. Leases are primarily over commercial and retail premises and plant and equipment.

Lease rentals are determined in accordance with market conditions when leases are entered into or on rental review dates.

The total expected future sublease payments to be received are $99 million as at 30 June 2017 (2016: $110 million).

Note 30 Contingent Liabilities, Contingent Assets and Commitments

Details of contingent liabilities and off Balance Sheet business are presented below. The face (contract) value represents the maximum potential amount that could be lost if the counterparty fails to meet its financial obligations. The credit commitments shown in the table below also constitute contingent assets. These commitments would be classified as loans and other assets in the Balance Sheet on the occurrence of the contingent event.

				Group
	Face Value		Credit Equivalent	
	2017	2016	2017	2016
Credit risk related instruments	$M	$M	$M	$M
Guarantees [1]	**7,424**	6,216	**7,424**	6,216
Documentary letters of credit [2]	**1,183**	1,308	**1,168**	1,153
Performance related contingents [3]	**2,133**	2,568	**2,127**	2,560
Commitments to provide credit [4]	**173,555**	170,742	**167,205**	162,967
Other commitments [5]	**837**	1,636	**835**	1,359
Total credit risk related instruments	**185,132**	182,470	**178,759**	174,255

				Bank
	Face Value		Credit Equivalent	
	2017	2016	2017	2016
Credit risk related instruments	$M	$M	$M	$M
Guarantees [1]	**7,037**	5,873	**7,037**	5,873
Documentary letters of credit [2]	**1,098**	1,227	**1,086**	1,075
Performance related contingents [3]	**2,133**	2,568	**2,127**	2,560
Commitments to provide credit [4]	**158,567**	155,446	**153,638**	149,272
Other commitments [5]	**713**	1,073	**711**	1,036
Total credit risk related instruments	**169,548**	166,187	**164,599**	159,816

(1) Guarantees are unconditional undertakings given to support the obligations of a customer to third parties.
(2) Documentary letters of credit are undertakings by the Group and Bank to pay or accept drafts drawn by a supplier of goods against presentation of documents in the event of payment default by a customer.
(3) Performance related contingents are undertakings that oblige the Group and Bank to pay third parties should a customer fail to fulfil a contractual non-monetary obligation.
(4) Commitments to provide credit include all obligations on the part of the Group and Bank to provide credit facilities. As facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.
(5) Other commitments include underwriting facilities, commitments with certain drawdowns, standby letters of credit and bill endorsements.

Contingent Credit Liabilities

The Group and Bank is party to a range of financial instruments that give rise to contingent and/or future liabilities. These transactions are a consequence of the Group's normal course of business to meet the financing needs of its customers and in managing its own risk. These financial instruments include guarantees, letters of credit, bill endorsements and other commitments to provide credit.

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

Commitments to provide credit include both fixed and variable facilities. Fixed rate or fixed spread commitments extended to customers that allow net settlement of the change in the value of the commitment are written options and are recorded at fair value. Other commitments include the Group's and Bank's obligations under sale and repurchase agreements, outright forward purchases, forward deposits and underwriting facilities. Other commitments also include obligations not otherwise disclosed above to extend credit, which are irrevocable because they cannot be withdrawn at the discretion of the Group or Bank without the risk of incurring significant penalty or expense. In addition, commitments to purchase or sell loans are included in other commitments.

These transactions are categorised and credit equivalents calculated under APRA guidelines for the risk-based measurement of capital adequacy. The credit equivalent amounts are a measure of potential loss to the Group in the event of non-performance by the counterparty.

Under the Basel III advanced internal ratings based approach for credit risk, the credit equivalent amount is the face value of the transaction, on the basis that at default the exposure is the amount fully advanced. Only when approved by APRA may an exposure less than that fully-advanced amount be used as the credit equivalent exposure amount.

Note 30 Contingent Liabilities, Contingent Assets and Commitments (continued)

Contingent Credit Liabilities (continued)

As the potential loss depends on counterparty performance, the Group utilises the same credit policies in making commitments and conditional obligations as it does for on Balance Sheet instruments. The Group and Bank takes collateral where it is considered necessary to support off Balance Sheet financial instruments with credit risk. If an event has occurred that gives rise to a present obligation and it is probable a loss will eventuate, then provisions are raised.

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 Network Limited: The Australian Paper Clearing System, The Bulk Electronic Clearing System, The Issuers and Acquirers Community 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 following each exchange during the business day or at 9am next business day.

Litigation related Contingent Liabilities

On 3 August 2017, Australian Transaction Reports and Analysis Centre (AUSTRAC) commenced civil penalty proceedings against CBA. Full details of which are included in Note 44 Subsequent Events.

The Group is not engaged in any other 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.

Other Contingent Liabilities

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 2017 was $5,614,191 (2016: $5,041,791).

Note 31 Risk Management

Risk Management Framework

The Group has an embedded Risk Management Framework (Framework) that enables the appropriate development and implementation of strategies, policies and procedures to manage its risks.

The Framework incorporates the requirements of APRA's prudential standard for risk management (CPS 220), and is supported by the three key documentary components:

- The Group's Risk Appetite Statement (RAS) articulates the type and degree of risk the Board is prepared to accept (Risk Appetite) and the maximum level of risk that the institution must operate within (Risk Tolerances).
- The Group's Business Plan (Plan) summarises the Group's approach to the implementation of its strategic objectives. The Plan has a rolling three year duration and reflects material risks arising from its implementation.
- The Group's Risk Management Strategy (RMS) describes each material risk, the approach taken to managing these risks and how this is operationalised through governance, policies and procedures.

This framework requires each business to plan and manage the outcome of its risk-taking activities including proactively managing its risk profile within risk appetite levels; using risk-adjusted outcomes and considerations as part of its day-to-day business decision-making processes; and establishing and maintaining appropriate risk controls.

These documents, together with the key operational elements described below, offer the Board the opportunity to direct management in its risk taking activities and facilitate dialogue between Board and management about risk management practices.

Risk Governance

The Group is committed to ensuring that its risk management practices reflect a high standard of governance. This enables Management to undertake, in an effective manner, prudent risk-taking activities.

The Board operates as the highest level of the Group's risk governance as specified in its Charter. In addition, an annual declaration is made by the chairs of the Board and Risk Committee to APRA on Risk Management as set out in the prudential standard (CPS220).

The Risk Committee oversees the Framework and helps formulate the Group's risk appetite for consideration by the Board. In particular 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;
- Monitors the health of the Group's risk culture (via both formal reports and through its dialogues with the risk leadership team and executive management) and reports any significant issues to the Board; and
- Forms a view on the independence of the risk function by meeting with the Group Chief Risk Officer (CRO) at the will of the Committee or the CRO.

The Group risk management structure is a Three Lines of Defence (3LoD) model which supports the Framework by:

- Reinforcing that risk is best owned and managed where it occurs – so the business (Line 1) is responsible for the management of risk;
- Having a separate group of experienced staff with specific risk management skills (Line 2) to facilitate the development of, and monitor / measure the effectiveness of the risk management process and systems used by Line 1; and
- Having an independent third group (Line 3) provide assurance to the Board, regulators and other stakeholders on the appropriateness and effectiveness of the activities of Lines 1 and 2.

Risk Culture

Risk Culture is the collection of values, ideas, skills and habits that equip Group employees and directors to see and talk about risks, and make sound judgments in the absence of definitive rules, regulations or market signals.

The Group regards risk culture as an aspect of overall culture. As such, the Group's risk culture flourishes within an organisational context that emphasises and rewards integrity, accountability, collaboration, service and excellence. This encourages employees at all levels to "speak up" if they believe the Group as a whole, their part of the organisation or specific colleagues are conspicuously failing to uphold those values, damaging risk culture or taking ill-considered risks.

APRA requires the Group Board to form a view regarding the effectiveness of the institution's risk culture in keeping risk-taking within appetite, and to take any corrective action that may be appropriate. The Board discusses culture and values on a continuous basis, and takes action whenever necessary.

Risk Policies & Procedures

Risk Policies and Procedures provide guidance to the business on the management of each material risk. They support the Framework by:

- Summarising the principles and practices to be used by the Group in identifying and assessing its material risks;
- Outlining a process for monitoring, communicating and reporting risk issues, including escalation procedures for the reporting of material risks; and
- Quantifying the limits (risk tolerances) for major risks and stating risk actions to which the Group is intolerant.

Note 31 Risk Management (continued)

Risk Management Infrastructure

The Framework is supported by the following Group-wide processes:

- A Management Information System to measure and aggregate material risks across the Group;
- A Risk-Adjusted-Performance Measurement (RAPM) process which is a means of assessing the performance of a business after adjustment for its risks and is used as a basis for executive incentives; and
- An Internal Capital Adequacy Assessment Process (ICAAP) used, in combination with other risk management practices (including Stress testing), to understand, manage and quantify the Group's risks; the outcomes of which are used to inform risk decisions, set capital buffers and assist strategic planning.

Material Risks

A description of the major risk classes and the Group's approach to managing them is summarised in the following table:

Risk Type	Description	Governing Policies and Key Management Committees	Key Limits, Standards and Measurement Approaches
Credit Risk (refer to Note 32)	Credit risk is the potential for loss arising from the failure of a counterparty to meet their contractual obligations to the Group. At a portfolio level, credit risk includes concentration risk arising from interdependencies between customers, and concentrations of exposures to geographical regions and industry sectors.	**Governing Policies:** ▪ Group Credit Risk Management Framework ▪ Group Level Credit Risk Policies **Key Management Committee**: ▪ Executive Risk Committee	The following key credit risk policies set credit portfolio concentration limits and standards: ▪ Large Credit Exposure Policy; ▪ Country Risk Exposure Policy; ▪ Industry Sector Concentration Policy; and ▪ Exposure to consumer credit products are managed within limits and standards set in the Group Level RAS, Business Unit (BU) Level RAS and Credit Portfolio & Product Standards. The measurement of credit risk is primarily based on an APRA accredited Advanced Internal Ratings Based (AIRB) approach.
Market Risk (including Equity Risk) (refer to Note 33)	Market risk is the risk that market rates and prices will change and that this may have an adverse effect on the profitability and/or net worth of the Group. This includes changes in interest rates, foreign exchange rates, equity and commodity prices, credit spreads, and the resale value of assets underlying operating leases at maturity (lease residual value risk).	**Governing Policies:** ▪ The Group Market Risk Manual ▪ The Group Market Risk Policy ▪ Trading Book Policy Statement **Key Management Committee**: ▪ Asset and Liability Committee	The Group Market Risk Policy sets limits and standards with respect to the following: ▪ Traded Market Risk; ▪ Interest Rates Risk in the Banking Book (IRRBB); ▪ Residual Value Risk; ▪ Non-traded Equity Risk; and ▪ Market Risk in Insurance Businesses. The respective measurement approaches for these risks include: ▪ Value at Risk, Stress Testing; ▪ Market Value Sensitivity, Net Interest Earnings at Risk; ▪ Profit & Loss Adjustment Account Balance, Aggregate Residual Value Risk Weighted Exposure, Aggregate Residual Value Risk Margin; ▪ Aggregate Portfolio Limit; and ▪ Value at Risk
Liquidity and Funding Risk (refer to Note 34)	Liquidity risk is the combined risks of not being able to meet financial obligations as they fall due (funding liquidity risk), and that liquidity in financial markets, such as the market for debt securities, may reduce significantly (market liquidity risk).	**Governing Policies:** ▪ Group Liquidity Risk Management Policy and Strategy **Key Management Committee:** ▪ Asset and Liability Committee	The Group Liquidity Risk Management Policy and Strategy sets limits and standards with respect to the following: ▪ The Liquidity Coverage Ratio, which requires liquid assets exceed modelled 30 day stress outflows; ▪ Additional market and idiosyncratic stress test scenarios; and ▪ Limits that set tolerances for the sources and tenor of funding. The measurement of liquidity risk uses scenario analysis, covering both adverse and ordinary operating circumstances.

Notes to the financial statements

Note 31 Risk Management (continued)

Material Risks (continued)

<table>
<tr><th>Risk Type</th><th>Description</th><th>Governing Policies and Key Management Committees</th><th>Key Limits, Standards and Measurement Approaches</th></tr>
<tr><td>Operational Risk</td><td>Operational risk is the risk of economic loss arising from inadequate or failed internal processes, people, systems or external events.</td><td>Governing Policies:
▪ Group Operational Risk Management Framework

Key Management Committee:
▪ Executive Committee</td><td>The Group Operational Risk Management Framework sets limits and standards with respect to the following:
▪ Investigation and reporting of loss, compliance and near miss incidents;
▪ Comprehensive Risk and Control Self-Assessment, control assurance and issues management processes; and
▪ Comprehensive Scenario Analysis assessment process (also called Quantitative Risk Assessments).

The measurement of operational risk is based on an APRA accredited Advanced Measurement Approach. The approach combines internal and external loss experience and business judgements captured through Scenario Analysis.</td></tr>
<tr><td>Compliance Risk</td><td>Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that the Group may incur as a result of its failure to comply with its Compliance Obligations.

Compliance Obligations are formal requirements that may arise from various sources including but not limited to; laws; regulations; legislation; industry standards; rules; codes or guidelines.</td><td>Governing Policies:
▪ Group Operational Risk Management Framework
▪ Compliance Risk Management Framework
▪ Compliance Incident Management Group Policy

Key Management Committee:
▪ Executive Committee</td><td>The key limits with respect to compliance risk are set via the Group Operational Risk Management Framework. The Group Compliance Risk Management Framework sets standards with respect to the understanding of obligations, establishing policies and procedures, managing non-compliance, monitoring and reporting.

The measurement of compliance risk is undertaken within the operational risk approach.</td></tr>
<tr><td>Insurance Risk</td><td>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) claims being greater than expected. In the general insurance business, variability arises mainly through weather related incidents and similar events, as well as general variability in home, motor and travel insurance claim amounts.

Insurance risk also covers inadequacy in product design, pricing, underwriting, claims management and reinsurance management as well as variations in policy lapses, servicing expenses, and option take up rates.</td><td>Governing Policies:
▪ Product Management Policy
▪ Underwriting Policy
▪ Claims Management Policy
▪ Reinsurance Management Policy

Key Management Committee:
▪ Executive Committees of insurance writing businesses</td><td>The key limits and standards with respect to insurance risk are set via the end-to-end policies of insurance writing businesses. The major methods include:
▪ Sound product design and pricing, to ensure that customers understand the extent of their cover and that premiums are sufficient to cover the risk involved;
▪ Regular review of insurance experience, so that product design, policy liabilities and pricing remains sound;
▪ Claims management to ensure that claims are paid within the agreed policy terms and that genuine claims are paid as soon as possible after documentation is received and reasonable investigations are undertaken; and
▪ Transferring a proportion of insurance risk to reinsurers to keep within risk appetite.

Insurance risk is measured using actuarial techniques which are used to establish the likelihood and severity of possible insurance claims. Insurance risk is further monitored with key financial and performance metrics, such as loss ratios, new business volumes and lapse rates.</td></tr>
</table>

Notes to the financial statements

Note 31 Risk Management (continued)

Material Risks (continued)

Risk Type	Description	Governing Policies and Key Management Committees	Key Limits, Standards and Measurement Approaches
Strategic Business Risk	Strategic Risk is the risk of economic loss arising from changes in the business environment (caused by macroeconomic conditions, competitive forces at work, technology, regulatory or social trends) or internal weaknesses, such as a poorly implemented or flawed strategy.	**Governing Policies:** ▪ Group Risk Management Strategy (RMS) ▪ Climate Policy Position Statement **Key Management Committee:** ▪ Executive Committee	The key limits and standards with respect to strategic risk are set via the Board's consideration of Group and BU strategic plans and the most significant risks (current and emerging) arising from these. Strategic risk is measured using a combination of judgemental assessments captured through Scenario Analysis and an internal profit simulation model. Potential adverse Climate Change impacts are measured and managed as an outcome of all other material risks. In addition, Corporate Responsibility programs and initiatives: ▪ Commit us to playing our part in limiting climate change to well below two degrees in line with the Paris Agreement; ▪ Support the responsible global transition to net zero emissions by 2050; ▪ Outline our objectives for safeguarding the environment, whilst supporting economic growth and development; ▪ Consider Environmental, Social and Governance (ESG) issues, including climate change impacts in assessing our relationships with customers and suppliers; and ▪ Provide guidelines in monitoring and reducing our own greenhouse gas emissions and energy use.
Reputational Risk	Reputational risk arises from negative perception on the part of customers, counterparties, shareholders, investors, debt holders, market analysts, regulators and other relevant stakeholders of the Group.	**Governing Policies:** ▪ Group RMS ▪ Group Environment Policy ▪ Climate Policy Position Statement ▪ Human Rights Position Statement **Key Management Committee:** ▪ Executive Committee	Potential adverse Reputational impacts are managed as an outcome of all other material risks. In addition, the Group: ▪ Sets a range of conduct codes to ensure we provide a high level of service to our customers (as set out in Statement of Professional Practices); and ▪ Has a corporate responsibility plan focused on driving positive change through education, innovation and good business practice.

Note 32 Credit Risk

Credit Risk Management Principles and Portfolio Standards

The Group has clearly defined credit policies for the approval and management of credit risk. Credit policies apply to all credit risks, with specific portfolio standards applying to all major lending areas. These set the minimum requirements in assessing the integrity and ability of counterparties to meet their contracted financial obligations for repayment, acceptable forms of collateral and security and the frequency of credit reviews.

The credit policies and frameworks include concentration limits which are designed to achieve portfolio outcomes that are consistent with the Group's risk appetite and risk/return expectations.

The Credit Portfolio Assurance unit, part of Group Audit and Assurance, reviews credit portfolios and business unit compliance with credit policies, application of credit risk ratings and other key practices on a regular basis.

The credit risk portfolio has two major segments:

(i) Retail Managed Segment

This segment has sub-segments covering housing loans, credit cards, personal loans, some leasing products, some unsecured commercial lending and most secured commercial lending up to $1 million.

Auto-decisioning is used to approve credit applications for eligible counterparties in this segment. Auto-decisioning uses a scorecard approach based on the Group's historical experience on similar applications, information from a credit reference bureau and the Group's existing knowledge of a counterparties behaviour and updated information provided by the counterparty.

Loan applications that do not meet scorecard Auto-decisioning requirements may be referred to a Risk Management Officer with a Personal Credit Approval Authority (PCAA) for manual decisioning.

After loan origination, these portfolios are managed using behavioural scoring systems and a delinquency band approach, e.g. actions taken when loan payments are greater than 30 days past due differ from actions when payments are greater than 60 days past due, and are reviewed by the relevant Risk Management or Business Unit Credit Support Team.

(ii) Risk-Rated Segment

This segment comprises commercial exposures, including bank and sovereign exposures. Each exposure is assigned an internal Credit Risk-Rating (CRR) based on Probability of Default (PD) and Loss Given Default (LGD).

For credit risk rated exposures either a PD Rating Tool or expert judgement is used to determine the PD. Expert judgement is used where the complexity of the transaction and/or the debtor is such that it is inappropriate to rely completely on a statistical model. External ratings may be used as inputs into the expert judgement assessment.

The CRR is designed to:

- Aid in assessing changes to counterparty credit quality;
- Influence decisions on approval, management and pricing of individual credit facilities; and
- Provide the basis for reporting details of the Group's credit portfolio.

Credit risk-rated exposures are generally reviewed on an individual basis, at least annually, and fall within the following categories:

- "Pass" – these credit facilities qualify for approval of new or increased exposure on normal commercial terms; and
- "Troublesome or Impaired Assets (TIAs)" – these credit facilities are not eligible for new or increased exposure, unless it will protect or improve the Group's position (maximising recovery prospects) or facilitate rehabilitation to "pass grade". Where a counterparty is in default but the facility is well secured, the facility may be classed as troublesome but not impaired. Where a counterparty's facility is not well secured and a loss is expected, the facility is classed as impaired. Restructured facilities, where the original contractual arrangements have been modified to provide concessions for the customer's financial difficulties, are rendered non-commercial to the Group.

Default is usually consistent with one or more of the following:

- The customer is 90 days or more overdue on a scheduled credit obligation repayment; or
- The customer is unlikely to repay their credit obligation to the Group in full without taking action, such as realising on available security.

Credit Risk Measurement

The measurement of credit risk uses analytical tools to calculate both: (i) Expected, and (ii) Unexpected Loss probabilities for the credit portfolio. The use of analytical tools is governed by a Credit Rating Governance Committee.

(i) Expected Loss

Expected Loss (EL) is the product of:

- PD;
- Exposure at Default (EAD); and
- LGD.

The PD, expressed as a percentage, is the estimate of the probability that a client will default within the next 12 months.

The dollar amount of EAD is the estimate of the amount of a facility that will be outstanding in the event of default. Estimates are based on downturn economic conditions.

The estimate is based on the actual amount outstanding, plus the undrawn amount multiplied by a credit conversion factor which represents the potential rate of conversion from undrawn 12 months prior to default to drawn at default. For most committed facilities, the Group applies a credit conversion factor of 100% to the undrawn amount.

For uncommitted facilities the EAD will generally be the drawn balance only. For defaulted facilities it is the actual amount outstanding at default.

For retail exposures, a modelling approach can be used based on factors including limit usage, arrears and loan type to segment accounts into homogeneous pools for the calculation.

LGD expressed as a percentage, is the estimated proportion of a facility likely to be lost in the event of default. LGD is impacted by

- Type and level of any collateral held;

Notes to the financial statements

Note 32 Credit Risk (continued)

Credit Risk Measurement (continued)

- Liquidity and volatility of collateral;
- Carrying costs (effectively the costs of providing a facility that is not generating an interest return); and
- Realisation costs.

Various factors are considered when calculating PD, EAD and LGD. Considerations include the potential for default by a borrower due to economic, management, industry and other risks, and the mitigating benefits of any collateral or security.

(ii) Unexpected Loss

In addition to EL, a more stressed loss amount is calculated. This Unexpected Loss estimate directly affects the calculation of regulatory and internal economic capital requirements. Refer to the Performance Overview section and Note 25 for information relating to regulatory capital.

Credit Risk Mitigation, Collateral and Other Credit Enhancements

The Group has policies and procedures in place setting out the circumstances where acceptable and appropriate collateral is to be taken to mitigate credit risk, including valuation parameters, review frequency and independence of valuation.

The general nature of collateral that may be taken, and the balances held, are summarised below by financial asset classes.

Cash and Liquid Assets

Collateral is not usually sought on the majority of Cash and liquid asset balances as these types of exposures are generally considered low risk. However, securities purchased under agreement to resell are collateralised by highly liquid debt securities. The collateral related to agreements to resell has been legally transferred to the Group subject to an agreement to return them for a fixed price.

The Group's cash and liquid asset balance included $20,307 million (2016: $11,629 million) deposited with central banks and is considered to carry less credit risk.

Receivables Due from Other Financial Institutions

Collateral is usually not sought on these balances as exposures are generally considered to be of low risk. The exposures are mainly short term and to investment grade banks.

Trading Assets at Fair Value through Income Statement and Available-for-Sale (AFS) Investments

These assets are carried at fair value, which accounts for the credit risk. Collateral is not generally sought from the issuer or counterparty however collateral may be implicit in the terms of the instrument (e.g asset-backed security). Credit derivatives have been used to a limited extent to mitigate the exposure to credit risk.

Insurance Assets

These assets are carried at fair value, which accounts for the credit risk. Collateral is not generally sought or provided on these types of assets, other than a fixed charge over properties backing Australian mortgage investments. 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.

Other Assets at Fair Value through Income Statement

These assets are carried at fair value, which accounts for the credit risk. Credit derivatives used to mitigate the exposure to credit risk are not significant.

Derivative Assets

The Group's use of derivative contracts is outlined in Note 10. The Group is exposed to credit risk on derivative contracts. The Group's exposure to counterparty credit risk is affected by the nature of the trades, the creditworthiness of the counterparty, netting, and collateral arrangements.

Credit risk from derivatives is mitigated where possible (typically for financial markets counterparties, but less frequently for corporate or government counterparties) through netting agreements, whereby derivative assets and liabilities with the same counterparty can be offset and clearing of trades with Central Counterparties (CCPs). The International Swaps and Derivatives Association (ISDA) Master Agreement (or other derivative agreements) are used by the Group as an agreement for documenting Over-the-Counter (OTC) derivatives.

Collateral is obtained against derivative assets, depending on the creditworthiness of the counterparty and/or nature of the transaction. The fair value of collateral held and the potential effect of offset obtained by applying master netting agreements are disclosed in Note 42.

Due from Controlled Entities

Collateral is not generally taken on these intergroup balances.

Credit Commitments and Contingent Liabilities

The Group applies fundamentally the same risk management policies for off Balance Sheet risks as it does for its on Balance Sheet risks. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction. Of the Group's off Balance Sheet exposures, $100,078 million (2016: $96,111 million) are secured.

Loans, Bills Discounted and Other Receivables

The principal collateral types for loans and receivable balances are:

- Mortgages over residential and commercial real estate;
- Charges over business assets such as cash, shares, inventory, fixed assets and accounts receivables; and
- Guarantees received from third parties.

Collateral security, is generally taken except for government, bank and corporate counterparties that are often externally risk-rated and of strong financial standing. Longer term consumer finance, such as housing loans, are generally secured against real estate, while short term revolving consumer credit is generally not secured by formal collateral.

The collateral mitigating credit risk of the key lending portfolios is addressed in the table 'Collateral held against Loans, Bills Discounted and Other Receivables' within this note.

Note 32 Credit Risk (continued)

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

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

	Group									
	At 30 June 2017									
	Sovereign $M	Agri-culture $M	Bank and Other Financial $M	Home Loans $M	Constr-uction $M	Other Personal $M	Asset Financ-ing $M	Other Comm and Indust. $M	Other $M	Total $M
Australia										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	4,711	-	21,929	-	-	-	-	-	-	26,640
Receivables due from other financial institutions	-	-	2,565	-	-	-	-	-	-	2,565
Assets at fair value through Income Statement:										
Trading	18,107	-	1,545	-	-	-	-	8,811	-	28,463
Insurance	2,131	-	5,806	-	-	-	-	3,535	-	11,472
Other	51	-	607	-	-	-	-	453	-	1,111
Derivative assets	1,181	56	20,037	-	53	-	-	4,668	-	25,995
Available-for-sale investments	41,323	-	27,126	-	-	-	-	294	-	68,743
Loans, bills discounted and other receivables (1)	18,085	8,784	15,425	436,184	3,765	23,183	7,872	120,638	-	633,936
Bank acceptances	-	2	-	-	1	-	-	38	-	41
Other assets (2)	1,460	16	4,073	-	4	6	-	359	17,056	22,974
Total on Balance Sheet Australia	87,049	8,858	99,113	436,184	3,823	23,189	7,872	138,796	17,056	821,940
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	50	16	1,092	8	510	-	-	4,321	-	5,997
Loan commitments	795	1,967	7,439	66,869	2,973	22,495	-	39,467	-	142,005
Other commitments	42	30	1,040	1	962	-	10	1,849	-	3,934
Total Australia	87,936	10,871	108,684	503,062	8,268	45,684	7,882	184,433	17,056	973,876
Overseas										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	15,595	-	3,615	-	-	-	-	-	-	19,210
Receivables due from other financial institutions	109	-	7,363	-	-	-	-	-	-	7,472
Assets at fair value through Income Statement:										
Trading	2,264	-	1,712	-	-	-	-	265	-	4,241
Insurance	354	-	1,843	-	-	-	-	-	-	2,197
Other	-	-	-	-	-	-	-	-	-	-
Derivative assets	412	19	3,037	-	-	-	-	2,261	-	5,729
Available-for-sale investments	11,832	-	2,959	-	-	-	-	1	-	14,792
Loans, bills discounted and other receivables (1)	1,900	9,848	5,775	49,673	634	1,713	464	32,596	-	102,603
Bank acceptances	-	-	-	-	-	-	-	422	-	422
Other assets (2)	41	-	413	-	-	3	8	57	2,023	2,545
Total on Balance Sheet overseas	32,507	9,867	26,717	49,673	634	1,716	472	35,602	2,023	159,211
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	1	2	1,086	-	37	-	-	301	-	1,427
Loan commitments	284	881	6,335	7,414	196	2,017	-	14,423	-	31,550
Other commitments	26	5	1	-	-	-	-	187	-	219
Total overseas	32,818	10,755	34,139	57,087	867	3,733	472	50,513	2,023	192,407
Total gross credit risk	120,754	21,626	142,823	560,149	9,135	49,417	8,354	234,946	19,079	1,166,283

(1) Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income in line with Note 12.

(2) For the purpose of reconciling to the Balance Sheet, “Other assets” predominantly comprises assets which do not give rise to credit exposure, including Property, plant and equipment, Investment in Associates and Joint Ventures, Intangible assets, Deferred tax assets and Other assets.

Note 32 Credit Risk (continued)

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

Group [1]
At 30 June 2016

	Sovereign $M	Agri-culture $M	Bank and Other Financial $M	Home Loans $M	Constr-uction $M	Other Personal $M	Asset Financ-ing $M	Other Comm and Indust. $M	Other $M	Total $M
Australia										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	3,185	-	7,786	-	-	-	-	-	-	10,971
Receivables due from other financial institutions	-	-	2,930	-	-	-	-	-	-	2,930
Assets at fair value through Income Statement:										
Trading	16,763	-	1,552	-	-	-	-	12,900	-	31,215
Insurance	1,402	-	5,963	-	-	-	-	3,781	-	11,146
Other	43	-	532	-	-	-	-	905	-	1,480
Derivative assets	1,630	115	30,209	-	133	-	-	2,305	-	34,392
Available-for-sale investments	43,400	-	23,856	-	-	-	-	821	-	68,077
Loans, bills discounted and other receivables [2]	19,279	8,001	15,729	409,452	3,804	23,524	7,677	116,668	-	604,134
Bank acceptances	2	707	68	-	338	-	-	44	-	1,159
Other assets [3]	1,531	4	3,845	708	3	8	-	363	15,703	22,165
Total on Balance Sheet Australia	87,235	8,827	92,470	410,160	4,278	23,532	7,677	137,787	15,703	787,669
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	63	18	839	58	542	6	-	4,321	-	5,847
Loan commitments	848	1,406	7,436	68,577	2,227	22,957	-	37,667	-	141,118
Other commitments	55	24	1,876	59	986	1	14	1,801	-	4,816
Total Australia	88,201	10,275	102,621	478,854	8,033	46,496	7,691	181,576	15,703	939,450
Overseas										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	8,483	-	3,918	-	-	-	-	-	-	12,401
Receivables due from other financial institutions	148	-	8,513	-	-	-	-	-	-	8,661
Assets at fair value through Income Statement:										
Trading	890	-	1,559	-	-	-	-	403	-	2,852
Insurance	-	-	2,401	-	-	-	-	-	-	2,401
Other	-	-	-	-	-	-	-	-	-	-
Derivative assets	916	31	5,120	-	-	-	-	6,108	-	12,175
Available-for-sale investments	9,507	-	3,166	-	-	-	-	148	-	12,821
Loans, bills discounted and other receivables [2]	1,433	8,744	3,471	46,622	352	1,719	226	33,598	-	96,165
Bank acceptances	-	-	-	-	-	-	-	272	-	272
Other assets [3]	17	-	247	70	-	6	5	30	2,110	2,485
Total on Balance Sheet overseas	21,394	8,775	28,395	46,692	352	1,725	231	40,559	2,110	150,233
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	1	4	60	-	53	-	-	251	-	369
Loan commitments	313	827	4,018	7,309	194	1,940	5	15,018	-	29,624
Other commitments	43	-	-	-	1	-	-	652	-	696
Total overseas	21,751	9,606	32,473	54,001	600	3,665	236	56,480	2,110	180,922
Total gross credit risk	109,952	19,881	135,094	532,855	8,633	50,161	7,927	238,056	17,813	1,120,372

(1) Comparative information has been reclassified to conform to presentation in the current year.
(2) Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income on lease receivables in line with Note 12.
(3) For the purpose of reconciling to the Balance Sheet, "Other assets" predominantly comprises assets which do not give rise to credit exposure, including Property, plant and equipment, Investment in Associates and Joint Ventures, Intangible assets, Deferred tax assets and Other assets.

Note 32 Credit Risk (continued)

Large Exposures

Concentrations of exposure to any counterparty or counterparty group are controlled by a large credit exposure policy, which defines a graduated limit framework that restricts credit limits based on the internally assessed risk of the client, the type of client, the security cover and facility tenor. All exposures outside the policy limits require approval by the Executive Risk Committee and are reported to the Risk Committee.

The following table shows the aggregated number of the Group's Corporate and Industrial aggregated counterparty exposures (including direct and contingent exposures), which individually were greater than 5% of the Group's capital resources (Tier 1 and Tier 2 capital):

		Group
	2017	2016
	Number	Number
5% to less than 10% of the Group's capital resources	-	-
10% to less than 15% of the Group's capital resources	-	-

The Group has a high quality, well diversified credit portfolio, with 59% of the gross loans and other receivables in domestic mortgage loans and a further 7% in overseas mortgage loans, primarily in New Zealand. Overseas loans account for 14% of loans and advances.

Distribution of Financial Assets by Credit Classification

When doubt arises as to the collectability of a credit facility, the financial instrument is classified and reported as impaired. Provisions for impairment are raised where there is objective evidence of impairment and for an amount adequate to cover assessed credit related losses. The Group regularly reviews its financial assets and monitors adherence to contractual terms. Credit risk-rated portfolios are assessed, at least at each Balance Sheet date, to determine whether the financial asset or portfolio of assets is impaired.

Distribution of Financial Instruments by Credit Quality

The table below segregates financial instruments into neither past due nor impaired, past due but not impaired and impaired. An asset is considered to be past due when a contracted amount, including principal or interest, has not been met when due or it is otherwise outside contracted arrangements. Excluding some retail portfolios, the amount included as past due is the entire contractual balance, rather than the overdue portion.

						Group
						2017
	Neither Past Due nor Impaired	Past due but not Impaired	Impaired Assets	Gross	Total Provisions for Impairment Losses	Net
	$M	$M	$M	$M	$M	$M
Cash and liquid assets	45,850	-	-	45,850	-	45,850
Receivables due from other financial institutions	10,037	-	-	10,037	-	10,037
Assets at fair value through Income Statement:						
Trading	32,704	-	-	32,704	-	32,704
Insurance	13,669	-	-	13,669	-	13,669
Other	1,111	-	-	1,111	-	1,111
Derivative assets	31,717	-	7	31,724	-	31,724
Available-for-sale investments	83,535	-	-	83,535	-	83,535
Loans, bills discounted and other receivables:						
Australia	619,072	12,543	2,321	633,936	(3,271)	630,665
Overseas	99,245	2,634	724	102,603	(422)	102,181
Bank acceptances	463	-	-	463	-	463
Credit related commitments	184,997	-	135	185,132	(34)	185,098
Total	1,122,400	15,177	3,187	1,140,764	(3,727)	1,137,037

Notes to the financial statements

Note 32 Credit Risk (continued)

Group 2016	Neither Past Due nor Impaired $M	Past Due but not Impaired $M	Impaired Assets $M	Gross $M	Total Provisions for Impairment Losses $M	Net $M
Cash and liquid assets	23,372	-	-	23,372	-	23,372
Receivables due from other financial institutions	11,591	-	-	11,591	-	11,591
Assets at fair value through Income Statement:						
Trading	34,067	-	-	34,067	-	34,067
Insurance	13,547	-	-	13,547	-	13,547
Other	1,480	-	-	1,480	-	1,480
Derivative assets	46,547	-	20	46,567	-	46,567
Available-for-sale investments	80,898	-	-	80,898	-	80,898
Loans, bills discounted and other receivables:						
Australia	588,634	13,104	2,396	604,134	(3,318)	600,816
Overseas	93,245	2,337	583	96,165	(400)	95,765
Bank acceptances	1,431	-	-	1,431	-	1,431
Credit related commitments	182,353	-	117	182,470	(44)	182,426
Total	1,077,165	15,441	3,116	1,095,722	(3,762)	1,091,960

Bank 2017	Neither Past Due nor Impaired $M	Past Due but not Impaired $M	Impaired Assets $M	Gross $M	Total Provisions for Impairment Losses $M	Net $M
Cash and liquid assets	42,814	-	-	42,814	-	42,814
Receivables due from other financial institutions	8,678	-	-	8,678	-	8,678
Assets at fair value through Income Statement:						
Trading	31,127	-	-	31,127	-	31,127
Insurance	-	-	-	-	-	-
Other	796	-	-	796	-	796
Derivative assets	32,088	-	6	32,094	-	32,094
Available-for-sale investments	79,019	-	-	79,019	-	79,019
Loans, bills discounted and other receivables:						
Australia	611,624	12,541	2,290	626,455	(3,262)	623,193
Overseas	25,056	40	242	25,338	(83)	25,255
Bank acceptances	463	-	-	463	-	463
Shares in and loans to controlled entities	101,337	-	-	101,337	-	101,337
Credit related commitments	169,418	-	130	169,548	(34)	169,514
Total	1,102,420	12,581	2,668	1,117,669	(3,379)	1,114,290

Bank 2016	Neither Past Due nor Impaired $M	Past Due but not Impaired $M	Impaired Assets $M	Gross $M	Total Provisions for Impairment Losses $M	Net $M
Cash and liquid assets	21,582	-	-	21,582	-	21,582
Receivables due from other financial institutions	10,182	-	-	10,182	-	10,182
Assets at fair value through Income Statement:						
Trading	32,985	-	-	32,985	-	32,985
Insurance	-	-	-	-	-	-
Other	1,187	-	-	1,187	-	1,187
Derivative assets	46,505	-	20	46,525	-	46,525
Available-for-sale investments	76,361	-	-	76,361	-	76,361
Loans, bills discounted and other receivables:						
Australia	582,155	13,098	2,358	597,611	(3,309)	594,302
Overseas	24,512	19	119	24,650	(56)	24,594
Bank acceptances	1,413	-	-	1,413	-	1,413
Shares in and loans to controlled entities	145,953	-	-	145,953	-	145,953
Credit related commitments	166,075	-	112	166,187	(44)	166,143
Total	1,108,910	13,117	2,609	1,124,636	(3,409)	1,121,227

Note 32 Credit Risk (continued)

Credit Quality of Loans, Bills Discounted and Other Receivables which were Neither Past Due nor Impaired

For the analysis below, financial assets that are neither past due nor impaired have been segmented into investment, pass and weak classifications. This segmentation of loans in retail and risk-rated portfolios is based on the mapping of a counterparty's internally assessed PD to S&P Global ratings, reflecting a counterparty's ability to meet their credit obligations. In particular, retail PD pools have been aligned to the Group's PD grades which are consistent with rating agency views of credit quality segmentation. Investment grade is representative of lower assessed default probabilities with other classifications reflecting progressively higher default risk. No consideration is given to LGD, the impact of any recoveries or the potential benefit of mortgage insurance.

					Group 2017
Credit grading	**Home Loans $M**	**Other Personal $M**	**Asset Financing $M**	**Other Commercial and Industrial $M**	**Total $M**
Australia					
Investment	**296,466**	**4,249**	**300**	**77,407**	**378,422**
Pass	**121,035**	**14,362**	**7,172**	**83,758**	**226,327**
Weak	**7,791**	**3,416**	**164**	**2,952**	**14,323**
Total Australia	**425,292**	**22,027**	**7,636**	**164,117**	**619,072**
Overseas (1)					
Investment	**15,200**	**-**	**10**	**23,696**	**38,906**
Pass	**31,530**	**1,356**	**438**	**25,363**	**58,687**
Weak	**934**	**-**	**-**	**718**	**1,652**
Total overseas	**47,664**	**1,356**	**448**	**49,777**	**99,245**
Total loans which were neither past due nor impaired	**472,956**	**23,383**	**8,084**	**213,894**	**718,317**

					Group 2016 (2)
Credit grading	**Home Loans $M**	**Other Personal $M**	**Asset Financing $M**	**Other Commercial and Industrial $M**	**Total $M**
Australia					
Investment	275,186	4,454	299	77,918	357,857
Pass	112,840	14,237	6,940	80,769	214,786
Weak	9,861	3,669	198	2,263	15,991
Total Australia	397,887	22,360	7,437	160,950	588,634
Overseas (1)					
Investment	15,218	-	8	22,592	37,818
Pass	29,340	1,391	188	23,181	54,100
Weak	328	-	-	999	1,327
Total overseas	44,886	1,391	196	46,772	93,245
Total loans which were neither past due nor impaired	442,773	23,751	7,633	207,722	681,879

(1) For New Zealand Housing Loans, PDs reflect Reserve Bank of New Zealand requirements resulting in higher PDs on average and lower grading.
(2) Following enhancements to methodology in the current period, there was a change to the categorisation of credit exposures by credit grade for loans which were neither past due nor impaired. Comparative information was restated to conform to presentation in the current period.

Notes to the financial statements

Note 32 Credit Risk (continued)

Credit Quality of Loans, Bills Discounted and Other Financial Assets which were Neither Past Due nor Impaired (continued)

					Bank 2017
	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	Total
Credit grading	$M	$M	$M	$M	$M
Australia					
Investment	296,403	4,240	285	76,598	377,526
Pass	114,974	14,331	7,114	83,380	219,799
Weak	7,793	3,408	163	2,935	14,299
Total Australia	419,170	21,979	7,562	162,913	611,624
Overseas					
Investment	87	-	-	18,015	18,102
Pass	388	7	-	6,320	6,715
Weak	-	-	-	239	239
Total overseas	475	7	-	24,574	25,056
Total loans which were neither past due nor impaired	419,645	21,986	7,562	187,487	636,680

					Bank 2016 (1)
	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	Total
Credit grading	$M	$M	$M	$M	$M
Australia					
Investment	275,033	4,461	291	77,107	356,892
Pass	107,899	14,191	6,895	80,359	209,344
Weak	9,858	3,655	198	2,208	15,919
Total Australia	392,790	22,307	7,384	159,674	582,155
Overseas					
Investment	115	-	-	18,252	18,367
Pass	417	16	-	5,253	5,686
Weak	-	-	3	456	459
Total overseas	532	16	3	23,961	24,512
Total loans which were neither past due nor impaired	393,322	22,323	7,387	183,635	606,667

(1) Following enhancements to methodology in the current period, there was a change to the categorisation of credit exposures by credit grade for loans which were neither past due nor impaired. Comparative information was restated to conform to presentation in the current period.

Note 32 Credit Risk (continued)

Other Financial Assets which were Neither Past Due nor Impaired

The majority of all other financial assets of the Group and the Bank that were neither past due nor impaired as of 30 June 2017 and 30 June 2016 were of investment grade.

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

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

Past due loans are not classified as impaired if no loss to the Group is expected or if the loans are unsecured consumer loans and less than 90 days past due.

					Group 2017
Loans which were past due but not impaired	Home Loans $M	Other Personal (1) $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
Australia					
Past due 1 - 29 days	**5,004**	**568**	**87**	**1,147**	**6,806**
Past due 30 - 59 days	**1,675**	**180**	**55**	**145**	**2,055**
Past due 60 - 89 days	**922**	**121**	**23**	**98**	**1,164**
Past due 90 - 179 days	**1,136**	**-**	**-**	**132**	**1,268**
Past due 180 days or more	**1,048**	**4**	**-**	**198**	**1,250**
Total Australia	**9,785**	**873**	**165**	**1,720**	**12,543**
Overseas					
Past due 1 - 29 days	**1,623**	**263**	**-**	**255**	**2,141**
Past due 30 - 59 days	**185**	**45**	**6**	**15**	**251**
Past due 60 - 89 days	**53**	**15**	**2**	**21**	**91**
Past due 90 - 179 days	**41**	**16**	**2**	**24**	**83**
Past due 180 days or more	**18**	**5**	**-**	**45**	**68**
Total overseas	**1,920**	**344**	**10**	**360**	**2,634**
Total loans which were past due but not impaired	**11,705**	**1,217**	**175**	**2,080**	**15,177**

					Group 2016
Loans which were past due but not impaired	Home Loans $M	Other Personal (1) $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
Australia					
Past due 1 - 29 days	6,166	592	85	767	7,610
Past due 30 - 59 days	1,755	188	45	154	2,142
Past due 60 - 89 days	877	124	23	102	1,126
Past due 90 - 179 days	1,027	-	-	177	1,204
Past due 180 days or more	819	5	2	196	1,022
Total Australia	10,644	909	155	1,396	13,104
Overseas					
Past due 1 - 29 days	1,328	238	8	277	1,851
Past due 30 - 59 days	187	41	2	40	270
Past due 60 - 89 days	69	15	1	14	99
Past due 90 - 179 days	38	16	1	6	61
Past due 180 days or more	15	6	-	35	56
Total overseas	1,637	316	12	372	2,337
Total loans which were past due but not impaired	12,281	1,225	167	1,768	15,441

(1) Included in these balances are credit card facilities and other unsecured portfolio managed facilities up to 90 days past due. At 90 days past due, the loans are classified as impaired.

Notes to the financial statements

Note 32 Credit Risk (continued)

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

	Bank				
	2017				
Loans which were past due but not impaired	Home Loans $M	Other Personal (1) $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
Australia					
Past due 1 - 29 days	5,003	568	87	1,147	6,805
Past due 30 - 59 days	1,674	180	55	145	2,054
Past due 60 - 89 days	922	121	23	98	1,164
Past due 90 - 179 days	1,136	-	-	132	1,268
Past due 180 days or more	1,048	4	-	198	1,250
Total Australia	9,783	873	165	1,720	12,541
Overseas					
Past due 1 - 29 days	31	1	-	2	34
Past due 30 - 59 days	2	-	-	2	4
Past due 60 - 89 days	-	-	-	1	1
Past due 90 - 179 days	-	-	-	1	1
Past due 180 days or more	-	-	-	-	-
Total overseas	33	1	-	6	40
Total loans which were past due but not impaired	9,816	874	165	1,726	12,581

	Bank				
	2016				
Loans which were past due but not impaired	Home Loans $M	Other Personal (1) $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
Australia					
Past due 1 - 29 days	6,162	592	85	767	7,606
Past due 30 - 59 days	1,754	188	45	154	2,141
Past due 60 - 89 days	877	124	23	102	1,126
Past due 90 - 179 days	1,026	-	-	177	1,203
Past due 180 days or more	819	5	2	196	1,022
Total Australia	10,638	909	155	1,396	13,098
Overseas					
Past due 1 - 29 days	9	1	-	3	13
Past due 30 - 59 days	-	-	-	2	2
Past due 60 - 89 days	-	-	-	1	1
Past due 90 - 179 days	-	-	-	2	2
Past due 180 days or more	1	-	-	-	1
Total overseas	10	1	-	8	19
Total loans which were past due but not impaired	10,648	910	155	1,404	13,117

(1) Included in these balances are credit card facilities and other unsecured portfolio managed facilities up to 90 days past due. At 90 days past due, the loans are classified as impaired.

Impaired Assets by Classification

Assets in credit risk rated portfolios and retail managed portfolios are assessed for objective evidence that the financial asset is impaired.

Impaired assets are split into the following categories:

- Non-Performing Facilities;
- Restructured Facilities; and
- Unsecured retail products 90 days or more past due.

Non-performing facilities are facilities against which an individually assessed provision for impairment has been raised and facilities where loss of principal or interest is anticipated.

Note 32 Credit Risk (continued)

Impaired Assets by Classification (continued)

Restructured facilities are facilities where the original contractual terms have been modified to non-commercial terms due to financial difficulties of the borrower. Interest on these facilities is taken to the Income Statement. Failure to comply fully with the modified terms will result in immediate reclassification to non-performing.

Unsecured retail products 90 days or more past due are credit cards, personal loans and other unsecured retail products which are 90 days or more past due. These loans are collectively provided for.

The Group does not manage credit risk based solely on arrears categorisation, but also uses credit risk rating principles as described earlier in this note.

					Group
	2017	2016	2015	2014	2013
	$M	$M	$M	$M	$M
Australia					
Non-Performing assets:					
Gross balances	**1,962**	2,002	1,940	2,134	3,316
Less individual provisions for impairment	**(817)**	(807)	(775)	(1,035)	(1,564)
Net non-performing assets	**1,145**	1,195	1,165	1,099	1,752
Restructured assets:					
Gross balances	**174**	221	144	361	346
Less individual provisions for impairment	**-**	-	-	-	-
Net restructured assets	**174**	221	144	361	346
Unsecured retail products 90 days or more past due:					
Gross balances	**251**	252	251	236	217
Less provisions for impairment (1)	**(157)**	(169)	(130)	(131)	(128)
Net unsecured retail products 90 days or more past due	**94**	83	121	105	89
Net Australia impaired assets	**1,413**	1,499	1,430	1,565	2,187
Overseas					
Non-Performing assets:					
Gross balances	**686**	560	454	377	356
Less individual provisions for impairment	**(163)**	(138)	(112)	(92)	(64)
Net non-performing assets	**523**	422	342	285	292
Restructured assets:					
Gross balances	**101**	67	54	248	87
Less individual provisions for impairment	**-**	-	-	-	-
Net restructured assets	**101**	67	54	248	87
Unsecured retail products 90 days or more past due:					
Gross balances	**13**	14	12	11	8
Less provisions for impairment (1)	**(12)**	(13)	(9)	(8)	(3)
Net unsecured retail products 90 days or more past due	**1**	1	3	3	5
Net overseas impaired assets	**625**	490	399	536	384
Total net impaired assets	**2,038**	1,989	1,829	2,101	2,571

(1) Collective provisions are held for these portfolios.

Impaired Assets by Size

						Group
	Australia	Overseas	Total	Australia	Overseas	Total
	2017	2017	2017	2016	2016	2016
Impaired assets by size	$M	$M	$M	$M	$M	$M
Less than $1 million	**1,338**	**114**	**1,452**	1,170	123	1,293
$1 million to $10 million	**666**	**260**	**926**	661	215	876
Greater than $10 million	**383**	**426**	**809**	644	303	947
Total	**2,387**	**800**	**3,187**	2,475	641	3,116

Notes to the financial statements

Note 32 Credit Risk (continued)

Movement in Impaired Assets

	Group				
	2017	2016	2015	2014	2013
Movement in gross impaired assets	$M	$M	$M	$M	$M
Gross impaired assets - opening balance	**3,116**	2,855	3,367	4,330	4,687
New and increased	**2,164**	2,370	2,095	2,393	3,016
Balances written off	**(1,225)**	(1,328)	(1,355)	(1,697)	(1,774)
Returned to performing or repaid	**(1,637)**	(1,460)	(1,903)	(2,303)	(2,165)
Portfolio managed - new/increased/return to performing/repaid	**769**	679	651	644	566
Gross impaired assets - closing balance	**3,187**	3,116	2,855	3,367	4,330

Impaired Assets by Industry and Status

	Group 2017						
Industry	Total Balance $M	Gross Impaired Assets $M	Total Provisions for Impaired Assets $M	Net Impaired Assets $M	Write-offs [(1)] $M	Recoveries [(1)] $M	Net [(1)] Write-offs $M
Loans - Australia							
Sovereign	18,085	-	-	-	-	-	-
Agriculture	8,784	87	(47)	40	17	-	17
Bank and other financial	15,425	24	(27)	(3)	1	(1)	-
Home loans	436,184	1,107	(249)	858	115	(3)	112
Construction	3,765	48	(25)	23	16	(1)	15
Other personal	23,183	283	(166)	117	792	(170)	622
Asset financing	7,872	71	(18)	53	41	(7)	34
Other commercial and industrial	120,638	701	(442)	259	210	(12)	198
Total loans - Australia	633,936	2,321	(974)	1,347	1,192	(194)	998
Loans - Overseas							
Sovereign	1,900	-	-	-	-	-	-
Agriculture	9,848	279	(25)	254	15	-	15
Bank and other financial	5,775	9	-	9	5	-	5
Home loans	49,673	89	(4)	85	4	(1)	3
Construction	634	1	(1)	-	8	(1)	7
Other personal	1,713	13	(12)	1	60	(11)	49
Asset financing	464	6	(10)	(4)	-	-	-
Other commercial and industrial	32,596	327	(114)	213	64	(3)	61
Total loans - overseas	102,603	724	(166)	558	156	(16)	140
Total loans	736,539	3,045	(1,140)	1,905	1,348	(210)	1,138
Other balances - Australia							
Credit commitments	151,936	61	-	61	-	-	-
Derivatives	25,995	5	-	5	-	-	-
Total other balances - Australia	177,931	66	-	66	-	-	-
Other balances - Overseas							
Credit commitments	33,196	74	(9)	65	-	-	-
Derivatives	5,729	2	-	2	-	-	-
Total other balances - overseas	38,925	76	(9)	67	-	-	-
Total other balances	216,856	142	(9)	133	-	-	-
Total	953,395	3,187	(1,149)	2,038	1,348	(210)	1,138

(1) Write-offs, recoveries and net write-offs are not recognised against credit commitments or derivatives as these exposures are closed out and converted to loans and receivables on impairment. Write-offs and recoveries take place subsequent to this conversion.

Note 32 Credit Risk (continued)

Impaired Assets by Industry and Status (continued)

	Group [1] 2016						
Industry	Total Balance $M	Gross Impaired Assets $M	Total Provisions for Impaired Assets $M	Net Impaired Assets $M	Write-offs [2] $M	Recoveries [2] $M	Net [2] Write-offs $M
Loans - Australia							
Sovereign	19,279	-	-	-	-	-	-
Agriculture	8,001	136	(42)	94	84	(1)	83
Bank and other financial	15,729	18	(29)	(11)	10	(27)	(17)
Home loans	409,452	921	(193)	728	82	(3)	79
Construction	3,804	28	(25)	3	11	(1)	10
Other personal	23,524	255	(176)	79	747	(154)	593
Asset financing	7,677	85	(28)	57	54	(4)	50
Other commercial and industrial	116,668	953	(483)	470	249	(21)	228
Total loans - Australia	604,134	2,396	(976)	1,420	1,237	(211)	1,026
Loans - Overseas							
Sovereign	1,433	-	-	-	-	-	-
Agriculture	8,744	277	(23)	254	7	-	7
Bank and other financial	3,471	10	(4)	6	-	(1)	(1)
Home loans	46,622	99	(6)	93	7	(1)	6
Construction	352	14	(8)	6	-	-	-
Other personal	1,719	12	(15)	(3)	54	(10)	44
Asset financing	226	18	(10)	8	-	-	-
Other commercial and industrial	33,598	153	(76)	77	112	(2)	110
Total loans - overseas	96,165	583	(142)	441	180	(14)	166
Total loans	700,299	2,979	(1,118)	1,861	1,417	(225)	1,192
Other balances - Australia							
Credit commitments	151,781	59	-	59	-	-	-
Derivatives	34,392	20	-	20	-	-	-
Total other balances - Australia	186,173	79	-	79	-	-	-
Other balances - Overseas							
Credit commitments	30,689	58	(9)	49	-	-	-
Derivatives	12,175	-	-	-	-	-	-
Total other balances - overseas	42,864	58	(9)	49	-	-	-
Total other balances	229,037	137	(9)	128	-	-	-
Total	929,336	3,116	(1,127)	1,989	1,417	(225)	1,192

(1) Comparative information has been restated to conform to presentation in the current year.
(2) Write-offs, recoveries and net write-offs are not recognised against credit commitments or derivatives as these exposures are closed out and converted to loans and receivables on impairment. Write-offs and recoveries take place subsequent to this conversion.

Collateral held against Loans, Bills Discounted and Other Receivables

	Group 2017				
	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	Total
Maximum exposure ($M)	485,857	24,896	8,336	217,450	736,539
Collateral classification:					
Secured (%)	99. 2	12. 7	99. 3	42. 0	79. 8
Partially secured (%)	0. 8	-	0. 7	15. 4	5. 0
Unsecured (%)	-	87. 3	-	42. 6	15. 2

Notes to the financial statements

Note 32 Credit Risk (continued)

Collateral held against Loans, Bills Discounted and Other Receivables (continued)

Group [(1)] 2016	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	Total
Maximum exposure ($M)	456,074	25,243	7,903	211,079	700,299
Collateral classification:					
Secured (%)	99. 3	13. 6	98. 7	41. 8	78. 9
Partially secured (%)	0. 7	-	1. 3	15. 4	5. 1
Unsecured (%)	-	86. 4	-	42. 8	16. 0

Bank 2017	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	Total
Maximum exposure ($M)	430,575	23,143	7,801	190,274	651,793
Collateral classification:					
Secured (%)	99. 1	13. 4	99. 2	40. 5	79. 5
Partially secured (%)	0. 9	-	0. 8	14. 6	4. 8
Unsecured (%)	-	86. 6	-	44. 9	15. 7

Bank [(1)] 2016	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	Total
Maximum exposure ($M)	404,902	23,467	7,639	186,253	622,261
Collateral classification:					
Secured (%)	99. 2	14. 3	98. 8	40. 7	78. 5
Partially secured (%)	0. 8	-	1. 2	14. 6	4. 9
Unsecured (%)	-	85. 7	-	44. 7	16. 6

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

A facility is determined to be secured where its ratio of exposure to the estimated value of collateral (adjusted for lending margins) is less than or equal to 100%. A facility is deemed to be partly secured when this ratio exceeds 100% but not more than 250%, and unsecured when either no security is held (e.g. can include credit cards, personal loans, small business loans, and exposures to highly rated corporate entities), or where the secured loan to estimated value of collateral exceeds 250%.

Home Loans

All home loans are secured by fixed charges over borrowers' residential properties, other properties (including commercial and broad acre), or cash (usually in the form of a charge over a deposit). Further, with the exception of some relatively small portfolios, for loans with a Loan to Valuation (LVR) of higher than 80% either a Low Deposit Premium or margin is levied, or Lenders Mortgage Insurance (LMI) is taken out to cover 100% of the principal amount at default plus interest.

Personal Lending

Personal lending (such as credit cards), and personal loans are predominantly unsecured.

Asset Finance

The Group leases assets to corporate and retail clients. When the title to the underlying assets is held by the Group as collateral, the balance is deemed fully secured. In other instances, a client's facilities may be secured by collateral valued at less than the carrying amount of credit exposure. These facilities are deemed partly secured or unsecured.

Other Commercial and Industrial Lending

The Group's main collateral types for other commercial and industrial lending consists of secured rights over specified assets of the borrower in the form of: commercial property; land rights; cash (usually in the form of a charge over a deposit); guarantees by company directors supporting commercial lending; a charge over a company's assets (including debtors, inventory and work in progress); or a charge over shares. In other instances, a client's facilities may be secured by collateral with value less than the carrying amount of the credit exposure. These facilities are deemed partly secured or unsecured.

Note 33 Market Risk

Market Risk Measurement

The Group uses Value-at-Risk (VaR) as one of the measures of Traded and Non-traded market risk. VAR measures potential loss using historically observed market movements.

VaR is modelled at a 97.5% confidence level. This means that there is a 97.5% probability that the loss will not exceed the VaR estimate on any given day.

The VaR measured for Traded market risk uses two years of daily movement in market rates. The VaR measure for Non-traded Banking Book market risk uses six years of daily movement in market rates.

A 1-day holding period is used for trading book positions. A 20-day holding period is used for Interest Rate Risk in the Banking Book, insurance business market risk and Non-traded equity risk.

VaR is driven by historical observations and is not an estimate of the maximum loss that the Group could experience from an extreme market event. As a result of this limitation, management also uses stress testing to measure the potential for economic loss at confidence levels significantly higher than 97.5%. Management then uses these results in decisions to manage the economic impact of market risk positions.

Total Market Risk VaR (1-day 97.5% confidence)	Average June 2017 (1) $M	As at June 2017 $M	Average June 2016 (1) $M	As at June 2016 $M
Traded Market Risk	10.6	11.1	10.1	16.9
Non-Traded Interest Rate Risk (2)	21.5	19.5	14.7	17.2
Non-Traded Equity Risk (2)	6.6	5.8	10.2	7.5
Non-Traded Insurance Market Risk (2)	5.1	5.0	4.5	5.0

(1) Average VaR calculated for each 12 month period.
(2) The risk of these exposures has been represented in this table using a one day holding period. In practice however, these 'non-traded' exposures are managed to a longer holding period.

Traded Market Risk

Traded market risk is generated through the Group's participation in financial markets to service its customers. The Group trades and distributes interest rate, foreign exchange, debt, equity and commodity products, and provides treasury, capital markets and risk management services to its customers globally.

The Group maintains access to markets by quoting bid and offer prices with other market makers and carries an inventory of treasury, capital market and risk management instruments, including a broad range of securities and derivatives.

Traded Market Risk VaR (1-day 97.5% confidence)	Average June 2017 (1) $M	As at June 2017 $M	Average June 2016 (1) $M	As at June 2016 $M
Interest rate risk	8.9	6.7	7.9	16.7
Foreign exchange risk	1.8	1.1	2.4	1.7
Equities risk	0.5	0.1	0.4	1.1
Commodities risk	3.0	3.3	2.2	2.3
Credit spread risk	3.3	2.8	3.0	3.2
Diversification benefit	(9.3)	(5.1)	(8.3)	(10.4)
Total general market risk	8.2	8.9	7.6	14.6
Undiversified risk	2.2	2.1	2.3	2.1
ASB Bank	0.2	0.1	0.2	0.2
Total	10.6	11.1	10.1	16.9

(1) Average VaR calculated for each 12 month period.

Non-Traded Market Risk

Interest Rate Risk in the Banking Book

Interest rate risk is the current and prospective impact to the Group's financial condition due to adverse changes in interest rates to which the Group's Balance Sheet is exposed. The maturity transformation activities of the Group create mismatches in the repricing terms of assets and liabilities positions. These mismatches may have undesired earnings and value outcomes depending on the interest rate movements. The Group's objective is to manage interest rate risk to achieve stable and sustainable net interest income in the long-term.

The Group measures and manages the impact of interest rate risk in two ways:

(a) Next 12 months' earnings

Interest rate risk from an earnings perspective is the impact based on changes to the net interest income over the next 12 months.

The risk to net interest income over the next 12 months from changes in interest rates is measured on a monthly basis.

Earnings risk is measured through sensitivity analysis, which applies an instantaneous 100 basis point parallel shock in interest rates across the yield curve.

The prospective change to the net interest income is measured by using an Asset and Liability Management simulation model which incorporates both existing and anticipated new business in its assessment. The change in the Balance Sheet product mix, growth, funding and pricing strategies is incorporated.

Assets and liabilities that reprice directly from observable market rates are measured based on the full extent of the rate shock that is applied.

Products that are priced based on Group administered or discretionary interest rates and that are impacted by customer behaviour are measured by taking into consideration the historic repricing strategy of the Group and repricing behaviours of customers. In addition to considering how the products have repriced in the past the expected change in price based on both the current and anticipated competitive market forces are also considered in the sensitivity analysis.

Note 33 Market Risk (continued)

Non-Traded Market Risk (continued)

The figures in the following table represent the potential unfavourable change to the Group's net interest earnings during the year based on a 100 basis point parallel rate shock.

Net Interest Earnings at Risk		June 2017 $M	June 2016 $M
Average monthly exposure	AUD	**284.7**	316.1
	NZD	**25.4**	30.2
High monthly exposure	AUD	**352.3**	408.7
	NZD	**33.5**	38.9
Low monthly exposure	AUD	**248.9**	227.1
	NZD	**17.4**	16.5
As at balance date	AUD	**304.4**	308.9
	NZD	**18.5**	27.6

(b) Economic Value

Interest rate risk from the economic value perspective is based on a 20-day 97.5% VaR measure.

Measuring the change in the economic value of equity is an assessment of the long-term impact to the earnings potential of the Group present valued to the current date. The Group assesses the potential change in its economic value of equity through the application of the VaR methodology.

A 20-day 97.5% VaR measure is used to capture the net economic value impact over the long-term or total life of all Balance Sheet assets and liabilities to adverse changes in interest rates.

The impact of customer prepayments on the contractual cash flows for fixed rate products is included in the calculation. Cash flows for discretionary priced products are behaviourally adjusted and repriced at the resultant profile.

The figures in the following table represent the net present value of the expected change in the Group's future earnings in all future periods for the remaining term of all existing assets and liabilities.

Non-Traded Interest Rate VaR (20 day 97.5% confidence) (2)	Average June 2017 (1) $M	Average June 2016 (1) $M
AUD Interest rate risk	**96.1**	65.5
NZD Interest rate risk (3)	**4.5**	3.6

(1) Average VaR calculated for each 12 month period.
(2) VaR is only for entities that have material risk exposure.
(3) ASB data (expressed in NZD) is for the month-end date.

Non-Traded Equity Risk

The Group retains Non-traded equity risk primarily through business activities in IB&M and Wealth Management.

A 20-day, 97.5% confidence VaR is used to measure the economic impact of adverse changes in value.

Non-Traded Equity VaR (20 day 97.5% confidence)	As at June 2017 $M	As at June 2016 $M
VaR	**26.0**	34.0

Market Risk in Insurance Businesses

There are two main sources of market risk in the Life Insurance businesses: (i) market risk arising from guarantees made to policyholders; and (ii) market risk arising from the investment of Shareholders' capital.

Guarantees (to Policyholders)

All financial assets within the Life Insurance Statutory Funds directly support either the Group's life insurance or life investment contracts. Market risk arises for the Group on contracts where the liabilities to policyholders are guaranteed by the Group. The Group manages this risk by having an asset and liability management framework which includes the use of hedging instruments. The Group also monitors the risk on a monthly basis.

Shareholders' Capital

A portion of financial assets held within the Insurance business, both within the Statutory Funds and in the Shareholder Funds of the Life Insurance company represents shareholder (Group) capital. Market risk also arises for the Group on the investment of this capital. Shareholders' funds in the Australian Life Insurance businesses are invested 99% in income assets (cash and fixed interest) and 1% in growth assets as at 30 June 2017.

A 20-day 97.5% VaR measure is used to capture the Non-traded market risk exposures.

Non-Traded VaR in Australian Life Insurance Business (20 day 97.5% confidence)	Average June 2017 (1) $M	Average June 2016 (1) $M
Shareholder funds (2)	**1.3**	3.9
Guarantees (to Policyholders) (3)	**22.3**	19.4

(1) Average VaR calculated for each 12 month period.
(2) VaR in relation to the investment of shareholder funds.
(3) VaR in relation to product portfolios where the Group has guaranteed liabilities to policyholders.

Structural Foreign Exchange Risk

Structural foreign exchange risk is the risk that movements in foreign exchange rates may have an adverse effect on the Group's Australian dollar earnings and economic value when the Group's foreign currency denominated earnings and capital are translated into Australian dollars. The Group's only material exposure to this risk arises from its New Zealand banking and insurance and Asian operations.

Lease Residual Value Risk

The Group takes lease residual value risk on assets such as industrial, mining, rail, aircraft, marine, technology, healthcare and other equipment. A lease residual value guarantee exposes the Group to the movement in second-hand prices of these assets

Commonwealth Bank Group Super Fund

The Commonwealth Bank Group Super Fund (the Fund) has a defined benefit portion that creates market risk for the Group. Wealth Risk Management and Human Resources provide oversight of the market risks of the Fund held and managed on behalf of the employees receiving defined benefit pension funds on behalf of the Group (refer to Note 35).

Note 34 Liquidity and Funding Risk

Overview

The Group's liquidity and funding policies are designed to ensure it will meet its obligations as and when they fall due by ensuring it is able to borrow funds on an unsecured basis, has sufficient liquid assets to borrow against on a secured basis, or sell to raise immediate funds without adversely affecting the Group's net asset value.

The Group's liquidity policies are designed to ensure it maintains sufficient cash balances and liquid asset holdings to meet its obligations to customers, in both ordinary market conditions and during periods of extreme stress. These policies are intended to protect the value of the Group's operations during periods of unfavourable market conditions.

The Group's funding policies are designed to achieve diversified sources of funding by product, term, maturity date, investor type, investor location, currency and concentration, on a cost effective basis. This objective applies to the Group's wholesale and retail funding activities.

Liquidity and Funding Risk Management Framework

The CBA Board is ultimately responsible for the sound and prudent management of liquidity risk across the Group. The Group's liquidity and funding policies, structured under a formal Group Liquidity and Funding Risk Management Framework, are approved by the Board and agreed with APRA. The Group has an Asset and Liability Committee (ALCO) the charter of which includes reviewing the management of assets and liabilities, reviewing liquidity and funding policies and strategies, as well as regularly monitoring compliance with those policies across the Group. Group Treasury manages the Group's liquidity and funding positions in accordance with the Group's liquidity policies and has ultimate authority to execute liquidity decisions should the Group Contingent Funding Plan be activated. Group Risk Management provides oversight of the Group's liquidity and funding risks, compliance with Group policies and manages the Group's relationship with prudential regulators.

Subsidiaries within the Colonial Group apply their own liquidity and funding strategies to address their specific needs. The Group's New Zealand banking subsidiary, ASB Bank, manages its own domestic liquidity and funding needs in accordance with its own liquidity policies and the policies of the Group. ASB's liquidity policy is also overseen by the Reserve Bank of New Zealand.

Liquidity and Funding Policies and Management

The Group's liquidity and funding policies provide that:

- An excess of liquid assets over the minimum prescribed under APRA's Liquidity Coverage Ratio (LCR) requirement is maintained. Australian ADIs are required to meet a 100% LCR, calculated as the ratio of high quality liquid assets to 30 day net cash outflows projected under a prescribed stress scenario;
- Additional internal funding and liquidity metrics are also calculated and stress tests additional to the LCR are run;
- Short and long-term wholesale funding limits are established, monitored and reviewed regularly.
- The Group's wholesale funding market capacity is regularly assessed and used as a factor in funding strategies;
- Balance Sheet assets that cannot be liquidated quickly are funded with stable deposits or term borrowings that meet minimum maturity requirements with appropriate liquidity buffers;
- Liquid assets are held in Australian dollar and foreign currency denominated securities in accordance with expected requirements;
- The Group has three categories of liquid assets within its domestic liquid assets portfolio. The first includes cash, government and Australian semi-government securities. The second includes Negotiable Certificates of Deposit, bank bills, bank term securities, supranational bonds and Australian Residential Mortgage-backed Securities (RMBS), securities that meet certain Reserve Bank of Australia (RBA) criteria for purchases under reverse repo. The final category is internal RMBS, being mortgages that have been securitised but retained by the Bank, that are repo-eligible with the RBA under stress; and
- Offshore branches and subsidiaries adhere to liquidity policies and hold appropriate foreign currency liquid assets as required. All securities are central bank repo-eligible under normal market conditions.

The Group's key funding tools include:

- Its consumer retail funding base, which includes a wide range of retail transaction accounts, savings accounts and term deposits for individual consumers;
- Its small business customer and institutional deposit base; and
- Its wholesale international and domestic funding programs which include its Australian dollar Negotiable Certificates of Deposit; Australian dollar bank bills; Asian Transferable Certificates of Deposit program; Australian, U.S. and Euro Commercial Paper programs; U.S. Extendible Notes programs; Australian dollar Domestic Debt Program; U.S.144a and 3a2 Medium-Term Note Programs; Euro Medium-Term Note Program; multi jurisdiction Covered Bond program; and its Medallion securitisation program.

The Group's key liquidity tools include:

- A regulatory liquidity management reporting system delivering granular customer and product type information to inform business decision making, product development and resulting in a greater awareness of the liquidity risk adjusted value of banking products;
- A liquidity management model similar to a "maturity ladder" or "liquidity gap analysis", that allows forecasting of liquidity needs on a daily basis;
- An additional liquidity management model that implements the agreed prudential liquidity policies. This model is calibrated with a series of "stress" liquidity crisis scenarios, incorporating both systemic and idiosyncratic crisis assumptions, such that the Group will have sufficient liquid assets available to ensure it meets all of its obligations as and when they fall due;

Notes to the financial statements

Note 34 Liquidity and Funding Risk (continued)

Liquidity and Funding Policies and Management (continued)

- Central bank repurchase agreement facilities including the RBA's open-ended Committed Liquidity Facility that provide the Group with the ability to borrow funds on a secured basis, even when normal funding markets are unavailable; and
- A robust Contingent Funding Plan that is regularly tested so that it can be activated in case of need due to a liquidity event.

International wholesale funding conditions were generally positive with credit spreads tracking tighter over the course of the financial year. Geopolitical events such as elections in the US, France and the United Kingdom had a smaller impact on debt markets than some had anticipated. The Group has managed its debt portfolio to avoid concentrations such as dependence on single sources of funding, by type or by investor, and continues to maintain a diversified funding base and significant funding capacity in the domestic and global unsecured and secured debt markets.

Details of the Group's regulatory capital management activities and processes are disclosed in Note 25.

Maturity Analysis of Monetary Liabilities

Amounts shown in the tables below are based on contractual undiscounted cash flows for the remaining contractual maturities.

	Group					
	Maturity Period as at 30 June 2017					
	0 to 3 Months $M	3 to 12 Months $M	1 to 5 Years $M	Over 5 Years $M	Not Specified $M	Total $M
Monetary liabilities						
Deposits and other public borrowings (1)	509,615	98,303	20,132	272	-	628,322
Payables due to other financial institutions	24,508	3,964	-	-	-	28,472
Liabilities at fair value through Income Statement	6,188	1,553	1,168	1,682	-	10,591
Derivative financial instruments:						
Held for trading	21,283	-	-	-	-	21,283
Held for hedging purposes (net-settled)	77	204	1,595	1,201	-	3,077
Held for hedging purposes (gross-settled):						
Outflows	5,724	6,923	65,799	19,905	-	98,351
Inflows	(5,018)	(6,159)	(62,248)	(18,940)	-	(92,365)
Bank acceptances	205	258	-	-	-	463
Insurance policy liabilities	-	-	-	-	12,018	12,018
Debt issues and loan capital	20,894	37,882	100,824	28,713	-	188,313
Managed funds units on issue	-	-	-	-	2,577	2,577
Other monetary liabilities	6,304	1,794	731	323	-	9,152
Total monetary liabilities	589,780	144,722	128,001	33,156	14,595	910,254
Guarantees (2)	7,424	-	-	-	-	7,424
Loan commitments (2)	173,555	-	-	-	-	173,555
Other commitments (2)	4,153	-	-	-	-	4,153
Total off Balance Sheet items	185,132	-	-	-	-	185,132
Total monetary liabilities and off Balance Sheet items	774,912	144,722	128,001	33,156	14,595	1,095,386

(1) Includes deposits that are contractually at call, customer savings and cheque accounts. Historical experience is that such accounts provide a stable source of long-term funding for the Group.
(2) All off Balance Sheet items are included in the 0 to 3 months maturity band to reflect their earliest possible maturity.

Note 34 Liquidity and Funding Risk (continued)

Maturity Analysis of Monetary Liabilities (continued)

	Group					
	Maturity Period as at 30 June 2016					
	0 to 3 Months $M	3 to 12 Months $M	1 to 5 Years $M	Over 5 Years $M	Not Specified $M	Total $M
Monetary liabilities						
Deposits and other public borrowings (1)	492,838	75,236	20,773	561	-	589,408
Payables due to other financial institutions	27,247	1,545	3	-	-	28,795
Liabilities at fair value through Income Statement	6,128	1,724	1,247	1,209	-	10,308
Derivative financial instruments:						
Held for trading	27,959	-	-	-	-	27,959
Held for hedging purposes (net-settled)	(510)	514	1,889	2,729	-	4,622
Held for hedging purposes (gross-settled):						
Outflows	3,431	22,451	35,336	22,289	-	83,507
Inflows	(3,271)	(20,072)	(32,938)	(20,982)	-	(77,263)
Bank acceptances	1,378	53	-	-	-	1,431
Insurance policy liabilities	-	-	-	-	12,636	12,636
Debt issues and loan capital	19,059	46,358	82,969	32,358	-	180,744
Managed funds units on issue	-	-	-	-	1,606	1,606
Other monetary liabilities	4,657	1,445	88	4	13	6,207
Total monetary liabilities	578,916	129,254	109,367	38,168	14,255	869,960
Guarantees (2)	6,216	-	-	-	-	6,216
Loan commitments (2)	170,742	-	-	-	-	170,742
Other commitments (2)	5,512	-	-	-	-	5,512
Total off Balance Sheet items	182,470	-	-	-	-	182,470
Total monetary liabilities and off Balance Sheet items	761,386	129,254	109,367	38,168	14,255	1,052,430

	Bank					
	Maturity Period as at 30 June 2017					
	0 to 3 Months $M	3 to 12 Months $M	1 to 5 Years $M	Over 5 Years $M	Not Specified $M	Total $M
Monetary liabilities						
Deposits and other public borrowings (1)	**471,711**	**83,962**	**16,997**	**88**	**-**	**572,758**
Payables due to other financial institutions	**24,113**	**3,964**	**-**	**-**	**-**	**28,077**
Liabilities at fair value through Income Statement	**4,899**	**1,437**	**1,168**	**1,682**	**-**	**9,186**
Derivative financial instruments:						
Held for trading	**21,050**	**-**	**-**	**-**	**-**	**21,050**
Held for hedging purposes (net-settled)	**51**	**105**	**1,348**	**1,201**	**-**	**2,705**
Held for hedging purposes (gross-settled):						
Outflows	**3,683**	**5,385**	**71,013**	**24,902**	**-**	**104,983**
Inflows	**(3,042)**	**(4,629)**	**(65,902)**	**(22,973)**	**-**	**(96,546)**
Bank acceptances	**205**	**258**	**-**	**-**	**-**	**463**
Debt issues and loan capital	**17,155**	**31,674**	**80,618**	**24,344**	**-**	**153,791**
Due to controlled entities	**6,273**	**5,877**	**23,743**	**55,329**	**-**	**91,222**
Other monetary liabilities	**5,935**	**2,091**	**120**	**9**	**-**	**8,155**
Total monetary liabilities	**552,033**	**130,124**	**129,105**	**84,582**	**-**	**895,844**
Guarantees (2)	**7,037**	**-**	**-**	**-**	**-**	**7,037**
Loan commitments (2)	**158,567**	**-**	**-**	**-**	**-**	**158,567**
Other commitments (2)	**3,944**	**-**	**-**	**-**	**-**	**3,944**
Total off Balance Sheet items	**169,548**	**-**	**-**	**-**	**-**	**169,548**
Total monetary liabilities and off Balance Sheet items	**721,581**	**130,124**	**129,105**	**84,582**	**-**	**1,065,392**

(1) Includes deposits that are contractually at call, customer savings and cheque accounts. Historical experience is that such accounts provide a stable source of long-term funding for the Group and Bank.

(2) All off Balance Sheet items are included in the 0 to 3 months maturity band to reflect their earliest possible maturity.

Notes to the financial statements

Note 34 Liquidity and Funding Risk (continued)

Maturity Analysis of Monetary Liabilities (continued)

	Bank					
	Maturity Period as at 30 June 2016					
	0 to 3 Months $M	3 to 12 Months $M	1 to 5 Years $M	Over 5 Years $M	Not Specified $M	Total $M
Monetary liabilities						
Deposits and other public borrowings (1)	456,306	63,101	17,641	180	-	537,228
Payables due to other financial institutions	26,804	1,545	3	-	-	28,352
Liabilities at fair value through Income Statement	3,844	1,151	1,247	1,210	-	7,452
Derivative financial instruments:						
Held for trading	27,672	-	-	-	-	27,672
Held for hedging purposes (net-settled)	(604)	327	1,620	2,813	-	4,156
Held for hedging purposes (gross-settled):						
Outflows	3,143	26,209	40,622	35,132	-	105,106
Inflows	(2,906)	(22,059)	(36,762)	(31,333)	-	(93,060)
Bank acceptances	1,359	54	-	-	-	1,413
Debt issues and loan capital	16,495	41,229	65,816	27,965	-	151,505
Due to controlled entities	6,681	6,365	24,266	92,735	-	130,047
Other monetary liabilities	4,442	4,688	56	2	5	9,193
Total monetary liabilities	543,236	122,610	114,509	128,704	5	909,064
Guarantees (2)	5,873	-	-	-	-	5,873
Loan commitments (2)	155,446	-	-	-	-	155,446
Other commitments (2)	4,868	-	-	-	-	4,868
Total off Balance Sheet items	166,187	-	-	-	-	166,187
Total monetary liabilities and off Balance Sheet items	709,423	122,610	114,509	128,704	5	1,075,251

(1) Includes deposits that are contractually at call, customer savings and cheque accounts. Historical experience is that such accounts provide a stable source of long-term funding for the Bank.
(2) All off Balance Sheet items are included in the 0 to 3 months maturity band to reflect their earliest possible maturity.

Note 35 Retirement Benefit Obligations

Name of Plan	Type	Form of Benefit	Date of Last Actuarial Assessment of the Fund
Commonwealth Bank Group Super	Defined Benefits (1) and Accumulation	Indexed pension and lump sum	30 June 2015
Commonwealth Bank of Australia (UK) Staff Benefits Scheme (CBA (UK) SBS)	Defined Benefits (1) and Accumulation	Indexed pension and lump sum	30 June 2013 (2)

(1) The defined benefit formulae are generally comprised of final salary, or final average salary, and service.
(2) The actuarial assessment of the Fund at 30 June 2016 is due to be finalised by September 2017. Demographic assumptions approved for the 30 June 2016 actuarial assessment have been applied in the 30 June 2017 valuation.

Regulatory Framework

Both plans operate under trust law with the assets of the plans held separately in trust. The Trustee of Commonwealth Bank Group Super is Commonwealth Bank Officers Superannuation Corporation Pty Limited. The Trustee of CBA (UK) SBS is Commonwealth Bank of Australia (UK) Staff Benefits Scheme Trustee Company Limited. Both Trustees are wholly owned subsidiaries of the Group. The Trustees do not conduct any business other than trusteeship of the plans. The plans are managed and administered on behalf of the members in accordance with the terms of each trust deed and relevant legislation. The funding of the plans complies with regulations in Australia and the UK respectively.

Funding and Contributions

An actuarial assessment as at 30 June 2015 showed Commonwealth Bank Group Super remained in funding surplus. The Bank agreed to continue contributions of $20 million per month to the plan. Employer contributions paid to the plan are subject to tax at the rate of 15% in the plan.

An actuarial assessment of the CBA (UK) SBS as at 30 June 2013 confirmed a funding deficit of GBP62 million ($105 million). The Bank agreed to continue the deficit recovery contributions of GBP15 million per annum ($25 million) until 31 December 2017 to CBA (UK) SBS in addition to the regular GBP3 million per annum ($5 million) contributions for future defined benefit accruals.

Note 35 Retirement Benefit Obligations (continued)

Funding and Contributions (continued)

The Group's expected contribution to the Commonwealth Bank Group Super and the CBA (UK) SBS for the year ended 30 June 2018 are $240 million and GBP10 million ($17 million) respectively.

Defined Benefit Superannuation Plans

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

	Commonwealth Bank Group Super		CBA(UK)SBS		Total	
	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M
Present value of funded obligations	(2,910)	(3,114)	(656)	(656)	(3,566)	(3,770)
Fair value of plan assets	3,336	3,375	645	605	3,981	3,980
Net pension assets/(liabilities) as at 30 June	426	261	(11)	(51)	415	210
Amounts in the Balance Sheet:						
Assets (Note 16)	426	261	-	-	426	261
Liabilities (Note 21)	-	-	(11)	(51)	(11)	(51)
Net assets/(liabilities)	426	261	(11)	(51)	415	210
The amounts recognised in the Income Statement are as follows:						
Current service cost	(38)	(34)	(7)	(6)	(45)	(40)
Net interest income/(expense)	6	9	(1)	(2)	5	7
Employer financed benefits within accumulation division (1)	(275)	(266)	-	-	(275)	(266)
Total included in superannuation plan expense	(307)	(291)	(8)	(8)	(315)	(299)
Changes in the present value of the defined benefit obligation are as follows:						
Opening defined benefit obligation	(3,114)	(3,184)	(656)	(672)	(3,770)	(3,856)
Current service cost	(38)	(34)	(7)	(6)	(45)	(40)
Interest cost	(105)	(144)	(18)	(24)	(123)	(168)
Member contributions	(7)	(7)	-	-	(7)	(7)
Actuarial gains/(losses) from changes in demographic assumptions	-	321	41	-	41	321
Actuarial gains/(losses) from changes in financial assumptions	175	(268)	(84)	(57)	91	(325)
Actuarial gains/(losses) from changes in other assumptions	(9)	(8)	(4)	(9)	(13)	(17)
Payments from the plan	188	210	32	27	220	237
Exchange differences on foreign plans	-	-	40	85	40	85
Closing defined benefit obligation	(2,910)	(3,114)	(656)	(656)	(3,566)	(3,770)
Changes in the fair value of plan assets are as follows:						
Opening fair value of plan assets	3,375	3,460	605	615	3,980	4,075
Interest income	111	153	17	23	128	176
Return on plan assets (excluding interest income)	66	(9)	63	37	129	28
Member contributions	7	7	-	-	7	7
Employer contributions	240	240	29	36	269	276
Employer financed benefits within accumulation division	(275)	(266)	-	-	(275)	(266)
Payments from the plan	(188)	(210)	(32)	(27)	(220)	(237)
Exchange differences on foreign plans	-	-	(37)	(79)	(37)	(79)
Closing fair value of plan assets	3,336	3,375	645	605	3,981	3,980

(1) Represents superannuation contributions required by the Bank to meet its obligations to members of the defined contribution division of Commonwealth Bank Group Super.

Note 35 Retirement Benefit Obligations (continued)

Economic Assumptions

Economic assumptions	Commonwealth Bank Group Super 2017 %	Commonwealth Bank Group Super 2016 %	CBA(UK)SBS 2017 %	CBA(UK)SBS 2016 %
The above calculations were based on the following assumptions:				
Discount rate	**4. 20**	3. 40	**2. 60**	3. 00
Inflation rate	**2. 00**	1. 60	**3. 50**	3. 10
Rate of increases in salary	**3. 00**	2. 60	**4. 50**	4. 10

In addition to financial assumptions, the mortality assumptions for pensioners can materially impact the defined benefit obligations. These assumptions are age related and allowances are made for future improvement in mortality. The expected life expectancies (longevity) for pensioners are set out below:

Expected life expectancies for pensioners	Commonwealth Bank Group Super 2017 Years	Commonwealth Bank Group Super 2016 Years	CBA(UK)SBS 2017 Years	CBA(UK)SBS 2016 Years
Male pensioners currently aged 60	**28. 7**	28. 6	**27. 8**	28. 7
Male pensioners currently aged 65	**23. 7**	23. 6	**23. 0**	23. 8
Female pensioners currently aged 60	**33. 0**	33. 0	**29. 7**	31. 2
Female pensioners currently aged 65	**28. 0**	27. 9	**24. 9**	26. 2

Sensitivity to Changes in Assumptions

The table below sets out the sensitivities of the present value of defined benefit obligations at 30 June to a change in the principal actuarial assumptions:

Impact of change in assumptions on liabilities	Commonwealth Bank Group Super 2017 %	CBA(UK)SBS 2017 %
0.25% decrease in discount rate	**3. 30**	**5. 10**
0.25% increase in inflation rate	**2. 60**	**3. 50**
0.25% increase to the rate of increases in salary	**0. 50**	**0. 50**
Longevity increase of 1 year	**4. 40**	**3. 90**

Average Duration

The average duration of defined benefit obligation at 30 June is as follows:

	Commonwealth Bank Group Super 2017 Years	CBA(UK)SBS 2017 Years
Average duration at balance date	**12**	**19**

Risk Management

The pension plans expose the Group to longevity risk, currency risk, interest rate risk, inflation risk and market risk. The Trustees perform Asset-Liability Matching (ALM) exercises to ensure the plan assets are well matched to the nature and maturities of the defined benefit obligations.

The Commonwealth Bank Group Super's investment strategy comprises 42% growth and 58% defensive assets. Inflation and interest rate risks are partly mitigated by investing in long dated fixed interest securities which better match the average duration of liabilities and entering into inflation and interest rate swaps.

Note 35 Retirement Benefit Obligations (continued)

Risk Management (continued)

The allocation of assets backing the defined benefit portion of Commonwealth Bank Group Super is as follows:

	Commonwealth Bank Group Super			
	2017		2016	
Asset allocations	Fair value ($M)	% of plan asset	Fair value ($M)	% of plan asset
Cash	144	4. 3	108	3. 2
Equities - Australian [1]	307	9. 2	311	9. 2
Equities - Overseas [1]	520	15. 6	431	12. 8
Bonds - Commonwealth Government [1]	648	19. 4	670	19. 9
Bonds - Semi-Government [1]	1,107	33. 2	1,150	34. 1
Bonds - Corporate and other [1]	62	1. 9	122	3. 6
Real Estate [2]	367	11. 0	214	6. 3
Derivatives [2]	(18)	(0. 6)	(14)	(0. 4)
Other [3]	199	6. 0	383	11. 3
Total fair value of plan assets	3,336	100. 0	3,375	100. 0

(1) Values based on prices or yields quoted in an active market.
(2) Values based on non-quoted information.
(3) These are alternative investments which are not included in the traditional asset classes of equities, fixed interest securities, real estate and cash. They include multi-asset investments, liquid alternative investments and hedge funds.

The Australian equities fair value includes $20 million of Commonwealth Bank shares. The real estate fair value includes $2 million of property assets leased to the Bank. The bonds – corporate and other fair value includes $1 million of Commonwealth Bank debt securities.

Note 36 Investments in Subsidiaries and Other Entities

Subsidiaries

The key subsidiaries of the Bank are:

Entity Name	Entity Name
Australia	
(a) Banking	
CBA Covered Bond Trust	Medallion Trust Series 2015-1
Commonwealth Securities Limited	Medallion Trust Series 2015-2
Medallion Trust Series 2008-1R	Medallion Trust Series 2016-1
Medallion Trust Series 2011-1	Medallion Trust Series 2016-2
Medallion Trust Series 2013-1	Medallion Trust Series 2017-1
Medallion Trust Series 2013-2	Medallion Trust Series 2017-1P
Medallion Trust Series 2014-1	Residential Mortgage Group Pty Ltd
Medallion Trust Series 2014-2	Series 2008-1D SWAN Trust
(b) Insurance and Funds Management	
Capital 121 Pty Limited	Commonwealth Insurance Limited
Colonial Holding Company Limited	The Colonial Mutual Life Assurance Society Limited
Commonwealth Insurance Holdings Limited	

All the above subsidiaries are 100% owned and incorporated in Australia.

Notes to the financial statements

Note 36 Investments in Subsidiaries and Other Entities (continued)

Subsidiaries (continued)

Entity Name	Extent of Beneficial Interest if not 100%	Incorporated in
New Zealand and Other Overseas		
(a) Banking		
ASB Bank Limited		New Zealand
ASB Covered Bond Trust		New Zealand
ASB Finance Limited		New Zealand
ASB Holdings Limited		New Zealand
ASB Term Fund		New Zealand
CommBank Europe Limited		Malta
Medallion NZ Series Trust 2009-1R		New Zealand
PT Bank Commonwealth	99%	Indonesia
(b) Insurance and Funds Management		
ASB Group (Life) Limited		New Zealand
PT Commonwealth Life	80%	Indonesia
Sovereign Assurance Company Limited		New Zealand

The Group also consolidates a number of unit trusts and other companies as part of the ongoing investment activities of the life insurance and wealth businesses. These investment vehicles are excluded from the above list.

Significant Judgements and Assumptions

Control and Voting Rights

Holding more than 50% of an entity's voting rights typically indicates that the Group has control over the entity. Significant judgement is involved where the Group either holds more than 50% of the voting rights but does not control an entity, which occurs in the case of AHL Holdings Pty Limited (AHL) as outlined below or where the Group is deemed to control an entity despite holding less than 50% of the voting rights.

AHL Holdings Pty Limited (AHL)

Management have determined that the Group does not control AHL despite owning 80% of the issued share capital of this entity. According to the Shareholders Deed agreed between the shareholders of AHL, unanimous consent is required from all parties to the Deed for all key decisions. This results in joint control and hence the Group accounts for its investment in AHL as a joint venture using the equity method.

Agent or principal

The Group is deemed to have power over an investment fund when it holds either the responsible entity (RE) and/or the manager function of that fund. Whether that power translates to control depends on whether the Group is deemed to act as an agent or a principal of that fund. Management have determined that the Group acts as a principal and controls a fund when it cannot be easily removed as a manager or RE by investors and when its economic interest in that fund is substantial compared to the economic interest of other investors. In all other cases the Group acts as agent and does not control the fund.

Non-Controlling Interests

	Group	
	2017 $M	2016 $M
Shareholders' Equity	546	550
Total non-controlling interests	546	550

The share capital above comprises predominantly New Zealand Perpetual Preference Shares (PPS) of AUD505 million.

On 10 December 2002, ASB Capital Limited, a New Zealand subsidiary, issued NZD200 million (AUD182 million) of PPS. The PPS were issued into the New Zealand capital markets and are subject to New Zealand law. Such shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly based on the New Zealand one year swap rate plus a margin of 1.3% and are non-cumulative. The payments of dividends are subject to a number of conditions including the satisfaction of solvency tests and the ability of the Board to cancel payments.

On 22 December 2004, ASB Capital No.2 Limited, a New Zealand subsidiary, issued NZD350 million (AUD323 million) of PPS. The PPS were issued into the New Zealand capital markets and are subject to New Zealand law. Such shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly on the New Zealand one year swap rate plus a margin of 1.0% and are non-cumulative. The payments of dividends are subject to a number of conditions including the satisfaction of solvency tests and the ability of the Board to cancel payments.

Note 36 Investments in Subsidiaries and Other Entities (continued)

ASB Capital Limited and ASB Capital No.2 Limited have advanced proceeds from the above public issues to ASB Funding Limited, a New Zealand subsidiary. ASB Funding Limited in turn invested the proceeds in PPS issued by ASB Limited (ASB PPS), also a New Zealand subsidiary. In relation to ASB Capital No.2 Limited, if an APRA Event occurs, the loan to ASB Funding Limited will be repaid and ASB Capital No.2 Limited will become the holder of the corresponding ASB PPS.

The PPS may be purchased by a Commonwealth Bank subsidiary exercising a buy-out right five years or more after issue, or on the occurrence of regulatory or tax events.

Significant Restrictions

There were no significant restrictions on the ability to transfer cash or other assets, pay dividends or other capital distributions, provide or repay loans and advances between the entities within the Group. There were also no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group resulting from protective rights of non-controlling interests.

Associates and Joint Ventures

There were no individually significant investments in associates or joint ventures held by the Group as at 30 June 2017 and 30 June 2016. In addition, there were no significant restrictions on the ability of associates or joint ventures to transfer funds to the Bank or its subsidiaries in the form of cash dividends or to repay loans or advances made.

The Group's investments in associates and joint ventures are shown in the table below.

	Group						
	2017 $M	2016 $M	2017 Ownership Interest %	2016 Ownership Interest %	Principal Activities	Country of Incorporation	Balance Date
AHL Holdings Pty Limited (1)	**288**	272	**80**	80	Mortgage Broking	Australia	30-Jun
Bank of Hangzhou Co., Ltd	**1,412**	1,405	**18**	20	Commercial Banking	China	31-Dec
BoCommLife Insurance Company Limited	**151**	174	**38**	38	Insurance	China	31-Dec
First State European Diversified Infrastructure Fund FCP-SIF	**116**	110	**3**	4	Funds Management	Luxembourg	31-Dec
Qilu Bank Co., Ltd	**445**	444	**20**	20	Commercial Banking	China	31-Dec
Vietnam International Commercial Joint Stock Bank	**186**	192	**20**	20	Financial Services	Vietnam	31-Dec
Other	**180**	179	**Various**	Various	Various	Various	Various
Carrying amount of investments in associates and joint ventures	**2,778**	2,776					

(1) The Group's 80% interest in AHL Holdings Pty Limited (trading as Aussie Home Loans) is jointly controlled as the key financial and operating decisions require the unanimous consent of all directors. AHL Holdings Pty Limited is considered a structured entity. The Group's maximum exposure to loss in relation to its investment is its carrying value and the total assets of Aussie Home Loans equals $292 million (2016: $280 million).

Share of Associates' and Joint Ventures profits	Group 2017 $M	Group 2016 $M
Operating profits before income tax	**373**	367
Income tax expense	**(81)**	(78)
Operating profits after income tax (1)	**292**	289

(1) This amount is recognised within Note 2 in the share of profits of associates and joint ventures net of impairment.

Structured Entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on the Group's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases it may sponsor or have exposure to such an entity but not consolidate it.

Consolidated Structured Entities

The Group has the following contractual arrangements which require it to provide financial support to its structured entities.

Securitisation Structured Entities

The Group provides liquidity facilities to Medallion, Medallion NZ and Swan structured entities. The liquidity facilities can only be drawn to cover cash flow shortages relating to mismatches in timing of cash inflows due from securitised asset pools and cash outflows due to note holders. These 'timing mismatch' facilities rank pari passu with other senior secured creditors. The facilities limit is $773 million (2016: $1,118 million).

The Group has no contractual obligations to purchase assets from its securitisation structured entities.

Note 36 Investments in Subsidiaries and Other Entities (continued)

Consolidated Structured Entities (continued)

Covered Bonds Trust

The Group provides funding and support facilities to CBA Covered Bond Trust and ASB Covered Bond Trust (the 'Trusts'). The Trusts are bankruptcy remote SPVs that guarantee any debt obligations owing under the US$30 billion CBA Covered Bond Programme and the EUR7 billion ASB Covered Bond Programme, respectively. The funding facilities allow the Trusts to hold sufficient residential mortgage loans to support the guarantees provided to the Covered Bonds. The Group also provides various swaps to the Trusts to hedge any interest rate and currency mismatches. The Group, either directly or via its wholly owned subsidiaries, Securitisation Advisory Services Pty Limited and Securitisation Management Services Limited, provides various services to the Trusts including servicing and monitoring of the residential mortgages.

Structured Asset Finance Structured Entities

The Group has no contractual obligation to provide financial support to any of its Structured Asset Finance structured entities.

During the year ended 30 June 2017, the Bank entered into a debt forgiveness arrangement with two wholly owned structured entities for the total of $11 million (2016: $69 million). The financial impact of the debt forgiveness was fully eliminated on consolidation.

Unconsolidated Structured Entities

The Group has exposure to various securitisation vehicles via Residential Mortgage-backed Securities (RMBS) and Asset-backed Securities (ABS). The Group may also provide derivatives and other commitments to these vehicles. The Group also has exposure to Investment Funds and other financing vehicles.

Securitisations

Securitisations involve transferring assets into an entity that sells beneficial interests to investors through the issue of debt and equity notes with varying levels of subordination. The notes are collateralised by the assets transferred to these vehicles and pay a return based on the returns of those assets, with residual returns paid to the most subordinated investor.

The Group may trade or invest in Residential Mortgage-backed Securities and Asset-backed Securities which are backed by Commercial Properties, Consumer Receivables, Equipment and Auto Finance. The Group may also provide lending, derivatives, liquidity and commitments to these securitisation entities.

Other Financing

Asset-backed entities are used to provide tailored lending for the purchase or lease of assets transferred by the Group or its clients. The assets are normally pledged as collateral to the lenders. The Group engages in raising finance for assets such as aircraft, trains, vessels and other infrastructure. The Group may also provide lending, derivatives, liquidity and commitments to these entities.

Investment Funds

The Group conducts investment management and other fiduciary activities as responsible entity, trustee, custodian, advisor or manager for investment funds and trusts, including superannuation and approved deposit funds, wholesale and retail trusts. The Group's exposure to Investment Funds includes holding units in the investment funds and trusts, providing lending facilities, derivatives and receiving fees for services.

The nature and extent of the Group's interests in these entities are summarised below. Interests do not include plain vanilla derivatives (e.g. interest rate swaps and currency swaps) and positions where the Group creates rather than absorbs variability of the Structured Entity, for example deposits. These have been excluded from the below table.

					2017
Exposures to unconsolidated structured entities	**RMBS $M**	**ABS $M**	**Other Financing $M**	**Investment Funds $M**	**Total $M**
Assets at fair value through income statement - trading	10	-	-	828	838
Available-for-sale investments	6,824	701	-	212	7,737
Loans, bills discounted and other receivables	2,573	1,589	2,589	7,410	14,161
Other assets	-	-	-	133	133
Total on Balance Sheet exposures	9,407	2,290	2,589	8,583	22,869
Total notional amounts of off Balance Sheet exposures (1)	1,348	1,658	668	5,837	9,511
Total maximum exposure to loss	10,755	3,948	3,257	14,420	32,380
Total assets of the entities (2)	62,805	19,017	9,736	325,941	417,499

(1) Relates to undrawn facilities.

(2) Size of the entities is generally the total assets of the entities, except for Real Estate Investment Trusts where the size is based on the Group's credit exposure of $10.7 billion.

Note 36 Investments in Subsidiaries and Other Entities (continued)

Unconsolidated Structured Entities (continued)

Exposures to unconsolidated structured entities	RMBS $M	ABS $M	Other Financing $M	Investment Funds $M	Total $M
					2016
Assets at fair value through income statement - trading	5	-	-	1,078	1,083
Available-for-sale investments	7,123	872	-	205	8,200
Loans, bills discounted and other receivables	2,432	1,606	2,627	9,861	16,526
Other assets	-	-	-	123	123
Total on Balance Sheet exposures	9,560	2,478	2,627	11,267	25,932
Total notional amounts of off Balance Sheet exposures (1)	1,338	543	501	3,915	6,297
Total maximum exposure to loss	10,898	3,021	3,128	15,182	32,229
Total assets of the entities (2)	47,626	15,066	9,967	290,261	362,920

(1) Relates to undrawn facilities.
(2) Size of the entities is generally the total assets of the entities, except for Real Estate Investment Trusts where the size is based on the Group's credit exposure of $11.2 billion.

The Group's exposure to loss depends on the level of subordination of the interest which indicates the extent to which other parties are obliged to absorb credit losses before the Group. An overview of the Group's interests, relative ranking and external credit rating, for vehicles that have credit subordination in place, is summarised in the table below, and include securitisation vehicles and other financing.

Ranking and credit rating of exposures to unconsolidated structured entities	RMBS $M	ABS $M	Other Financing $M	Total $M
				2017
Senior (1)	10,727	3,936	3,257	**17,920**
Mezzanine (2)	13	12	-	**25**
Subordinated (3)	15	-	-	**15**
Total maximum exposure to loss	10,755	3,948	3,257	**17,960**

(1) All RMBS and ABS exposures, and $1,776 million of other financing exposures are rated investment grade, $1,481 million of other financing exposures are sub-investment grade.
(2) All RMBS and ABS exposures are rated investment grade.
(3) All exposures are rated sub-investment grade.

Ranking and credit rating of exposures to unconsolidated structured entities	RMBS $M	ABS $M	Other Financing $M	Total $M
				2016
Senior (1)	10,853	3,008	3,128	16,989
Mezzanine (2)	18	13	-	31
Subordinated (3)	27	-	-	27
Total maximum exposure to loss	10,898	3,021	3,128	17,047

(1) $10,853 million of RMBS exposures, $3,008 million of ABS exposures and $1,522 million of other financing exposures are rated investment grade, the remaining $1,606 million exposures are rated sub-investment grade.
(2) All RMBS and ABS exposures are rated investment grade.
(3) All exposures are rated sub-investment grade.

Sponsored Unconsolidated Structured Entities

For the purposes of this disclosure, the Group sponsors an entity when it manages or advises the entity's program, places securities into the market on behalf of the entity, provides liquidity and/or credit enhancements to the entity, or the Group's name appears in the Structured Entity.

During the year ended 30 June 2017, the Group sponsored two unconsolidated structured entities being Security Holding Investment Entity Linking Deals Limited (SHIELD) and SHIELD Trust No. 2. A wholly owned subsidiary of the Group, Securitisation Advisory Services Pty Limited (SAS), was the manager of SHIELD and SHIELD was the trustee of SHIELD Trust No. 2. The Group deregistered SHIELD and wound up SHIELD Trust No. 2 during the year ended 30 June 2017.

There was no significant income earned or expense incurred directly from these entities during the year ended 30 June 2017. There were no assets transferred by all parties to the sponsored entities during the year ended 30 June 2017.

Note 37 Key Management Personnel

Detailed remuneration disclosures by Key Management Personnel are provided in the Remuneration Report of the Directors' Report on pages 63 to 81 and have been audited.

	Group		Bank	
	2017	2016	2017	2016
Key management personnel compensation	$'000	$'000	$'000	$'000
Short-term benefits	**18,167**	34,707	**18,167**	34,707
Post-employment benefits	**438**	457	**438**	457
Long-term benefits [(1)]	**359**	562	**359**	562
Share-based payments [(1)]	**15,966**	12,815	**15,966**	12,815
Total	**34,930**	48,541	**34,930**	48,541

(1) 2016 comparatives have been restated to reflect a disclosure methodology change where Deferred Rights are included in share-based payments instead of long-term benefits.

Shareholdings

Details of the aggregate shareholdings of Key Management Personnel are set out below.

	Class [(1)]	Balance 1 July 2016	Acquired/ Granted as Remuneration	Previous Years Awards Vested [(2)]	Net Change Other [(3)]	Balance 30 June 2017 [(4)]
Non-Executive Directors	Ordinary [(5) (6)]	201,155	1,784	-	(31,246)	**171,693**
	PERLS	9,830	3,094	-	(1,854)	**11,070**
Executives [(7)]	Ordinary [(6)]	601,430	-	-	(95,729)	**505,701**
	LTVR - Reward Rights	1,137,718	295,725	(53,434)	(350,389)	**1,029,620**
	Deferred Rights	26,633	23,086	(22,012)	-	**27,707**

(1) LTVR Reward Rights represent rights granted under the GLRP which are subject to performance hurdles. Deferred Rights represent the deferred STVR awarded under Executive General Manager arrangements, sign-on and retention awards received as rights. PERLS include cumulative holdings of all PERLS securities issued by the Group.
(2) LTVR Reward Rights and Deferred Rights become ordinary shares upon vesting. A portion of Ian Narev's vested equity award was delivered in the form of cash, which was paid to registered charities pursuant to an option that the Board made available in the financial year.
(3) Net Change Other incorporates changes resulting from purchases, sales, forfeitures, appointments and retirement of Non-Executive Directors and Executives during the financial year.
(4) 30 June 2017 balances represent aggregate shareholdings of all Key Management Personnel at balance date.
(5) Non-Executive Directors who hold fewer than 5,000 Commonwealth Bank shares are required to receive 20% of their total after-tax base fees as CBA shares. These shares are subject to a 10 year trading restriction (the shares will be released earlier if the director leaves the Board).
(6) Opening balance has been restated to include a correction to CBA ordinary shares.
(7) David Craig holds 28,150 PERLS. Anna Lenahan holds 2,000 Capital Notes.

Loans to Key Management Personnel

All loans to Key Management Personnel (including close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of those family members or entities held significant voting power) have been made in the ordinary course of business on normal commercial terms and conditions no more favourable than those given to other employees and customers, including the term of the loan, security required and the interest rate (which may be fixed or variable). There has been no write down of loans during the period.

Details of aggregate loans to Key Management Personnel are set out below:

	2017	2016 [(1)]
	$'000	$'000
Loans	**12,145**	11,330
Interest Charged	**406**	460

(1) Comparatives have been restated to align to actual balances.

Other transactions of Key Management Personnel

Financial Instrument Transactions

Financial instrument transactions (other than loans and shares disclosed within this report) of Key Management Personnel occur in the ordinary course of business on normal commercial terms and conditions no more favourable than those given to other employees and customers.

Disclosure of financial instrument transactions regularly made as part of normal banking operations is limited to disclosure of such transactions with Key Management Personnel and entities controlled or significantly influenced by them.

All such financial instrument transactions that have occurred between entities within the Group and their Key Management Personnel have been trivial or domestic in nature and were in the nature of normal personal banking and deposit transactions.

Transactions other than Financial Instrument Transactions of Banks

All other transactions with Key Management Personnel and their related entities and other related parties are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. These transactions principally involve the provision of financial and investment services by entities not controlled by the Group. A related party of an Executive has also been employed by the Group, and is remunerated in a manner consistent with normal employee relationships.

Note 38 Related Party Disclosures

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

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

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

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

		Bank
	2017	2016
	$M	$M
Shares in controlled entities	**10,572**	11,720
Loans to controlled entities	**90,765**	134,233
Total shares in and loans to controlled entities	**101,337**	145,953

The Group also receives fees on an arm's length basis of $53 million (2016: $49 million) from funds classified as associates.

The Bank provides letters of comfort to other entities within the Group on standard terms. Guarantees include a $50 million (2016: $40 million) guarantee to AFS license holders in respect of excess compensation claims.

The Bank is the head entity of the tax consolidated group and has entered into tax funding and tax sharing agreements with its eligible Australian resident subsidiaries. The terms and conditions of these agreements are set out in Note 1(r). The amount receivable by the Bank under the tax funding agreement with the tax consolidated entities is $302 million as at 30 June 2017 (2016: $213 million receivable). This balance is included in 'Other assets' in the Bank's separate Balance Sheet.

All transactions between Group entities are eliminated on consolidation.

Notes to the financial statements

Note 39 Notes to the Statements of Cash Flows

(a) Reconciliation of Net Profit after Income Tax to Net Cash (used in)/provided by Operating Activities

	Group			Bank	
	2017	2016	2015	2017	2016
	$M	$M	$M	$M	$M
Net profit after income tax (1)	**9,952**	9,243	9,074	**8,979**	8,639
(Increase)/decrease in interest receivable	**(14)**	(148)	3	**21**	(130)
(Decrease)/increase in interest payable	**(26)**	(312)	14	**(5)**	(295)
Net decrease/(increase) in assets at fair value through Income Statement (excluding life insurance)	**2,788**	(8,538)	(5,490)	**3,372**	(8,787)
Net gain on sale of controlled entities and associates	**(2)**	-	(13)	**-**	(21)
Net gain on sale of investments	**-**	-	-	**-**	-
Net movement in derivative assets/liabilities	**(492)**	5,988	6,180	**(3,509)**	6,288
Net (gain)/loss on sale of property, plant and equipment	**(6)**	21	8	**3**	15
Equity accounting profit	**(292)**	(289)	(268)	**-**	-
Loan impairment expense	**1,095**	1,256	988	**1,040**	1,153
Depreciation and amortisation (including asset write downs)	**1,229**	857	803	**1,035**	666
Increase in liabilities at fair value through Income Statement (excluding life insurance)	**121**	1,651	975	**1,550**	123
Increase/(decrease) in other provisions	**114**	(78)	354	**113**	(13)
Increase/(decrease) in income taxes payable	**603**	486	(32)	**570**	181
Decrease in deferred tax liabilities	**(14)**	(162)	(15)	**-**	-
(Increase)/decrease in deferred tax assets (1)	**(573)**	66	131	**(587)**	(22)
(Increase)/decrease in accrued fees/reimbursements receivable	**(238)**	137	66	**20**	(10)
Increase/(decrease) in accrued fees and other items payable (1)	**18**	(150)	349	**(62)**	(67)
Decrease in life insurance contract policy liabilities	**(1,240)**	(991)	(1,133)	**-**	-
Cash flow hedge ineffectiveness	**(20)**	5	20	**3**	(5)
Loss/(gain) on changes in fair value of hedged items	**799**	(642)	(493)	**1,829**	(1,369)
Dividend received - controlled entities	**-**	-	-	**(1,200)**	(1,462)
Changes in operating assets and liabilities arising from cash flow movements	**(15,228)**	(13,640)	(4,658)	**(14,907)**	(11,367)
Other (1)	**619**	679	320	**552**	1,020
Net cash (used in)/provided by operating activities	**(807)**	(4,561)	7,183	**(1,183)**	(5,463)

(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1.

(b) Reconciliation of Cash

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

	Group			Bank	
	2017	2016	2015	2017	2016
	$M	$M	$M	$M	$M
Notes, coins and cash at banks	**14,635**	12,103	15,683	**12,707**	10,809
Other short-term liquid assets	**8,482**	2,344	3,587	**8,242**	2,100
Cash and cash equivalents at end of year	**23,117**	14,447	19,270	**20,949**	12,909

(c) Non-cash Financing and Investing Activities

	Group		
	2017	2016	2015
	$M	$M	$M
Shares issued under the Dividend Reinvestment Plan (1)	**1,143**	1,209	571

(1) No part of the Dividend Reinvestment Plan paid out in the 2017 financial year was satisfied through the on-market purchase and transfer of shares to participating shareholders (2016: nil and 2015: $704 million)

(d) Acquisition of Controlled Entities

On 2 December 2016, 100% of the contributed equity of Water Utilities Australia Limited was purchased for $32 million. On 20 April 2016, 100% of the contributed equity of Vector Gas Limited was purchased for NZ$952.5 million and renamed to First Gas Limited (FGL). The acquisitions occurred via the Global Diversified Infrastructure Fund (GDIF), which is partly owned by the Group's life insurance business.

The investment in GDIF is used to back life insurance policy liabilities, the majority of which are investment-linked contracts where the returns to policyholders are linked to GDIF's overall returns. Notwithstanding this, GDIF and consequently FGL, have been consolidated due to the overall equity ownership in GDIF.

Note 39 Notes to the Statements of Cash Flows (continued)

FGL is the owner and operator of gas transmission and distribution networks within New Zealand.

The Group acquired 100% of the issued share capital of the TYME Group and gained control on 26 January 2015. TYME is a South African based global leader in designing, building and operating digital banking systems. This acquisition will support the Group in growing into emerging markets, as well as provide capability to enhance innovation in our core markets.

The fair value of the identifiable assets acquired and liabilities assumed at the acquisition date are as follows:

			Group
	2017	2016	2015
	$M [1]	$M [2]	$M
Net identifiable assets at fair value	**16**	553	(2)
Add: Goodwill	**16**	304	43
Purchase consideration transferred	**32**	857	41
Less: Cash and cash equivalents acquired	**(1)**	-	-
	31	857	41
Less: Contingent consideration	**-**	-	(12)
Net cash outflow on acquisition	**31**	857	29

(1) As the purchase price allocation is ongoing, the provisional fair value of net identifiable assets has been disclosed in accordance with Australian Accounting Standards.

(2) In the current financial year, upon completion of purchase price allocation, net identifiable assets at fair value for FGL has been revised to $605 million and goodwill to $252 million, from provisional amounts disclosed in the prior year.

Note 40 Disclosures about Fair Values

(a) Valuation

The best evidence of fair value is a quoted market price in an active market. Therefore, where possible, fair value is based on quoted market prices. Where no quoted market price for an instrument is available, the fair value is based on present value estimates or other valuation techniques based on current market conditions. These valuation techniques rely on market observable inputs wherever possible, or in a limited number of instances, rely on inputs which are reasonable assumptions based on market conditions.

Determination of the fair value of Over-the-Counter (OTC) derivatives includes credit valuation adjustments (CVA) for derivative assets to reflect the credit worthiness of the counterparty. Fair value of uncollateralised derivative assets and uncollateralised derivative liabilities incorporate funding valuation adjustments (FVA) to reflect funding costs and benefits to the Group. These adjustments are applied after considering any relevant collateral or master netting arrangements.

The Group utilises various valuation techniques and applies a hierarchy for valuation inputs that maximise the use of observable market data, if available.

Under AASB 13 'Fair Value Measurement' all financial and non-financial assets and liabilities measured or disclosed at fair value are categorised into one of the following three fair value hierarchy levels:

Quoted Prices in Active Markets – Level 1

This category includes assets and liabilities for which the valuation is determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Financial instruments included in this category are liquid government bonds, financial institution and corporate bonds, certificates of deposit, bank bills, listed equities and exchange traded derivatives.

Valuation Technique Using Observable Inputs – Level 2

This category includes assets and liabilities that have been valued using inputs other than quoted prices as described for Level 1, but which are observable for the asset or liability, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.

Financial instruments included in this category are commercial papers, mortgage-backed securities and OTC derivatives including interest rate swaps, cross currency swaps and FX options.

Notes to the financial statements

Note 40 Disclosures about Fair Values (continued)

Valuation Technique Using Significant Unobservable Inputs – Level 3

This category includes assets and liabilities where the valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally derived and extrapolated from observable inputs to match the risk profile of the financial instrument, and are calibrated against current market assumptions, historic transactions and economic models, where available. These inputs may include the timing and amount of future cash flows, rates of estimated credit losses, discount rates and volatility.

Financial instruments included in this category for the Group and Bank are assets backing insurance liabilities held through infrastructure funds, certain exotic OTC derivatives and certain asset-backed securities valued using unobservable inputs.

(b) Fair Value Hierarchy for Financial Assets and Liabilities Measured at Fair Value

The classification in the fair value hierarchy of the Group's and the Bank's financial assets and liabilities measured at fair value is presented in the tables below:

Group

	Fair Value as at 30 June 2017				Fair Value as at 30 June 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	$M	$M	$M	$M	$M	$M	$M	$M
Financial assets measured at fair value on a recurring basis								
Assets at fair value through Income Statement:								
Trading	24,657	8,047	-	**32,704**	23,180	10,887	-	34,067
Insurance	3,519	8,620	1,530	**13,669**	4,014	9,533	-	13,547
Other	51	1,060	-	**1,111**	43	1,437	-	1,480
Derivative assets	63	31,594	67	**31,724**	16	46,491	60	46,567
Available-for-sale investments	75,050	8,346	139	**83,535**	71,244	9,353	301	80,898
Bills Discounted	7,486	-	-	**7,486**	10,507	-	-	10,507
Total financial assets measured at fair value	110,826	57,667	1,736	**170,229**	109,004	77,701	361	187,066
Financial liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement	2,525	7,867	-	**10,392**	2,749	7,543	-	10,292
Derivative liabilities	192	30,036	102	**30,330**	38	39,819	64	39,921
Life investment contracts	-	7,374	565	**7,939**	-	8,582	-	8,582
Total financial liabilities measured at fair value	2,717	45,277	667	**48,661**	2,787	55,944	64	58,795

Bank

	Fair Value as at 30 June 2017				Fair Value as at 30 June 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	$M	$M	$M	$M	$M	$M	$M	$M
Financial assets measured at fair value on a recurring basis								
Assets at fair value through Income Statement:								
Trading	23,866	7,261	-	**31,127**	22,731	10,254	-	32,985
Other	-	796	-	**796**	-	1,187	-	1,187
Derivative assets	55	31,972	67	**32,094**	16	46,449	60	46,525
Available-for-sale investments	71,206	7,674	139	**79,019**	68,190	7,870	301	76,361
Bills Discounted	7,486	-	-	**7,486**	10,507	-	-	10,507
Total financial assets measured at fair value	102,613	47,703	206	**150,522**	101,444	65,760	361	167,565
Financial liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement	2,525	6,464	-	**8,989**	2,749	4,692	-	7,441
Derivative liabilities	192	31,878	103	**32,173**	33	43,781	70	43,884
Total financial liabilities measured at fair value	2,717	38,342	103	**41,162**	2,782	48,473	70	51,325

Note 40 Disclosures about Fair Values (continued)

(c) Analysis of Movements between Fair Value Hierarchy Levels

During the year ended 30 June 2017, the Group reclassified $752 million of available-for-sale securities (30 June 2016: $547 million) from Level 2 to Level 1. The Group also had insurance assets reclassifications of $488 million (30 June 2016: $628 million) from Level 1 to Level 2. There were $20 million trading security reclassifications (30 June 2016: nil) from Level 2 to Level 1, due to changes in the observability of inputs. The tables below summarise movements in Level 3 balance during the year. Transfers have been reflected as if they had taken place at the end of the reporting periods. Transfers in and out of level 3 were due to changes in the observability of inputs.

Level 3 Movement Analysis for the year ended 30 June 2017

					Group
	Financial Assets			Financial Liabilities	
	Insurance Assets $M	Derivative Assets $M	Available for Sale Investments $M	Derivative Liabilities $M	Life Investment Contracts $M
As at 1 July 2015	-	80	115	(23)	-
Purchases	-	13	4	-	-
Sales/Settlements	-	-	(104)	(46)	-
Gains/(losses) in the period:					
Recognised in the Income Statement	-	(33)	(2)	5	-
Recognised in the Statement of Comprehensive Income	-	-	-	-	-
Transfers in	-	-	305	-	-
Transfers out	-	-	(17)	-	-
As at 30 June 2016	-	60	301	(64)	-
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2016	-	-	1	-	-
As at 1 July 2016	-	60	301	(64)	-
Purchases	-	3	-	-	-
Sales/Settlements	-	-	(160)	29	-
Gains/(losses) in the period:					
Recognised in the Income Statement	-	(4)	-	6	-
Recognised in the Statement of Comprehensive Income	-	-	(2)	-	-
Transfers in	1,530	8	-	(73)	(565)
Transfers out	-	-	-	-	-
As at 30 June 2017	1,530	67	139	(102)	(565)
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2017	-	(4)	-	6	-

The valuation of insurance assets directly impacts the life investment contracts they are backing. The Group's exposure to other financial instruments measured at fair value based in full or in part on non-market observable inputs is restricted to a small number of financial instruments, which comprise an insignificant component of the portfolios to which they belong. As such, changes in fair value assumptions on all these instruments due to size or backing by policy holder funds generally have minimal impact on the Group's Income Statement and Shareholders' Equity.

Note 40 Disclosures about Fair Values (continued)

Level 3 Movement Analysis for the year ended 30 June 2017 (continued)

	Bank		
	Financial Assets		Financial Liabilities
	Derivative Assets $M	Available for Sale Investments $M	Derivative Liabilities $M
As at 1 July 2015	80	115	(25)
Purchases	14	4	-
Sales/Settlements	-	(104)	(46)
Gains/(losses) in the period:			
Recognised in the Income Statement	(34)	(2)	1
Recognised in the Statement of Comprehensive Income	-	-	-
Transfers in	-	305	-
Transfers out	-	(17)	-
As at 30 June 2016	60	301	(70)
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2016	-	1	-
As at 1 July 2016	60	301	(70)
Purchases	3	-	-
Sales/Settlements	-	(160)	32
Gains/(losses) in the period:			
Recognised in the Income Statement	(4)	-	8
Recognised in the Statement of Comprehensive Income	-	(2)	-
Transfers in	8	-	(73)
Transfers out	-	-	-
As at 30 June 2017	67	139	(103)
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2017	(4)	-	8

Note 40 Disclosures about Fair Values (continued)

(d) Fair Value Information for Financial Instruments not measured at Fair Value

The estimated fair values and fair value hierarchy of the Group's and the Bank's financial instruments not measured at fair value as at 30 June 2017 are presented below:

					Group 30 June 2017
	Carrying value		Fair value		
	Total	Level 1	Level 2	Level 3	Total
	$M	$M	$M	$M	$M
Financial assets not measured at fair value on a recurring basis					
Cash and liquid assets	**45,850**	23,117	22,733	-	**45,850**
Receivables due from other financial institutions	**10,037**	-	10,037	-	**10,037**
Loans and other receivables	**724,276**	-	-	724,271	**724,271**
Bank acceptances of customers	**463**	463	-	-	**463**
Other assets	**6,026**	2,371	3,655	-	**6,026**
Total financial assets	**786,652**	25,951	36,425	724,271	**786,647**
Financial liabilities not measured at fair value on a recurring basis					
Deposits and other public borrowings	**626,655**	-	626,924	-	**626,924**
Payables due to other financial institutions	**28,432**	-	28,432	-	**28,432**
Bank acceptances	**463**	463	-	-	**463**
Debt issues	**167,571**	-	167,752	-	**167,752**
Managed funds units on issue	**2,577**	1,547	1,030	-	**2,577**
Bills payable and other liabilities	**9,485**	2,795	6,690	-	**9,485**
Loan capital	**18,726**	8,278	10,428	-	**18,706**
Total financial liabilities	**853,909**	13,083	841,256	-	**854,339**
Financial guarantees, loan commitments and other off Balance Sheet instruments	**182,999**	-	-	182,999	**182,999**

					Group 30 June 2016
	Carrying value		Fair value		
	Total	Level 1	Level 2	Level 3	Total
	$M	$M	$M	$M	$M
Financial assets not measured at fair value on a recurring basis					
Cash and liquid assets	23,372	14,447	8,925	-	23,372
Receivables due from other financial institutions	11,591	-	11,591	-	11,591
Loans and other receivables	684,891	-	-	685,341	685,341
Bank acceptances of customers	1,431	1,431	-	-	1,431
Other assets	5,599	2,177	3,422	-	5,599
Total financial assets	726,884	18,055	23,938	685,341	727,334
Financial liabilities not measured at fair value on a recurring basis					
Deposits and other public borrowings	588,045	-	588,405	-	588,405
Payables due to other financial institutions	28,771	-	28,771	-	28,771
Bank acceptances	1,431	1,431	-	-	1,431
Debt issues	161,284	-	161,049	-	161,049
Managed funds units on issue	1,606	1,400	206	-	1,606
Bills payable and other liabilities (1)	7,613	1,414	6,199	-	7,613
Loan capital	15,544	6,151	8,950	-	15,101
Total financial liabilities	804,294	10,396	793,580	-	803,976
Financial guarantees, loan commitments and other off Balance Sheet instruments	179,902	-	-	179,902	179,902

(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1.

Note 40 Disclosures about Fair Values (continued)

(d) Fair Value Information for Financial Instruments not measured at Fair Value (continued)

	Bank 30 June 2017				
	Carrying value	Fair value			
	Total	Level 1	Level 2	Level 3	Total
	$M	$M	$M	$M	$M
Financial assets not measured at fair value on a recurring basis					
Cash and liquid assets	**42,814**	20,949	21,865	-	**42,814**
Receivables due from other financial institutions	**8,678**	-	8,678	-	**8,678**
Loans and other receivables	**640,017**	-	-	640,114	**640,114**
Bank acceptances of customers	**463**	463	-	-	**463**
Loans to controlled entities	**90,765**	-	-	90,797	**90,797**
Other assets	**5,067**	1,833	3,234	-	**5,067**
Total financial assets	**787,804**	23,245	33,777	730,911	**787,933**
Financial liabilities not measured at fair value on a recurring basis					
Deposits and other public borrowings	**571,353**	-	571,505	-	**571,505**
Payables due to other financial institutions	**28,038**	-	28,038	-	**28,038**
Bank acceptances	**463**	463	-	-	**463**
Due to controlled entities	**91,222**	-	-	91,222	**91,222**
Debt issues	**134,966**	-	135,621	-	**135,621**
Bills payable and other liabilities	**7,341**	2,297	5,044	-	**7,341**
Loan capital	**17,959**	8,277	9,642	-	**17,919**
Total financial liabilities	**851,342**	11,037	749,850	91,222	**852,109**
Financial guarantees, loan commitments and other off Balance Sheet instruments	**167,415**	-	-	167,415	**167,415**

	Bank 30 June 2016				
	Carrying value	Fair value			
	Total	Level 1	Level 2	Level 3	Total
	$M	$M	$M	$M	$M
Financial assets not measured at fair value on a recurring basis					
Cash and liquid assets	21,582	12,909	8,673	-	21,582
Receivables due from other financial institutions	10,182	-	10,182	-	10,182
Loans and other receivables	607,412	-	-	607,899	607,899
Bank acceptances of customers	1,413	1,413	-	-	1,413
Loans to controlled entities	134,233	-	-	133,567	133,567
Other assets	5,001	1,727	3,274	-	5,001
Total financial assets	779,823	16,049	22,129	741,466	779,644
Financial liabilities not measured at fair value on a recurring basis					
Deposits and other public borrowings	536,086	-	536,331	-	536,331
Payables due to other financial institutions	28,328	-	28,328	-	28,328
Bank acceptances	1,413	1,413	-	-	1,413
Due to controlled entities	130,046	-	-	130,046	130,046
Debt issues	134,214	-	134,968	-	134,968
Bills payable and other liabilities	5,535	964	4,571	-	5,535
Loan capital	15,138	6,155	8,543	-	14,698
Total financial liabilities	850,760	8,532	712,741	130,046	851,319
Financial guarantees, loan commitments and other off Balance Sheet instruments	163,619	-	-	163,619	163,619

Note 40 Disclosures about Fair Values (continued)

(d) Fair Value Information for Financial Instruments not measured at Fair Value (continued)

The fair values disclosed above represent estimates of prices at which these instruments could be sold or transferred in an orderly transaction between market participants. However, many of the instruments lack an available trading market and it is the intention to hold to maturity. Thus it is possible that realised amounts may differ to amounts disclosed above. Due to the wide range of valuation techniques and the numerous estimates that must be made, it may be difficult to make a reasonable comparison of the fair value information disclosed here, against that disclosed by other financial institutions.

The fair value estimates disclosed above have been derived as follows:

Loans and Other Receivables

The carrying value of loans and other receivables is net of accumulated collective and individually assessed provisions for impairment. Customer creditworthiness is regularly reviewed in line with the Group's credit policies and where necessary, pricing is adjusted in accordance with individual credit contracts.

For the majority of variable rate loans, excluding impaired loans, the carrying amount is considered a reasonable estimate of fair value. For Institutional variable rate loans, the fair value is calculated using discounted cash flow models with a discount rate reflecting market rates offered on similar loans to customers with similar creditworthiness. The fair value of impaired loans is calculated by discounting estimated future cash flows using the loan's market interest rate.

The fair value of fixed rate loans is calculated using discounted cash flow models where the discount rate reflects market rates offered for loans of similar remaining maturities and creditworthiness as the customer.

Deposits and Other Public Borrowings

Fair value of non-interest bearing, call and variable rate deposits, and fixed rate deposits repricing within six months, approximate their carrying value as they are short-term in nature or payable on demand.

Fair value of term deposits are estimated using discounted cash flows, applying market rates offered for deposits of similar remaining maturities.

Debt Issues and Loan Capital

The fair values are calculated using quoted market prices, where available. Where quoted market prices are not available, discounted cash flow and option pricing models are used. The discount rate applied reflects the terms of the instrument, the timing of the cash flows and is adjusted for any change in the Group's applicable credit rating.

Other Financial Assets and Liabilities

For all other financial assets and liabilities fair value approximates carrying value due to their short-term nature, frequent repricing or high credit rating.

Note 41 Securitisation, Covered Bonds and Transferred Assets

Transfer of Financial Assets

In the normal course of business the Group enters into transactions by which it transfers financial assets to counterparties or directly to Special Purpose Vehicles (SPVs). These transfers do not give rise to derecognition of those financial assets for the Group.

Repurchase Agreements

Securities sold under agreement to repurchase are retained on the Balance Sheet when substantially all the risks and rewards of ownership remain with the Group, and the counterparty liability is included separately on the Balance Sheet when cash consideration is received.

Securitisation Programs

Residential mortgages securitised under the Group’s securitisation programs are equitably assigned to bankruptcy remote Special Purpose Vehicles (SPVs). The Group is entitled to any residual income of the securitisation program after all payments due to investors have been met. In addition, where derivatives are transacted between the SPV and the Bank, such that the Bank retains exposure to the variability in cash flows from the transferred residential mortgages, the mortgages will continue to be recognised on the Bank’s Balance Sheet. The investors have full recourse only to the residential mortgages segregated into an SPV. The Bank’s access to residential mortgages transferred to the SPV are subject to the conditions set out in the transaction documents.

Covered Bonds Programs

To complement the existing wholesale funding sources, the Group has established two global covered bond programs for the Bank and ASB. Certain residential mortgages have been assigned to a bankruptcy remote SPV associated with covered bond programs to provide security for the obligations payable on the covered bonds issued by the Group. Similarly to securitisation programs, the Group is entitled to any residual income after all payments due to covered bonds investors have been met. As the Bank retains substantially all of the risks and rewards associated with the mortgages through derivatives transacted with the SPV, the Bank and ASB continue to recognise the mortgages on its Balance Sheet. The covered bond holders have dual recourse to the Bank and the covered pool assets. The Bank may repurchase loans from the SPV, subject to the conditions set out in the transaction documents.

Note 41 Securitisation, Covered Bonds and Transferred Assets (continued)

At the Balance Sheet date, transferred financial assets that did not qualify for derecognition and their associated liabilities are as follows:

	Group					
	Repurchase Agreements		Covered Bonds		Securitisation	
	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M
Carrying amount of transferred assets	16,270	17,180	31,796	36,770	15,108	13,863
Carrying amount of associated liabilities (1)	16,270	17,180	28,984	31,802	13,771	12,106
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred assets					15,116	13,874
Fair value of associated liabilities					13,771	12,106
Net position					1,345	1,768

	Bank					
	Repurchase Agreements		Covered Bonds		Securitisation	
	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M
Carrying amount of transferred assets	16,501	17,361	26,414	30,907	59,985	94,369
Carrying amount of associated liabilities (2)	16,501	17,361	24,644	27,863	59,985	94,369
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred assets					60,020	94,433
Fair value of associated liabilities					59,985	94,369
Net position					35	64

(1) Securitisation liabilities of the Group include RMBS notes issued by securitisation SPVs and held by external investors.
(2) Securitisation liabilities of the Bank include borrowings from securitisation SPVs, including the SPVs that issue only internally held notes for repurchase with central banks, recognised on transfer of residential mortgages by the Bank. The carrying amount of associated liabilities from securitisation SPVs is recorded under loans of controlled entities in Note 38.

Note 42 Collateral Arrangements

Collateral Accepted as Security for Assets

The Group takes collateral where it is considered necessary to support both on and off Balance Sheet financial instruments. The Group evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral taken, if deemed necessary, is based on management's credit evaluation of the counterparty. The Group has the right to sell, re-pledge, or otherwise use some of the collateral received. At Balance Sheet date the carrying value of cash accepted as collateral (and recognised on the Group's and the Bank's Balance Sheets) and the fair value of securities accepted as collateral (but not recognised on the Group's or the Bank's Balance Sheets) were as follows:

	Group		Bank	
	2017 $M	2016 $M	2017 $M	2016 $M
Cash	7,280	12,172	7,042	11,856
Securities	22,733	8,925	21,865	8,673
Collateral held	30,013	21,097	28,907	20,529
Collateral held which is re-pledged or sold	-	-	-	-

Assets Pledged

As part of standard terms of transactions with other banks, the Group has provided collateral to secure liabilities. At Balance Sheet date, the carrying value of assets pledged as collateral to secure liabilities is as follows:

	Group		Bank	
	2017 $M	2016 $M	2017 $M	2016 $M
Cash	6,307	7,865	5,607	7,016
Securities (1)	16,360	17,228	16,591	17,411
Assets pledged	22,667	25,093	22,198	24,427
Asset pledged which can be re-pledged or re-sold by counterparty	16,360	17,228	16,591	17,411

(1) These balances include assets sold under repurchase agreements. The liabilities related to these repurchase agreements are disclosed in Note 17.

The Group and the Bank have pledged collateral as part of entering repurchase and derivative agreements. These transactions are governed by standard industry agreements.

Notes to the financial statements

Note 43 Offsetting Financial Assets and Financial Liabilities

The table below identifies amounts that have been offset on the Balance Sheet and amounts covered by enforceable netting arrangements or similar agreements that do not qualify for set off. Cash settled derivatives that trade on an exchange are deemed to be economically settled and therefore outside the scope of these disclosures.

Group 30 June 2017

	Subject to Enforceable Master Netting or Similar Agreements							
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
Financial Instruments	Gross Balance Sheet Amount $M	Amount offset $M	Reported on the Balance Sheet $M	Financial Instruments [1] $M	Financial Collateral (Received)/ Pledged [1] $M	Net Amount $M	Not subject to Netting Agreements $M	Total Balance Sheet amount $M
Derivative assets	33,909	(5,501)	28,408	(18,147)	(6,236)	4,025	3,316	**31,724**
Securities purchased under agreements to resell	22,733	-	22,733	(1,257)	(21,289)	187	-	**22,733**
Equity securities sold not delivered	568	(213)	355	-	-	355	-	**355**
Total financial assets	57,210	(5,714)	51,496	(19,404)	(27,525)	4,567	3,316	**54,812**
Derivative liabilities	(35,832)	8,383	(27,449)	18,147	5,448	(3,854)	(2,881)	**(30,330)**
Securities sold under agreements to repurchase	(16,270)	-	(16,270)	1,257	15,013	-	-	**(16,270)**
Equity securities purchased not delivered	(630)	213	(417)	-	-	(417)	-	**(417)**
Total financial liabilities	(52,732)	8,596	(44,136)	19,404	20,461	(4,271)	(2,881)	**(47,017)**

Group 30 June 2016

	Subject to Enforceable Master Netting or Similar Agreements							
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
Financial Instruments	Gross Balance Sheet Amount $M	Amount offset $M	Reported on the Balance Sheet $M	Financial Instruments [1] $M	Financial Collateral (Received)/ Pledged [1] $M	Net Amount $M	Not subject to Netting Agreements $M	Total Balance Sheet amount $M
Derivative assets	48,681	(7,795)	40,886	(23,077)	(11,173)	6,636	5,681	46,567
Securities purchased under agreements to resell	8,925	-	8,925	(489)	(8,427)	9	-	8,925
Equity securities sold not delivered	915	(531)	384	-	-	384	-	384
Total financial assets	58,521	(8,326)	50,195	(23,566)	(19,600)	7,029	5,681	55,876
Derivative liabilities	(47,622)	11,479	(36,143)	23,077	7,421	(5,645)	(3,778)	(39,921)
Securities sold under agreements to repurchase	(17,180)	-	(17,180)	489	16,691	-	-	(17,180)
Equity securities purchased not delivered	(988)	531	(457)	-	-	(457)	-	(457)
Total financial liabilities	(65,790)	12,010	(53,780)	23,566	24,112	(6,102)	(3,778)	(57,558)

(1) For the purpose of this disclosure, the related amounts of financial instruments and financial collateral not set off on the Balance Sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/ (liabilities) reported on the Balance Sheet, i.e. over-collateralisation, where it exists, is not reflected in the tables. As a result the above collateral balances will not correspond to the tables in Note 42.

Note 43 Offsetting Financial Assets and Financial Liabilities

Bank 30 June 2017

Financial Instruments	Subject to Enforceable Master Netting or Similar Agreements: Amounts offset on the Balance Sheet: Gross Balance Sheet Amount $M	Amount offset $M	Reported on the Balance Sheet $M	Amounts not offset on the Balance Sheet: Financial Instruments [1] $M	Financial Collateral (Received)/ Pledged [1] $M	Net Amount $M	Not subject to Netting Agreements $M	Total Balance Sheet amount $M
Derivative assets	34,517	(5,501)	29,016	(18,936)	(6,133)	3,947	3,078	**32,094**
Securities purchased under agreements to resell	21,865	-	21,865	(1,285)	(20,420)	160	-	**21,865**
Total financial assets	56,382	(5,501)	50,881	(20,221)	(26,553)	4,107	3,078	**53,959**
Derivative liabilities	(37,450)	8,383	(29,067)	18,936	4,702	(5,429)	(3,106)	**(32,173)**
Securities sold under agreements to repurchase	(16,501)	-	(16,501)	1,285	15,216	-	-	**(16,501)**
Total financial liabilities	(53,951)	8,383	(45,568)	20,221	19,918	(5,429)	(3,106)	**(48,674)**

Bank 30 June 2016

Financial Instruments	Subject to Enforceable Master Netting or Similar Agreements: Amounts offset on the Balance Sheet: Gross Balance Sheet Amount $M	Amount offset $M	Reported on the Balance Sheet $M	Amounts not offset on the Balance Sheet: Financial Instruments [1] $M	Financial Collateral (Received)/ Pledged [1] $M	Net Amount $M	Not subject to Netting Agreements $M	Total Balance Sheet amount $M
Derivative assets	48,975	(7,795)	41,180	(23,653)	(11,022)	6,505	5,345	46,525
Securities purchased under agreements to resell	8,673	-	8,673	(489)	(8,175)	9	-	8,673
Total financial assets	57,648	(7,795)	49,853	(24,142)	(19,197)	6,514	5,345	55,198
Derivative liabilities	(51,578)	11,479	(40,099)	23,653	6,607	(9,839)	(3,785)	(43,884)
Securities sold under agreements to repurchase	(17,361)	-	(17,361)	489	16,872	-	-	(17,361)
Total financial liabilities	(68,939)	11,479	(57,460)	24,142	23,479	(9,839)	(3,785)	(61,245)

(1) For the purpose of this disclosure, the related amounts of financial instruments and financial collateral not set off on the Balance Sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/ (liabilities) reported on the Balance Sheet, i.e. over-collateralisation, where it exists, is not reflected in the tables. As a result the above collateral balances will not correspond to the tables in Note 42.

Note 43 Offsetting Financial Assets and Financial Liabilities including Collateral Arrangements (continued)

Related Amounts not Set Off on the Balance Sheet

Derivative Assets and Liabilities

The "Financial Instruments" column identifies financial assets and liabilities that are subject to set off under netting agreements, such as the ISDA Master Agreement. All outstanding transactions with the same counterparty can be offset and close-out netting applied if an event of default or other predetermined events occur. Financial collateral refers to cash and non-cash collateral obtained to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

Repurchase and Reverse Repurchase Agreements and Security Lending Agreements

The "Financial Instruments" column identifies financial assets and liabilities that are subject to set off under netting agreements, such as global master repurchase agreements and global master securities lending agreements. Under these netting agreements, all outstanding transactions with the same counterparty can be offset and close-out netting applied if an event of default or other predetermined events occur. Financial collateral typically comprises highly liquid securities which are legally transferred and can be liquidated in the event of counterparty default.

Note 44 Subsequent Events

The Bank expects the DRP for the final dividend for the year ended 30 June 2017 will be satisfied by the issue of shares of approximately $1.4 billion.

AUSTRAC Civil Proceedings

On 3 August 2017, Australian Transaction Reports and Analysis Centre (AUSTRAC) commenced civil penalty proceedings against CBA. CBA takes the allegations made by AUSTRAC very seriously and will file a defence in relation to this matter, which will take significant time to prepare. The actual outcome in this matter will be determined by a Court in accordance with established legal principles.

The AUSTRAC statement of claim relates to alleged past and ongoing contraventions of four provisions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth). To the extent that contraventions may be established, a Court will ordinarily take into account a range of factors in setting penalties. One factor is the extent to which any contraventions arise from a single course of conduct. For example, AUSTRAC alleges that approximately 53,000 threshold transaction reports were lodged late. Late lodgement carries a penalty of up to $18 million. However, these alleged contraventions could be considered to arise from a single course of conduct to the extent that they emanated from the same systems error. Ultimately, a Court will seek to ensure that, overall, any civil penalties are just and appropriate and do not exceed what is proper having regard to the totality of established contraventions. Under the Act, the only mechanism available to AUSTRAC to secure a pecuniary penalty from CBA is by taking court action.

What we can say about these proceedings is limited until they have run their course. CBA is reviewing the allegations in the 580 page statement of claim and at this time it is not possible to reliably estimate the possible financial effect on the Group. It is not appropriate to disclose any detailed information about the subject matter of the claims as court proceedings are on foot and such information would be highly likely to be prejudicial to our position.

Aussie Home Loan Acquisition

On 4 August 2017, John Symond exercised his put option, which will require the Group to acquire a 20% interest in AHL. The purchase price for the remaining 20% interest will be determined in accordance with the terms agreed in 2012. The purchase consideration will be paid in the issue of CBA shares. The Group will consolidate AHL from completion of the acquisition which is currently expected to be in late August 2017.

Strategic Corporate Actions

We are committed to securing and enhancing the financial wellbeing of people, businesses and communities, and the provision of insurance products to our customers remains core to that vision. CommInsure and Sovereign are strong businesses with scale, expertise, competitive products and access to attractive distribution channels. We are in discussions with third parties in relation to their potential interest in our life insurance businesses in Australia and New Zealand. The outcome of those discussions is uncertain. While the discussions may lead to the divestment of those businesses, we will also consider a full range of alternatives, including retaining the businesses, reinsurance arrangements or other strategic options.

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

Directors' declaration

In accordance with a resolution of the Directors of the Commonwealth Bank of Australia (Bank), the Directors declare that:

(a) the Financial Statements and the accompanying notes for the financial year ended 30 June 2017 in relation to the Bank and the consolidated entity (Group) are in accordance with the Corporations Act 2001, including:

(i) s 296 (which requires the Financial Report, including the Financial Statements and the notes to the Financial Statements, to comply with the accounting standards); and

(ii) s 297 (which requires the Financial Statements, and the notes to the Financial Statements, to give a true and fair view of the financial position and performance of the Group and the Bank);

(b) in compliance with the accounting standards, the notes to the Financial Statements include an explicit and unreserved statement of compliance with International Financial Reporting Standards (see Note 1(a)); and

(c) in the opinion of the Directors, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by s 295A in respect of the financial year ended 30 June 2017.

Signed in accordance with a resolution of the Directors.

C.B. Livingstone

Catherine Livingstone AO
Chairman
8 August 2017

Ian Narev

Ian Narev
Managing Director and Chief Executive Officer
8 August 2017

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

Report on the audit of the financial report

Our opinion on the financial report
In our opinion the accompanying financial report of Commonwealth Bank of Australia (the 'Company') and its controlled entities (together 'the Group') is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company and the Group's financial positions as at 30 June 2017 and of their financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited
The Company and Group financial report comprises:

- the Company and the Group's balance sheets as at 30 June 2017;
- the Company and the Group's income statements for the year then ended;
- the Company and the Group's statements of comprehensive income for the year then ended;
- the Company and the Group's statements of changes in equity for the year then ended;
- the Company and the Group's statements of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies; and
- the directors' declaration.

Basis for opinion
We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach
An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls, and the financial services industry and the broader economies in which the Group operates. We also ensured that the audit team had the appropriate skills and competencies needed for the audit of a complex banking group. This included industry expertise in retail, business and institutional banking and wealth management services, as well as specialists and experts in IT, actuarial, tax, treasury and valuation.

The Group is structured into 7 business segments being Retail Banking Services (RBS), Business and Private Banking (B&PB), Institutional Banking and Markets (IB&M), Wealth Management (WM), New Zealand (NZ), Bankwest (BW), International Financial Services and Other (IFS and Other).

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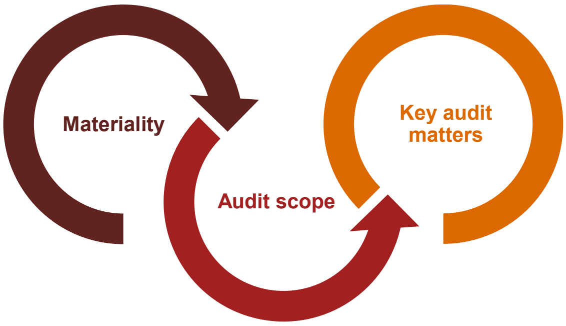
Our Group audit scope is summarised below. It was designed based on the qualitative factors described above and with reference to our determined Group materiality threshold. Below are the key audit matters we considered during our audit of the financial report for the year ended 30 June 2017.



Group materiality

- For the purposes of our audit we determined overall Group materiality to be $606 million, which represents approximately 5% of profit before tax of the Company.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose profit before tax because, in our view, it is the metric against which the performance of the Group is most commonly measured and is a generally accepted benchmark in the banking industry.
- We selected 5% based on our professional judgement noting that it is also within the range of commonly accepted profit related thresholds in the banking industry.

Group audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We performed audit procedures over the financial information of the Group's most financially significant operations being the RBS, B&PB and IB&M business segments, the Group's Treasury (GT) function (reported within the IFS and Other segment) and several legal entities of the Group within other business segments, such as ASB Bank (reported within the NZ business segment) or Colonial First State and CommInsure (reported within the WM segment).
- Further audit procedures were performed over the remaining balances and the consolidation process, including substantive and analytical procedures.
- The majority of our audit work was performed in Australia given the structure of the Group's operations including the location of support functions.

Key audit matters

Amongst other relevant topics, we communicated the following key audit matters to the Board Audit Committee (the 'Audit Committee'). Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. We describe each key audit matter and include a summary of the principal audit procedures we performed to address those matters below.

The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters identified below relate to both the Company and Group audit.

Key audit matter	How our audit addressed the key audit matter
Provision for impairment of lending assets *(Relevant business segments: RBS, B&PB, IB&M, NZ)*	
We considered this a key audit matter due to the subjective judgements made by management in determining when to recognise impairment provisions against lending assets and in estimating the size of such provisions. Provisions for impairment of loans that exceed specific thresholds are individually assessed by management. These provisions are established based on the expected future cash repayments and estimated proceeds from the value of the collateral held by the Group in respect of those loans. During the financial year ended 30 June 2017, the majority of the Group's individually assessed provisions for specific lending assets related primarily to business and corporate loans. If an individually assessed loan is not impaired, it is then included in a group of loans with similar risk characteristics and, along with those loans below the specific thresholds noted above, is collectively assessed on a portfolio basis using models developed by management. These models use assumptions in their calculations which are based on the Group's historical loss experience including both the frequency of defaults and the losses incurred where loans have defaulted. Adjustments or overlays to the provisions are applied by management to take account of emerging trends and where models may fail to fully capture all risks in the loan portfolio. An example of an overlay is one which allows for the impact of the current macroeconomic environment (such as residential and consumer lending in mining towns). These overlays require significant judgement. Relevant references in the financial report Refer notes 1 and 13 for further information.	We developed an understanding of the controls relevant to our audit over the following areas and assessed whether they were appropriately designed and were operating effectively throughout the year: · Identification of impaired loans; · Reliability and integrity of credit information maintained in the Group's systems; · Transfer of data from the underlying source systems to the impairment provisioning models; and · Management's assessment of the integrity of these models. For a selection of **individually assessed provisions** for specific lending assets, we performed amongst others the following audit procedures: · Examined management's cashflow forecasts supporting the impairment calculation by assessing key judgements (in particular the amount and timing of recoveries) made by management in the context of the borrowers' circumstances based on the detailed loan and counterparty information known by the Group; and · Compared key inputs in management's estimates (such as valuation of collateral held) to external information where available. To test the **collectively assessed provisions**, we together with our independent actuarial experts performed amongst others the following audit procedures: · Tested the completeness and accuracy of key data being transferred between the Group's systems and management's collective provisioning models; · Compared management's key assumptions to supporting evidence and market practices; and · Compared the modelled calculations to our own calculated expectations on a sample basis. To assess the **overlays to the provisions**, we performed amongst others the following audit procedures: · Considered management's rationale for the recognition of overlays by considering the potential for impairment to be affected by

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Key audit matter	How our audit addressed the key audit matter
	events not captured by management's models; and · Assessed management's estimate of ranges on key drivers of credit loss using sensitivity analysis. As part of this work, we considered local and global external data to provide objective support.
Determination of fair value for financial instruments *(Relevant business segments: IB&M, GT, NZ)* The Group holds financial instruments representing 17% of the total assets and 5% of the total liabilities of the Group. The financial instruments held at fair value include: · Derivative assets and liabilities; · Available for sale securities; · Life investment contracts; and · Bills discounted and other assets and liabilities designated at fair value The majority of the Group's financial instruments are considered to be non-complex in nature as fair value is based on prices and rates that can be easily observed in the relevant markets. On this basis the majority of the Group's financial instruments are classified under Australian Accounting Standards as either 'Level 1' (i.e. where key inputs to the valuation are based on quoted prices in the market) or 'Level 2' (i.e. where key inputs to the valuation are based on observable prices in the market). We considered these Level 1 and Level 2 financial instruments to be a key audit matter due to their financial significance to the Group. The Group also holds a limited number of financial instruments considered to be 'Level 3' under Australian Accounting Standards in nature (i.e. where key inputs to the valuation require additional management judgement as observable inputs are not available in the market due to market illiquidity or complexity of the product) primarily in respect to complex derivatives, certain asset-backed securities and infrastructure funds. While the Group's holdings of such instruments is limited relative to total financial instrument holdings, we considered their valuation to be a key audit matter because there is more judgement involved in determining their value. Relevant references in the financial report Refer notes 1, 9, 10, 11, 18 and 40 for information.	We developed an understanding of the controls relevant to our financial statement audit over the following areas and assessed whether they were appropriately designed and were operating effectively throughout the year: · Valuation model governance control framework; · Completeness and accuracy of data inputs; including sourcing independent market data inputs; · Methodology for the determination of fair value adjustments; and · Management's assessment of their own models used to measure fair value. In relation to the fair value of financial instruments as at 30 June 2017, together with our valuation experts, we compared the Group's calculation of fair value to our own independent calculation across a sample of financial instruments. This involved sourcing independent inputs from market data providers and using our own valuation models. We considered the results to assess whether there was evidence of systemic bias or error in management's calculation of fair value.

Key audit matter	How our audit addressed the key audit matter
Provisions relating to conduct risk, litigation and regulatory action, including related disclosures *(Relevant business segments: All)*	
We considered this a key audit matter as the Group is exposed to conduct risk related matters, legal cases and regulatory actions and investigations in various jurisdictions, which could give rise to significant liabilities of the Group. In assessing and measuring such potential liabilities, management are required to make significant judgements based on available information in respect to the probability and estimation of potential financial outcomes. These outcomes may be dependent on legal and regulatory processes. Therefore provisions recognised and contingent liabilities disclosed are subject to inherent uncertainty. In particular, management has had to assess the impact of civil penalty proceedings brought by the Australian Transactions Reports and Analysis Centre (AUSTRAC) on 3 August 2017 in respect to alleged contraventions of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)* as disclosed in Note 44 *Subsequent Events* in the financial report. Relevant references in the financial report Refer notes 1, 19, 30 and 44 for further information.	Our procedures included amongst others developing an understanding of the Group's processes for identifying and assessing the impact of conduct risk, legal and regulatory matters. We read the minutes of the Group's key governance meetings (i.e. Audit Committee, Risk Committee and Board of Directors), attended the Group's Audit and Risk Committee meetings and considered key correspondence with relevant regulatory bodies. We discussed ongoing legal and regulatory matters with management and sought and obtained written representations and access to relevant documents in order to develop our understanding of the matters. In relation to such matters we considered management's judgement as to whether there is potential material financial exposure for the Group, and if so the amount of any provision required. Where management determined that they were unable to reliably estimate the possible financial impact of a legal or regulatory action, we assessed the appropriateness of their conclusion. Our procedures included specific consideration of management's treatment in the financial report of the civil penalty proceedings commenced by AUSTRAC. In relation to all matters identified, we assessed the adequacy of related disclosures.
Valuation of insurance policyholder liabilities *(Relevant business segments: WM, NZ)*	
We considered this a key audit matter because management's valuation of the provisions for the settlement of future insurance claims involves complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can result in a material impact to the valuation of these liabilities. The Group's insurance policyholder liabilities relate to the life insurance businesses. In determining the valuation of the liabilities, the key actuarial assumptions made by management's experts include:	To assess the assumptions used to determine the value of insurance policyholder liabilities, we along with our independent actuarial experts performed amongst others the following audit procedures: · Compared the methodology and models used by management to those commonly applied in the industry and recognised by regulatory standards; · Developed an understanding of and evaluated the controls management has in place over key processes relating to the valuation. This included management's use of models, the quality of oversight and controls over key assumptions within those models, and

Key audit matter	How our audit addressed the key audit matter
· Expected amount, timing and duration of claims and/or policy payments, likely lapse rates of policies by policyholders, mortality and morbidity rates, acquisition and maintenance expenses; and · Long term economic assumptions including inflation rates. Relevant references in the financial report Refer notes 1 and 27 for further information.	management's preparation of the manually calculated components of the liability; · Compared key inputs (for example inflation rates) used by management in the calculation to relevant supporting evidence, such as external market data; · Considered the impact of key changes in assumptions and methodologies over the year and compared these to industry practice; and · Compared the underlying supporting data relating to policyholder information used in management's valuation to source documentation on a sample basis.
Valuation of retirement benefit obligations *(Relevant business segment: All)* We considered this a key audit matter because the Group operates defined benefit plans that are financially significant to the Group's financial report. The Group sponsors two defined benefit plans for employees, one in Australia and the other in the UK. Management apply actuarial assumptions in their models used in determining the valuation of the retirement benefit obligation, including: · Discount rates; · Salary inflation; · Life expectancy of members; and · Investment returns under the plans' assets Relevant references in the financial report Refer notes 1 and 35 for further information.	To assess the appropriateness of the assumptions used to determine the valuation of retirement benefit obligations, we along with our independent actuarial experts performed amongst others the following audit procedures: · Tested the underlying data (e.g. fair value of plan assets) used by management in their calculation against source documentation on a sample basis; · Assessed the reasonableness of the assumptions used within management's calculation with reference to external market data; and · Developed our own expectations for the obligations based on a range of possible alternative outcomes and compared these to management's calculations.
Operation of financial reporting Information Technology (IT) systems and controls *(Relevant business segments: All)* We focused on this area because the Group's operations and financial reporting processes are heavily dependent on IT systems, including automated accounting procedures and IT dependent manual controls. The Group's controls over IT systems include: · The framework of governance over IT systems; · Program development and changes;	Our procedures included evaluating and testing the design and operating effectiveness of certain controls over the continued integrity of the IT systems that are relevant to financial reporting. We also carried out direct tests, on a sample basis, of system functionality that was key to our audit testing in order to assess the accuracy of certain system calculations, the generation of certain reports and the operation of certain system enforced access controls.

Key audit matter	How our audit addressed the key audit matter
· Access to process, data and IT operations; and · Governance over generic and privileged user accounts.	Where we noted design or operating effectiveness matters relating to IT systems and applications controls relevant to our audit, we performed alternative or additional audit procedures.

Additional Information

The directors and management are responsible for the Additional Information. The Additional Information comprises *Our business, Performance overview, Corporate responsibility, Corporate governance, Directors' report* and *Other information* included in the Group's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the Additional Information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the Additional Information identified above and, in doing so, consider whether the Additional Information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Additional Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Our opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 63 to 81 of the Directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Commonwealth Bank of Australia, for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Marcus Laithwaite
Partner

Sydney
8 August 2017

Shareholding information

Top 20 Holders of Fully Paid Ordinary Shares as at 2 August 2017

Rank	Name of Holder	Number of Shares	%
1	HSBC Custody Nominees (Australia) Limited	376,380,123	21.75
2	J P Morgan Nominees Australia Limited	186,821,486	10.79
3	Citicorp Nominees Pty Limited	101,043,275	5.84
4	National Nominees Limited	59,912,985	3.46
5	BNP Paribas Noms Pty Limited	56,776,266	3.28
6	Bond Street Custodians Limited	16,812,646	0.97
7	Australian Foundation Investment Company limited	7,900,000	0.46
8	Pacific Custodians Pty Limited	4,812,429	0.28
9	Navigator Australia Limited	3,723,861	0.22
10	Argo Investments Limited	3,203,731	0.19
11	Milton Corporation Limited	3,111,148	0.18
12	RBC Dexia Investor Services Australia Nominees Pty Limited	3,032,654	0.18
13	Netwealth Investments Limited	2,364,986	0.14
14	UBS Nominees Pty Ltd	2,339,250	0.13
15	Nulis Nominees (Australia) Limited	2,191,295	0.13
16	Invia Custodian Pty Limited	1,787,477	0.10
17	IOOF Investment Management Limited	1,678,128	0.10
18	Mr. Barry Martin Lambert	1,643,613	0.10
19	ANZ Executors & Trustee	1,472,555	0.09
20	McCusker Holdings Pty Ltd	1,430,000	0.08

The top 20 shareholders hold 838,437,908 shares which is equal to 48.47% of the total shares on issue.

Substantial Shareholding

The following organisation has disclosed a substantial shareholding notice to ASX.

Name	Number of Shares	Percentage of Voting Power
BlackRock Group [(1)]	86,557,665	5.00

(1) Substantial shareholder notice dated 16 May 2017.

Stock Exchange Listing

The shares of the Commonwealth Bank of Australia (Bank) are listed on the Australian Securities Exchange under the trade symbol CBA, with Sydney being the home exchange.

Details of trading activity are published in most daily newspapers, generally under the abbreviation of CBA or C'wealth Bank. The Bank is not currently in the market conducting an on market buy-back of its shares.

Range of Shares (Fully Paid Ordinary Shares and Employee Shares) as at 2 August 2017

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1 – 1,000	588,814	73.08	186,897,021	10.80
1,001 – 5,000	189,065	23.47	392,559,830	22.69
5,001 – 10,000	19,393	2.41	131,675,877	7.61
10,001 – 100,000	8,206	1.02	154,412,567	8.93
100,001 and over	186	0.02	864,322,866	49.97
Total	805,664	100.00	1,729,868,161	100.00
Less than marketable parcel of $500	13,400	1.66	34,134	0.00

Voting Rights

Under the Bank's Constitution, each person who is a voting Equity holder and who is present at a general meeting of the Bank in person or by proxy, attorney or official representative is entitled:

- On a show of hands – to one vote; and
- On a poll – to one vote for each share held or represented. Every voting Equity holder who casts a vote by direct vote, shall also have one vote for each share held or represented.

If a person present at a general meeting represents personally or by proxy, attorney or official representative more than one Equity holder, on a show of hands the person is entitled to one vote even though he or she represents more than one Equity holder.

Shareholding information

If an Equity holder is present in person and votes on a resolution, any proxy or attorney of that Equity holder is not entitled to vote.

If more than one official representative or attorney is present for an Equity holder:

- None of them is entitled to vote on a show of hands; and
- On a poll only one official representative may exercise the Equity holder's voting rights and the vote of each attorney shall be of no effect unless each is appointed to represent a specified proportion of the Equity holder's voting rights, not exceeding in aggregate 100%.

If an Equity holder appoints two proxies and both are present at the meeting:

- If the appointment does not specify the proportion or number of the Equity holder's votes each proxy may exercise, then each proxy may exercise one half of the Equity holder's votes;
- Neither proxy shall be entitled to vote on a show of hands; and
- On a poll each proxy may only exercise votes in respect of those shares or voting rights the proxy represents.

Top 20 Holders of Perpetual Exchangeable Resaleable Listed Securities VI ("PERLS VI") as at 2 August 2017

Rank	Name of Holder	Number of Securities	%
1	HSBC Custody Nominees (Australia) Limited	846,439	4.23
2	Bond Street Custodians Limited	487,052	2.44
3	IOOF Investment Management Limited	278,256	1.39
4	Netwealth Investments Limited	218,645	1.09
5	Australian Executor Trustees Limited	194,645	0.97
6	J P Morgan Nominees Australia Limited	166,650	0.83
7	National Nominees Limited	154,009	0.77
8	Nulis Nominees (Australia) Limited	149,481	0.75
9	BNP Paribas Noms Pty Limited	113,760	0.58
10	Navigator Australia Limited	110,281	0.55
11	Dimbulu Pty Ltd	100,000	0.50
12	Eastcote Pty Limited	100,000	0.50
13	V S Access Pty Ltd	80,000	0.40
14	Citicorp Nominees Pty Limited	71,432	0.36
15	BNP Paribas Nominees Pty Limited	70,391	0.35
16	RBC Dexia Investor Services Australia Nominees Pty	66,700	0.33
17	Invia Custodian Pty Limited	55,391	0.28
18	Marento Pty Ltd	52,916	0.26
19	Edgelake Proprietary Limited	49,267	0.25
20	Kaptock Pty Ltd	48,730	0.24

The top 20 PERLS VI security holders hold 3,414,045 securities which is equal to 17.07% of the total securities on issue.

Stock Exchange Listing

PERLS VI are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPC. Details of trading activity are published in some daily newspapers.

Range of Securities (PERLS VI) as at 2 August 2017

Range	Number of Security Holders	Percentage of Security Holders	Number of Securities	Percentage of Issued Capital
1 – 1,000	26,342	89.68	8,572,996	42.86
1,001 – 5,000	2,738	9.32	5,577,574	27.89
5,001 – 10,000	192	0.65	1,431,990	7.16
10,001 – 100,000	94	0.32	2,269,373	11.35
100,001 and over	10	0.03	2,148,067	10.74
Total	29,376	100.00	20,000,000	100.00
Less than marketable parcel of $500	6	0.02	12	0.00

Voting Rights

PERLS VI do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 202 and 203 for the Bank's ordinary shares.

Shareholding information

Top 20 Holders of CommBank PERLS VII Capital Notes ("PERLS VII") as at 2 August 2017

Rank	Name of Holder	Number of Securities	%
1	HSBC Custody Nominees (Australia) Limited	2,013,376	6.71
2	BNP Paribas Noms Pty Limited	485,515	1.62
3	Bond Street Custodians Limited	441,566	1.47
4	Netwealth Investments Limited	409,794	1.37
5	J P Morgan Nominees Australia Limited	398,684	1.33
6	Citicorp Nominees Pty Limited	343,101	1.14
7	IOOF Investment Management	314,916	1.05
8	National Nominees Limited	257,670	0.86
9	Nulis Nominees (Australia) Limited	201,521	0.67
10	Navigator Australia Limited	177,753	0.59
11	RBC Dexia Investor Services Australia Nominees Pty Limited	149,609	0.50
12	BNP Paribas Nominees Pty Limited	147,613	0.49
13	Australian Executor Trustees Limited	138,064	0.46
14	Invia Custodian Pty Limited	100,946	0.34
15	Dimbulu Pty Ltd	100,000	0.33
16	Simply Brilliant Pty Ltd	90,500	0.30
17	Tandom Pty Ltd	90,000	0.30
18	Randazzo C & G Developments Pty Ltd	84,286	0.28
19	Tsco Pty Ltd	80,000	0.27
20	Seymour Group Pty Ltd	73,700	0.25

The top 20 PERLS VII security holders hold 6,098,614 securities which is equal to 20.33% of the total securities on issue.

Stock Exchange Listing

PERLS VII are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPD. Details of trading activity are published in some daily newspapers.

Range of Securities (PERLS VII) as at 2 August 2017

Range	Number of Security holders	Percentage of Security holders	Number of Securities	Percentage of Issued Capital
1 – 1,000	28,576	86.26	9,984,481	33.28
1,001 – 5,000	4,021	12.14	8,235,732	27.45
5,001 – 10,000	316	0.95	2,278,253	7.60
10,001 – 100,000	201	0.61	4,679,481	15.60
100,001 and over	14	0.04	4,822,053	16.07
Total	33,128	100.00	30,000,000	100.00
Less than marketable parcel of $500	8	0.02	30	0.00

Voting Rights

PERLS VII do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 202 and 203 for the Bank's ordinary shares.

Shareholding information

Top 20 Holders of CommBank PERLS VIII Capital Notes ("PERLS VIII") as at 2 August 2017

Rank	Name of Holder	Number of Securities	%
1	BNP Paribas Noms Pty Limited	3,010,649	20.76
2	HSBC Custody Nominees (Australia) Limited	857,711	5.92
3	Goodridge Nominees Pty Ltd	208,870	1.45
4	J P Morgan Nominees Australia Limited	175,337	1.21
5	Mr. Walter Lawton & Mr. Brett Lawton	108,573	0.76
6	G Harvey Nominees Pty Ltd	100,000	0.69
7	Piek Holdings Pty Ltd	93,000	0.64
8	National Nominees Limited	83,224	0.57
9	Snowside Pty Ltd	79,083	0.55
10	Bond Street Custodians Limited	78,974	0.54
11	Netwealth Investments Limited	68,997	0.48
12	Nulis Nominees (Australia) Limited	63,293	0.44
13	V S Access Pty Ltd	62,482	0.43
14	Navigator Australia Limited	61,466	0.42
15	Citicorp Nominees Pty Limited	52,182	0.36
16	Dimbulu Pty Ltd	50,000	0.34
17	Mifare Pty Ltd	50,000	0.34
18	Randazzo C & G Developments Pty Ltd	50,000	0.34
19	Skyport Pty Ltd	50,000	0.34
20	Adirel Holdings Pty Ltd	47,000	0.32

The top 20 PERLS VIII security holders hold 5,350,841 securities which is equal to 36.90% of the total securities on issue.

Stock Exchange Listing

PERLS VIII are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPE. Details of trading activity are published in some daily newspapers.

Range of Shares (PERLS VIII) as at 2 August 2017

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1 – 1,000	13,107	89.43	4,258,111	29.37
1,001 – 5,000	1,353	9.23	2,944,163	20.31
5,001 – 10,000	118	0.81	894,881	6.17
10,001 – 100,000	74	0.50	2,177,037	15.01
100,001 and over	5	0.03	4,225,808	29.14
Total	14,657	100.00	14,500,000	100.00
Less than marketable parcel of $500	3	0.02	6	0.00

Voting Rights

PERLS VIII do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 202 and 203 for the Bank's ordinary shares.

Shareholding information

Top 20 Holders of CommBank PERLS IX Capital Notes ("PERLS IX") as at 2 August 2017

Rank	Name of Holder	Number of Securities	%
1	BNP Paribas Noms Pty Limited	2,281,919	13.91
2	HSBC Custody Nominees (Australia) Limited	1,079,186	6.58
3	Bond Street Custodians Limited	221,263	1.35
4	Navigator Australia	166,520	1.02
5	J P Morgan Nominees Australia Limited	149,818	0.91
6	Citicorp Nominees Pty Limited	106,031	0.65
7	Mutual Trust Pty Ltd	101,741	0.62
8	G Harvey Nominees Pty Ltd	100,000	0.61
9	IOOF Investment Management	89,239	0.54
10	Netwealth Investments Limited	77,342	0.47
11	BNP Paribas Nominees Pty Limited	76,524	0.47
12	Nulis Nominees (Australia)	73,084	0.45
13	Invia Custodian Pty Limited	58,838	0.36
14	National Nominees Limited	54,395	0.33
15	Catholic Church Insurances Ltd	50,000	0.30
16	Dimbulu Pty Ltd	50,000	0.30
17	Sandhurst Trustees Limited	41,910	0.26
18	Pacmin Holdings Pty Limited	41,206	0.25
19	Navigator Australia Limited	38,563	0.24
20	Ernron Pty Ltd	34,530	0.21

The top 20 PERLS IX security holders hold 4,892,109 securities which is equal to 29.83% of the total securities on issue.

Stock Exchange Listing

PERLS IX are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPF. Details of trading activity are published in some daily newspapers.

Range of Shares (PERLS IX) as at 2 August 2017

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1 – 1,000	18,454	90.04	5,846,385	35.65
1,001 – 5,000	1,818	8.87	3,791,684	23.12
5,001 – 10,000	139	0.68	1,055,826	6.44
10,001 – 100,000	77	0.38	1,927,521	11.75
100,001 and over	7	0.03	3,778,584	23.04
Total	20,495	100.00	16,400,000	100.00
Less than marketable parcel of $500	0	0.00	0	0.00

Voting Rights

PERLS IX do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 202 and 203 for the Bank's ordinary shares.

Five year financial summary

	2017 $M	2016 (1) $M	2015 (1) $M	2014 $M	2013 $M
Net interest income	**17,600**	16,935	15,827	15,131	13,944
Other operating income (2)	**8,405**	7,812	7,751	7,270	6,877
Total operating income	**26,005**	24,747	23,578	22,401	20,821
Operating expenses	**(11,078)**	(10,434)	(10,003)	(9,499)	(9,010)
Impairment expense	**(1,095)**	(1,256)	(988)	(953)	(1,082)
Net profit before tax	**13,832**	13,057	12,587	11,949	10,729
Corporate tax expense	**(3,927)**	(3,592)	(3,439)	(3,250)	(2,953)
Non-controlling interests	**(24)**	(20)	(21)	(19)	(16)
Net profit after tax "cash basis"	**9,881**	9,445	9,127	8,680	7,760
Treasury shares valuation adjustment	**(23)**	4	(28)	(41)	(53)
Hedging and IFRS volatility	**73**	(199)	6	6	27
Gain/(loss) on disposal of controlled entities/investments	**-**	-	-	17	-
Bankwest non-cash items	**(3)**	(27)	(52)	(56)	(71)
Bell Group litigation	**-**	-	-	25	(45)
Net profit after income tax attributable to Equity holders of the Bank "statutory basis"	**9,928**	9,223	9,053	8,631	7,618
Contributions to profit (after tax)					
Retail Banking Services	**4,964**	4,540	3,994	3,678	3,089
Business and Private Banking	**1,639**	1,522	1,495	1,321	1,474
Institutional Banking and Markets	**1,306**	1,190	1,285	1,252	1,195
Wealth Management	**553**	612	643	789	679
New Zealand	**973**	881	882	742	621
Bankwest	**702**	778	795	675	561
IFS and Other	**(256)**	(78)	33	223	141
Net profit after tax "cash basis"	**9,881**	9,445	9,127	8,680	7,760
Investment experience after tax	**(44)**	(100)	(150)	(197)	(105)
Net profit after tax "underlying basis"	**9,837**	9,345	8,977	8,483	7,655
Balance Sheet					
Loans, bills discounted and other receivables	**731,762**	695,398	639,262	597,781	556,648
Total assets	**976,374**	933,001	873,489	791,451	753,857
Deposits and other public borrowings	**626,655**	588,045	543,231	498,352	459,429
Total liabilities	**912,658**	872,437	820,684	742,103	708,320
Shareholders' Equity	**63,716**	60,564	52,805	49,348	45,537
Net tangible assets	**53,146**	49,630	41,334	38,080	33,638
Risk weighted assets - Basel III (APRA)	**437,063**	394,667	368,721	337,715	329,158
Average interest earning assets (3)	**834,741**	790,596	736,164	705,862	653,637
Average interest bearing liabilities (3)	**755,612**	733,754	693,376	660,847	609,557
Assets (on Balance Sheet) - Australia	**817,575**	783,170	741,249	669,293	644,043
Assets (on Balance Sheet) - New Zealand	**89,997**	83,832	72,299	69,110	61,578
Assets (on Balance Sheet) - Other	**68,802**	65,999	59,941	53,048	48,236

(1) Comparative information for 2016 and 2015 has been restated to reflect the change in accounting policy detailed in Note 1 and refinements to the allocation of customer balances.
(2) Includes investment experience.
(3) Comparative information for 2016 has been restated to disclose average interest earning assets and average interest bearing liabilities net of average mortgage offset balances that were reclassified as Non-interest earning/bearing.

Five year financial summary

	2017	2016	2015	2014	2013
Shareholder summary					
Dividends per share - fully franked (cents)	**429**	420	420	401	364
Dividend cover - statutory (times)	**1. 3**	1. 3	1. 3	1. 3	1. 3
Dividend cover - cash (times)	**1. 3**	1. 3	1. 3	1. 3	1. 3
Earnings per share (cents) (1)					
Basic					
Statutory	**577. 6**	542. 3	553. 1	530. 6	474. 2
Cash basis	**574. 4**	554. 8	556. 9	532. 7	482. 1
Fully diluted					
Statutory	**559. 1**	529. 2	539. 1	518. 9	461. 0
Cash basis	**556. 1**	541. 2	542. 7	521. 0	468. 6
Dividend payout ratio (%) (1)					
Statutory	**74. 6**	78. 4	75. 8	75. 5	77. 4
Cash basis	**75. 0**	76. 5	75. 2	75. 1	75. 9
Net tangible assets per share ($) (1)	**30. 7**	28. 9	25. 4	23. 5	20. 9
Weighted average number of shares (statutory basic) (M)	**1,719**	1,692	1,627	1,618	1,598
Weighted average number of shares (statutory fully diluted) (M)	**1,815**	1,771	1,711	1,691	1,686
Weighted average number of shares (cash basic) (M)	**1,720**	1,693	1,630	1,621	1,601
Weighted average number of shares (cash fully diluted) (M)	**1,816**	1,772	1,714	1,694	1,689
Number of shareholders	**806,386**	820,968	787,969	791,564	786,437
Share prices for the year ($)					
Trading high	**87. 74**	88. 88	96. 69	82. 68	74. 18
Trading low	**69. 22**	69. 79	73. 57	67. 49	53. 18
End (closing price)	**82. 81**	74. 37	85. 13	80. 88	69. 18
Performance ratios (%)					
Return on average Shareholders' Equity					
Statutory	**16. 1**	16. 2	18. 2	18. 7	18. 0
Cash basis	**16. 0**	16. 5	18. 2	18. 7	18. 2
Return on average total assets					
Statutory	**1. 0**	1. 0	1. 1	1. 1	1. 0
Cash basis	**1. 0**	1. 0	1. 1	1. 1	1. 1
Capital adequacy - Common Equity Tier 1 - Basel III (APRA)	**10. 1**	10. 6	9. 1	9. 3	8. 2
Capital adequacy - Tier 1 - Basel III (APRA)	**12. 1**	12. 3	11. 2	11. 1	10. 3
Capital adequacy - Tier 2 - Basel III (APRA)	**2. 1**	2. 0	1. 5	0. 9	0. 9
Capital adequacy - Total - Basel III (APRA)	**14. 2**	14. 3	12. 7	12. 0	11. 2
Leverage Ratio Basel III (APRA) (%)	**5. 1**	5. 0	n/a	n/a	n/a
Liquidity Coverage Ratio (%)	**128. 6**	120. 0	120. 0	n/a	n/a
Net interest margin (2)	**2. 11**	2. 14	2. 15	2. 19	2. 13
Other information (numbers)					
Full-time equivalent employees	**45,614**	45,129	45,948	44,329	44,969
Branches/services centres (Australia)	**1,121**	1,131	1,147	1,150	1,166
Agencies (Australia)	**3,664**	3,654	3,670	3,717	3,764
ATMs	**4,398**	4,381	4,440	4,340	4,304
EFTPOS terminals (active)	**217,098**	217,981	208,202	200,733	181,227
Productivity (3)					
Total operating income per full-time (equivalent) employee ($)	**568,685**	545,237	508,578	500,034	459,583
Employee expense/Total operating income (%)	**24. 2**	25. 1	24. 9	25. 0	25. 3
Total operating expenses/Total operating income (%)	**42. 7**	42. 4	42. 8	42. 9	43. 6

(1) Comparative information for 2016 and 2015 has been restated to reflect the change in accounting policy detailed in Note 1.
(2) Comparative information has been restated for 2016, 2015 and 2014 to align to presentation in the current period.
(3) The productivity metrics have been calculated on a cash basis.

Capital adequacy and liquidity

Capital

The tables below show the APRA Basel III capital adequacy calculation at 30 June 2017 together with prior period comparatives. For a more detailed discussion on our capital position refer to our Basel III Pillar 3 document.

Risk Weighted Capital Ratios	FY17 %	FY16 %
Common Equity Tier 1	**10. 1**	10. 6
Tier 1	**12. 1**	12. 3
Tier 2	**2. 1**	2. 0
Total Capital	**14. 2**	14. 3

	FY17 $M	FY16 $M
Ordinary Share Capital and Treasury Shares		
Ordinary Share Capital	**34,971**	33,845
Treasury Shares [1]	**295**	284
Ordinary Share Capital and Treasury Shares	**35,266**	34,129
Reserves		
Reserves	**1,869**	2,734
Reserves related to non-consolidated subsidiaries [2]	**(81)**	(143)
Total Reserves	**1,788**	2,591
Retained Earnings and Current Period Profits [3]		
Retained earnings and current period profits	**26,330**	23,435
Retained earnings adjustment from non-consolidated subsidiaries [4]	**(537)**	(259)
Net Retained Earnings	**25,793**	23,176
Non-controlling interests		
Non-controlling interests [5]	**546**	550
Less ASB perpetual preference shares	**(505)**	(505)
Less other non-controlling interests not eligible for inclusion in regulatory capital	**(41)**	(45)
Non-controlling interests	**-**	-
Common Equity Tier 1 Capital before regulatory adjustments	**62,847**	59,896

(1) Represents shares held by the Group's life insurance operations ($96 million) and employee share scheme trusts ($199 million).
(2) Represents equity reserve balances associated with the insurance and funds management entities and those entities through which securitisation of the Group's assets are conducted. These entities are classified as non-consolidated subsidiaries by APRA and are excluded from the Level 2 Regulatory Consolidated Banking Group.
(3) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1 to the Financial Statements.
(4) Cumulative current period profit and retained earnings adjustments for subsidiaries not consolidated for regulatory purposes.
(5) Non-controlling interests predominantly comprise ASB Perpetual Preference Shares of NZD550 million issued by a New Zealand subsidiary entity. These are non-redeemable and carry limited voting rights. These are classified as additional Tier 1 Capital.

Capital adequacy and liquidity

	FY17 $M	FY16 $M
Common Equity Tier 1 regulatory adjustments		
Goodwill [(1)]	**(7,620)**	(7,603)
Other intangibles (including software) [(2)]	**(2,144)**	(2,313)
Capitalised costs and deferred fees	**(707)**	(535)
Defined benefit superannuation plan surplus [(3)]	**(298)**	(183)
General reserve for credit losses [(4)]	**(412)**	(386)
Deferred tax asset	**(1,683)**	(1,443)
Cash flow hedge reserve	**107**	(473)
Employee compensation reserve	**(164)**	(132)
Equity investments [(5)]	**(2,626)**	(3,120)
Equity investments in non-consolidated subsidiaries [(1)] [(6)]	**(2,673)**	(1,458)
Shortfall of provisions to expected losses [(7)]	**(218)**	(314)
Gain due to changes in own credit risk on fair valued liabilities	**(128)**	(161)
Other	**(122)**	(112)
Common Equity Tier 1 regulatory adjustments	**(18,688)**	(18,233)
Common Equity Tier 1	**44,159**	41,663
Additional Tier 1 Capital		
Basel III complying instruments [(8)]	**8,090**	6,450
Basel III non-complying instruments net of transitional amortisation [(9)]	**635**	640
Holding of Additional Tier 1 Capital [(10)]	**(200)**	(200)
Additional Tier 1 Capital	**8,525**	6,890
Tier 1 Capital	**52,684**	48,553
Tier 2 Capital		
Basel III complying instruments [(11)]	**7,744**	5,834
Basel III non-complying instruments net of transitional amortisation [(12)]	**1,495**	1,934
Holding of Tier 2 Capital	**(29)**	(25)
Prudential general reserve for credit losses [(13)]	**182**	181
Total Tier 2 Capital	**9,392**	7,924
Total Capital	**62,076**	56,477

(1) Goodwill excludes $252 million which is included in equity investments in non-consolidated subsidiaries.
(2) Other intangibles (including capitalised software costs), net of any associated deferred tax liability.
(3) In accordance with APRA regulations, the surplus in the Group's defined benefit superannuation fund, net of any deferred tax liability, must be deducted from Common Equity Tier 1.
(4) 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.
(5) Represents the Group's non-controlling interests in other entities.
(6) Non-consolidated subsidiaries primarily represent the insurance and funds management companies operating within the Colonial Group. The adjustment at 30 June 2017 is net of $665 million of Colonial non-recourse debt and subordinated notes that are subject to APRA approved transitional relief for regulatory purposes. Effective 31 December 2016 a number of intermediate holding companies within the Colonial Group were consolidated into the Level 2 Banking Group. The Group's insurance and fund management companies held $1,322 million of capital in excess of minimum regulatory requirements at 30 June 2017.
(7) Regulatory Expected Loss (pre-tax) using stressed loss given default assumptions associated with the loan portfolio in excess of eligible credit provisions (pre-tax).
(8) As at 30 June 2017, comprises PERLS IX $1,640 million issued in March 2017, PERLS VIII $1,450 million issued March 2016, PERLS VII $3,000 million issued in October 2014 and PERLS VI $2,000 million issued in October 2012.
(9) Represents APRA Basel III non-compliant Additional Tier 1 Capital Instruments that are eligible for Basel III transitional relief.
(10) Represents holdings of Additional Tier 1 capital instruments issued by the Colonial Mutual Life Assurance Society Limited.
(11) During the 2017 financial year the Group issued the following instruments: USD750million, NZD400 million (issued through ASB, the group's New Zealand subsidiary), HKD608 million and four separate JPY notes totalling JPY53.3 billion.
(12) Includes both perpetual and term instruments subordinated to depositors and general creditors, having an original maturity of at least five years. APRA requires these to be included as if they were unhedged. Term instruments are amortised at 20% of the original amount during each of the last five years to maturity. These instruments are eligible for Basel III transitional relief.
(13) 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.

Capital adequacy and liquidity

Risk Weighted Assets	FY17 $M	FY16 $M
Credit Risk		
Subject to AIRB approach [1]		
Corporate [2]	**74,663**	71,682
SME corporate [2]	**33,067**	29,957
SME retail	**4,838**	4,953
SME retail secured by residential mortgage	**2,766**	2,813
Sovereign	**2,154**	6,622
Bank	**12,598**	13,098
Residential mortgage [3]	**134,969**	83,758
Qualifying revolving retail	**9,414**	9,897
Other retail	**15,101**	15,102
Total RWA subject to AIRB approach	**289,570**	237,882
Specialised lending exposures subject to slotting criteria [2]	**58,752**	56,795
Subject to Standardised approach		
Corporate [2]	**1,202**	10,982
SME corporate [2]	**510**	4,133
SME retail	**6,172**	6,122
Sovereign	**271**	268
Bank	**136**	224
Residential mortgage [2]	**5,017**	7,428
Other retail	**2,925**	2,750
Other assets	**5,291**	5,360
Total RWA subject to Standardised approach	**21,524**	37,267
Securitisation	**1,584**	1,511
Credit valuation adjustment	**4,958**	8,273
Central counterparties	**871**	2,302
Total RWA for Credit Risk Exposures	**377,259**	344,030
Traded market risk	**4,650**	9,439
Interest rate risk in the banking book	**21,404**	7,448
Operational risk	**33,750**	33,750
Total risk weighted assets	**437,063**	394,667

(1) Persuant to APRA requirements, RWA amounts derived from AIRB risk weight functions have been multiplied by a scaling factor of 1.06. Comparatives have been restated to conform to presentation in the current period.
(2) APRA re-accredited the use of the AIRB approach for the Bankwest non-retail portfolio, effective 30 September 2016.
(3) Includes APRA requirements to increase average risk weight applied to Australian residential mortgages using the AIRB approach (FY17: $47billion).

Capital adequacy and liquidity

Leverage Ratio

Summary Group Leverage Ratio	As at FY17	FY16
Tier 1 Capital ($M)	**52,684**	48,553
Total Exposures ($M) (1)	**1,027,958**	980,846
Leverage Ratio (APRA) (%)	**5. 1**	5. 0
Leverage Ratio (Internationally Comparable) (%) (2)	**5. 8**	5. 6

(1) Total exposures is the sum of on Balance Sheet exposures, derivatives, Securities Financing Transactions (SFTs), and off Balance Sheet exposures, net of any Tier 1 regulatory deductions, as outlined in APS 110 "Capital Adequacy".

(2) The Tier 1 Capital included in the calculation of the internationally comparable leverage ratio aligns with the 13 July 2015 APRA study titled "International capital comparison study", and includes Basel III non-compliant Tier 1 instruments that are currently subject to transitional rules.

The Group's leverage ratio, defined as Tier 1 Capital as a percentage of total exposure, was 5.1% at 30 June 2017 on an APRA basis and 5.8% on an internationally comparable basis.

The BCBS has advised that the leverage ratio will migrate to a Pillar 1 minimum capital requirement of 3% from 1 January 2018. The BCBS will confirm the final calibration in 2017.

Liquidity

Level 2	As at FY17 $M	FY16 $M
Liquidity Coverage Ratio (LCR) Liquid Assets		
High Quality Liquid Assets (HQLA) (1)	**93,402**	75,147
Committed Liquidity Facility (CLF)	**48,300**	58,500
Total LCR liquid assets	**141,702**	133,647
Net Cash Outflows (NCO)		
Customer deposits	**77,298**	70,139
Wholesale funding	**17,579**	19,406
Other net cash outflows (2)	**15,271**	21,854
Total NCO	**110,148**	111,399
Liquidity Coverage Ratio (%)	**129**	120
LCR surplus	**31,554**	22,248

(1) Includes all repo-eligible securities with the Reserve Bank of New Zealand. The Exchange Settlement Account (ESA) cash balance is netted down by the Reserve Bank of Australia open-repo of internal Residential Mortgage-Backed Securities (RMBS).

(2) Includes cash inflows.

The Group holds high quality, well diversified liquid assets to meet Balance Sheet liquidity needs and internal and external regulatory requirements, such as APRA's Liquidity Coverage Ratio (LCR). At 30 June 2017, the Group's LCR was 129%, up from 120% as at 30 June 2016.

Profit reconciliation

Profit Reconciliation	Net profit after tax "cash basis" $M	Hedging and IFRS volatility $M	Bankwest non-cash items [1] $M	Treasury shares valuation adjustment $M	Policyholder tax $M	Investment experience $M	Net profit after tax "statutory basis" $M
	Full Year Ended 30 June 2017						
Group							
Interest income	**33,293**	-	-	-	-	-	**33,293**
Interest expense	**(15,693)**	-	-	-	-	-	**(15,693)**
Net interest income	**17,600**	-	-	-	-	-	**17,600**
Other banking income	**5,520**	106	-	-	-	-	**5,626**
Total banking income	**23,120**	106	-	-	-	-	**23,226**
Funds management income	**2,034**	-	-	(22)	30	9	**2,051**
Insurance income	**786**	-	-	-	2	56	**844**
Total operating income	**25,940**	106	-	(22)	32	65	**26,121**
Investment experience	**65**	-	-	-	-	(65)	**-**
Total income	**26,005**	106	-	(22)	32	-	**26,121**
Operating expenses	**(11,078)**	-	(4)	-	-	-	**(11,082)**
Loan impairment expense	**(1,095)**	-	-	-	-	-	**(1,095)**
Net profit before tax	**13,832**	106	(4)	(22)	32	-	**13,944**
Corporate tax (expense)/benefit	**(3,927)**	(33)	1	(1)	(32)	-	**(3,992)**
Non-controlling interests	**(24)**	-	-	-	-	-	**(24)**
Net profit after tax	**9,881**	73	(3)	(23)	-	-	**9,928**

(1) Includes merger related amortisation through operating expenses of $4 million, and an income tax benefit of $1 million.

Profit reconciliation

Profit Reconciliation	Full Year Ended 30 June 2016 [1] Net profit after tax "cash basis" $M	Hedging and IFRS volatility $M	Bankwest non-cash items [2] $M	Treasury shares valuation adjustment $M	Policyholder tax $M	Investment experience $M	Net profit after tax "statutory basis" $M
Group							
Interest income	**33,817**	-	-	-	-	-	**33,817**
Interest expense	**(16,882)**	-	-	-	-	-	**(16,882)**
Net interest income	**16,935**	-	-	-	-	-	**16,935**
Other banking income	**4,860**	(284)	-	-	-	-	**4,576**
Total banking income	**21,795**	(284)	-	-	-	-	**21,511**
Funds management income	**2,016**	-	-	14	(8)	39	**2,061**
Insurance income	**795**	-	-	-	109	102	**1,006**
Total operating income	**24,606**	(284)	-	14	101	141	**24,578**
Investment experience	**141**	-	-	-	-	(141)	**-**
Total income	**24,747**	(284)	-	14	101	-	**24,578**
Operating expenses	**(10,434)**	-	(39)	-	-	-	**(10,473)**
Loan impairment expense	**(1,256)**	-	-	-	-	-	**(1,256)**
Net profit before tax	**13,057**	(284)	(39)	14	101	-	**12,849**
Corporate tax (expense)/benefit	**(3,592)**	85	12	(10)	(101)	-	**(3,606)**
Non-controlling interests	**(20)**	-	-	-	-	-	**(20)**
Net profit after tax	**9,445**	(199)	(27)	4	-	-	**9,223**

(1) Comparative information has been reclassified to conform to presentation in the current period.
(2) Includes merger related amortisation through operating expenses of $39 million, and an income tax benefit of $12 million.

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Corporate directory

132 221 General Enquiries

For your everyday banking including paying bills using BPAY® our automated service is available 24 hours a day, 7 days a week.

132 221 Lost, Stolen or Damaged Cards

To report a lost or stolen card 24 hours a day, 7 days a week.

From overseas call +61 2 9999 3283. Operator assistance is available 24 hours a day, 7 days a week.

® Registered to BPAY Pty Ltd ABN 69 079 137 518

132 224 Home Loans and Investment Home Loans

To apply for a new home loan or investment home loan or to maintain an existing loan. Available from 8am to 8pm, 7 days a week.

131 431 Personal Loan Sales

To apply for a new personal loan.

Available from 8am to 8pm, 7 days a week.

1800 805 605 Customer Relations

If you would like to pay us a compliment or are dissatisfied with any aspect of the service you have received.

Internet Banking

You can apply for a home loan, credit card, personal loan, term deposit or a savings account on the internet by visiting our website at www.commbank.com.au available 24 hours a day, 7 days a week.

Do your everyday banking on our internet banking service NetBank at www.commbank.com.au/netbank available 24 hours a day, 7 days a week.

To apply for access to NetBank, call 132 221.

Available 24 hours a day, 7 days a week.

Do your business banking on our Business Internet Banking Service CommBiz at www.commbank.com.au/CommBiz available 24 hours a day, 7 days a week.

To apply for access to CommBiz, call 132 339.

Available 24 hours a day, 7 days a week.

Special Telephony Services

Customers who are hearing or speech impaired can contact us via the National Relay Service (www.relayservice.com.au) available 24 hours a day, 7 days a week.

- Telephone Typewriter (TTY) service users can be connected to any of our telephone numbers via 133 677.
- Speak and Listen (speech-to-speech relay) users can also connect to any of our telephone numbers by calling 1300 555 727.
- Internet relay users can be connected to our telephone numbers via National Relay Service.

131 519 CommSec (Commonwealth Securities)

For enquiries about CommSec products and services visit www.commsec.com.au.

Available from 8am to 7pm (Sydney Time), Monday to Friday, for share trading and stock market enquiries, and 8am to 7pm 7 days a week for Commsec Cash Management. A 24 hour lost and stolen card line is available 24 hours, 7 days a week.

131 709 CommSec Margin Loan

Enables you to expand your portfolio by borrowing against your existing shares and managed funds. To find out more simply call 131 709 8am to 6pm (Sydney Time) Monday to Friday or visit www.commsec.com.au.

1800 019 910 Corporate Financial Services

For a full range of financial solutions for medium-size and larger companies.

Available from 8am to 6pm (Sydney Time), Monday to Friday.

131 998 Local Business Banking

A dedicated team of Business Banking Specialists, supporting a network of branch business bankers, will help you with your financial needs.

Available 24 hours a day, 7 days a week or visit www.commbank.com.au/lbb.

1300 772 968 (1300 AGLINE) AgriLine

A dedicated team of Agribusiness Specialists will help you with your financial needs. With our Business Banking team living in regional and rural Australia, they understand the challenges you face. Available 24 hours a day, 7 days a week.

Colonial First State

Existing investors can call 131 336 from 8am to 7pm (Sydney Time) Monday to Friday.

New investors without a financial adviser can call 1300 360 645. Financial advisers can call 131 836.

Alternatively, visit www.colonialfirststate.com.au.

1300 362 081 Commonwealth Private

Commonwealth Private offers clients with significant financial resources a comprehensive range of services, advice and opportunities to meet their specific needs. For a confidential discussion about how Commonwealth Private can help you, call 1300 362 081 between 8am to 5:30pm (Sydney time), Monday to Friday or visit www.commbank.com.au/commonwealthprivate.

132 015 Commonwealth Financial Services

For enquiries on retirement and superannuation products, or managed investments. Available from 8.30am to 6pm (Sydney Time), Monday to Friday.

Unit prices are available 24 hours a day, 7 days a week.

CommInsure

For all your general insurance needs call 132 423 8am to 8pm (Sydney Time), Monday to Friday and 8am to 5pm (Sydney Time) on Saturday.

For all your life insurance needs call 131 056 8am to 8pm (Sydney Time), Monday to Friday.

Alternatively, visit www.comminsure.com.au.

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Taryn Morton

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www.commbank.com.au/shareholder

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Australian Securities Exchange Listing

CBA

Annual Report

To request a copy of the Annual Report, please call Link Market Services Limited on 1800 022 440 or by email at cba@linkmarketservices.com.au.
Electronic versions of Commonwealth Bank's past and current Annual Reports are available on www.commbank.com.au/investors.