Annual Report
2018

Becoming a simpler, better bank

CommonwealthBank

We are building a simpler, more focused bank, fully aligned to meeting the needs of customers in our core markets, underpinned by stronger risk management and a continuing commitment to innovation and customer service.

We will advance our purpose to improve the financial wellbeing of our customers and communities.

In doing so, we will be guided by our values:

- **We do what is right**
- **We are accountable**
- **We are dedicated to service**
- **We pursue excellence**
- **We get things done**

Commonwealth Bank of Australia
ACN 123 123 124

Inside this report

This year we have taken steps to make our reporting clearer and to provide information on all aspects of the Bank's performance. In addition to detailing our financial performance and business strategy, this report outlines what we're doing to operate sustainably and responsibly.

2018 highlights

Customers

Customers served
16.1 million

Digital customers
6.5 million

Largest branch and ATM network in Australia
1,267 branches Group total
4,253 ATMs Group total

Mobile banking app Net Promoter Score
37.8
More than 10 points above closest major bank peer

Community

Tax paid
$4.0 billion
One of Australia's largest taxpayers

Community investment
$290 million
21,900 volunteering and pro bono hours

CommBank Foundation
1,240+ grants
For youth, education and health organisations

Financial education
568,000+ students
Participating in Start Smart sessions

Our people

Number of employees

49,125

Employed in 15 countries, 40,508 in Australia

Women in Manager roles and above

44.6%

Women in Executive Manager roles and above 37.6%

Total hours of training

1,847,000+

Average hours of training per employee 34.1 hours

Employees working flexibly

73.7%

20% work part-time or job share

Shareholders

Net profit after tax

$9,233 million cash basis

$9,375 million statutory basis

Continuing operations

Dividend per share

$4.31

Full year, fully franked, cash basis

% of cash net profits returned to shareholders

80.4%

$7.6bn in total, 79% of shareholders are Australian

Amount received by the average retail shareholder in dividends

$3,853

Chairman's message

"Your Board, management team and our people are committed to making CBA a better bank and to achieving our purpose of improving financial wellbeing for our customers and communities."

C.B. Livingstone

Catherine Livingstone AO
Chairman

Dear Shareholders,

This has been a difficult year. Confidence in the Bank has been severely tested due to a series of conduct and compliance issues. As a result, trust in the Bank, and its reputation and standing, have been damaged.

The Board and I regret, without reservation, the Bank's failings over recent years, and apologise to all of our stakeholders for what has happened.

The Bank has, however, continued to deliver service and market-leading innovation for our customers, and has continued to contribute to our communities. Our businesses have performed well this year, and we have maintained our capital strength. This financial performance has supported a strong dividend for shareholders and enabled the Board to determine a final dividend of $2.31 per share, taking the full year dividend to $4.31 per share, fully franked, up 2 cents on last year. It has also been a year of renewal at the Bank, and we have taken action to set the Bank up for future success.

Regulatory and compliance issues

We take full responsibility for the issues we have faced, and are committed to addressing our failures. An outline of the year's main regulatory, legal and industry reviews is provided on pages 10-11 of this report.

The Board and I would like to provide context for our approach to these issues and the rationale for the decisions we have made. In coming to a settlement with the Australian Transaction Reports and Analysis Centre (AUSTRAC), we agreed to pay a civil penalty of $700 million. This is a very large sum of money, and understandably, a serious concern for shareholders. Factors that contributed to the size of the penalty included the Bank's financial size and the significant role the Bank plays in the Australian economy.

When considering how to resolve the issue in shareholders' best interests, the Board formed the view that mediation and settlement with AUSTRAC would deliver the best outcome overall. It enables us to focus on improving our risk and compliance capabilities, and to move forward and work constructively with AUSTRAC.

The Board also determined that it was in shareholders' best interests to reach an agreement with the Australian Securities and Investments Commission (ASIC) to settle the legal proceedings in relation to claims of manipulation of the Bank Bill Swap Rate. This brings to an end the uncertainty around bills trading, acknowledges our past mistakes and where we could have done better, and it allows us to focus on productive engagement with ASIC.

We are participating transparently and fully in the Royal Commission and we believe that through the process of scrutiny and reflection we will become a better bank, and that the Australian financial services sector will also be strengthened.

APRA Prudential Inquiry into CBA

In August last year, the Australian Prudential Regulation Authority (APRA) announced that it was establishing an independent prudential inquiry into the Bank. The decision to initiate the inquiry was prompted by the succession of issues confronting the Bank, and concerns regarding its governance, culture and accountability frameworks and practices.

We welcomed the opportunity for independent parties to take a fresh view, and co-operated fully with the inquiry. We have since welcomed the final report, and the clear roadmap that it provides for us.

A key finding was that more rigorous Board and Executive level governance of non-financial risks, particularly operational and compliance risk, is required.

The report emphasises the importance of accountability, where everyone owns their actions, and where exacting standards for risk and customer outcomes are reinforced by remuneration practices.

The report is also clear on the need for cultural change. We need to be less complacent and reactive and instead be more reflective, open to challenge and customer focused.

Following the report, we have entered into an Enforceable Undertaking (EU) with APRA. Under the terms of the EU we have provided APRA with a Remedial Action Plan, which APRA has approved. The plan outlines the actions we are now taking to ensure that our governance, accountability and culture frameworks and practices are significantly improved and meet the high standards expected of us. We have also further improved our performance review and remuneration policies and practices to ensure greater accountability for risk and customer outcomes.

We have reported to APRA on the extent to which the findings of the report have been reflected in remuneration consequences for current and past executives. These outcomes are outlined in the ***Remuneration report*** on page 98.

We understand the scale of change which is necessary, and its seriousness, in order for us to become a better, stronger bank for our customers, people, regulators and shareholders.

Your Board and management team are working to ensure this is achieved.

The way forward

The selection of a new Chief Executive Officer was a key priority this year. The Board sought to appoint a candidate who would maintain momentum in the business while addressing the regulatory and reputational challenges and responding to evolving community expectations. We also sought a candidate who could transform the business to meet the rapidly evolving competitive and technology-centric environment.

In appointing Matt Comyn to the role of CEO, we are confident that he has the mix of attributes and values needed to lead the Bank. Matt has now appointed a very capable leadership team with deep skills and experience.

The Bank's purpose and strategy, outlined on pages 12–27, provides clear direction. It commits us to deliver for our stakeholders in a balanced and sustainable way. In emphasising trust and reputation, it recognises the importance of having the community's confidence and support.

Our decision to prioritise our core businesses and capabilities will allow us to become a more focused bank. The proposed demerger of the Group's wealth management and mortgage broking businesses will enable both companies to pursue growth and investment decisions appropriate to each business.

Board renewal

The program of Board renewal continued this year, with the objective of ensuring that the Board has the appropriate mix of skills, expertise and experience to address current and emerging opportunities and issues.

I would sincerely like to thank Andrew Mohl and Brian Long who will both be retiring at our Annual General Meeting on 7 November 2018. They are long-serving Directors and have contributed specialist expertise to the Board's deliberations.

In September 2017, Rob Whitfield was appointed an independent Non-Executive Director. He adds broad risk management and public sector experience, as well as extensive banking experience, to the Board's skills and expertise.

In March this year, Anne Templeman-Jones joined the Board. Anne is an experienced listed company Non-Executive Director and has a strong background in risk, corporate banking, insurance, advice and wealth management.

Commitment to be a better bank

While this has been a very difficult year for the Bank, we now have the impetus for change and a blueprint for strengthening the organisation.

Your Board, management team and our people are committed to making this a better bank and to achieving our purpose of improving financial wellbeing for our customers and communities.

Thank you for your support.

Catherine Livingstone AO
Chairman

CEO's message

"The work we are doing to become a simpler, better bank will deliver balanced and sustainable outcomes for all our stakeholders, and importantly, drive long-term and sustainable outperformance for you, our shareholders."

Matt Comyn
Chief Executive Officer

Dear Shareholders,

As you know, the Bank has faced significant challenges this year. This happened because at times we let our customers down, our operational risk and compliance capabilities simply weren't good enough, and we were too slow to fix our mistakes. I am sorry for these failings, and I am committed to doing what is necessary to put things right.

The required changes are now underway, and we are building on the Bank's strong foundations. More than 16 million customers choose to do business with us. We are the first choice for home loans, household deposits and digital banking. We have more branches in more places, we rank first for our technology, and we are financially strong.

Our financial results for the year reflect these strengths. Operating momentum was resilient, driven by our core banking businesses which delivered good volume margin management in home and business lending, ongoing growth in transaction accounts and deposits, and continued uptake of our market-leading digital banking services.

Operating expenses were impacted by a number of one-offs including the AUSTRAC civil penalty and regulatory and compliance costs. Excluding these items, expense growth was maintained at low levels due to productivity initiatives. This supported growth in overall earnings, excluding non-recurring items. Importantly, our balance sheet continued to strengthen across funding and liquidity metrics, and we remain one of the best capitalised banks in the world. This performance has supported an increased dividend for shareholders.

Earning trust

While it has been important to focus on maintaining business momentum, I've also been determined to face up to issues and fix them so that we can earn the trust of our customers, regulators and the community, and restore your confidence and pride in your company.

To earn our customers' trust we have to deliver better outcomes. That's why my leadership team is prioritising listening to customer complaints and fast-tracking the resolution of longstanding issues. It's also the reason that we're focused on improving our customers' financial wellbeing through the products and services we provide. This includes investing in new CommBank app features that help customers save more, spend less and stay in control of their finances.

To understand our customers' level of trust in us, we are now measuring our Net Promoter Score (NPS). NPS subtracts our detractors from our promoters and is a good indicator of whether our customers would recommend us to their family and friends.

To earn the trust of our regulators we are committed to engaging in a way that is proactive, transparent and resolution-focused. A key step forward was settling the anti-money laundering proceedings with AUSTRAC. Importantly, we are investing in our financial crimes capabilities and have a comprehensive program in place. We are pleased to be working constructively with AUSTRAC to help protect the integrity of the Australian financial system.

We also reached an agreement with ASIC to settle the Bank Bill Swap Rate legal proceedings. We have given ASIC an enforceable undertaking under which an independent expert will confirm that the changes that we have made, and will be making, to our controls, policies, training and monitoring in connection with our BBSW business are sufficiently robust.

As the Chairman noted, the APRA Prudential Inquiry into CBA, and its final report, have been pivotal for us this year. While the report made for confronting reading for me and my team, we believe it is fair and balanced and that it provides a clear roadmap for the organisational change required. The Remedial Action Plan we've developed, and which has been endorsed by APRA, contains our commitments to fix the issues identified. Each of us is now accountable for making these improvements.

We are also committed to earning the community's trust. The Royal Commission is bringing to light mistakes we have made, the impact of those mistakes, and the changes required to meet community expectations. To measure our progress in earning the community's trust, we will track and disclose our reputation score relative to a group of the largest ASX-listed consumer-facing companies.

Most importantly, to ensure we don't make mistakes that undermine trust in the future, we are working hard to achieve better risk outcomes across the Bank. We are focused on strengthening our operational, compliance and conduct risk capabilities, and building a risk culture which emphasises that everyone is accountable for all the risks in their business. This is being reinforced through consequences for poor risk management, and rewards for identifying and managing risk well.

Setting a clear direction

My second priority has been to set the Bank on the right course for future success.

Key to this has been articulating a simple purpose for the organisation. Our purpose is to improve the financial wellbeing of our customers and communities. It provides clear direction to our people and guides our strategy.

Our ability to deliver good customer outcomes depends on having an energised and accountable team. To help our people understand what we stand for, and to drive actions and behaviours, our values have been updated. The revised values are simple and action-oriented: we do what is right; we are accountable; we are dedicated to service; we pursue excellence; and we get things done.

I have renewed the Executive Leadership Team to drive change and lead our people through the transition. In appointing new executives, I focused on individuals' values, attributes and behaviours to ensure the right fit for each role, while creating a good balance of external experience and knowledge of the Bank. I am confident that your new management team has the skills and experience required to lead the Bank into the future.

Becoming a simpler, better bank for our customers

Our strategy is to become a simpler, better bank, supported by stronger capabilities, that delivers balanced and sustainable outcomes for customers, the community, our people and shareholders.

Our retail and commercial banking franchises will be at the heart of what we do. We aim to continue to lead in digital banking and to offer a range of options for customers to interact with us, including through our branches, business centres and Australia-based call centres.

For our retail customers, key priorities include maintaining our market-leading online banking offering, and providing the best proprietary home buying experience.

In our business bank, we will be focused on providing products that best fit our customers' needs, and on improving our service delivery by better integrating our relationship, product and analytics teams. In the institutional banking business, we will concentrate on market segments where we are well positioned, including payments and deposits, and will lend prudently.

The strategy of ASB Bank, our retail and business bank in New Zealand, will be closely aligned with our Australian businesses, but it will continue to operate on a stand-alone basis so that it can respond to local conditions.

Further digitisation of our processes and businesses is also key to simplification and to providing customers with the best digital experiences.

Demerging our wealth management and mortgage broking businesses

The proposed demerger of our wealth management and mortgage broking businesses is an important step towards simplification. It will result in the creation of a new, leading wealth management business (NewCo). It will include Colonial First State, Colonial First State Global Asset Management, Count Financial, Financial Wisdom, Aussie Home Loans, and our minority shareholdings in CountPlus and Mortgage Choice.

The demerger allows NewCo to pursue growth and investment decisions appropriate for its business, and enables shareholders to participate in this opportunity if they decide to hold NewCo shares. CBA shareholders will receive shares in NewCo proportional to their existing CBA holding. This will enable CBA shareholders, who already own these assets, to choose whether to continue owning them or not.

Simplifying our portfolio

We have announced the sales of our life insurance businesses – including Sovereign in New Zealand, CommInsure Life in Australia and BoComm Life in China. We have also announced the strategic review of PT Commonwealth Life in Indonesia. This is based on our view that we can best serve customers by partnering with specialist insurance providers who have the scale and capacity to invest in market-leading products and innovation. This is also why we are undertaking a strategic review of our general insurance business.

As part of our simplification agenda we are tightening our international focus. We have also decided to exit our TymeDigital business in South Africa.

Strengthening key capabilities

Looking to the year ahead, we will be working extremely hard to execute our strategy. We will be investing in operational risk and compliance to strengthen our processes, systems and governance. We will build our data and analytics capabilities to deliver productivity for our business and better insights for our customers. And we will be reshaping and reducing our cost base so that we can continue to invest in innovation to meet the challenges of disruption and to deliver great experiences for our customers.

My team and I share the conviction that the work we are doing to become a simpler, better bank will deliver balanced and sustainable outcomes for our stakeholders, and importantly, drive long-term and sustainable outperformance for you, our shareholders.

I look forward to updating you on our progress.

Matt Comyn
Chief Executive Officer

Regulatory, legal and industry review update

We have been involved in a number of regulatory, legal and industry reviews this year. We have been committed to participating fully and openly, and to providing transparency on the processes and outcomes.

APRA Prudential Inquiry into CBA

On 28 August 2017, the Australian Prudential Regulation Authority (APRA) announced the establishment of an independent prudential inquiry into the Bank (Prudential Inquiry). APRA appointed three panel members, Dr John Laker AO, Professor Graeme Samuel AC and Jillian Broadbent AO, to undertake the inquiry.

On 1 May 2018, APRA released the final report of the Prudential Inquiry. It laid out shortcomings in governance, culture and accountability at the Bank. The final report is constructive and fair and we accept all of its 35 recommendations. We are committed to implementing all of the recommendations and have entered into an Enforceable Undertaking (EU) with APRA.

The final report's recommendations outline five key areas for improvement:

- Governance: more rigorous Board and Executive Committee level governance of non-financial risks.
- Accountability: exacting accountability standards reinforced by remuneration practices.
- Capability: a substantial upgrading of the authority and capability of the operational risk management and compliance functions.
- Customer: injection into CBA's DNA of the "should we?" question in relation to all dealings and decisions on customers.
- Culture: cultural change that moves the dial from reactive and complacent to empowered, challenging and striving for best practice in risk identification and remediation.

APRA also applied a capital adjustment to our minimum capital requirement by applying an add-on of $1 billion to our operational risk capital requirement. We have undertaken only to apply for removal of all or part of the capital adjustment when we believe we can demonstrate compliance, to APRA's satisfaction, with the specific undertakings within the EU and the commitments set out in our Remedial Action Plan (Plan).

We submitted our Plan to APRA in June. It contains clear and measurable responses to each of the final report's recommendations, supported by a timeline and executive accountabilities. The Plan has been endorsed by APRA and is subject to a comprehensive assurance framework. The Promontory Financial Group will act as independent reviewer and will provide quarterly progress updates to APRA.

In addition, we have advised APRA how the findings of the Prudential Inquiry will impact remuneration outcomes for current and former executives. See the ***Remuneration report*** on page 98 for more details.

Work to ensure delivery of the Plan is now underway, and is being managed under a dedicated Better Risk Outcomes Program (BROP).

A centralised BROP team, reporting directly to the CEO, will govern implementation of the Plan. Business unit and support unit leaders are accountable for execution of the Plan. Work is already underway, for example an Executive Leadership Team Non-financial Risk Committee, one of the recommendations, has been established and held its first meeting in June, and similar forums are being established in each business unit and support unit.

BROP will also govern major risk uplift programs, and build specific additional capabilities including system, data and reporting foundations, to support delivery of the Plan.

AUSTRAC proceedings

On 4 June 2018, we announced that we had entered into an agreement with Australian Transaction Reports and Analysis Centre (AUSTRAC), the Australian Government's financial intelligence agency, to resolve the civil proceedings commenced by AUSTRAC in the Federal Court of Australia on 3 August 2017. AUSTRAC's claim alleged past and ongoing contraventions of four provisions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth). The agreement with AUSTRAC has been approved by the Federal Court.

As part of the agreement we have incurred a civil penalty of $700 million, together with AUSTRAC's legal costs.

Banks have a critical role to play in combating financial crime and protecting the integrity of the financial system. In reaching this position, we have also agreed with AUSTRAC that we will work closely together in an open and constructive way.

We are committed to build on the significant changes made in recent years as part of a comprehensive program to improve operational risk management and compliance at the Bank. We continue to make significant investment in anti-money laundering (AML) and counter-terrorism financing (CTF) compliance, including upgrading and enhancing our AML/CTF technology, updating our process documentation, investing in further resourcing, and strengthening training of our personnel.

We have acted to strengthen financial crime capabilities, and have invested significantly recognising the crucial role that we play, including through our Program of Action with coverage across all aspects of financial crime (including AML/CTF, sanctions and anti-bribery and corruption) and all business units. The Program of Action is uplifting the Bank's processes for monitoring, managing, reporting and controlling financial crime across all of our operations, including how we engage with and inform AUSTRAC and other regulators, and the operating model of the Bank which relates specifically to financial crime to ensure increased confidence in managing this area of risk.

We have changed senior leadership in the key roles overseeing financial crimes compliance supported by significant resources and clear accountabilities.

Two class actions have been filed alleging that we failed to disclose to the market, prior to 3 August 2017 when we became aware of the AUSTRAC proceeding, material information in relation to aspects of our AML/CTF controls. We reject the assertion that we had any price sensitive information in respect of our AML/CTF controls environment or the risk of the AUSTRAC proceeding, and maintain that at all times we have complied with our continuous disclosure obligations. We intend to vigorously defend both claims.

For more information on the AUSTRAC proceedings, including the Statement of Agreed Facts and Admissions see: commbank.com.au/AUSTRAC

Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

On 30 November 2017, the Government announced the establishment of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. The former High Court Judge, the Honourable Kenneth Hayne AC QC, was appointed as the Commissioner.

The purpose of the Royal Commission is to inquire into the conduct of banks, insurers, superannuation funds and other financial services institutions, and to assess the effectiveness of existing regulatory frameworks and mechanisms for customer redress. A final report is due by 1 February 2019, with an interim report due by 30 September 2018. The Commissioner's report is expected to outline his findings and recommendations, which may form the basis for regulatory changes.

The Royal Commission is conducting rounds of public hearings, focusing on key elements of the financial services industry, including consumer lending, financial advice, lending to small and medium enterprises, superannuation, general and life insurance, and experiences with financial services entities in regional and remote communities.

The Royal Commission is playing an important role in highlighting misconduct and conduct below community standards and expectations, demonstrating that the industry hasn't always done the right thing by customers, and it will continue to highlight cases where we have made mistakes.

We are engaging openly and transparently with the Royal Commission and carefully considering the issues specific to the Group and the broader issues the Royal Commission, customers, regulators and other stakeholders are raising around how the financial services industry operates.

Our Royal Commission project team leads our engagement with the Royal Commission and manages the various requirements, including finding and providing requested documents, supporting our witnesses, attending hearings, and preparing submissions.

As at 30 June 2018, we had responded to 106 notices to produce documents from the Royal Commission, provided 47 witness statements and 10 submissions. In addition, CBA executives had provided in-hearing evidence to the Royal Commission on 12 occasions.

For more information on the Royal Commission see: https://financialservices.royalcommission.gov.au

ASIC Bank Bill Swap Rate proceedings

In May 2018, we announced that we had reached an agreement with the Australian Securities and Investments Commission (ASIC) to settle the legal proceedings in relation to claims of manipulation of the Bank Bill Swap Rate (BBSW). The settlement was approved by the Federal Court in June.

As part of the settlement, we have acknowledged that, in the course of trading on the BBSW market in Australia on five occasions between February and June 2012, there were attempts to engage in unconscionable conduct in breach of the ASIC Act. We have also acknowledged that we did not have adequate policies and systems in place to monitor the trading and communications of our staff in order to prevent that conduct from occurring.

The settlement also included a $5 million penalty, a payment of $15 million to a financial consumer protection fund, and a $5 million payment towards ASIC's costs of the litigation and its investigation. We have also entered into an enforceable undertaking with ASIC, under which an independent expert will be appointed to review controls, policies, training and monitoring in relation to our BBSW business.

Our strategy

Strong foundations

The Australian banking industry has performed well financially over the past decade, supported by favourable credit market conditions and a stable, well-regulated domestic financial system.

Steady economic conditions and credit growth have enabled the industry to invest in customer experience and deliver good shareholder returns in a competitive market.

During this period, CBA has been able to grow our main financial institution (MFI) share, deepen customer relationships, and invest in businesses, technologies and capabilities.

There have, however, also been times when we have let our customers down, which is unacceptable. We are committed to being a better bank, earning community trust and doing the right thing by our customers.

Our operating context is evolving. We are experiencing, and are likely to continue to see, ongoing changes in our economic, regulatory and competitive environment, as outlined in our ***Business risks*** section on page 43.

We have the right foundations to thrive in this evolving context. We have the strongest retail bank franchise in Australia and very strong commercial banking franchises. We have relationships with more than half of all Australians and more business customers than any other bank, supported by the broadest branch network in Australia and our relationship managers for business and institutional clients.

This strength has enabled us to invest in market-leading technology. We now have 6.5 million active digital users and remain the only major Australian bank with a real time banking system.

We also have a strong balance sheet and have been strengthening our capital, liquidity and funding.

Our strategy builds on our strong foundations and reflects the changes in operating context to strengthen our business for the long term and deliver balanced and sustainable outcomes for our stakeholders.

We take our role and responsibility in the community seriously and are committed to making a broad, meaningful and positive contribution to Australian society.

Our purpose and strategy

We have a simple purpose: to improve the financial wellbeing of our customers and communities. Our purpose guides our strategy.

Our strategy is to become a simpler, better bank that delivers balanced and sustainable outcomes for our customers, community, our people and shareholders.

A simpler, better bank for our customers

We will simplify our portfolio, operating model and processes. We will focus on our core retail and commercial banking businesses in Australia and New Zealand.

Within our retail and business franchises, our priorities are to build deep, trusted relationships with our customers, strengthen our business banking proposition, and deliver better operational discipline.

We will grow from a simpler and more digital foundation. We will accelerate our innovation agenda to give customers the best digital experiences, and make it easier for our people to better serve customers.

Stronger capabilities

To deliver on our strategy we need to achieve better customer, efficiency, and risk outcomes. To do this, we will prioritise strengthening four critical capabilities:

- operational risk and compliance
- cost reduction
- data and analytics
- innovation

Balanced and sustainable outcomes

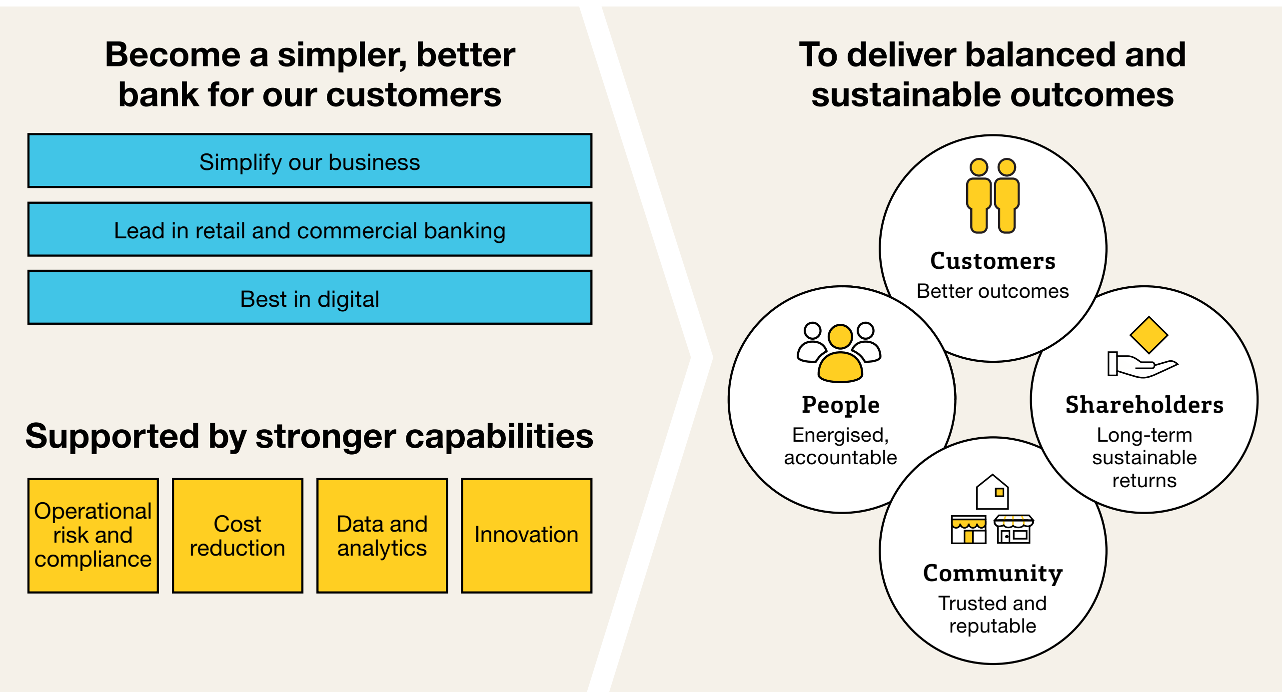
We believe that delivering for each of our stakeholders creates a virtuous cycle. We exist to serve customers. Engaged employees with strong values will deliver excellent customer service, better customer outcomes and make a positive contribution to the community. This will, in turn, generate strong, sustainable returns for shareholders.

We will focus on achieving better customer outcomes, earning the community's trust, renewing our culture and delivering for shareholders. We must also operate in a way that helps to ensure a resilient, efficient, fair and safe financial system.

To measure our progress, we will monitor a balanced set of metrics. We have set ourselves the following goals:

- #1 Net Promoter Score for consumer and business customers
- Top quartile reputation score
- Top 10% employee engagement score
- Top quartile total shareholder returns

Our strategy



Balanced and sustainable outcomes

Our customers: delivering better outcomes

Our focus on service and our strong digital proposition have led to high levels of customer satisfaction, as evidenced by the Bank leading in retail customer satisfaction for 51 of the past 60 months.[1]

Despite this, we acknowledge that if we want customers to be our supporters and advocates, we need to demonstrate more clearly that we are on their side. This requires not only continued leadership in service and digital innovation, but also ensuring that we make a tangible, positive impact on our customers' financial wellbeing.

This is why we have changed our focus from customer satisfaction to tracking both our promoters and detractors through a Net Promoter Score (NPS).

NPS asks customers if they would recommend us to their friends and family, which will provide a better measure of overall customer sentiment.

Gaining NPS leadership requires us to shift beyond customer service and product quality, to eliminate customer pain points. It means being there when it counts, and making a real difference in customers' lives.

In addition to meeting multiple customer needs, we need to help customers better understand and manage their spending and saving, avoid fees, and make better financial decisions.

Our purpose of improving financial wellbeing requires us to guide customers through key life events, such as buying their first home or dealing with job loss, and to have the right conversations with customers to help them build financial security now and for the future.

We have made good progress but we have more to do and will maintain a strong focus on these outcomes.

Customers served

16.1 million

Digital customers

6.5 million

Largest branch and ATM network in Australia

1,267 branches Group total
4,253 ATMs Group total

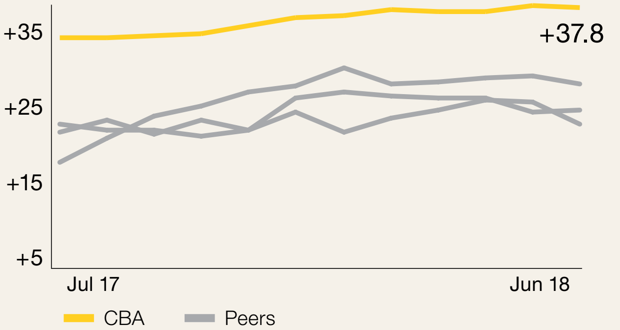
(1) Roy Morgan Research Retail Main Financial Institution Customer Satisfaction.

Focusing on Net Promoter Score (NPS)

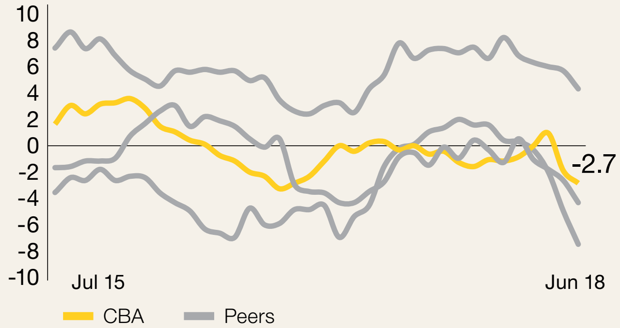
NPS is now our primary measure of customer outcomes. Our digital channels have performed well, and we have consistently achieved #1 NPS scores for both our mobile app and internet banking. Improving our consumer and our business customer scores is a major focus for us.

Our aim is to be #1 in NPS for consumer and business customer segments

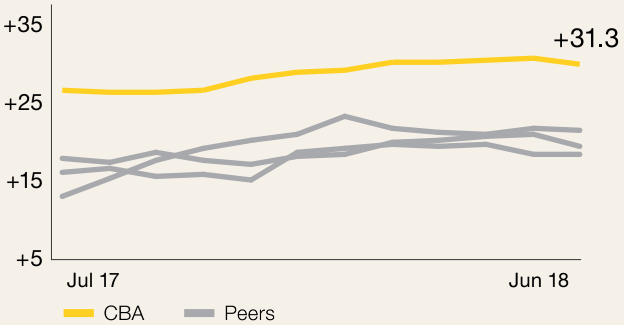
Mobile app NPS[1]



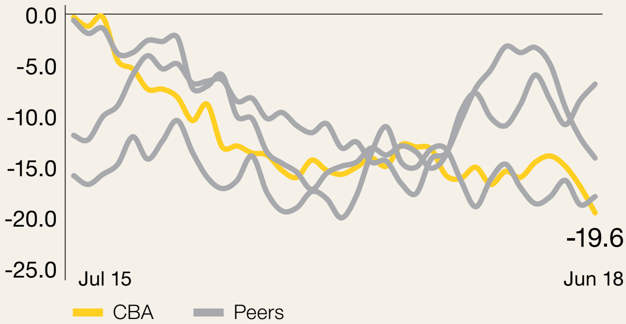
Consumer NPS[3]



Internet banking NPS[2]



Business NPS[4]



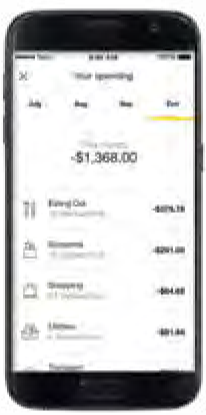
Putting customers in control of their finances

With almost half of all Australians spending more than they'd like to, we are providing customers with features that give them more visibility and control of their finances.

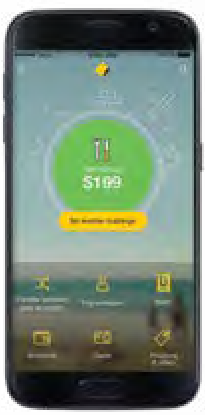
We have launched a range of features through the CommBank app to help customers better track their spending and set savings goals. The features include real time transaction notifications and Spend Tracker which help improve everyday spending habits. We are also piloting a Spend Less Challenge for credit card customers.

Helping customers avoid fees

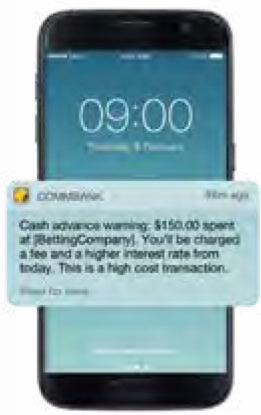
We are now providing alerts through the CommBank app for insufficient funds, credit card payment due dates, and high cost transactions such as ATM withdrawals on credit.



Spend Tracker



Spend Less Challenge



High cost transaction alerts

(1) Roy Morgan's Single Source survey, Australian population 14+ (Internet banking services via mobile app). See page 293 of the glossary for details.
(2) Roy Morgan's Single Source survey, Australian population 14+ (Internet banking services via website or mobile app). See page 293 of the glossary for details.
(3) DBM Consumer MFI Net Promoter Score, Australian population 14+ (from Aug 16; 18+ for data prior). See page 293 of the glossary for details.
(4) DBM Business Net Promoter Score. See page 293 of the glossary for details.

Balanced and sustainable outcomes

Our community: earning trust

The Bank has an important role to play in the community as a responsible provider of financial services.

Given our heritage, and our role in the economy and the community, we must also be a responsible corporate citizen.

We take these responsibilities seriously and are focused on meeting the community's expectations – both in terms of the products and services we provide, and the contribution we make to the community.

The Bank supports a range of community organisations and initiatives. Information on the support we provide is outlined on pages 34–37.

Trust is the cornerstone of banking, but the community's trust in us and our reputation have been damaged recently.

We have launched a comprehensive remediation program (the Better Risk Outcomes Program) to fix weakness in our risk management, strengthen our overall management of risk, and ensure we exceed our regulatory and compliance obligations.

To restore trust and reputation we will change the way we engage with our community and stakeholders by:

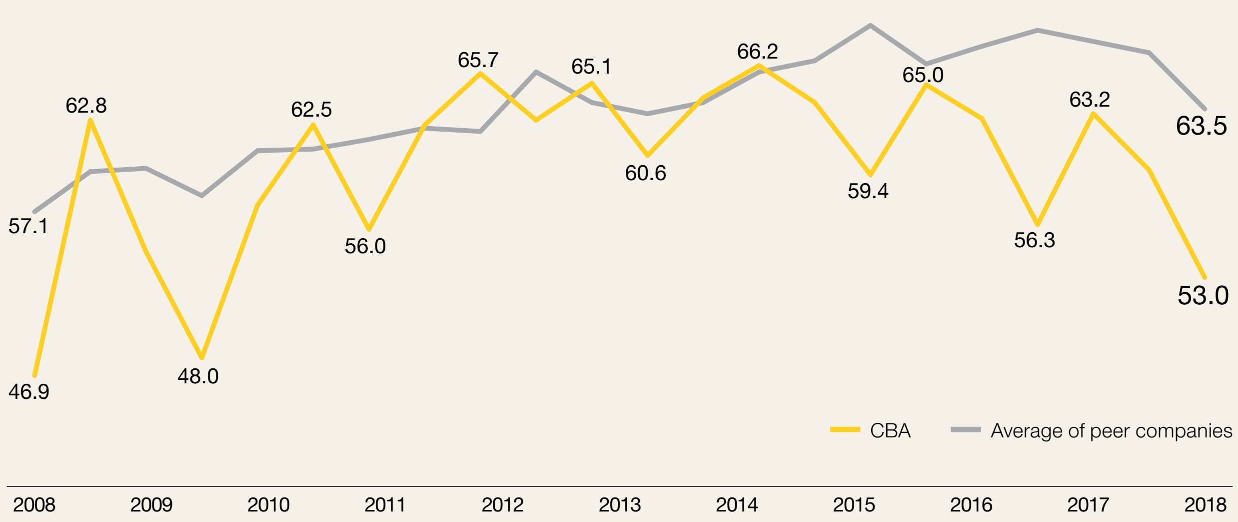
- being more proactive and less reactive
- being honest and transparent when issues or incidents occur
- showing genuine traction in addressing the root causes of issues

Our goal is to be in the top quartile of peer companies for reputation

Focusing on trust and reputation

Trust and reputation are critical drivers of the Bank's long-term ability to operate and create value for stakeholders. We are now measuring our reputation performance with the independent RepTrak® survey conducted by Reputation Institute. Our RepTrak® Reputation score is monitored quarterly and is also included in executive leaders' long-term variable remuneration assessments.

Reputation score versus peer companies



Source: RepTrak 2018, Q2 Australia Report, June 2018, Reputation Institute.
Peer companies is the average of 16 of the largest consumer-facing companies listed on the ASX.

Delivering for our community

Helping fund affordable housing and inclusive communities

On census night in 2016, more than 116,000 Australians were homeless. In New South Wales, there are over 55,000 approved households waiting for public housing and demand for affordable housing options is increasing.

SGCH (formerly St George Community Housing) was founded more than 30 years ago as a not-for-profit with the aim of providing sustainable, affordable and safe homes for low income households in Sydney.

In April 2018, Commonwealth Bank provided a four-year, $110 million debt facility to enable SGCH to build 285 new homes, adding to its existing portfolio of 4,700 social and affordable properties. The bank will also refinance existing debt to support the delivery of several other developments.

"If we want a diverse and thriving local community and economy, we need more affordable housing options so that low income earners and key workers, such as teachers, can live in the suburbs where they work." Scott Langford, CEO of SGCH

Left to right: Julie Stojanovska, contracts officer, Irene Malina, tenant, and Scott Langford.

Balanced and sustainable outcomes

Our people: maintaining an energised and accountable team

Our people's focus on customer service, based on deep motivation to serve customers well and a real pride in our institution, has been a key strength over the last decade.

We have also supported our people and have been recognised as an employer of choice in the Australian workplace by:

- LinkedIn – #2 Top Companies 2017: Where Australia wants to work now
- GradAustralia – #1 Top banking and financial services graduate employer
- Australian Workplace Gender Equality Agency Employer of Choice for Gender Equality 2017-2018

While there is much to preserve, we need to clarify the expectations of how we live our values, and lead our workforce through significant change.

Our values

Our objective is to build an energised and accountable team. We have clarified our values as one step of many required to renew our culture.

Our values provide a clear statement about what we stand for and what drives our actions and behaviours. They apply to everyone at the Bank and are a core component of our performance reviews for all staff.

Our values are:

- We do what is right
- We are accountable
- We are dedicated to service
- We pursue excellence
- We get things done

The importance of diversity and inclusion

Diversity and inclusion are an integral part of our culture, values and the way we do business. There are tangible benefits for our employees, customers, shareholders and the communities we operate in.

For more information on the Bank's initiatives in this area see page 39.

Helping our people build skills for the future

The pace and extent of change in the workplace has accelerated due to rapid adoption of new technologies, the adoption of flexible working, greater responsiveness to our customers, and an enhanced focus on risk and controls.

Automation and digitisation of the business also changes the capabilities and skillsets we need.

We are preparing for this shift in a way that embraces reskilling and provides choices for our people.

Our goal is to be in the top 10% globally for our employee engagement score

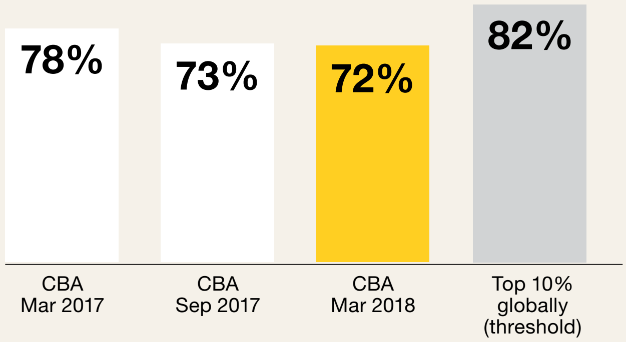
Focusing on employee engagement

Engaged and energised employees deliver better customer outcomes and experiences, and are more productive. It's therefore fundamental to our success that our people care deeply about our customers, the community and the Bank, and are committed to our purpose, values and strategy.

As a sign of how important these outcomes are, employee engagement has been incorporated as a long-term variable remuneration performance measure for the CEO and Group Executives. Employees participate in a survey called Your Voice twice per year. The survey measures our progress on embedding our values, and employee engagement, through an Employee Engagement Index (EEI) score. The EEI score is based on responses to questions relating to satisfaction, commitment, advocacy and pride.

According to our most recent EEI score, overall employee engagement has declined to 72%. This is a reduction of 1% from 73%, recorded in September 2017. Pride in the organisation was one of the most affected areas. However, in a clear sign that our people are eager to engage, the participation rate in the survey was high at 89%. Employees also provided their views on what we need to do better, giving us a clear list of areas for improvement.

Employee Engagement Index score



Source: IBM Kenexa.

Creating an energised team

We have a 59 year difference between our youngest and oldest employee, and our workforce is more culturally diverse than the Australian population.

This provides us with a rich and diverse set of skills, perspectives and experiences to draw on when serving customers. It allows us to better understand their needs as we share life experiences like securing a first job, starting a family, getting a first mortgage, caring for elderly parents or planning for retirement. Our diversity helps us think more creatively and solve complex problems. It also enriches the Bank's culture when people are valued for who they are, and are supported in career and life transitions.

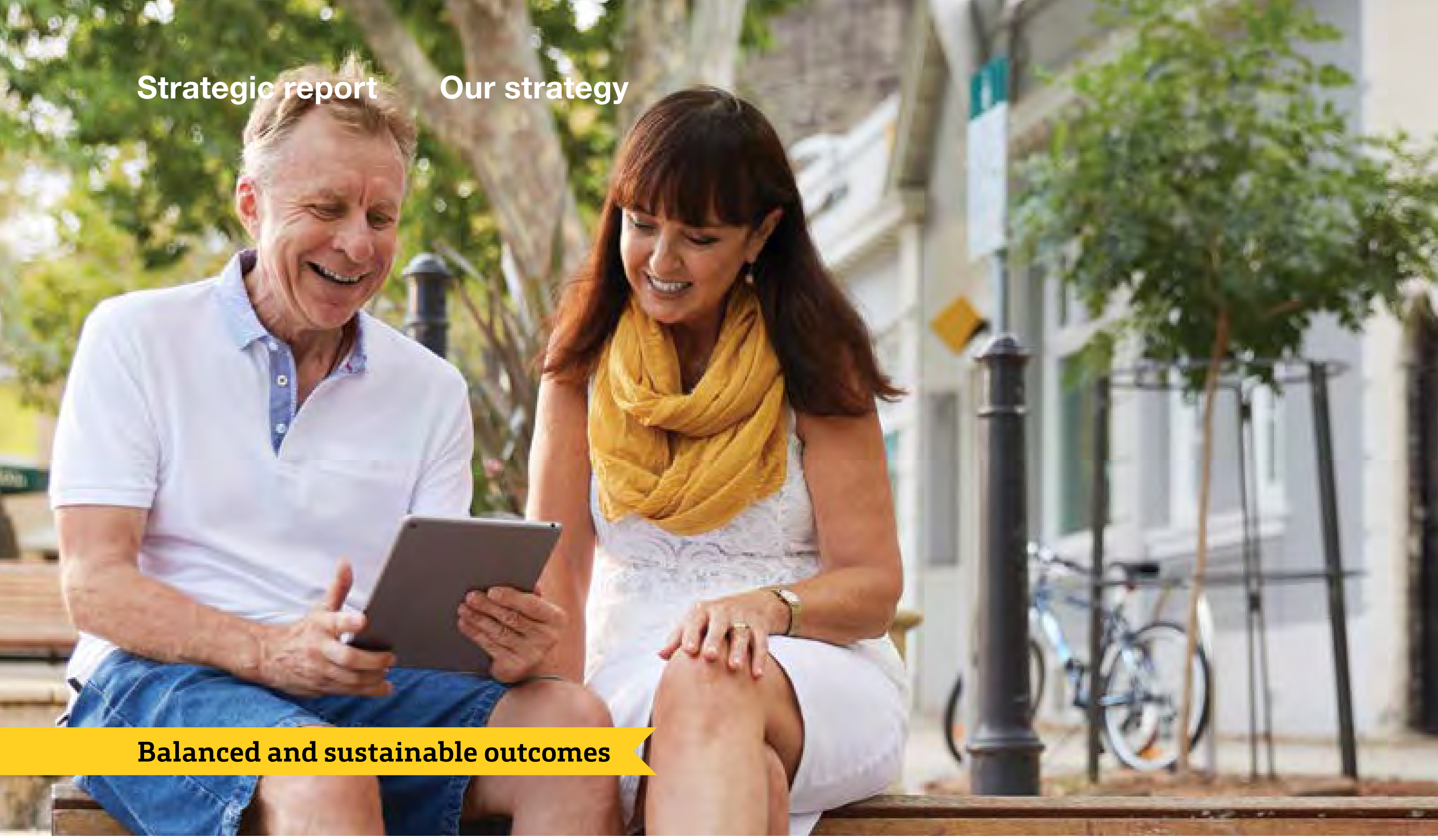
Our employee-run network, AdvantAge, champions age and life-stage related topics. It's made up of graduates, working parents and older employees planning for retirement. Key priorities include providing flexible work options to help employees reach their potential at every stage of life, breaking down stereotypes and promoting age-inclusive behaviours. We also have employee networks for gender, sexual orientation, accessibility and disability, reconciliation and cultural diversity.

"I'm still learning. Most of my colleagues are younger than me, but it's not about age, it's about capability. The most important thing for customers is our ability to adapt according to their needs. We earn their respect by showing energy, enthusiasm and empathy."

Sam Bazzi, Branch Manager, Campsie, NSW

"At the Campsie branch we speak 14 different languages to cater for our multicultural community. We all have something unique to offer. Sam has such rich life and professional experiences, he can always answer customer queries."

Aemu Wong, Lending Specialist, Campsie, NSW



Balanced and sustainable outcomes

Our shareholders: delivering long-term sustainable returns

The Bank has historically delivered consistently strong total shareholder returns, and has outperformed the Australian market and peer banks.

We know that stable dividends are valued by our shareholders and that this income supports their financial wellbeing.

With millions of Australians owning nearly 80% of the Bank, the dividends we pay also help support the Australian economy.

We believe that becoming a simpler, better bank, combined with the work being done to improve governance, accountability and risk management, will underpin future shareholder returns. We are also optimising our business and capital settings and adapting to the changing operating environment to drive financial performance and strength.

We recognise that investors are increasingly looking for long-term returns that are supported by strong environmental, social and governance (ESG) performance.

By focusing on both the financial and non-financial drivers of shareholder value, we will deliver sustainable financial performance into the future.

For detailed information on our approach to ESG see both the ***Doing business sustainably*** and ***Corporate governance*** sections at pages 28 and 81 respectively.

Net profit after tax

$9,233 million cash basis

$9,375 million statutory basis

Continuing operations

Dividend per share

$4.31

Full year, fully franked, cash basis

Amount received by the average retail shareholder in dividends

$3,853

Focusing on shareholders

Our aim is to deliver sector-leading returns and a stable dividend stream. We achieve this by focusing on both operating performance and capital generation.

Our goal is to deliver top quartile TSR outperformance relative to peers

Dividend

Per share, fully franked, cash basis

The Bank seeks to pay cash dividends at strong and sustainable levels. This year 80% of profits are being returned to shareholders as dividends (75% excluding the impact of the AUSTRAC civil penalty).

2018	$4.31
2017	$4.29
2016	$4.20

Total shareholder return (TSR)

Percent

The Bank aims for long-term, sustainable outperformance on TSR, because TSR combines both share price appreciation and dividends paid and shows the total return to shareholders over time.

10 years	222%
5 years	41%
1 year	-7%

Source: Bloomberg

Capital

Common Equity Tier 1 ratio (CET1, APRA)

The CET1 ratio is an important measure of the Bank's ability to absorb unexpected losses. It compares a bank's core capital with its risk weighted assets. APRA requires the major Australian banks to have a CET1 ratio of 10.5% or more by 1 January 2020. We are on track to meet this requirement.

2018	10.1%
2017	10.1%
2016	10.6%

Return on equity

Cash ROE, continuing operations

Return on equity is an important measure of the Bank's profitability. It represents the net profit generated as a percentage of the equity shareholders have invested. ROE remains strong, though has declined in recent years due primarily to regulatory requirements for higher levels of capital.

2018	14.1%
2017	15.7%
2016	16.1%

For more detail on the Bank's financial and non-financial performance see the ***Performance overview*** section on page 61.

Aligning executive remuneration with shareholder experience

The Bank's executive remuneration framework supports the Banks' strategy and shareholder interests. This year action has been taken to further the alignment with shareholders by imposing remuneration consequences on all senior leaders in the Bank for the poor risk and customer outcomes that have occurred.

Remuneration has been reduced by more than $60 million for current and former senior leaders as a result of adjustments to variable remuneration and partial or full lapsing of outstanding deferred variable remuneration awards. This includes the actions taken by the Board in August 2017 to reduce Non-Executive Director fees, and reduce to zero the short-term variable remuneration for Group Executives in the previous financial year.

For more information see the ***Remuneration report*** on page 96.

A simpler, better bank for our customers

We will simplify our portfolio and focus on our core retail and commercial banking franchise. In parallel, we will accelerate our digitisation agenda.

Simplify our business

Demerging wealth management and mortgage broking

To simplify our business and allow us to focus on our core banking businesses, we have announced our intention to demerge our wealth management and mortgage broking businesses. This will create a new, leading wealth management and mortgage broking company (NewCo), which will be listed on the Australian Securities Exchange.

Shares in the new listed company will be allocated to our shareholders in proportion to their ownership of CBA shares. NewCo will be made up of Colonial First State, Colonial First State Global Asset Management (CFSGAM), our third-party distribution businesses – Count Financial, Financial Wisdom, Aussie Home Loans – and our minority shareholdings in CountPlus and Mortgage Choice.

The demerger will enable NewCo to pursue growth and investment decisions appropriate for its business.

We expect to implement the demerger in 2019, subject to shareholder and various regulatory approvals.

Reviewing our portfolio

We are making progress on divesting our life insurance businesses, with Sovereign already divested and the divestments of CommInsure Life and BoComm Life subject to regulatory approvals. PT Commonwealth Life is under strategic review.

Also under strategic review are our general insurance business and our stake in Vietnam International Bank. We have also decided to exit our TymeDigital business in South Africa.

Lead in retail and commercial banking

The Bank will benefit from greater focus on our core banking businesses in Australia and New Zealand. These businesses all have market-leading capabilities and together represent over 90% of the Group's net profit after tax in 2018.

In an era of increased scrutiny and disruption, it is important that we direct our investment and management attention on our core businesses to improve operational risk and best position us for the future.

We will accelerate our innovation agenda around our core businesses to create growth options for the future. Our primary focus will be on strengthening our position in three critical areas: mortgages, business banking, and payments.

NewCo

Colonial First State	CFS Global Asset Management	Aussie Home Loans	Count Financial	Financial Wisdom	CountPlus	Mortgage Choice
Investment, superannuation and retirement products	Global investment management	Leading mortgage broker	Financial advice	Financial advice	Accounting and advice (minority stake)	Mortgage broker (minority stake)

Retail banking

Deepening customer relationships and enhancing distribution through digital

We will continue to offer the best digital experiences to increase customer loyalty, attract new customers and improve retention. We will also maintain the broadest and most efficient distribution network in Australia.

We will continue to provide market-leading products and services to meet customer needs at every life stage, including everyday banking, consumer finance, and home buying. We will invest to maintain the best home buying experience. Digital will play a larger role, but will be tightly integrated with home lending specialists and mobile lenders who will continue to be an important part of the customer experience.

Providing financial advice to our customers is consistent with our purpose: to improve financial wellbeing. Commonwealth Financial Planning will remain part of Commonwealth Bank Group and will be integrated into our Retail Banking Services business unit. We will continue to evolve our model for Advice to ensure we consistently deliver good quality advice that meets community expectations and regulatory obligations.

Bankwest, which provides banking services Australia-wide but has most customers in Western Australia, will be more closely integrated with our Retail Banking Services business unit. This will allow us to leverage our shared understanding of retail customers' needs and expectations across brands.

The strategic direction of ASB, our New Zealand bank, will be broadly aligned to our Australian mass retail customer proposition, but adapted to local conditions. ASB will continue to operate on a stand-alone basis given the separate regulatory jurisdictions and ASB's strong execution track record.

Our continued success in retail will be marked by improved customer outcomes, loyalty and experience, and a #1 ranking relative to our peers in NPS. We will also aim to continue managing volume and margins for strong and sustainable outcomes.

Business and Private Banking

Investing and innovating for growth

Business banking remains a focus as we concentrate our efforts on the domestic market.

We will grow in business banking by hiring more bankers to serve customers, and by innovating to compete in an increasingly competitive market. Our priorities are to provide a better commercial lending experience and deeper payments integration.

We have established a more complete end-to-end accountability in our Business and Private Banking (BPB) business unit by integrating our small business team, core business products, and analytics teams and capabilities into BPB.

This new model will enhance coordination between our product and distribution functions, provide clearer accountabilities for our people, and deliver improvements to the business customer experience. The changes will also ensure that we are able to make more efficient use of our resources, so we can invest and innovate for growth.

We're helping SMEs get Wiise

Business management for small and medium enterprises (SMEs) is set to become easier with the launch of a new cloud-based, end-to-end, business management solution called Wiise.

Developed in collaboration with KPMG Australia and Microsoft, Wiise empowers SMEs to take control of their business by combining accounting, payroll and banking, and operational functions, including HR, inventory and manufacturing.

Wiise integrates with the Bank's invoicing platform, CommBank Simplify, as well as banking data feeds, linking customers' banking and accounting platforms together. Users will also be able to enquire about and in some cases apply for specialised business banking products directly through the platform.

A simpler, better bank for our customers

Institutional Banking and Markets

Simplifying and refocusing on the most attractive segments

Our Institutional Banking and Markets (IB&M) business unit makes an important contribution to its clients, Australia and the markets in which it operates. It serves a large corporate, government and institutional client base with funding, risk management and working capital product offerings.

We will focus on the most attractive market segments where we are well positioned. This means strengthening domestic deposits, payments and lending and supporting client activity with a close link to Australia or New Zealand.

We are optimising our portfolio mix and international footprint for lower risk and better returns. We support our clients' needs through proven structuring capabilities and by leveraging our data and analytics.

By supporting industry and economic development, and through a commitment to financing the transition to a zero-emissions economy, IB&M contributes to building Australia and has a broader impact on the financial wellbeing of the country and all Australians.

Helping Adelaide Oval shine

Cricket fans got a world-class experience at Adelaide Oval's historic day-night Ashes Test in December thanks to a new, energy efficient upgrade to its lighting and sound equipment.

The upgrade, financed by Commonwealth Bank and the Clean Energy Finance Council (CEFC) not only makes for a better spectator experience, but has reduced the stadium's energy use by up to 35%.

More than 220 energy efficient LED lights were installed throughout the grandstands, as well as atmospheric feature LEDs, high-definition ribbon boards and audio visual equipment upgrades.

It's a winning combination for the Adelaide Oval Stadium Management Authority, as innovation helps attract international event promotors, cuts energy costs and pleases fans who like to see their team colours on display.

Adelaide Oval's upgrade was delivered through the Commonwealth Bank and CEFC Energy Efficient Equipment Finance (EEEF) program, which helps businesses fund energy efficient vehicles, equipment and projects.

The EEEF program has provided approximately $50 million in funding for energy efficient projects in South Australia since launch.

Best in digital

Our future will be increasingly digital. Our customers continue to be more and more digitally active and are doing more banking on their mobile phones.

Over a number of years we have invested to build market-leading digital assets and innovative customer interfaces. We now have 6.5 million active digital customers and our CommBank app and NetBank website both rank #1 for Net Promoter Score.

We intend to continue to lead the market with the digital experiences and services that we provide. We will accelerate towards a mobile-first, multi-channel experience for our customers across all of our businesses.

Our strong franchise also means we have the broadest and richest data assets of our peers. Over the past three years we have built our Customer Engagement Engine to use the data we have to create personalised experiences for our customers. For instance, last year we thanked 4.6 million customers for their loyalty.

We also invest in privacy and cyber security to make sure customers' information is safe.

Introducing Ceba – your digital assistant

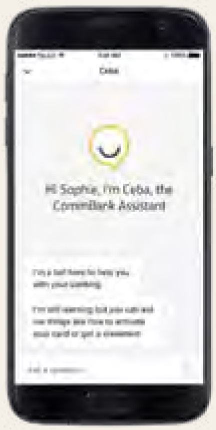
Ceba is Commonwealth Bank's chatbot. Available 24/7 through NetBank and the CommBank app, Ceba helps customers complete 282 banking tasks and can understand 85,000 different ways of asking these questions.

Ceba helps by guiding customers through an action, pointing them to more information, or smoothly transferring them to a human assistant. Driven by artificial intelligence, Ceba will keep learning how to best help with different enquiries.

All NetBank and CommBank app customers can now chat to Ceba. Since launch, Ceba has had over 580,000 conversations with our customers and is currently handling around 10 chats per minute.

282

banking tasks through Ceba



Stronger capabilities

To deliver on our strategy, we need to achieve better customer, risk and cost outcomes. To do this, we will strengthen four critical capabilities: operational risk and compliance, cost reduction, data and analytics, and innovation.

Operational risk and compliance

Our management of operational risk and compliance obligations has not kept pace with increasing demands. A good risk culture is one where risk management is everyone's job.

We will preserve the customer orientation of our culture, but apply lessons from best-in-class organisations that have built strong operational risk cultures.

We will do what it takes to fix the root causes of issues, including governance, capability, culture and investment. We'll also simplify underlying operational processes, policies and systems.

We have launched the Group-wide Better Risk Outcomes Program (BROP), reporting directly to the CEO with strong Board oversight and independent assurance on implementation effectiveness. BROP will drive sound execution of the changes we need to make throughout the Bank, and will support greater focus on the individual risk management accountabilities of our leaders and people.

Improved productivity and greater flexibility through automation

The introduction of Robotic Process Automation and digital workflow has significantly improved the way we process home loan settlements. More than 90% of the financial transactions required for settlement have been automated, and paper has been removed from the process. This has created productivity savings of approximately 100 hours per day across the team.

Cost reduction

Effective cost reduction across the Group is a critical area of focus, given the lower-growth outlook, margin pressure, increasing competitive threats from lower-cost business models, and the need for ongoing spend on risk, remediation and compliance. We are optimising the structure and composition of our expense base to provide us with the operating agility to effectively respond to the rapidly changing landscape.

Our new strategy helps us achieve these cost outcomes:

Simpler operating model – Focusing on our core business allows us to create a leaner organisation by consolidating overlapping and complementary activities and teams across business units, and by streamlining processes and operations in support functions. Having a simpler business also makes it easier to prioritise and dedicate investment where it is required. In this way, portfolio optimisation reduces cost and complexity and improves risk-adjusted returns. We are also reducing our IT costs by adopting a new operating model and new procurement strategies, and through better demand and cost management.

Innovation focusing on digitisation and automation – We are evolving our distribution model in line with a growing customer preference for digital channels and functionality. The shift to digital allows us to redesign and automate manual processes. In addition to the cost savings, freeing our people up from time- and labour-intensive tasks allows them to focus on service. This improves the customer experience and provides more opportunities for growth.

Use of data and analytics – In addition to providing growth and revenue opportunities, we are using data and analytics as cost reduction tools. Increased ability to capture, analyse and extrapolate findings from data allows us to completely re-engineer key monitoring and trend identification activities, such as financial crimes compliance, cyber security and fraud. It's also helping us to make informed decisions about our distribution network, including where to locate branches and how to resource all of our distribution channels to best meet customers' needs.

Customer engagement engine

Our Customer Engagement Engine (CEE) decides the next best conversation to have with customers 21 million times every weekday across our digital channels, contact centres and branches. The CEE looks at each of those interactions, and in less than 300 milliseconds, updates our understanding of the customer, so that our next interaction with them is more meaningful and personalised.

Machine learning enables the CEE to make these interactions more and more relevant to our customers' financial wellbeing over time.

Data and analytics

Data and analytics are critical to our future success. We invested early in analytics and we have great examples where our scale, capabilities and unique data sets have been a clear competitive advantage. We have even more opportunity to further enhance our risk control environment, further drive productivity and improve customer experience.

As customers demand greater personalisation and tailored insights, and expect their personal information to be secure and private, we will be investing in the data and analytics capabilities that put us in the best position to meet their needs.

Open Banking and Comprehensive Credit Reporting accentuate the case for change. When fully implemented, these regulatory reforms will enable financial data to be shared between financial services companies, with customers' consent. Ahead of these changes, we are focusing on our data security and privacy capabilities to protect our customers. We are also working on using these data sources to provide new services and products that improve our customers' financial wellbeing.

Innovation

We have invested heavily to build market-leading digital assets and have more than 6.5 million active digital users. Our CommBank app is used by 5 million customers and has a Net Promoter Score of +37.8, more than 10 points higher than our closest major bank peer.

We have launched a range of market-leading innovations, and our digital offering plays a critical role in our financial wellbeing program by helping customers to manage spending, avoid fees, save more, and use credit prudently.

Going forward, we will develop new propositions and adapt our business to drive better customer and business outcomes in the face of increasing regulatory, macroeconomic and competitor headwinds.

We will also take a more active approach to managing innovation as a portfolio, ensuring that we invest in a balanced portfolio of nearer-term and longer-term innovation.

Doing business sustainably

Our corporate responsibility programs and initiatives support the Bank's strategy to deliver balanced and sustainable outcomes for our customers, community, people and shareholders. Every year we undertake a materiality assessment to understand what our stakeholders consider to be important. This helps us to evolve our strategy, supporting programs and initiatives in response.

What is important to our stakeholders

This year we asked our stakeholders to consider the current operating environment, global megatrends and emerging issues, including trust in business, technology as a disruptor, the transitioning workforce and climate change.

The following table outlines the areas of most interest to our stakeholders, and how we are responding.

Identified stakeholder issues

Areas of focus	How we respond
Serve customers responsibly	Our purpose is to improve the financial wellbeing of our customers and communities. We are committed to delivering better outcomes for our customers. We do this by listening to our customers (page 31), providing a range of financial wellbeing initiatives (page 15), through customer advocacy (page 32) and with financial education programs (page 34).
Trust and reputation	Trust and reputation are critical to our ability to operate and to deliver for our stakeholders. We are contributing to our communities through our CommBank Foundation community grants and pro bono engagement with community groups (page 34), recognition of great educators through the Commonwealth Bank Teaching Awards (page 36), and role modelling reconciliation with career opportunities and dedicated customer assistance for Indigenous people, and cultural capability training for our employees (page 37).
Accountable, diverse and inclusive workforce	We empower our people to deliver the best outcomes for our customers. Our people are guided by the Bank's updated values, which are explained in the ***Our strategy*** section (page 18). We are promoting health and wellbeing for our people (page 38) and we continue to create a diverse and inclusive workplace culture (page 39).
Long-term sustainability	Conducting our business in a responsible way is critical to delivering balanced and sustainable stakeholder outcomes. We minimise risks and seek opportunities through responsible business lending (page 40) and investing (page 41) practices, by operating our offices and branches efficiently (page 41), sourcing responsibly and by respecting human rights (page 42). Climate change as a significant long-term driver for financial and non-financial risks and opportunities, and our response to this is reported in line with the recommendations of the Task Force on Climate-related Financial Disclosures (from page 48).

Stakeholder engagement

We engage with a wide range of stakeholder groups on issues that impact our business. This is fundamental to the way we operate, as stakeholder views provide us with valuable insights. Our approach to stakeholder engagement is guided by the AA1000 AccountAbility Stakeholder Engagement Standard and our Stakeholder Engagement Approach.

Stakeholders	How we engage
Customers	Multi-channel engagement, customer feedback and complaint channels, customer surveys and workshops, customer advocate, customer representatives and bodies, and external dispute resolutions.
Employees	Group-wide and ad-hoc employee engagement surveys, digital and social platforms, meetings, employee events and the SpeakUP Hotline.
Shareholders	Financial and non-financial reporting, briefings, surveys, meetings and the Annual General Meeting.
Government and regulators	Meetings, submissions and proposals, commissions and inquiries, and financial institution associations.
Suppliers	Supplier meetings, briefings and workshops, risk assessments, Supplier Code of Conduct and the SpeakUP Hotline.
Media	Phone calls, meetings and emails, briefings and media releases, digital and social channels.
Community organisations, non-governmental organisations and charities	External advisory panels, industry memberships, meetings, phone calls, correspondence, and support of events, summits and forums.
Service providers and academics	Meetings, phone calls and correspondence.

Transparent about our progress

We measure what matters, and what we measure gets managed. We benchmark our progress against a number of leading sustainability indices and surveys to drive better performance in environmental, social and governance issues.

Recognition

In 2018, we were again ranked as the top Australian company and top bank in the Global 100 Index of the most sustainable corporations in the world

Listed in the Dow Jones Sustainability World Index

Scored a B for taking co-ordinated action on climate change

Listed on this index for demonstrating strong ESG practices since 2009

Frameworks

Our non-financial reporting is presented in accordance with the Global Reporting Initiative (GRI) Standards – core option. The GRI Index is available on our website commbank.com.au/about-us/investors.

The Group is a participant in the United Nations Global Compact (UNGC) and we are committed to implementing the UNGC principles that cover human rights, labour, environment and anti-corruption matters.

Complied with project finance reporting for the Equator Principles

Reported in line with the recommendations of the Task Force on Climate-related Financial Disclosures

Sustainable Development Goals

The Sustainable Development Goals (SDGs) have been adopted by 193 countries, including Australia and New Zealand, in support of the UN's Sustainable Development Agenda. These 17 interconnected goals are designed to trigger action to address issues such as poverty, hunger, inequality and impacts to the environment.

With our material issues in mind, we have identified the SDGs that are most relevant to our business and stakeholders.

Our customers

We show our customers that we are on their side through service excellence, supporting financial wellbeing, good customer outcomes and advocacy, and digital innovation.

Our community

We are rebuilding trust and our reputation by engaging proactively and openly with government and regulators, investing in communities and education, and role-modelling reconciliation.

Our people

We motivate our people through leadership and engagement, by promoting health, wellbeing, diversity and inclusion, and by providing training and career development.

Our shareholders

We deliver sustainable financial performance through strong conduct, culture, governance, accountability, remuneration and responsible business practices.

Better customer outcomes

Improving the financial wellbeing of our customers supports better outcomes for our business. In addition to the business focus on customer service and financial wellbeing, we are committed to doing better for customers in need, providing improved access to banking services for marginalised customers, and resolving issues for customers who have had poor experiences with the bank.

Listening to our customers

Our customers are the first to tell us when we haven't met their expectations. We take complaints seriously and all staff are trained to work with our customers to address them quickly, and in a fair and transparent way.

We record all complaints so we can learn from our mistakes and fix underlying issues.

Group Customer Relations manages the most complex and sensitive complaints escalated from our frontline staff, and customers, as well as those lodged through external dispute resolution processes. Our staff are trained to consider whether each complaint they handle might be a systemic issue and flag it for further investigation.

As per regulatory guidance from the Australian Securities and Investments Commission (ASIC), we must apply our full internal dispute resolution process to complaints or disputes that are not resolved within five business days of receiving the complaint. Based on this criteria, we handled more than 62,000 customer complaints this year. This was a 15% increase on the previous year.

Improving support for customers in financial hardship

We have made significant improvements in how we support customers who are experiencing financial hardship.

These efforts were recognised in the Financial Counselling Australia *Rank the Banks* survey of financial counsellors. We were the highest ranked bank for our financial hardship policies and practices in the survey, which took place in November and December 2017. This was a significant turnaround for us, as two years ago we were ranked last amongst our peers.

Advocating for customers

Ms E, 86, lives in a nursing home and has dementia. Her representative disputed almost $25,000 of transactions on her credit card.

As the personal identification number (PIN) had been used for the transactions and the credit card had not been declared lost or stolen, the claim was not accepted.

Ms E's representative took the claim to the Customer Advocate, where a review found that due to her dementia Ms E may have disclosed her PIN to another person. The disputed transactions were not in line with her usual spending habits.

The Customer Advocate determined that it was likely that Ms E was not responsible for making the transactions and the amount in dispute should be written off on compassionate grounds.

We will continue to improve further. This year we helped more than 56,000 customers experiencing financial hardship. Depending on individual circumstances, the solutions we offer include reduced payments, loan term extensions, debt refinancing or concessions for certain fees and charges.

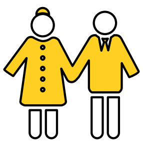
We also continue to support financial counsellors to build their skills in partnership with Financial Counselling Australia and funding scholarships through the Jan Pentland Foundation.

Better customer outcomes through advocacy

We are committed to being open and transparent with our customers and our community. We understand that we have failed some of our customers and have not responded to, or not resolved, issues quickly enough.

This is why we established the customer advocate function to strengthen accountability for fair customer outcomes and offer a more customer-oriented approach to our business. The 40 people in our customer advocate team help improve products, processes, systems and decision making in order to deliver better and consistently fair customer outcomes. The team amplifies the voice of the customer, particularly those who are marginalised, disadvantaged, or find the financial system daunting.

Since 2016, the team has undertaken important work to help deliver fair customer outcomes by removing barriers to banking, finding and fixing customer issues, and providing a helping hand to those in need.



Percentage of older Australians estimated to be affected by elder abuse, with financial abuse the most common form

10%

(Australian Institute of Family Studies, 2013)

Money lost to scams and fraud each year

$3 billion

(Australian Bureau of Statistics 2015)

Percentage of those affected by scam activity aged over 50

75%

(CBA internal data)

Removing barriers

Banking can be complex and, for some, intimidating. Our customer advocate team is focused on reducing and removing the barriers that stand in the way of financial inclusion.

We continually investigate areas of customer vulnerability to help us identify where customers may be at risk of receiving poor outcomes. Over the last 12 months we have conducted investigations into areas such as financial vulnerability, payment frequency, language barriers, elder abuse and scams, Indigenous disadvantage, and challenges that arise from poor mental health. The results of this work help the Bank improve its products and services for vulnerable people.

A quarter of our customers live in regional Australia and many face challenges that are unique to their areas. We have met with customers and community leaders around Australia, from Launceston, Mandurah and Mildura to Palm Island, Tamworth and Wagga Wagga, to better understand how we can support our regional customers.

We have continued to work closely with our Customer Advocate Community Council, which brings together 25 thought leaders and senior representatives from community and social policy organisations to ensure that we are informed and responsive to community concerns.

This year we partnered with CommInsure to launch a program that automatically directs customers to agents who speak their language. Our Arabic and Mandarin pilot results are promising and we continue to explore other languages.

The Customer Advocate also launched our Accessibility and Inclusion Plan 2017-2020 to improve access to banking for Australians with a disability. We also reviewed the Bank's processes to ensure we were ready to support customers who wish to marry same-sex partners.

Finding and fixing customer issues

In a business our size things will sometimes go wrong. The customer advocate team is focused on identifying issues that might have a negative impact on customers. The team aims to proactively identify issues before customers are affected, but if there is already a customer impact, the team looks to identify everyone who is affected. This helps us resolve issues quickly and fairly.

If a customer is unhappy about the outcome of a complaint investigated by Group Customer Relations, he or she can refer it to the customer advocate team for an independent review. Decisions made are final and binding on the Bank, but not on customers, who are still free to go to an external dispute resolution body. The independent review can result in compensation for financial or non-financial loss, amending or voiding the terms of a contract, or another outcome.

The customer advocate team maintains its independence by remaining separate from the Group's business units and also by having independent decision rights and delegations.

The team reviews complaints closed by the Bank in areas such as mental health, small businesses and scams, to assess how they are resolved, the time it takes to resolve them, and what the outcomes were. These findings are then used to make improvements and in turn create better outcomes for our customers.

The customer advocacy team seeks to resolve all disputes within 15 days.

Average number of days it took for the team to resolve disputes during the year

11

Closed complaints reviewed by the Customer Advocate as part of thematic reviews

850

Open complaints referred to the Customer Advocate directly by customers

592 reviewed

Customers who sought external dispute resolution afterwards

19

Customer Advocate decisions that were overturned by external dispute resolution

0

To help prevent problems occurring in the first place, the Customer Advocate has recently taken on the role of managing systemic issues that become apparent from the investigation of complaints. This pre-emptive action allows us to identify people who have not yet complained, and help them quickly.

If we identify a number of customers whose circumstances require remediation, the customer advocate team works to ensure that remediation is fair, timely and consistent.

The team also provides support throughout the Bank to ensure customers receive appropriate products for their circumstances. During the year the team has had an active role in setting up and participating in project investment, product forums, and review processes aimed at achieving better results for customers.

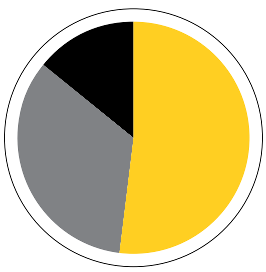
Providing a helping hand

We are often well placed to reach out to customers who might need a helping hand. Following the analysis of seven years' worth of complaints data, we identified that our customers in regional communities may be at higher risk of mental health problems. As strong and prosperous communities benefit everyone, we partnered with the regional and agribusiness teams to hold a mental health summit in Tamworth. The expert community representatives who attended will help us develop a roadmap for how the Bank can play a greater role in the community response to mental health.

To help multicultural communities we have delivered initiatives that include an internship program to provide opportunities for members of African communities to work in the Bank, a Victoria University mentoring program, and a youth-focused financial literacy program in partnership with the Islamic Museum of Australia.

This year our customer advocate team launched Safe & Savvy – a guide and awareness program to help protect older people and their families from financial abuse, scams and frauds. The threat posed to elderly people is increasing as incidents of abuse have grown and scams have become more sophisticated and targeted. Many cases go unreported. The Safe & Savvy guide is available online and in our branches, and gives an overview of the types of financial abuse to look out for, tips to avoid scams and fraud, and practical steps to help safeguard the interests of older people. To complement this work, more than 9,000 retail employees have received specialist training.

Outcomes from the Customer Advocate review process



52% – Customer Advocate agreed with the Bank's decision

34% – Customer Advocate agreed with the Bank's decision but took further action to deliver a fair and reasonable resolution

14% – Customer Advocate disagreed with the Bank's decision and substituted a new decision for the customer

Contributing to our community

We work with communities in eleven different countries. We engage with community groups and the broader community on a number of projects and initiatives.

Supporting our community

The Bank and its people support community organisations through donating money and time.

A century of giving through CommBank Foundation

This year, our charity, CommBank Foundation, celebrated 100 years of giving.

To recognise how much our people contribute to their local communities, and to celebrate the centenary, we gave employees the opportunity to donate more than $10 million to local organisations. This initiative delivered 1,028 grants, each valued at $10,000, to youth, education and health organisations nominated by local employees.

This donation was made in addition to CommBank Foundation's ongoing Community Grants program. Last year we changed the program to provide a three-year commitment to our Community Grants recipients. More than $3 million was awarded to 220 youth organisations throughout Australia.

Time is just as valuable

Community organisations often rely on donations to enable them to continue the great work they do. Many of these organisations benefit just as much from people donating their time and skills.

Our pro bono services provide opportunities for our people and community groups to connect and work together. Pro bono engagements provide value to the community and to us, where community groups benefit from our skills and expertise, and our employees develop professionally and personally.

One of our key partnerships is with Jawun, which facilitates secondments between companies, government agencies and Aboriginal and Torres Strait Islander organisations. During the year, 20 of our employees spent time working with community groups and businesses in the NSW Central Coast, Inner Sydney, North East Arnhem Land and Ngaanyatjarra Pitjantjatjara Yankunytjatjara Lands.

Teaching the value of money

Our financial education programs provide people with much-needed skills to manage their money and prepare them for the future of work.

Start Smart and ASB GetWise build financial know-how

Developing financial capability is a valuable future skill for young people. Start Smart is a free financial education program that is curriculum-aligned and available to all students, irrespective of whether they bank with us.

This year we had more than 568,000 students participate in Start Smart classes across primary, secondary and vocational education and training (VET) education institutions.

Laughter helps to heal

The Humour Foundation's Clown Doctors are our 2017-2020 national community grant recipient, and we have supported their fantastic work since 1999. Clown Doctors are specially trained performers who use their unique flair and humour to brighten a sick child's stay in hospital. In addition to the $400,000 National Community Grant they receive each year for the next three years from CommBank Foundation, we also raised more than $180,000 for the Clown Doctors, with the help of teams in communities like Shepparton, who ran a range of fundraising Smile Day events.

$580,000+

raised for Clown Doctors this year

We support community organisations with donations and time

Move against cancer

Through our annual fundraiser Can4Cancer, run in partnership with Tour de Cure, our people raise funds for cancer research and prevention, whilst actively promoting employee health and wellbeing.

In 2017, more than 1,500 employees participated in walks and bike rides in Sydney, Melbourne and Brisbane. Their collective participation in Can4Cancer means they travelled more than 92,500 kilometres to raise money for cancer research and prevention. Further, many of our people were encouraged to make lasting lifestyle changes which translate into lower cancer risks and improved wellbeing.

We raised more than $1.6 million through these activities, well surpassing our target of $1.25 million. We aim to raise more than $2 million in 2018, with a national rollout of this initiative.

92,500km+

collective distance travelled by more than 1,500 employees to raise money for cancer research and prevention

Community investment

$290 million

includes cash, volunteering, forgone revenue and project costs

Recipients of CommBank Foundation centenary grants

1,000+

community organisations

Volunteering and pro bono hours

21,900+

We are building on the success of Start Smart and introducing entrepreneurial education programs. Working with the Foundation for Young Australians we are sponsoring and further developing the $20 Boss program, the largest entrepreneurship program in Australia for secondary school students. It provides a real-world experience that kids can easily translate into their everyday lives. In addition, we are working with the Business Educators Australasia to sponsor the Plan Your Own Enterprise program which invites students to devise a business idea and create a plan to turn their concept into a financially viable enterprise.

In New Zealand, ASB GetWise is the country's largest youth financial education program, delivered free to primary and intermediate students. It teaches basic money management skills, including establishing good savings habits at an early age.

This year, the program exceeded its school participation target for schools in lower socio-economic communities. Overall, it delivered 3,877 workshops to more than 460 schools, and reached more than 97,000 registered students.

Supporting Indonesia's female entrepreneurs

More and more women are entering the world of business and entrepreneurship in Indonesia. Our Women Investment Series (WISE) program offers free financial workshops, masterclasses and a financial literacy app to equip female entrepreneurs in Indonesia with the core skills needed to build successful businesses. In partnership with a number of on-the-ground organisations, we have helped empower more than 2,800 women. This benefits families and local communities.

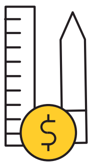
This year we updated the WISE app to include new features, content and an enhanced user experience. We also launched a joint research program with MasterCard to understand the factors that help female entrepreneurs transition from the informal to the formal economy.

Using data and analytics to assist Northcott

As one of Australia's largest not-for-profit disability service organisations, Northcott works with customers to realise their potential.

A group of 20 employees from our customer experience team spent a day at Northcott to look at data and analytical challenges in the organisation. Teams worked on issues in reporting for the help desk, rostering, sales and claims, and building on sales.

This effort helped Northcott to fix reports that had not run for a year and update financial models. The organisation identified potential savings of $300,000 a year from these improvements.



Investment in education programs over the last three years

$50 million

Students participating in Start Smart sessions

568,000+

School banking participants

299,000+

Commonwealth Bank Teaching Awards

In recognition that great educators help children reach their full potential, each year we work in partnership with Australian Schools Plus to award 12 Commonwealth Bank Teaching Award Fellows. These awards help showcase Australia's great teachers, celebrate their achievements, and show an appreciation for the important work they do.

The 12 Teaching Award Fellows for 2018 each received a $45,000 Fellowship to implement school programs and put towards their own professional development.

All previous recipients of the award say that they have been able to use this recognition to influence the education system, drive inter-school collaboration, and improve their professional standing.

Evidence for Learning

In partnership with Social Ventures Australia we have developed a social enterprise called Evidence for Learning, which supports evidence-based teaching practices in Australia.

Since 2015, Evidence for Learning has successfully completed trials with more than 8,000 students in 160 schools. These trials, combined with the Australian Teaching and Learning Toolkit and the creation of the Teacher Practice Guide for Evidence, have delivered an increase in the overall use of evidence-based learning.

Our support of Evidence for Learning allowed us to respond to the Federal Government's Review to Achieve Educational Excellence in Australian Schools.

Role modelling reconciliation

We support the success of Aboriginal and Torres Strait Islander customers, employees, businesses and communities. Our Elevate Reconciliation Action Plan details the initiatives and programs that we have embedded to generate positive outcomes.

A career, not just a job

We are committed to providing more employment opportunities for Aboriginal and Torres Strait Islander Australians. It is important that the opportunities we provide are meaningful. We are investing in a range of programs that provide skill development in new areas such as information technology and cyber security.

We are targeting an increase in the proportion of Aboriginal and Torres Strait Islander employees in our domestic workforce to 3% by the end of 2026. This will be equal to the proportion of Indigenous people in the Australian population.

It is a challenging target. The current level of representation is 1%, which is an improvement from last year. We have two years to meet our interim target of 1.5%.

Our Indigenous Careers team has focused on key areas of traineeships, internships and experienced recruits to deliver career opportunities.

We provided school-based and full-time traineeships to 66 Indigenous trainees during the year, with 47% of trainees securing employment with the Bank.

As a 10x10 partner of the CareerTrackers Indigenous Internship Program, we exceeded our annual commitment to provide at least 25 internships by providing 30 opportunities for Indigenous university students. Since 2015, this partnership has provided a pathway for 17 graduates into our graduate program and with a further seven graduates joining us next year.

Skills for building relationships

We are making sure that our people have the skills to build strong relationships with Aboriginal and Torres Strait Islander peoples.

We continue to roll out our Cultural Capability Framework, which was developed in conjunction with BlackCard. To-date we have trained more than 300 employees through face-to-face workshops.

Each year we send 40 employees on cultural immersion programs at the Bawaka and Nyinyikay Aboriginal homelands in North East Arnhem Land. The programs are operated by Lirrwi Aboriginal Corporation, and provide our people with unique cultural learning opportunities.

Stronger Indigenous businesses and customers

Our Indigenous Customer Assistance Line continues to provide a valued banking service to customers in more than 150 remote communities in Australia. We received more than 180,000 calls to this service during the reporting period.

We have partnered with the Indigenous Customer Assistance Network's (ICAN) Indigenous Financial Counselling Mentorship Program, and over the past three years we have supported 34 Indigenous Australians to complete their Diploma in Financial Counselling. This mentorship approach is recognised within the financial counselling sector as a best practice training model for people wishing to undertake the diploma.

The success of this mentorship program has encouraged ICAN to expand its offering of scholarships to its new multicultural financial counselling mentorship program. We are funding 10 student placements on this program this year.

Working with suppliers to support Indigenous businesses

This year we launched a pilot initiative that commits selected major suppliers to work with us on opportunities for Indigenous businesses throughout our supply chain.

This collaboration will create subcontracting possibilities, and other indirect opportunities, for Indigenous-owned businesses to work with the bank.

This initiative complements our *Responsible Procurement* program, which includes working directly with Indigenous-owned businesses.

Commonwealth Bank and business attendees at the launch

Empowering our people

When people are proud to represent the company they work for, they are energised to deliver the best outcomes for our customers. Diversity of ideas, engagement with the workplace and access to the right tools are all prerequisites for ensuring our people thrive.

Listening to our people

It has been a difficult year for the Bank, and this has been reflected in a decrease in the overall engagement of our people. Our twice-yearly employee engagement survey, Your Voice, shows the overall employee engagement score has declined by 6%, to 72% for this year. Put simply, the pride that our people have in representing the Bank has declined.

We had strong employee participation of 89% in the latest survey which demonstrates a willingness to support the Bank's focus on values, accountability and service. The responses have provided us with areas for improvement. We need to balance performance and values when promoting people, and focus more on managing risk effectively. The survey also highlighted that our people feel our strengths lie in our approach to diversity and inclusion, and collaboration.

Whistleblowing policy

The Bank's whistleblowing policy outlines the processes for investigating and resolving any misconduct issues that have been reported through our SpeakUP hotline or to senior management.

The SpeakUP hotline allows a whistleblower, including an employee, contractor, consultant or supplier, to anonymously raise a conduct issue. The policy outlines the actions we take to protect a whistleblower from any retaliation, including protection from termination of employment, harassment and discrimination.

This year we had 143 misconduct cases recorded under the SpeakUP program, of which 33 were whistleblower reports.

Promoting health and wellbeing

The health, safety and wellbeing of our people is crucial for our success. Our strategy sets long-term objectives for managing and enhancing the wellbeing of our people.

We work to continuously improve the management of safety risks, and the effectiveness of controls, across key risk areas including mental health, customer aggression and work-related driving to provide a safe and healthy environment for all our people.

We have a personalised, mobile-enabled health and wellbeing portal for our people called Thrive. It provides access to support, resources and information for physical and psychological health and wellbeing.

We have introduced health and wellbeing hubs in seven of our office locations. In these hubs our people can speak to health experts and undertake a health assessment to better understand their own health.

Our Lost Time Injury Frequency Rate (LTIFR) improved, with 1.1 incidents per million hours worked.

Workplace response to domestic and family violence

To help any of our people who are impacted by domestic and family violence, we provide leading workplace practices that include ten days of special leave, training for employees and managers, and a first-response guide for leaders to support their team.

Over the course of the year, the UN Women National Committee Australia collaborated with the Bank and other corporate partners to deliver the *Taking the first step: Workplace responses to domestic and family violence* report, which recognises the work that Australian businesses and unions are doing to address the impact of domestic violence.

Continuous learning

It is crucial that our people are supported to do their jobs effectively. The Bank provides training and development to help them deliver better outcomes for our customers, manage risk (including anti-money laundering and Know Your Customer), be accountable, and develop their skills to suit new ways of working.

In addition to mandatory training modules, we also provide personal development opportunities.

To help prepare our workforce for the future of work, we actively work with universities and our people to create opportunities for employees to re-skill and make the most of new career opportunities. We also provide face-to-face training and mentoring to help our people succeed.

During the year, we provided an average of 34.1 hours of training for all employees.

Total hours of training

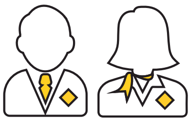
1,847,000+

Average hours of training per employee

34.1

Lost Time Injury Frequency Rate (LTIFR)

1.1



Women in Manager roles and above[(1)]

44.6%

Women in Executive Manager roles and above[(1)] 37.6%

Our people who identify with having a disability[(2)]

11.9%

Our people who work flexibly[(2)]

73.7%

Flexible working delivers better outcomes for all

Over the year, more than 3,500 people in Group Operations (GO) increased their uptake of the division's flexible working initiative, GO Flex.

Not only has there been a marked improvement in engagement and wellbeing – where participants have noted higher job satisfaction due to more time with family and friends – there has also been positive knock-on effect on overall efficiencies.

GO Flex is saving people up to two or three hours of travel time each day, reducing travel costs, boosting productivity, and in turn, providing a better service for our customers.

Creating a diverse, inclusive culture

A diverse workforce to serve a diverse community

We can best understand and respond to the needs of our customers when our people and leaders reflect the diversity of our customers, and when their diverse views are encouraged and valued.

This year, as part of the next phase, we launched our 2018+ Global Diversity and Inclusion Strategy, which details how we can achieve better outcomes for our customers, communities and people by building a more inclusive and diverse culture.

One of our goals is that our leaders should reflect the diversity of the community. So our strategy sets out targets for increasing the representation of women in leadership. We want to see women comprising 40% of Executive Manager and above roles, and 45% of Manager roles and above by 2020.

The Bank complied with the Australian Workplace Gender Equality Act 2012 by submitting annual compliance reports for 2018.[(3)]

Our Cultural Diversity Index (CDI) measures how culturally diverse we are as a business. This year's result shows that the Bank is more culturally diverse than the population of Australia. The results demonstrate that we are well positioned to understand and respond to the needs of our customers and communities. Details on the CDI can be found on page 77, and the methodology can be found on page 298.

Our employee-led networks play an important role in building an inclusive environment and developing relevant solutions for our people and our customers. Our networks 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 (reconciliation actions within our Reconciliation Action Plan).

Towards pay equity

We have a minimal pay gap between what we pay men and women in similar roles, as reported on page 77. Gender pay equity took a slight step backwards with a wider pay gap for Executive General Managers and General Managers. We review pay equity throughout the year and as part of the annual remuneration review process.

Getting the job done

We encourage our people to balance work with other important responsibilities in their lives. Our iCAN Flex program supports our people to adopt flexible working practices, allowing them to adjust how, when and where they work, to deliver better outcomes for themselves, our customers and the business.

(1) Excludes ASB, Sovereign and AHL.

(2) Results from Your Voice survey and excludes Bankwest, ASB, Sovereign, IFS, AHL and CFSGAM.

(3) Excludes Bankwest and AHL, which submit separate compliance reports. International businesses are excluded.

Doing business responsibly

The Bank's corporate responsibility program plays a crucial part in its overall ability to operate responsibly and sustainably.

While the Bank has managed financial risks well, we have not performed as well in relation to non-financial risks. Non-financial risks cover culture, conduct, governance, compliance, operational risk management and accountability. This section details how we are addressing some of the non-financial risks in our business. More detail is provided in the Strategy, Governance and Remuneration chapters, and in the Chairman and CEO statements.

Government and regulators

The Bank has had extensive engagement with government departments, politicians and regulators during the 2018 financial year.

Royal Commission

Community expectations of banks have evolved over time, and the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry is playing an important role in demonstrating that we, and our industry, haven't always met those expectations.

The Royal Commission has highlighted some cases where we have made mistakes and our conduct has fallen below the standards expected of us by our customers, our staff, our regulators and the broader community. When mistakes happen, the community rightly expects us to work closely with affected customers, Government and regulators to address the issues so they do not reoccur. We know that in the past we have often been too slow to fix issues when they arise.

We welcome the work the Royal Commission is doing to hold us to account, and we are engaging actively, openly and transparently with them. When the Royal Commission asks questions or makes findings, we are listening closely and considering them seriously, and while this inquiry continues, we are getting on with the job of being a better bank. More information on the Royal Commission is outlined in the ***Becoming a better bank*** section on pages 10–11.

Open participation in inquiries

We have participated in more than 50 inquiries into the banking industry in recent years, and have implemented many of the recommendations for reform. We have been open, transparent and co-operative while also getting on with fixing what we know needs to be fixed. Our responses to the key inquiries and reports, and an overview of the work we have underway, are outlined in the ***Becoming a better bank*** section on pages 10–11.

Updating Australia's banking code of conduct

We have been active participants in the development by the Australian Banking Association (ABA) of a new Code of Banking Practice, which has been updated to better meet the needs of customers and expectations of the community. We agree to implement the new Code within 12 months of approval by the Australian Securities and Investments Commission (ASIC).

The new Code will deliver important changes, including:

- plain English contracts
- ending unsolicited offers of credit card increases
- mandated ability for customers to cancel a credit card online
- improved transparency around fees

The Bank has established a governance structure and executive oversight to ensure it meets the implementation deadlines for the revised Code and that it is on track to meet its commitment to implementing the new Code.

Banking Reform Program

The Australian banking industry is committed to an overall reform program that will improve consumer outcomes, increase transparency and accountability, and build trust.

As part of the Banking Reform Program, in April 2016 Commonwealth Bank began to design and implement a set of initiatives to address issues including employee remuneration, customer advocacy, industry background checks and protection of whistleblowers. The implementation of many initiatives is nearing completion, with some reforms (such as the new Code of Banking Practice) still being put into action.

The banking industry appointed Ian McPhee AO as an independent expert to oversee the implementation of the overall reform program. Mr McPhee's term as independent expert has concluded, but Commonwealth Bank continues to report on the progress of its initiatives through the ABA.

Political donations policy

Our policy explicitly precludes the Bank from making political donations. However, we pay to attend some political events attended by the business community. Payments associated with these events must be approved by the Bank's Government and Industry Affairs team. In addition to Federal and State Government requirements on political contribution disclosure, it is also our policy to publicly disclose all such political contributions.

Climate change

Climate change poses both a financial risk and opportunity for our business. We manage this risk by reducing our own environmental footprint, and by lending and investing responsibly. We support the transition to a low carbon economy through support of renewable energy and other low carbon projects. Our progress is covered in the ***Climate-related financial disclosures*** section on page 48–60 of this Annual Report.

Considering ESG risks in lending

The Bank considers the credit risk of every lending decision it makes. We believe we should also consider the environmental, social and governance (ESG) risks and opportunities of our lending decisions, as these can impact the long-term viability of a customer or project.

We are a signatory to the Equator Principles and use the standards they set to assess, mitigate, manage and monitor ESG risk for project finance loans. Other business loans are assessed under our own ESG policies, systems and processes.

We have a compulsory ESG risk assessment process for all Institutional Bank loans, and for large loans in other business units. The process includes an initial ESG risk assessment based on country of operations and over 500 industry sectors. The client's capacity and strategy to manage risks is also considered. Additional ESG due diligence is required for transactions which have medium or high ESG risks identified in the initial assessment.

Loans with high ESG risk are escalated to senior management for further interrogation and decision. Outputs from ESG assessments are used as a key input into the credit decision process. Our client relationship, risk and product teams undertake annual refresher training on ESG risks. This year, more than 3,500 employees completed this training.

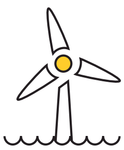
Transition to a low carbon economy

While climate change is acknowledged as a business risk, it also provides opportunities for clients who develop low carbon solutions for energy production and transport. Our Climate Policy Position Statement includes our commitment to increase funding to low carbon projects to $15 billion by 2025. This year we increased our lending to $3.7 billion, including new solar farms in Queensland. During the year we led more than $2 billion of green or sustainability notes.

Responsible investing

We provide wealth management services in Australia and globally and integrate ESG risks and opportunities into our investment processes. This is governed by our Responsible Investing Framework, and is consistent with delivering long-term investment outcomes for our customers and clients. This year CommSec and CommPrivate developed new approaches to measuring ESG risks in their Approved Product Lists and Model Portfolios, and are now offering clients ethical investment solutions upon request.

Colonial First State (CFS) continues to progress its ESG integration, and reported to the Principles of Responsible Investment (PRI) and the Responsible Investment Association of Australasia (RIAA) for the first time. CFS also launched a new Alliance Partnership with Affirmative Investment Management – whose global green and impact bond fund generates positive environmental impacts and social benefits without compromising financial returns.



Lending to renewable energy projects

$3.7 billion

Training on responsible lending, investment and procurement

3,500+ employees

We support Australian solar power

Victoria's first large-scale solar farm entered commercial operation at Gannawarra in April 2018 just over one year after financing was provided. With almost 210,000 solar panels, the solar farm has capacity to supply power to more than 25,000 homes. The project is one of three solar farms that renewable energy companies Edify Energy and Wirsol Energy are developing across the country through financing we committed in March 2017. In August 2017, we extended our partnership with Edify Energy through a syndicated debt facility, to finance an additional two solar farms in Queensland. Together, these five solar farms will generate enough electricity to power approximately 160,000 homes.

For more than a decade the Bank's funds management arm, Colonial First State Global Asset Management (CFSGAM), has progressively evolved its approach to responsible investment and stewardship, and is now considered a global leader in the area. CFSGAM maintains its strong responsible investment through initiatives that include becoming a signatory to the Climate Action 100+ initiative, which brings together investors from around the world to encourage companies to reduce emissions in line with the Paris Climate Change Agreement. It has also launched a Sustainable Infrastructure Fund, which targets investment in listed infrastructure companies that are contributing to sustainable development.

Managing our operations efficiently

The Bank continues to build on its track record of reducing energy use, and subsequent emissions, in its branches and offices. Since 2009, we have reduced our direct emissions by 52.5%. During that time our emissions intensity for domestic operations has reduced from 5.0tCO_2-e per FTE to 2.3tCO_2-e per FTE. We have set a target to reduce these emissions to 2.0tCO_2-e by 2020. We have also committed to sourcing renewable energy for 25% of our power needs by 2020.

Certified branch and office design

We were the first Australian financial institution to achieve 5-Star Green Star certification for our retail design standards and we have completed certification for 15 Commonwealth Bank and Bankwest branches. More than 80% of our commercial office space is currently rated by the National Australian Built Environment Rating System (NABERS) for its environmental performance, which considers energy efficiency and water usage.

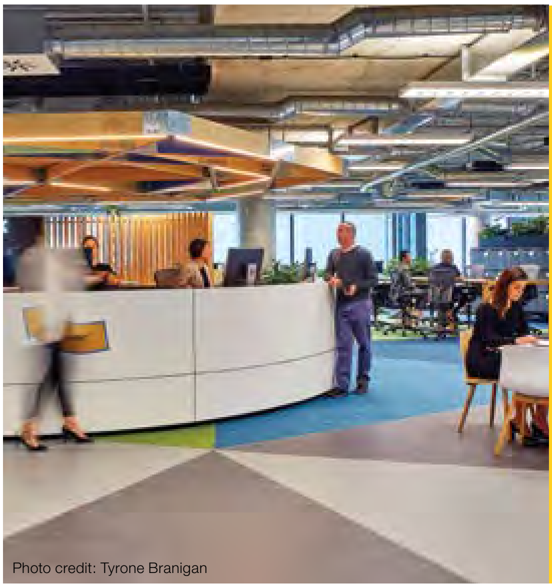


Photo credit: Tyrone Branigan

Commonwealth Bank Square

Our commitment to delivering globally leading, sustainable workplaces is evident in our new workplace Commonwealth Bank Square, which is part of the wider Darling Harbour precinct. This year we moved 3,000 Sydney employees into this workplace which meets the highest sustainability ratings of 6-Star Green Star for both the building and its interiors. We expect this building to use 70% less energy than the average Australian office building, thanks to initiatives in design, construction and operation.

During the design and construction phase, we diverted more than 90% of construction waste from landfill, sourced timber from certified sustainable forestry, installed rooftop solar power generation, and maximised natural light and people connectivity through a central atrium. We also use high levels of fresh air, numerous plants and natural materials to improve indoor air quality for our employees, harvest rainwater for internal use and separate waste streams at the source.

This year, we were named the CitySwitch National Signatory of the Year in recognition of our efforts to improve office tenancy energy and waste efficiency. The CitySwitch program is led by state governments to support office tenants to improve efficiency.

A carbon positive road map

We are a Carbon Positive Partner with the Green Building Council of Australia (GBCA). We supported the release of A Carbon Positive Roadmap for the built environment, which includes a proposal that new and existing Green Star-rated buildings will have no greenhouse gas emissions by 2030. It also promotes policies to retrofit existing buildings, improve new buildings, increase the supply of renewable energy, and phase out fossil fuel use.

Plugging into solar energy

We continue to invest in onsite renewable energy generation across our branch network and currently have a capacity of 750 kilowatts (kW) installed at 47 Australian sites. Our real-time public portal (cbasolarpower.com.au) tracks the energy production across our network.

The effectiveness of our network is illustrated at our Margaret River branch, where the combination of onsite solar energy generation and in-branch energy efficiency has resulted in an 80% reduction in energy use and emissions.

Sourcing responsibly

We spend more than $4.8 billion a year on products and services from our suppliers.

Our supplier governance processes, supplier engagement, and our supplier code of conduct all help us work with suppliers to minimise ESG risks such as human rights and climate change in our supply chain. This year we rolled out our responsible procurement training for our procurement staff to provide awareness of how these risks can be managed and reduced. More than 50 procurement staff have already completed this training.

Supplier diversity is a key element of our procurement strategy and we continue to strengthen our partnership with Supply Nation, an organisation which promotes and facilitates procurement from Indigenous-owned businesses. More than 40 procurement employees received training by BlackCard this year. BlackCard provides cultural awareness training to people working with Aboriginal communities to help people build and maintain respectful relationships with one another. This work has led to supplier partnerships with 18 Indigenous-owned businesses, with a total spend of $2.23 million.

We have commenced a program to engage with 25 of our largest suppliers to explore opportunities for greater participation by Indigenous businesses in our supply chains.

Respecting human rights

As stated in our Human Rights Position Statement, we are committed to respecting human rights across all of our operations, including: lending, investing, operations and supply chains.

To date, we have published two Slavery and Human Trafficking statements, in compliance with the United Kingdom's Modern Slavery Act 2015. We have participated in government consultations on the development of an Australian Modern Slavery Act, which we anticipate will be passed as legislation over the next 12 months.

In light of the evolving legislation, we have updated training on ESG risk fundamentals for lending and the new responsible procurement training includes information on the risk of modern slavery and how to mitigate that risk.

We have also looked to implement practical, on-the-ground initiatives. As an example, our business units operating in Hong Kong are partnering with the Mekong Club, a not-for-profit that is working to engage, inspire and support the private sector to lead the fight against slavery. The Mekong Club has built our staff's knowledge of the issue of modern slavery.

Want to know more?

Our programs drive positive change through education, communities and good business practices, and more information is available at commbank.com.au/about-us/opportunity-initiatives.

Business risks

This section describes the key drivers of risk that could impact our ability to serve our customers and/or deliver our strategy, and the actions we are taking to mitigate them. These are not listed in order of materiality.

Risks can arise from our external and internal operating environment. Our strategy and business model need to be robust and flexible to allow us to appropriately respond to these uncertainties and changes in our environment.

Macroeconomic environment

The risk and its impact

Our business performance is closely linked to the performance of the Australian economy, which in turn, is impacted by events in the global economy. Headwinds such as rising interest rates, inflation and stagnant wage growth could impact households' disposable income and businesses' profitability. A significant or sustained economic downturn would have an impact on our revenue, credit losses and our access to, and cost of, funds.

How we are responding

- We maintain a strong balance sheet which enables us to continue to meet regulatory requirements and serve our customers. We actively monitor and manage risks which could impact our balance sheet resilience through the cycle.
- We are further aligning our strategy, risk and finance processes to ensure we understand and rapidly respond to changes in our environment. For example, we are enhancing scenario planning to allow for more robust decision-making.
- We actively manage the credit quality of our portfolio by, for example, reviewing our lending standards to ensure that we can meet our customers' financial needs now and in the future.
- We undertake regular stress tests to ensure that we understand the dynamics of our business, how we would expect it to perform under a range of severe scenarios, and the balance sheet, funding and liquidity-related options we could use to respond.

We are proactively and quickly working to address issues and concerns raised by key stakeholders.

Regulatory and policy environment

The risk and its impact

The industry is undergoing a period of intense regulatory change. Participating constructively in policy debates and adapting to regulatory changes are critical to our ability to serve customers well, run our business effectively, and contribute to economic prosperity.

How we are responding

- We are reducing the breadth and complexity of our regulatory environment by simplifying our portfolio. We are also strengthening our risk management and compliance capabilities across the Group.
- We are digitising activities and standardising processes to drive better customer experience and cost outcomes.
- We are proactively and quickly working to address issues and concerns raised by our customers, regulators and policy makers, including sales practices and incentives, responsible lending, financial crimes, cyber security, and privacy.
- We are also strengthening our relationships with regulators and government bodies to engage constructively and transparently on emerging policy issues, and are actively preparing for anticipated regulatory change.

Competition and industry disruption

The risk and its impact

Delivering market-leading solutions is key to maintaining a strong relationship with our customers and continuously improving the way we run our business. As customer preferences continue to evolve, existing and new competitors are finding alternative ways to meet customer needs.

Emerging technologies also present opportunities for new sources of competitive advantage. Failure to innovate and effectively respond to these changes could erode our relevance to customers and ability to compete in the long term.

How we are responding

- We have extended our focus from average customer satisfaction to the experience of all customers including the least satisfied. To deepen our relationships with these customers, and ensure that we can continue to meet their needs in new and engaging ways, we are sharpening our focus on our core strengths including digital propositions, data and analytics, and innovation.
- We will continue to invest in technology and innovation to reduce costs and risk in a lower growth and intensely competitive environment. For example, we have automated parts of our home lending processes.
- We have built mechanisms to understand, test and respond to competition, such as stress testing based on potential disruption from fintech companies.
- We are also exploring and forming partnerships to strengthen our relationships with customers and improve the way we operate. For example, we have recently partnered with KPMG Australia and Microsoft to launch Wiise, and have entered into a joint venture with Westpac and NAB to create Beem It.

We have plans in place to address the root causes of our recent reputational challenges, and are taking steps to ensure that they do not happen again.

Reputation and trust

The risk and its impact

Our reputation and the trust of our stakeholders is crucial for delivering sustainable business outcomes. Our reputation has suffered as a result of mistakes we have made as a business and an industry.

A sustained shift in any of our key stakeholders' perceptions of us could undermine our ability to serve customers, deliver positive outcomes for the broader community, foster an engaging culture for our people, and deliver long-term sustainable returns for our shareholders.

How we are responding

- As outlined in ***Our strategy*** (on page 13), we are focused on delivering balanced outcomes for all stakeholders. We are committed to demonstrating meaningful change and we will be monitoring our performance against a balanced set of metrics.
- We have plans in place to address the root causes of our recent reputational challenges, and are taking steps to ensure that they do not happen again. We received APRA approval of our Remedial Action Plan to address the recommendations of the Prudential Inquiry, and we have appointed an independent reviewer to track our progress against this plan.
- We have been focused on resolving open issues that impact our reputation. For example, we recently settled the BBSW and AUSTRAC matters. We are working to address the concerns raised in the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.
- We are continuing to improve outcomes for customers in a range of ways, from changing sales incentives and practices, to actively listening to and acting on complaints, increasing transparency around fees, and providing support for vulnerable customers.

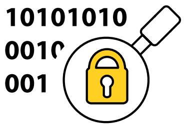
Pace and quality of execution

The risk and its impact

The breadth of change in our operating environment, and the complexity of our business may affect our ability to efficiently deliver our strategy. For example, if the pace of execution is too fast for processes, people and systems to work as they need to, or too slow to keep pace with our changing environment, the success of our strategy could be compromised.

How we are responding

- We have set clear priorities and milestones for each Business and Support Unit to ensure alignment of objectives and disciplined focus. We are clarifying accountabilities to ensure that all of our leaders understand what is expected of them.
- We regularly review and monitor our progress in execution of our strategy, particularly in the context of a rapidly evolving external environment.
- We have established a Better Risk Outcomes Program (BROP) to ensure that we are delivering a comprehensive transformational program to uplift our customer and risk outcomes while also addressing all the recommendations of APRA's Prudential Inquiry. As part of BROP, we are introducing a new execution approach in delivering on our priorities which includes clear, realistic timelines, ownership by senior leadership and appropriate consequence management. This approach will be progressively deployed by BROP to improve execution capability across the Group.
- We are continuing to invest in innovative and new ways to serve our customers, as well as addressing operational risk and compliance requirements.



Data management, security, and privacy

The risk and its impact

As Australia's largest financial institution, we manage a large volume of sensitive data which our stakeholders expect to be managed and used appropriately. The regulatory landscape is increasingly focused on privacy, cyber security and obligations on banks to make data more available to customers. At the same time, cyber threats are becoming increasingly sophisticated.

A failure to ensure this information is kept safe and used appropriately may impact our stakeholders and result in financial and non-financial consequences.

How we are responding

- As described in ***Our strategy*** (page 27), data and analytics will be critical to our future success. We are prioritising investments that will allow us to better meet regulatory obligations, better manage risk and cost, and deliver market-leading propositions for customers.
- We are strengthening our data governance, including by addressing the recommendations made by APRA's Prudential Inquiry. We have commenced a detailed program of work to enhance our data, systems and reporting processes, supported by operating model changes to provide clear accountability for data governance and management.
- We continue to invest to secure the confidentiality, integrity and availability of our data. In the context of the imminent Comprehensive Credit Reporting and Open Banking regimes, we are developing solutions to ensure our customers' data remains protected whilst also being able to deliver richer offers and experiences.
- We have also improved our Procurement Policies and Standards and supplier governance to ensure, not only continued alignment with regulatory requirements, but enhancements to meet customer expectations.

People capability

The risk and its impact

Our people are critical to the success of our strategy. We expect them to constantly find new and better ways to meet customer needs and improve the way we run our business.

An inability to attract or retain top talent, whether it be through a shortage of key skills in the market, or an erosion of our brand, could prevent us from delivering our strategy.

How we are responding

- We are continuing to invest in our value proposition as an employer. We offer flexible working models, including mobility options, and competitive benefits, and foster a diverse and inclusive workforce.
- We are focused on targeted training programs to develop our people, including senior management, and are reviewing our career paths and talent development model to ensure that we attract and retain high-calibre people.
- We are piloting opportunities to re-skill and support our people to be ready for the future of work. We are engaging with educators, government and the community to prepare the workforce that we need and are building these changes into our long-term workforce plan and capability roadmaps.
- We are also strengthening our people and culture frameworks to ensure our people are clear on our expectations and their accountabilities, have end-to-end visibility of the activities for which they are responsible, are empowered to address issues and drive balanced outcomes for our stakeholders, and are assessed consistently based on the outcomes they achieve.

Climate change

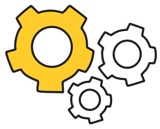
The risk and its impact

Extreme weather events and the legal, market, policy, technology and reputational impacts of transitioning to a low-carbon economy have the potential to disrupt business activities, damage property and otherwise affect the value of assets, and affect our customers' ability to repay loans.

Climate change is systemic in nature, and is a significant long-term driver of both financial and non-financial risks. As a lender to individuals and companies exposed to climate change risks, we have an obligation to our shareholders to continually assess those risks. A failure to respond to the potential and expected impacts of climate change will affect our long-term performance.

How we are responding

- We are focused on having the right policies in place, understanding risk, developing and implementing strategic responses, building internal and customer capability, and contributing to economy-wide initiatives to build our resilience to climate change.
- We have implemented strong policy frameworks for considering environmental, social and governance (ESG) issues, including climate change. These include our Climate Policy Position Statement, Environment Policy, ESG Lending Commitments, and our Responsible Investing Framework.
- We are identifying climate-related risks and opportunities by conducting comprehensive scenario analyses of transition and physical risks. In the 2018 financial year we assessed the primary climate-related risks to our business lending, retail lending and insurance portfolios. We will expand our analysis in the 2019 financial year.
- We are developing strategic responses to climate change, informed by the results of the climate scenario analysis. Our response includes strengthening our due diligence processes, considering our range of products and services, and expanding the coverage and depth of our analysis.
- We also continue to reduce our direct impact on the environment by monitoring and reducing greenhouse gas emissions and energy use through our Sustainable Property Strategy.
- Our approach to climate governance, strategy, risk management and metrics and targets, in line with the recommendations of the Task Force on Climate-related Financial Disclosures, is discussed in detail on page 49.



Business resilience

The risk and its impact

The continuity and resilience of our operations are crucial for serving our customers, upholding community trust, and maintaining our reputation. Events in the external environment such as cyber-attacks, natural disasters, war, or critical failures with third-party suppliers can significantly disrupt our operations.

How we are responding

- We monitor the health of all systems and perform contingency planning for disruptions to critical systems and processes.
- We are investing in agile capability, automation and systems resilience to enable multiple process and system simplification projects. For example, our agile ways of working ensure that we prioritise what matters most to our customers for key risk programs, while our data centre and network modernisation program is improving the security and efficiency of our technology infrastructure.
- We are monitoring cyber security threats, and mitigating their potential impact on our businesses and customers, with continued investments in cyber security controls.
- We are also driving greater agility and alignment in our supplier partnerships to ensure we effectively mitigate risks across the supply chain. We are enhancing our policies and standards on supplier governance, selection and management to better identify and manage the risk of third-party disruptions.

Further detail about our Risk Management Framework is provided in the Notes to the Financial Statements.

Climate-related financial disclosures

As a provider of financial services including lending, insurance and wealth management, climate change presents both risks and opportunities to our business. We are a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) and this is our first report in line with its recommendations.

Why is CBA taking action on climate change?

We are taking action on climate change to:

- Better understand the impacts of climate change on the Bank
- Increase the resilience of the Bank to climate risks
- Take advantage of opportunities created by climate change
- Support our customers and people in the transition to a low carbon economy

We are taking a phased approach to identifying and managing climate risk. That means we are focusing on having the right policies in place, understanding risk, developing and implementing strategic responses, building internal and customer capability, and contributing to economy-wide initiatives.

	Phase 1 Policy, due diligence, governance	Phase 2 Analysis of portfolio risks and opportunities	Phase 3 Extending scenario analysis, strategic responses, capability building
	Pre-FY18	**FY18**	**FY19-20**
Governance	• Climate Policy Position Statement[(1)] • Environment Policy[(2)] • Equator Principles III signatory[(3)] • ESG Lending Commitments[(4)] • Responsible Investing Framework[(5)]	• The Board governs climate risks and opportunities through the Risk Management Framework[(7)]	• Review our Climate Policy Position Statement • Update Responsible Investing Framework • Update investment-related ESG risk management policies
Strategy	• Commitment to support the objectives of the Paris Agreement	• Climate scenario analysis: 1. Business lending – transition risks 2. FirstChoice Australian Share Fund – transition risks 3. Retail (home lending) and insurance – physical risks • Portfolio-level strategic responses	• Climate scenario analysis: 1. Business lending – physical risks 2. Retail (home lending) and insurance – transition risks 3. Investment portfolios – transition and physical risks • Further develop portfolio-level strategic responses • Client engagement
Risk management	• Elevated climate as a strategic risk and a long-term driver of both financial and non-financial risks[(6)] • ESG risk assessment including climate risk, introduced for business lending • Introduced training on ESG risks, including climate, for business lenders • Established Energy Value Chain analysis	• ESG risk assessment process for business lending updated • Updated Energy Value Chain analysis	• Include physical risks in ESG risk assessment process for business lending • Update client due diligence to include transition heat maps for climate sensitive sectors • Update Energy Value Chain analysis
Metrics and targets	• Emissions reduction target (scope 1 and 2) • Assessed emissions in business lending portfolio • Set low carbon project funding target of $15bn by 2025	• Emissions reduction target (scope 1 and 2) • Assessed emissions in business lending portfolio • Low carbon project funding target	• Emissions reduction target (scope 1 and 2) • Assessed emissions in business lending portfolio • Low carbon project funding target

(1), (2), (3), (4), (5) Available at: https://www.commbank.com.au/about-us/opportunity-initiatives/policies-and-practices.html
(6) Note 31 Risk Management, FY17 Commonwealth Bank Annual Report.
(7) The Group's Risk Management Framework is detailed in Note 9.1 to the Financial Statements on page 195.

Scenario analysis helps us understand potential impacts, risks and opportunities for the Bank.

Climate governance

The Board acknowledges that climate change is creating risks and opportunities for our business, our customers and our communities. Due to their significance, the Board directly oversees the management of the Bank's climate-related risks and strategies, including through:

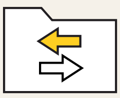
- Receiving reports on risks in business lending and stranded asset risks
- Considering the results of climate scenario analysis undertaken in the 2018 financial year for transition and physical risks and opportunities
- Approving the Bank's Climate Policy Position Statement, which outlines our approach to climate-related risks and opportunities
- Setting and monitoring performance against our climate-related goals and targets (outlined on page 60)
- Reviewing and approving the climate-related disclosures in our Annual Report

The Executive Leadership Team (ELT) is responsible for:

- Directing the development and implementation of ESG policies, including climate
- Oversight of progress, performance and reporting on climate
- Leading external engagement, advocacy and helping customers on climate-related matters

Physical risk

Arises from extreme weather events (e.g. storm, flood, drought) or longer-term shifts in climate patterns (e.g. rising temperatures). This can result in financial costs due to direct damage to assets and indirect impacts from disruption to businesses and their supply chain.



Transition risk

Refers to financial impacts as a result of the policy, legal, technology, reputation and market changes associated with the transition to a low carbon economy.

Climate strategy

To understand potential climate impacts, risks and opportunities for the Bank, and to build the resilience of our business, we have commenced company-wide scenario analysis. We have prioritised analysis of areas that are most material given the size of our portfolios.

Here we outline the scenarios we chose, the process we went through, the results of the scenario analysis and how the results have impacted our strategic decisions. The results of our scenario analysis will help to inform the evolution of our Climate Policy Position Statement.

It is important to note that scenario analysis considers the outcomes of a range of possible future pathways, based on assumptions, and is not a forecast or prediction.

Scenario analysis

Global Co-ordination – 2 degrees

This scenario reflects the impacts of supportive national and international climate policy, which results in a smooth transition to a low carbon economy enabled by global emissions trading. The Global Co-ordination scenario is based on investment in large scale, low-emissions infrastructure such as carbon capture and storage (CCS), biofuels production and distribution. Such investment improves the long-term viability of these technologies.

Disruptive Decarbonisation – 2 degrees

This scenario reflects the potential disruptive impacts associated with decarbonisation. It is achieved through a disorderly transition, led by consumers and business rather than policy. Under this scenario, there is an initial delay in action to 2025 during which time emissions continue to rise. There are challenges securing finance for large scale renewable energy projects in the short term, due to inconsistent climate policy. There is strong reliance on bottom up action, including renewable electricity (particularly small scale solar), electric vehicles and energy efficiency.

Policy Inertia – 3 degrees

This scenario reflects the current national and international policies. In this scenario, the current Nationally Determined Contributions are maintained, and no further international frameworks and mechanisms are negotiated to encourage additional global decarbonisation. A lack of certainty around mechanisms to achieve abatement targets reduces the capacity to invest in large scale abatement activity. This results in a disorderly transition with a reliance on bottom up, small-scale technologies.

Further information on scenario characteristics is available on page 52 for the physical analysis and page 54 for the transition analysis.

2018 financial year climate change scenario analysis program

SCENARIOS

- Global Co-ordination
- Disruptive Decarbonisation
- Policy Inertia

DRIVERS OF RISK

Physical: Flooding, Storms, Extreme heat and drought, Bushfires, Sea level rise

Transition: Market, Regulatory, Legal, Reputation, Technology

	Insurance	Retail lending	Wealth	Business lending
MODELLING ANALYSIS	Expected insurance premium cost impacts over time	Expected impacts on damage and loss over time	Transition risk impacts on domestic economy at a sectoral level	Transition risk impacts on domestic economy at a sectoral level
CBA-SPECIFIC APPLIED ANALYSIS	Building insurance policies	Home loan portfolio	FirstChoice Australian Share Fund	Business lending portfolio debt exposure
PROJECT OUTPUTS	Potential impacts on insurance claims and affordability of insurance	Potential damage to properties (at an aggregated level) due to perils Home loan portfolio exposure concentrations	Change to sector value add contribution Exposure of fund to growth and contraction sectors	Economic growth and contraction by sector Sector heat maps Exposure of portfolio to growth and contraction sectors
STRATEGIC RESPONSE	Consider business and customer implications and emerging insurance product needs Explore approaches to risk mitigation Consider customer awareness and engagement options	Develop management approach of current and future portfolio in high risk areas Consider customer awareness and engagement options	Consider asset allocations Consider further scenario analysis for global portfolios	Update ESG risk assessment tool Explore and develop low carbon products and services Client engagement and capacity building

Physical risks and opportunities

Home lending makes up nearly half of the Group's balance sheet, making it a material portfolio with regard to our exposure to climate risks and opportunities. Physical risks are the most relevant to property and insurance, driving our focus and coverage for this component of our scenario analysis.

We have considered the impact of five perils on our home lending across Commonwealth Bank and Bankwest, and building insurance policies in CommInsure. The perils we have considered are:

- Inundation – including sea level rise and storm surge, resulting in flooding
- Soil contraction – as a result of increased heat and reduced average rainfall in some areas, which causes damage to foundations in contracting clay soils
- Inland or riverine flooding
- Wind/cyclone
- Bushfire

We have undertaken detailed physical risk scenario analysis using the model developed by the Climate Risk consultancy, which combines asset, hazard and climate change projection data to understand the estimated annual average loss which is a combination of the annual probability of an extreme weather event capable of damaging a property, and the costs associated with such damage in a given year.

Most data is drawn from Australian Government agencies such as Bureau of Meteorology, CSIRO, and Geosciences Australia, as well as state government entities including rural fire services, Valuer General and land data services. We have also incorporated proprietary flood modelling undertaken for the Commonwealth Bank.

We have modelled damage to the underlying properties currently subject to loans from and/or insured with the Bank. The results are on an aggregated basis, including postcode-level.

Scenario characteristics – physical analysis

	Low emissions scenario	High emissions scenario
CBA climate scenario alignment	Global Coordination Disruptive Decarbonisation	Policy Inertia
Temperature rise by 2100	2 degrees	4 degrees
IPCC(1) climate projections	RCP(2) 4.5	RCP 8.5
Sea level rise	0.5m by 2100	1.1m by 2100

(1) Intergovernmental Panel on Climate Change.

(2) Representative Concentration Pathway.

Although the Group is committed to supporting the achievement of a 2 degree scenario, we are cognisant that the high emissions scenario (RCP 8.5) represents the greater risk to the Bank, because a higher level of warming gives rise to greater physical climate impacts.

The physical impacts we are likely to see up to 2050 are primarily driven by historical levels of emissions, as there is a delay between emissions and increased frequency and severity of weather events. Therefore, the different trajectories between our two 2 degree scenarios are of little consequence to physical impacts over the timeframe of our analysis, but would be significant in the longer term.

This project was undertaken with the support of Deloitte and Climate Risk.

Physical risks and opportunities in our home lending and insurance portfolios

What we found

This project has undertaken a forward-looking, portfolio-level assessment based on current home lending and insurance portfolios.

The analysis suggests the impact of physical climate change risk will greatly vary across the geographic locations as well as the vulnerability of each property. The diversity in geographic and climate conditions determine the climate risks experienced within a location, as well as the severity of impact. The analysis indicates that whilst all locations in which our residential property portfolio is situated will be subject to impacts of climate change to varying degrees, only a small proportion of properties in high risk locations and with vulnerable characteristics are projected to experience a significant increase in impacts over the scenario time period.

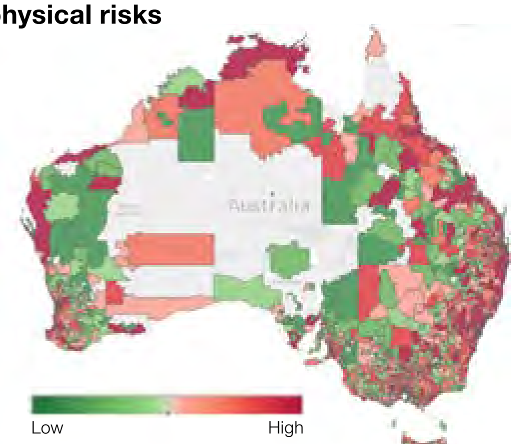
Locations affected by climate risk are expected to experience an increase in maintenance and damage costs, leading to higher insurance costs, due to flooding, storms, bushfire and drought, with rising sea levels expected to have the most significant increase. For the small proportion of current properties that may be significantly affected, this may lead to difficulties in customers servicing their loans.

Based on these results, if we were to continue to lend in these areas, property demand and valuations in locations more prone to physical climate risk may be adversely impacted.

To understand the potential credit implications of the physical impact of climate change, we have analysed the annual average loss associated with both extreme events and incremental changes in climate. Through this project, we have analysed where damage, and associated loss, is likely to occur for customers currently in our portfolio and the rate that it will increase. We have also analysed which perils, not all of which are currently covered under mainstream insurance policies, are likely to cause the problems, and their rate of increase. The results for estimated annual average loss and the high risk proportion of our portfolio are shown in more detail on the following page.

Estimated annual average losses to customers from physical risks

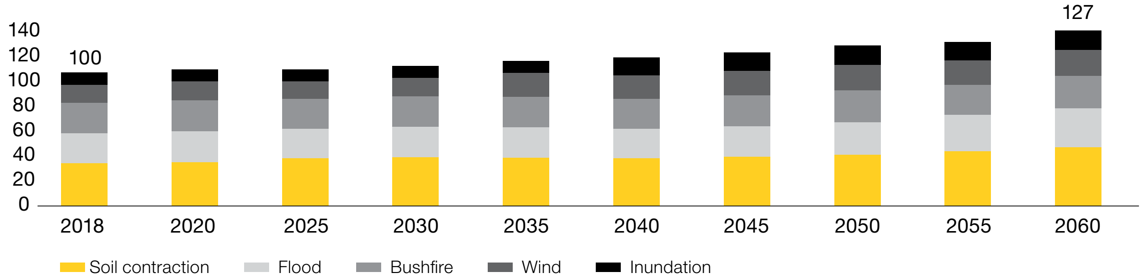
Impact	Customers facing increasing repair and replacement costs for physical damage to their properties.
Findings	Under the high emissions (RCP 8.5) scenario, if we were to continue to lend in these areas, the estimated annual average losses to customers across our home lending portfolio are expected to increase by 27% by 2060 – this is less than 1% per annum. The largest contributor to these losses currently arises from soil contraction, but the modeling shows that coastal inundation losses could increase by 71% by 2060, primarily due to sea level rises.



Estimated annual average loss by postcode in year 2060

Estimated annual average loss by peril

Index (2018 = 100)

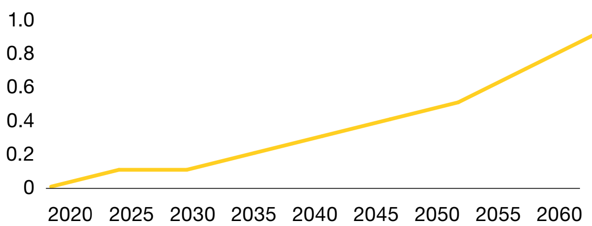


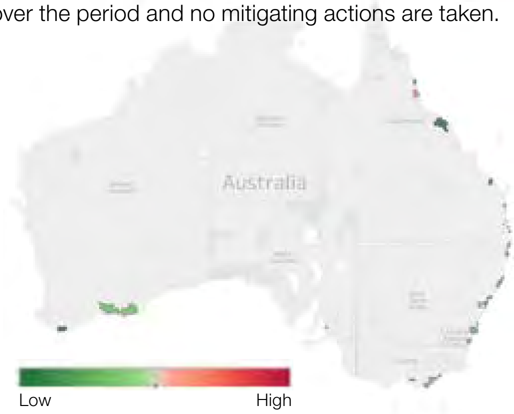
High risk properties

To better understand our potential credit risk, we have estimated the part of our current portfolio which may be high risk, where this is located and how it could change over time. We have considered high risk to be properties where the increase in insurance costs from 2018 as a result of climate change have the potential to create financial strain for customers and their property values.

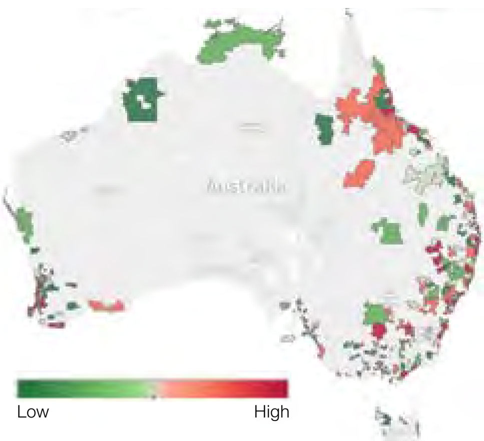
High risk properties make up only 0.01% of our portfolio (by outstanding balance) in 2020 and rises to be around 1% in 2060 if there are no changes in the way we lend in these areas. This assumes no change in the portfolio over the period and no mitigating actions are taken.

Estimated % of portfolio (outstanding balance) considered high risk





Estimated average annual loss for high risk properties by postcode (in year 2020)



Estimated average annual loss for high risk properties by postcode (in year 2060)

How we are responding
It is important for the Bank to consider the impacts and risks of physical climate changes on our customers as well as our insurance and residential lending portfolios. We will continue to develop our understanding of physical climate change and the locations and types of properties most affected by climate risk. Based on these learnings, we will build our capability to effectively respond, develop and implement business rules (such as maximum loan to valuation ratios or loan conditions) to protect both our customers and the Bank from risks associated with climate change.

The expected impact of climate change may compound the existing issue of insurance affordability in areas with high risk of severe weather events. To counter this threat, we will consider the most effective approaches to mitigating against physical climate change risks. This will include consideration of our products and services through which there may be opportunities to assist or incentivise customers to make home resilience improvements, and advocating on their behalf for governments to invest in mitigation measures to respond to community level risks.

Minimising climate risk for property, both residential and commercial, is an issue that goes beyond the banking and insurance sectors. Appropriate planning regulation is essential to building climate resilience in the sector going forward and both a private and public response is needed. Where we don't have the ability to help our customers directly, we will engage and advocate on their behalf across government, insurance and banking to find solutions to these problems before they become acute.

To this end, we have been actively involved in the development of the National Risk Reduction Framework, as a priority of the National Resilience Taskforce, which is being led by the Department of Home Affairs. This is a collective effort involving public, private and community sectors in the development of a framework to identify, address and mitigate disaster risk.

Transition risks and opportunities

We have undertaken scenario analysis to assess the transition risks and opportunities in our business lending portfolio, covering Commonwealth Bank, Bankwest and ASB. The climate scenarios (outlined on page 50) were assessed to identify the impacts for the Australian economy at a sectoral level, and these were analysed in relation to the Bank's debt exposure and one of our domestic equity portfolios, to 2050.

The scenarios align to reference scenarios and industry-specific research. There were a number of out-of-model adjustments, based on industry-specific research, made in order to ensure that the model reflected our view of different climate futures. These adjustments were on:

- carbon pricing and offset markets
- international energy demand
- materials efficiency
- domestic energy use
- new business models

This project was supported by EY and ClimateWorks Australia.

Transition risks and opportunities in our business lending portfolio

What we found
Emissions fall under all three of our scenarios. However, Australia only meets its existing international emissions commitments under the Global Co-ordination and Disruptive Decarbonisation scenarios.

The analysis provided economic growth, by sector, for the Australian economy under the three scenarios through to 2050.

The analysis found that the overall economy grows across all scenarios and timeframes through to 2050. However, the rate of growth, sectors impacted and degree of impact, vary by scenario.

The variation is illustrated in the transition risk heatmap which represents the growth and contraction at a sectoral level across the three scenarios over the medium term (2035).

Scenario characteristics – transition analysis

Scenario characteristics	Global Coordination	Disruptive Decarbonisation	Policy Inertia
Reference scenarios	Deep Decarbonisation Pathways Project IEA 2DS	Deep Decarbonisation Pathways Project Review of disruptive technologies and business models	Deep Decarbonisation Pathways Project IEA 4DS
Target	66% likelihood of limiting global warming to 2°C	66% likelihood of limiting global warming to 2°C	66% likelihood of limiting global warming to 3°C
Proportion of renewables of total generation in 2050 (from baseline of 15% in 2017)	73%	94% Distributed generation increases from 4% of total generation in 2017 to 39% in 2050	58%

Analysis of our business lending portfolio shows that 97% of our business lending portfolio sits within sectors that continue to grow under all scenarios. There is a small portion of our portfolio – less than 2% – which sits in sectors that contract under all scenarios. And the remainder of our portfolio (1%) sits across sectors that grow under one or two scenarios and decline under other scenarios.

How we are responding
To ensure transition risk is considered going forward, we will incorporate the results of our scenario analysis into our client-level due diligence process. Our initial focus will be on sectors most likely to be impacted by climate change. We will use this to help us understand risk exposure at a client and a portfolio level, and inform our engagement with clients (where relevant) and risk evaluation. We will incorporate relevant questions into the process to allow us to further understand client exposure, and their strategy to respond to climate risk. This will help us to determine our clients' resilience and inform our lending actions and strategies.

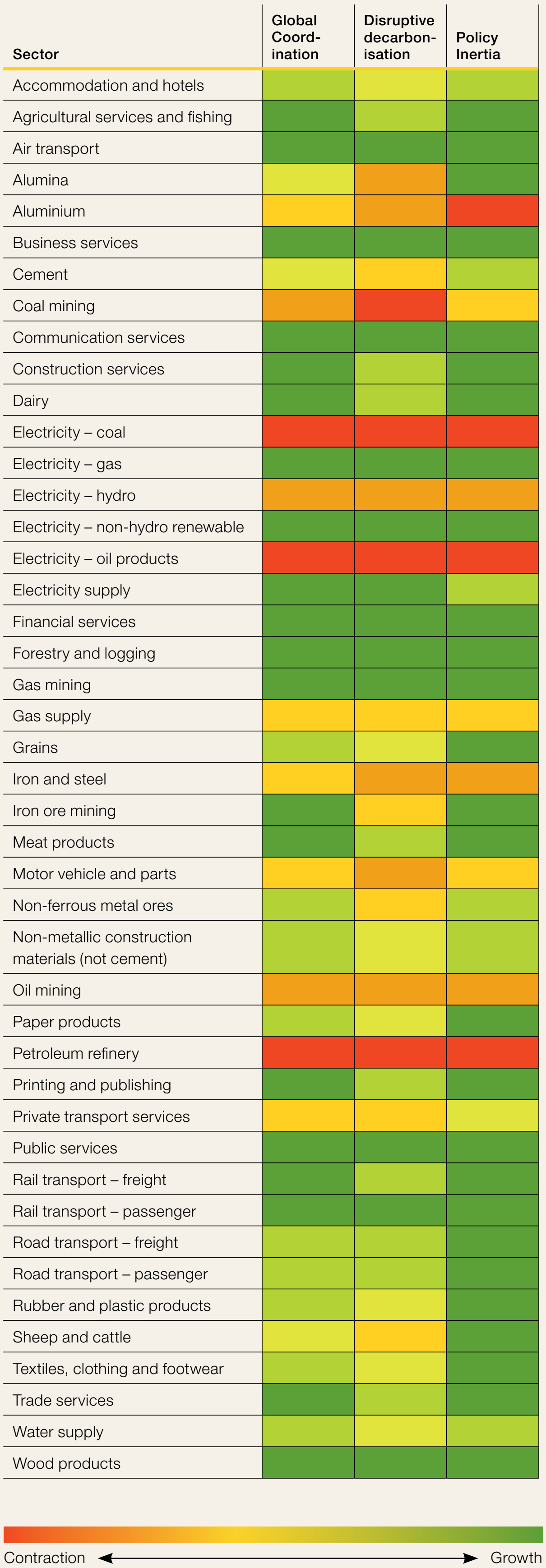
Our support for the transition to a low carbon economy, from an energy value chain perspective, is reflected in our declining exposure to coal and our growing exposure to renewables, and to gas as a transition fuel. The energy value chain infographic (on page 59) shows our main concentrations of credit exposure to carbon-related assets. The 2018 financial year analysis shows the downward trend in our exposure to the coal sector continued, across mining, infrastructure and electricity generation.

Transition risks and opportunities in our agribusiness portfolio

What we found
Undertaking transition analysis was the first step toward analysing the strategic risks and opportunities for agriculture.

How we are responding
There is still considerable work that needs to be completed to better understand the physical impacts of climate on agricultural industries across the regions in which they operate, and to understand the implications for our portfolio. The physical risk analysis for agriculture will be undertaken in the 2019 financial year. We will start training our agribusiness teams to support customers by increasing their awareness of the issue and consider how best to incorporate climate into the agribusiness due diligence process. This will consider the outcomes of the physical risk analysis and expert guidance on observed best practices.

Transition risk heat map by industry (2017-2035)



Transition risks and opportunities in our Wealth business

What we found

As part of our transition risk analysis, we have measured the carbon footprint of our equity investments, and are continuing to work on the footprinting of our bonds.

CFS's two MySuper offers – Commonwealth Essential Super and FirstChoice Employer Super – currently have carbon footprints higher than their asset allocation weighted benchmarks. However, both footprints have reduced since 30 June 2016[1].

As at 31 March 2018, the equities allocation of the Commonwealth Essential Super range has a carbon footprint of 435,500 tCO_2e. Per $100,000 invested this equates to 16.01 tCO_2e or four cars driven daily for a year[2]. The equities allocation of the FirstChoice Employer Super range has a carbon footprint of 919,600 tCO_2e. Per $100,000 invested this equates to 34.17 tCO_2e or seven cars driven daily for a year.

We have also undertaken scenario analysis of FirstChoice Australian Share Fund, as a proxy for Wealth's domestic equity portfolios. The scenario analysis found a very low proportion of FirstChoice Australian Share Fund's assets – 1.5 per cent – sit in sectors that contract under all three scenarios. Two-thirds of the Fund's assets are in sectors that grow under all scenarios. The remainder of Fund assets are in sectors that grow under our Policy Inertia and/or Global Co-ordination scenarios, but not under Disruptive Decarbonisation.

How we are responding

We are currently investigating approaches to undertake further detailed scenario analysis of our investment portfolios, expand the transition risk analysis to include other asset classes, and explore physical risk analysis. We intend to progress this analysis in the 2019 financial year.

CFS has updated its ESG Risk Management and Proxy Voting Policy, and Investment Governance Framework; Commonwealth Private has adopted the Responsible Investing Framework and created an ESG Policy; and CommSec is incorporating ESG and climate risk criteria into its Investment Policy.

These policies ensure ESG and climate risk criteria are taken into account in investment selection, and that, over time, Wealth reduces the ESG and climate risks our clients are exposed to through asset allocation, advocacy, engagement and shareholder voting.

Next steps

We are continuing to roll out scenario analysis across the Bank and we will next consider physical risks for business lending and transition risks for retail lending and insurance.

We will also widen the breadth of our investment analysis to cover transition and physical risks and opportunities for our global portfolios.

Colonial First State Global Asset Management (CFSGAM) has developed a summary of its approach to managing climate change risks and opportunities. In developing the statement CFSGAM has sought to align its disclosure with the TCFD's recommendations and the Investor Group on Climate Change's Guide for Investor Disclosure.

The approach to climate change is available here: http://ri.firststateinvestments.com/our-approach/featured-content/climate-change/

First State Investments

Colonial First State Global Asset Management

(1) Carbon emissions data is provided and calculated by MSCI Inc. MSCI collects reported Scope 1 and Scope 2 emissions from each company. Only 60% of companies in the global equities universe report their greenhouse gas emissions, so MSCI estimates the remaining 40%.

(2) The equivalent number of cars data is sourced from the United States Environmental Protection Agency Greenhouse Gas Equivalencies Calculator https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator.

There are significant opportunities presented by the transition to a low carbon economy.

Low carbon transition opportunities

There are significant opportunities presented by the transition to a low carbon economy.

Sustainable finance

This financial year our lending exposure to the renewable energy sector grew to $3.7 billion, reflecting our expertise in this market. For the year ended June 2018, Commonwealth Bank ranked number one for Mandated Lead Arranger financing roles of renewables projects in Australia and ranked 18th globally.[1]

We have also set up a Sustainable Finance Committee to focus on identifying other low carbon opportunities, such as climate bonds. This year we led more than $2 billion of green or sustainability notes.

We continue to support business investment in energy efficiency improvements through our $300 million partnership with the Clean Energy Finance Corporation on the Energy Efficient Equipment Finance program.

In the 2017 financial year we set ourselves a Low Carbon Target of $15 billion by 2025[2]. Our progress to date shows our exposure to low carbon projects as at 30 June 2018 is $7.3 billion. Eligible projects include renewable energy, 6-star rated commercial green buildings, energy efficiency and low carbon transport. We have aligned our Low Carbon Target eligible projects with the green project categories identified in the Green Loan principles[3].

Global environmental markets

We are aiming to be a market leader in environmental markets, supporting our clients' transition to a net zero emissions economy. We target clients globally who have a strategy in place to support their transition. We support this transition by providing tailored financing and risk management environmental market solutions to meet client requirements. This includes facilitating liquidity across global environmental markets.

Products and services

Across retail and business lending, investment and insurance, we will continue to explore and develop product and service options which meet emerging customer needs, to help them reduce their exposure and/or build resilience to climate change.

This year we added a new Alliance Partner – Affirmative Investment Management – and the Affirmative Global Bond Fund (the Fund) to the FirstChoice platform. The Fund invests in global green bonds and utilises ESG criteria and environmental impact screens; it is the first of its kind available to retail investors in Australia.

CO_2

$15bn

2025 low carbon target

2025	**$15bn**
2018	**$7.3bn**

(1) IJ Global, Renewables League tables, 2018 financial year, by transaction value.
(2) Our target is on the basis of total committed exposures as at 30 June 2025, and is not a cumulative financing target.
(3) The Green Loan Principles were launched in March 2018 by the Loan Market Association, in conjunction with the Asia Pacific Loan Market Association, and supported by the International Capital Market Association. It is a high level framework for the wholesale green loan market. Indicative categories of eligibility for Green Projects are included in Appendix 1 of the Green Loan Principles. They are based on the categories provided in the Green Bond Principles 2017.

Climate risk management

Climate is a strategic business risk which we identify, assess and manage as part of our ESG risk framework.

Our approach to climate risk management is shown below, cascading down from Group-level framework to sector/ portfolio controls, through to specific transaction and client-level consideration of ESG risks.

Comprehensive policy frameworks

We have a comprehensive set of policy frameworks that govern our approach to climate risk management. The Risk Management Approach documents the Group's key risk management practices across all major risk classes.

Climate risk is largely a credit risk for the Bank. Extreme weather events and the legal, market, policy, technology and reputational impacts of transitioning to a low carbon economy have the potential to disrupt business activities, damage property and otherwise affect the value of assets held and our customers' ability to repay their loans on property, businesses and projects. Additional credit risk could arise from the occurrence of stranded assets, if this is not sufficiently identified and managed through our risk management framework.

Climate has both financial and non-financial implications and is covered as a specific aspect of Strategic Risk in Note 9.1 (Risk Management).

Climate in our ESG risk assessment process

The Bank is a major global provider of lending services. Assessing potential transactions for ESG risks – including climate – is a key step in our approach to credit risk due diligence for business lending.

Business lending is subject to ESG risk assessment. This must take place before a loan can be priced. The process includes an initial ESG risk assessment based on country of operations and over 500 industry sectors. The overall ESG risk levels are aligned with the Equator Principles' risk categories A, B and C.

Additional ESG due diligence is required for transactions which have medium or high ESG risks identified in the initial assessment.

Detail on our ESG risk assessment process is outlined on page 40.

The Bank reports regularly to the Board on the key ESG risks in the portfolio using the ESG variables collected in the assessment process. For example, the number of high, medium and low ESG risks across the business lending portfolio.

Climate as part of ESG training

Our ESG training (ESG Fundamentals and the ESG Risk Tool) includes climate risk – physical and transition – to help identify the risks, as well as suggestions on the type of evidence that clients should provide. This training is compulsory for all Institutional Banking and Business Banking client facing roles, plus the credit risk teams.

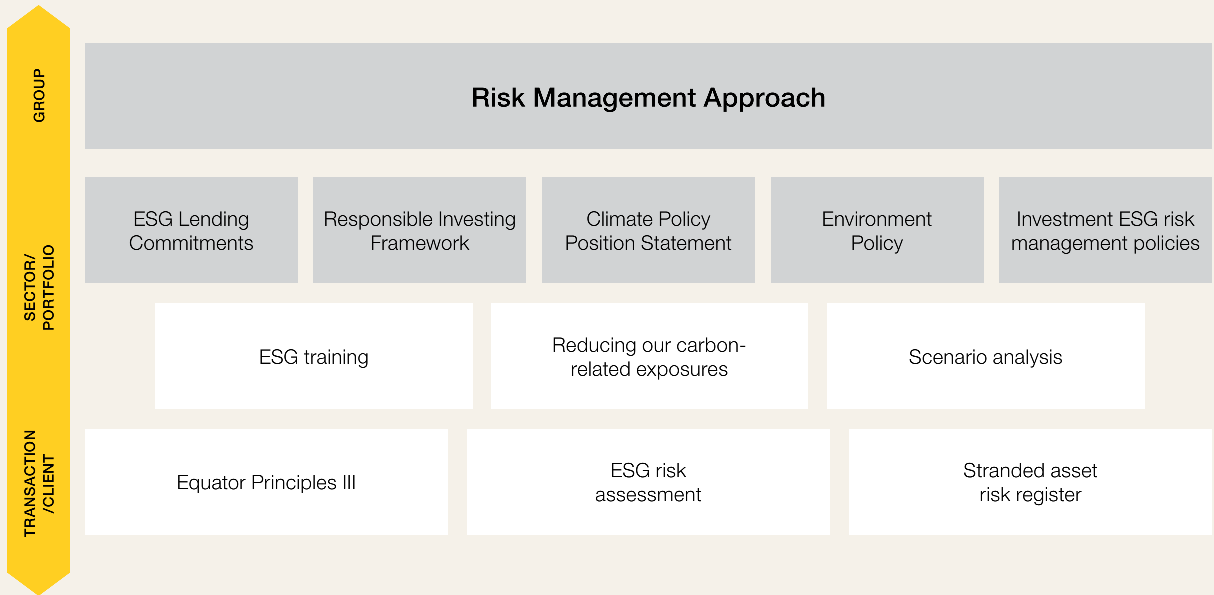
Reducing our carbon-related exposures

To understand the concentration of carbon-related exposures, we measure the following:

- Energy value chain: Our 2018 financial year exposures continue to show significant movement away from coal towards renewables, and gas as a transition fuel.
- Assessed emissions in our business lending portfolio: We continue to reduce the emissions intensity of our business lending portfolio. In the 2016 financial year, the emissions intensity of our business lending portfolio was 0.29 $kgCO_2$/AUD of expenditure. In the 2017 financial year(1), this declined to 0.28 $kgCO_2$/AUD of expenditure.

  This has been driven by a significant decline in the sector classified as Electricity, Gas and Water Supply over the period, in line with the transition of our power generation exposures from coal to renewables, as was shown in the 2017 Energy Value Chain.

Approach to climate risk management

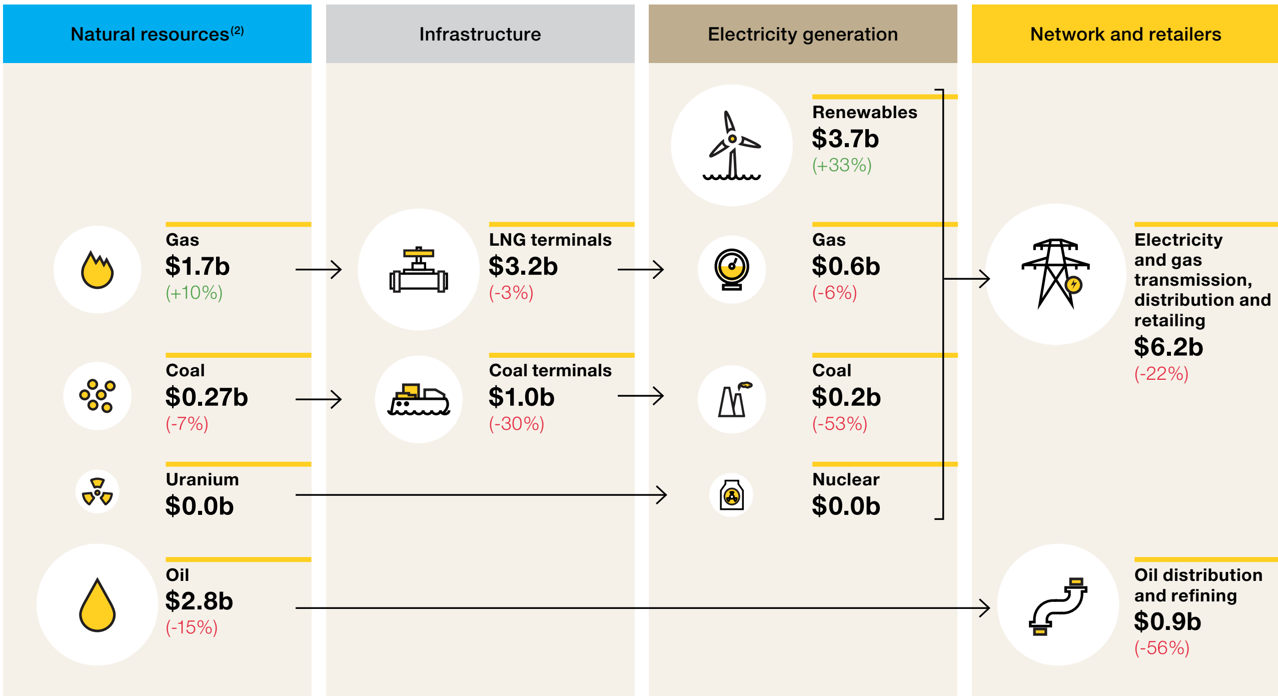


(1) Our financed emissions method relies on client-specific data which limits when we can undertake and release the analysis. 2018 financial year analysis will be undertaken once 2018 client data is available.

FY18 Energy Value Chain

CBA exposures[1] as at 30 June 2018

Key: (+%) (-%)
Change since FY17



(1) All figures are Total Committed Exposures (TCE) as of 30 June 2018. Figures represented have been specifically derived based on material client exposures.
(2) Diversified miners not included.
(3) Other energy-related exposures ($0.2b) includes smaller loans.

Compared to the previous year, our exposure to mining fell (-16%) and emissions allocated to mining sector clients fell (-18%). However, the expenditure allocated to mining sector clients also fell (-37%). The net result of these changes is that the weighted average emissions intensity of the sector rose over the period.

- In the Wealth portfolio, the Group uses a variety of tools such as MSCI ESG Manager and MSCI Barra Portfolio Manager which identify, measure and track ESG and carbon risk at the company, stock, bond, asset and investment strategy level.
- Carbon footprint and carbon intensity metrics (CFS equity investments): The footprints for both MySuper offers have reduced since 30 June 2016.

For most of these metrics, we publicly report on our performance and progress to hold ourselves accountable and demonstrate our commitment to reducing our exposure to carbon-related assets.

Scenario analysis

Our use of scenario analysis in the 2018 financial year, for strategic management as well as a risk management tool, is outlined in detail in the Climate strategy section on page 50.

Updating our Equator Principles III (EPIII) process

We are in the process of updating our EPIII due diligence process to include an assessment of our clients' approach to climate transition and physical risks. The consideration of transition risks is included as part of the EPIII alternatives analysis for high carbon-intensive projects. We will include physical risks in the Commonwealth Bank EPIII due diligence as well as add it to the ESG risk assessment process in the 2019 financial year.

Stranded asset risk register

We focus on assessing our institutional lending exposures against the risk of stranded assets. The risk of obsolescence for all clients is managed through the origination and annual review process. Exposures identified as potentially being impacted by stranded asset risk, due to climate and other factors, are subject to heightened consideration and assessment in the credit process. We maintain a stranded asset risk register, and currently there is considered to be no material risk of loss due to climate-related stranded asset risk.

Metrics and targets

We report regularly on key metrics in order to measure our progress and hold ourselves accountable to our stakeholders with regard to climate risks and opportunities.

Our Climate Policy Position Statement commits us to a number of targets. The table below shows our latest progress against our climate-related targets.

Metric	Target	FY18 progress
Low carbon target	**$15 billion** by 2025	**$7.3 billion** Committed exposure as at 30 June 2018
Sourcing renewable energy for our power needs	**25%** by 2020	Tender and consumption modelling completed. Currently undertaking power purchase agreement contract negotiations.
Emissions per FTE (Australia)	**2.0 tCO_2-e** by 2020	2.3 tCO_2-e
Solar panels on branches	**1,250 kW** by 2020	750 kW
Assessed emissions in our business lending portfolio	An average emissions intensity decrease of our business lending portfolio consistent with our commitment to a net zero emissions economy by 2050	0.28 $kgCO_2$-e/AUD of expenditure (FY17)

For a full set of our environmental, social and governance metrics, see our 2018 Group non-financial performance metrics on pages 75–78.

Performance overview

Group performance overview[1]

The key performance indicators[2] used to assess shareholder return, profitability and balance sheet strength are outlined below.

We report Group profit on a statutory and cash basis as outlined on page 63.

▼ **4.8%**

Cash net profit after tax (NPAT)
($M)

9,233

FY18	**9,233**
FY17	9,696

▼ **4.0%**

Statutory NPAT
($M)

9,375

FY18	**9,375**
FY17	9,766

▲ **2.6%**

Total operating income cash basis
($M)

25,907

FY18	**25,907**
FY17	25,257

▲ **9.2%**

Operating expense cash basis
($M)

11,599

FY18	**11,599**
FY17	10,622

▲ **3.8%**

Tax expense cash basis
($M)

3,994

FY18	**3,994**
FY17	3,847

▼ **6.2%**

Earnings per share cash basis
(cents)

528.6

FY18	**528.6**
FY17	563.4

▲ **2 cents**

Dividend per share
(cents)

431

FY18	**431**
FY17	429

▲ **540bpts**

Dividend payout ratio cash basis
(%)

80.4

FY18	**80.4**
FY17	75.0

▼ **160bpts**

Return on equity cash basis
(%)

14.1

FY18	**14.1**
FY17	15.7

Flat bpts

Capital ratio CET1 (APRA)
(%)

10.1

FY18	**10.1**
FY17	10.1

(1) Information has been presented on a continuing operations basis. Discontinued operations are detailed on page 73.
(2) Detailed in glossary on page 292.

Group performance

Group profit

Group profit represents the operating income earned less operating expenses, impairment costs and tax paid. It is also called net profit after tax (NPAT). We report NPAT on a statutory and cash basis. The statutory basis is prepared and audited in accordance with the Corporations Act 2001 and Australian Accounting Standards which comply with International Accounting Standards (IFRS). The cash basis is used by management to present a clear view of the underlying operating result, excluding certain items that introduce volatility and/or one-off distortions of the Group's current period performance. The difference between each basis is set out on page 74.

Group profit included a number of one-off items:

- AUSTRAC civil penalty of $700m (non-tax deductible);
- one-off regulatory costs totalling $155 million associated with the Royal Commission, AUSTRAC proceedings and the APRA Prudential Inquiry; and
- the acquisition of Aussie Home Loans and eChoice resulting in consolidation of $237 million of income and $197 million of expenses.

▼ 4.8%

Cash NPAT
($M)

▼ 4.0%

Statutory NPAT
($M)

Dividends

Dividends are discretionary distributions of profits to shareholders.

The final dividend determined was $2.31 per share, bringing the total dividend for the year ended 30 June 2018 to $4.31, an increase of two cents on the prior year. The dividend payout ratio (cash basis) was 80.4%. Excluding the AUSTRAC civil penalty, the dividend payout ratio was 74.9%.

The dividend will be fully franked and will be paid on 28 September 2018 to owners of ordinary shares at the close of business on 16 August 2018 (record date). Shares will be quoted ex-dividend on 15 August 2018.

Dividend reinvestment plan (DRP)

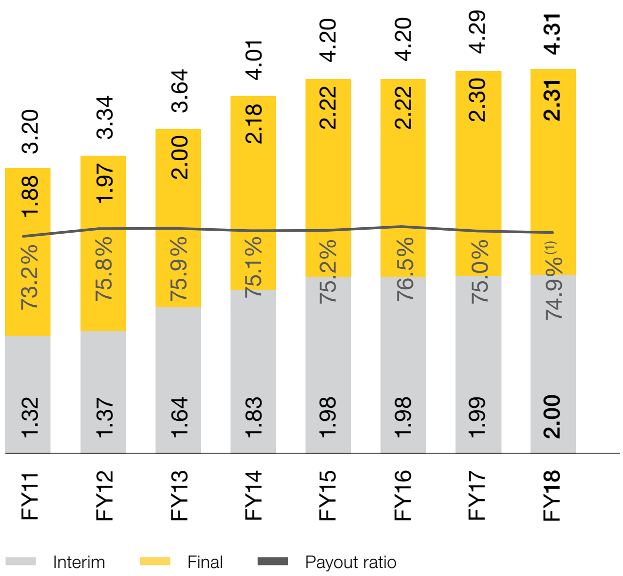
The DRP will continue to be offered to shareholders, and no discount will be applied to shares allocated under the plan for the final dividend.

Dividend policy

The Bank will seek to:

- pay cash dividends at strong and sustainable levels
- target a full-year payout ratio of 70% to 80%
- maximise the use of its franking account by paying fully franked dividends

Full-year dividend history
($)



(1) The FY18 full year payout ratio has been presented excluding the impact of the AUSTRAC civil penalty. Including the AUSTRAC civil penalty the payout ratio was 80.4%.

Total operating income

Total operating income is made up of net interest income, other banking income, funds management income and insurance income.

Net interest margin (NIM) largely represents the percentage difference between the interest rates charged to borrowers and the interest rates paid to depositors.

The underlying performance of the business remained strong, with income growth of 2.6%.

- Net interest income increased as a result of repricing interest-only and investor home loans in order to manage regulatory requirements, selective growth in lending and an increased proportion of low cost funding via transaction deposits; partly offset by the impact of the major bank levy.
- Other banking income decreased as a result of the removal of ATM fees, the decrease in commission income on credit and debit card transactions and weaker trading performance.

▲ 2.6%

Total operating income cash basis ($M)

25,907

FY18	**25,907**
FY17	25,257

Full year ended [1]	**30 Jun 18 $M**	**30 Jun 17 $M**	**Jun 18 vs Jun 17 %**
Net interest income	18,336	17,543	4.5
Other banking income	4,950	5,140	(3.7)
Funds management income	2,091	1,913	9 .3
Insurance income	293	223	31.4
Total operating income excluding one-off items cash basis	25,670	24,819	3 .4
One-off items [2]	237	438	(45.9)
Total operating income cash basis	25,907	25,257	2.6
Net interest margin (%)	2.15	2.10	5 bpts

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

(2) For explanation of one-off items refer to page 73.

Operating expenses

Operating expenses include the salaries and other benefits paid to staff, the cost of IT systems and property costs. The remaining expenses have been included in other expenses, with further details provided in Note 2.4 of the Financial Statements.

Operating expenses to total operating income is an efficiency measure used to determine the cost to the bank of earning income.

Operating expenses increased 9.2% due to the AUSTRAC civil penalty and one-off regulatory costs. Excluding one-off items outlined on page 73, operating expenses increased 3.1% during the year. The key drivers of the increase were:

- **Staff expenses** increased 0.5% driven by wage inflation, partly offset by lower employee incentives.
- **Occupancy and equipment expenses** increased, primarily due to the relocation of a number of offices to a single location, annual rental reviews and depreciation.
- **Information technology services expenses** increased due to higher investment spend, particularly on risk and compliance based projects, amortisation and the write-off of software, and increased software licensing costs.
- **Other expenses** increased due to an elevated investment in financial crime compliance, partly offset by lower Advice Review program costs, lower non-lending losses and lower discretionary spend.

▲ 9.2%

Operating expense cash basis ($M)

11,599

FY18	**11,599**
FY17	10,622

Full year ended [1]	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %
Staff expenses	5,895	5,865	0.5
Occupancy and equipment expenses	1,165	1,110	5.0
Information technology services expenses	1,787	1,578	13.2
Other expenses	1,700	1,676	1.4
Operating expenses excluding one-off items cash basis	10,547	10,229	3.1
One-off items [2]	1,052	393	large
Operating expenses cash basis	11,599	10,622	9.2
Operating expenses to total operating income (%)	44.8	42.1	270 bpts
Number of full-time equivalent staff (FTE)	43,771	43,620	0.3

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

(2) For explanation of one-off items refer to page 73.

Loan impairment expense

Loan impairment expense represents an estimate of the losses incurred during the year due to bad debts, net of any amounts recovered.

Loan impairment expense decreased 1.5% during the year. Improvements in the performance of the Bankwest home loan portfolio across mining and regional areas were partly offset by an increase in collective provisions against business loans and an increase in individual provisions against a loan to a large corporate client within Institutional Banking and Markets.

1.5%

Loan impairment expense cash basis
($M)

1,079

FY18	1,079
FY17	1,095

Impairment provisions and credit quality

Provisions for impairment represent the Bank's estimate of the total amount of bad debts that could emerge within the existing loan portfolio at balance date. Provisions include collectively assessed provisions that are applied against portfolios of loans and individually assessed provisions applied against specific customer loans. The Group also applies provision overlays to take into account changes in the wider economic and regulatory environment.

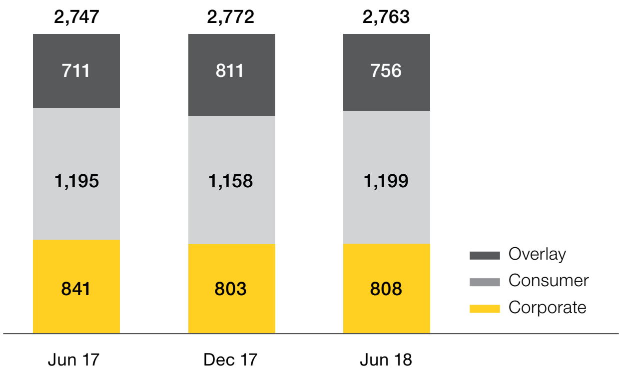
Impaired assets are loans that are not meeting their repayment obligations. They are made up of loans in default, loans that have been restructured to non-commercial terms due to the financial difficulties of the borrower or unsecured personal loans and credit cards whose minimum repayments are 90 days past due.

Full year ended	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %
Total provisions for impairment losses	3,633	3,727	(2.5)
Gross impaired assets ($M)	3,179	3,187	(0.3)

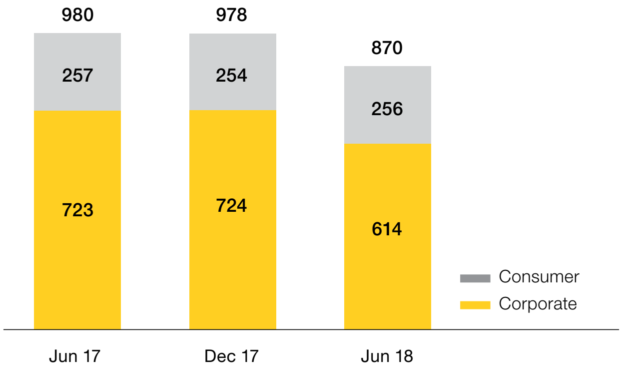
Total provisions for impairment losses decreased 2.5% during the year and is shown graphically on page 66. Movements are made up of:

- a 15% reduction in individually assessed provisions due to a small number of large write-offs and recoveries impacting institutional and business customers; and
- a 4% reduction in corporate collective provisions due to reductions in exposures, improvements in the quality of the Bankwest business portfolio, and improvements in the New Zealand business portfolio; partly offset by
- a 6% increase in management overlays, principally in Retail Banking Services, due to the anticipated adverse impact of changing personal bankruptcy legislation.

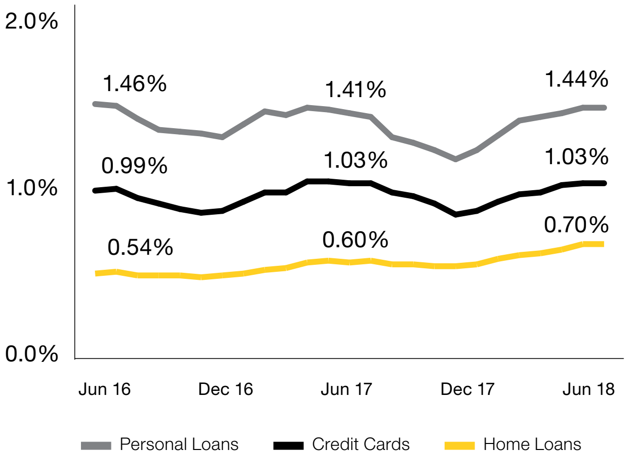
Collective provisions
($M)



Individual provisions
($M)



90 days arrears
(%)



90 days arrears are loans where minimum repayments are 90 days late.

Domestic home loan arrears were elevated on the prior year as some households experienced difficulties with rising essential costs and limited income growth leading to some pockets of stress.

Taxation expense

Corporate tax expense represents income taxes paid to taxation authorities in operating jurisdictions.

Corporate tax expense for the year increased $147 million or 3.8% on the prior year, a 30.2% effective tax rate.

The increase in the effective tax rate during the period is primarily due to the $700 million civil penalty in the AUSTRAC proceedings being non-deductible for tax purposes.

Adjusting for the AUSTRAC civil penalty the tax rate would be 28.6%.

CBA was one of Australia's largest tax payers in 2018.

▲ 3.8%

Taxation expense cash basis
($M)

3,994

Strategic report
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Divisional performance analysis[1]

Retail Banking Services

Cash NPAT

$5,193m

Up 5.3% on 2017

Proportion of Group profit

56.2%

Retail Banking Services is the Commonwealth Bank branded retail banking division. It provides simple, convenient and affordable banking products and services to more than 10 million personal and small business customers, helping them manage their everyday banking needs, buy a home, build and grow their business, or invest for the future. Customers are supported through an extensive network of close to 1,000 branches, more than 3,000 ATMs, Australia-based customer call centres, leading online services and apps, as well as mobile banking specialists and support teams.

Performance at a glance

▲ 8bpts

Net interest margin (NIM)

2.98%

FY18	2.98%
FY17	2.90%

NIM improved as a result of repricing interest-only and investor home loans to manage regulatory requirements, as well as growth in transaction deposits, partly offset by the introduction of the major bank levy.

▼ 50bpts

Operating expense to total banking income

30.5%

FY18	30.5%
FY17	31.0%

The ratio decreased (improved) due to growth in net interest income linked to growing lending margins and balances and transaction deposits, partly offset by increases in operating expenses from continued investment in technology, risk and compliance.

Business and Private Banking

Cash NPAT

$1,888m

Up 4.4% on 2017

Proportion of Group profit

20.4%

Business and Private Banking serves the banking needs of business, corporate and agribusiness customers across the full range of financial services solutions, as well as providing banking and advisory services for high net worth individuals. We also provide equities trading and margin lending services through our CommSec business.

Performance at a glance

▲ 7bpts

Net interest margin (NIM)

3.05%

FY18	3.05%
FY17	2.98%

NIM improved as a result of repricing interest-only and investor home loans to manage regulatory requirements, as well as growth in transaction deposits, partly offset by the introduction of the major bank levy and the run-off of higher margin residential property development lending.

▼ 120bpts

Operating expense to total banking income

36.1%

FY18	36.1%
FY17	37.3%

The ratio decreased (improved) due to higher total banking income, partially offset by the increase in operating expenses with higher spend on product development initiatives.

(1) Divisional metrics are reported on a cash basis for continuing operations. Refer page 73 for the Bank's discontinued operations.

Institutional Banking and Markets

Cash NPAT

$1,121m

Down 14.5% on 2017

Proportion of Group profit

12.1%

Institutional Banking & Markets serves the commercial and wholesale banking needs of large corporate, institutional and government clients across a full range of financial services solutions including access to debt capital markets, transaction banking, working capital and risk management through dedicated product and industry specialists.

Performance at a glance

▼ 6bpts

Net interest margin (NIM)

1.04%

FY18	1.04%
FY17	1.10%

The reduction in NIM was primarily driven by the major bank levy.

▲ 500bpts

Operating expense to total banking income

42.7%

FY18	42.7%
FY17	37.7%

The ratio increased (deteriorated) primarily due to lower Markets revenue, the introduction of the major bank levy and higher operating expenses due to higher regulatory risk and compliance spend.

New Zealand

Cash NPAT

$975m/NZ$1,072m

Up 12.2% on 2017

Proportion of Group profit

10.6%

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

ASB conducts its business through three business units: Retail Banking provides services to individuals across multiple channels including a branch network, digital platforms, ATMs, mobile managers and contact centres. Business Banking provides services to corporate, commercial, rural and small business customers. Private Banking, Wealth and Insurance provides securities, investment and insurance services to customers, and banking services to high net worth individuals.

Performance at a glance

▲ 7bpts

Net interest margin (NIM)

2.24%

FY18	2.24%
FY17	2.17%

NIM improved due to an increase in fixed rate home loan margins.

▼ 140bpts

Operating expense to total banking income

36.0%

FY18	36.0%
FY17	37.4%

The ratio decreased (improved) due to increased interest, fee and funds management income on growing lending and funds balances.

Bankwest

Cash NPAT

$681m

Up 18.2% on 2017

Proportion of Group profit

7.4%

Bankwest provides simple and affordable banking products to more than 1 million retail, business and rural customers across Australia. Customers are assisted to manage their everyday banking needs, buy a home, build and grow businesses and invest for the future. We also support our customers through a network of close to 100 branches and over 300 ATMs, easy-to-use digital and mobile services and an Australia-based 24/7 customer contact centre.

Performance at a glance

▲ **3bpts**

Net interest margin (NIM)

2.10%

FY18	2.10%
FY17	2.07%

NIM increased as a result of repricing interest-only and investor home loans to manage regulatory requirements and increased transaction deposit balances.

▼ **290bpts**

Operating expense to total banking income

42.1%

FY18	42.1%
FY17	45.0%

The ratio decreased (improved) due to increased interest and fee income and lower operating expenses due to one-off Bankwest east coast business integration costs in financial year 2017.

Wealth Management

Cash NPAT

$563m

Up 33.4% on 2017

Proportion of Group profit

6.1%

Wealth Management provides superannuation, investment, retirement and insurance products, and services including financial planning which help to improve the financial wellbeing of more than 2.1 million customers. CFS Global Asset Management manages investments on behalf of institutional investors and pension funds, wholesale distributors and platforms, financial advisers and their clients. During 2017 the Bank announced the sale of its life insurance business, the demerger of its wealth management business and strategic review of its general insurance business.

Performance at a glance

▼ **570bpts**

Operating expense to total operating income

66.6%

FY18	66.6%
FY17	72.3%

The reduction was driven by increased funds management income on growing funds balances, a rise in general insurance income due to lower weather event claims and a reduction in operating expenses due to the wind down in advice remediation costs.

▲ **5%**

Assets Under Management – average (AUM)

$216b

FY18	$216b
FY17	$206b

Growth in average AUM was driven by strong investment markets offset by net outflows in the global equities and fixed income funds.

International Financial Services (IFS)

Cash NPAT

$178m

Up 32.8% on 2017

Proportion of Group profit

1.9%

International Financial Services (IFS) incorporates the Asian retail and business banking operations, investments in China and Vietnam and the life insurance operations in Indonesia.

Performance at a glance

▼ **large**

Operating expense to total operating income

46.7%

The improvement was driven by reduced staff costs due to business divestments and increasing income from investments in China.

Assets and liabilities

Over 75% of the Group's assets are loans to customers. The remaining assets primarily include investments, trading securities and cash and liquid assets. Approximately 68% of the Group's liabilities are deposits from customers. The majority of the remaining liabilities include debt issues and subordinated debt issues referred to as loan capital. All these liabilities are used to fund the Group's assets and generate a return for the Group.

	As at		
Total Group assets and liabilities	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %
Interest earning assets			
Home loans [1]	501,665	485,857	3.3
Consumer finance	23,317	23,577	(1.1)
Business and corporate loans	222,367	226,484	(1.8)
Loans, bills discounted and other receivables [2]	747,349	735,918	1.6
Non-lending interest earning assets	150,306	163,665	(8.2)
Total interest earning assets	897,655	899,583	(0.2)
Other assets [2] [3] [4]	61,856	76,735	(19.4)
Assets held for sale [3]	15,654	–	n/a
Total assets	975,165	976,318	(0.1)
Interest bearing liabilities			
Transaction deposits [5]	109,181	98,884	10.4
Savings deposits [5]	187,587	191,245	(1.9)
Investment deposits	216,852	220,530	(1.7)
Other demand deposits	58,057	70,313	(17.4)
Total interest bearing deposits	571,677	580,972	(1.6)
Debt issues	172,673	168,034	2.8
Other interest bearing liabilities	54,124	57,531	(5.9)
Total interest bearing liabilities	798,474	806,537	(1.0)
Non-interest bearing transaction deposits	48,831	44,032	10.9
Other non-interest bearing liabilities [3]	45,100	62,089	(27.4)
Liabilities held for sale [3]	14,900	–	n/a
Total liabilities	907,305	912,658	(0.6)

(1) Gross of mortgage offset balances.
(2) Loans, bills discounted and other receivables exclude provisions for impairment which are included in other assets.
(3) For 30 June 2018, assets and liabilities of businesses held for sale have been reclassified and separately disclosed in the balance sheet.
(4) Comparatives have been restated following a change in accounting policy to recognise deferred tax on brand names acquired by the Group. Further details on the change are provided in Note 1.1 of the Financial Statements.
(5) Includes mortgage offset balances.

Total assets were $975 billion, which was flat relative to the prior year, reflecting lower liquid assets and institutional lending, offset by increased home and business lending. Total liabilities were $907 billion, a decrease of 0.6% on the prior year, reflecting lower other demand deposits and derivative liability balances, partly offset by increased transaction deposits and debt issues.

The Bank continued to satisfy a significant portion of lending growth from customer deposits. Customer deposits represented 68% of total funding (30 June 2017: 67%).

Explanations of key movements in balance sheet line items are set out below:

Home loans

Home loan balances were $502 billion, an increase of 3.3% on the prior year. The increase excluding foreign exchange was 4%, driven by Retail Banking Services, Bankwest and New Zealand. Domestic loan growth of 4% was 2% below the overall banking system, reflecting the Bank's approach to complying with regulatory requirements on investor and interest-only home lending, and increased competition, particularly from non-banks. Home loans in Australia amount to $451 billion (30 June 2017: $436 billion) of which 65% are owner occupied loans, 32% are investment loans and 3% are lines of credit (30 June 2017: 63% owner occupied, 33% investment, and 4% were lines of credit).

Business and corporate loans

Business and corporate loans were $222 billion, a 1.8% decrease on the prior year. The decrease was driven by a 6% decrease in institutional lending balances, as a result of portfolio optimisation initatives. This was partly offset by growth of 2% in Business and Private Banking across various industries, including agribusiness, hospitality and health, and growth of 4% in Bankwest driven by the property and corporate segments. Growth in New Zealand of 8% was above the overall New Zealand banking system, reflecting the long-term strategic focus on the business and rural segment.

Total interest bearing deposits

Total interest bearing deposits were $572 billion, a 2% decrease on the prior year. The decrease excluding foreign exchange was 1%. This was driven by changes in the short to long term funding mix as the Bank replaced short-term wholesale deposit funding with long-term debt issues to improve funding stability, and lower investment deposits in Institutional Banking and Markets driven by increased competition from domestic and foreign banks. The decrease was partly offset by strong growth in transaction deposits in Retail Banking Services, Business and Private Banking and Institutional Banking and Markets.

Debt issues

Debt issues on wholesale markets were $173 billion, a 3% increase on the prior year. The Bank actively replaced short-term wholesale funding with long-term wholesale funding to reduce the annual funding requirement and to take advantage of favourable global funding conditions.

Capital

The Bank is an Authorised Deposit-taking Institution (ADI) regulated by APRA. To ensure banks hold sufficient capital to protect deposit holders against unexpected losses, APRA sets minimum capital requirements for ADIs based on the Basel Committee on Banking Supervision guidelines. These requirements influence the Bank's ability to pay dividends.

CET1 was maintained well in excess of the regulatory minimum capital requirement at all times throughout the year. CET1 remained unchanged during the year and was impacted by the following:

- The benefit of profits generated in the ordinary course of business.
- Dividends paid during the period to shareholders which have the effect of reducing capital, however this impact was partly offset via equity raised through the Bank's dividend reinvestment plan.
- On 1 May 2018, APRA released the findings of the Prudential Inquiry into the Bank. APRA required the Bank to increase Operational Risk regulatory capital by $1 billion, equivalent to an additional 0.28% of CET1. This adjustment was effective as at 30 April 2018.

Flat bpts

Capital ratio CET1 (APRA)
(%)

10.1%

FY18	10.1%
FY17	10.1%

Guidance on the impact of one-off items

The Bank's financial results were impacted by a number of one-off items. In order to present a transparent view of business performance, operating income and operating expense are shown both before and after the following one-off items below:

FY18 includes:

- the acquisition of Aussie Home Loans and eChoice resulting in consolidation of $237 million of income and $197 million of expenses
- a $700 million non-tax deductible expense provision for the AUSTRAC civil penalty
- one-off regulatory costs of $155 million relating to costs associated with the Royal Commission, AUSTRAC proceedings and the APRA Prudential Inquiry

FY17 includes:

- a $397 million gain on sale of the Bank's remaining equity stake in Visa Inc.
- $41 million share of profits from our 80% stake in AHL
- a $393 million one-off expense for acceleration of amortisation on certain software assets

Full year ended (1)	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %
Operating income excluding one-off items cash basis	25,670	24,819	3.4
One-off items:			
Sale of Visa shares	–	397	large
AHL and eChoice (2)	237	41	large
Total operating income cash basis	25,907	25,257	2.6
Operating expense excluding one-off items cash basis	(10,547)	(10,229)	3.1
One-off items:			
Accelerated amortisation on certain software assets	–	(393)	large
AHL and eChoice	(197)	–	n/a
AUSTRAC civil penalty	(700)	–	n/a
One-off regulatory costs	(155)	–	n/a
Total operating expenses cash basis	(11,599)	(10,622)	9.2

(1) Information has been restated and presented on a continuing operations basis. Discontinued operations include the Bank's life insurance business in Australia and New Zealand, its 37.5% equity interest in BoComm Life Insurance Company Limited, and TymeDigital.

(2) The consolidation of AHL and eChoice in FY18 includes $5 million of interest income and $232 million of other banking income.

Net profit after tax from discontinued operations

Discontinued operations represent a major business or a division that the Bank plans to sell or close within the next 12 months, or that has already been sold or closed.

For reporting purposes profit is presented excluding discontinued operations to provide a clear view of the ongoing performance of the business. The Bank also reports profit including discontinued operations to provide shareholders with a complete view of the Bank's performance.

The following businesses have been classified as discontinued operations during the year:

- Life insurance businesses, CommInsure Life and Sovereign
- Commonwealth Bank of South Africa (TymeDigital)
- BoComm Life Insurance Company Limited

Full year ended	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %
Life insurance (CommInsure Life and Sovereign)	242	226	7.1
Commonwealth Bank South Africa	(82)	(57)	(43.9)
BoComm Life Insurance Company Limited	19	16	18.8
Net profit after tax from discontinued operations cash basis	179	185	(3.2)
Non-cash items (after tax) – discontinued operations	(225)	(19)	large
Net profit/(loss) after tax from discontinued operations statutory basis	(46)	166	large

Cash to statutory profit reconciliation

Non-cash items are excluded from net profit after tax (cash basis), which is management's preferred measure of the Bank's financial performance, as they tend to be non-recurring in nature or are not considered representative of the Bank's ongoing financial performance. Non-cash items are treated consistently each period.

The reconciliations below provide a reconciliation between cash and statutory basis profit from continuing operations and on a total operations basis including discontinued operations.

For further detail refer to the cash to statutory profit reconciliation on page 290.

The non-cash items excluded from cash profit for the period are:

(Loss)/gain on acquisition, disposal, closure and demerger of businesses

Gains and losses on these transactions are inclusive of foreign exchange impacts, impairments, restructuring, separation and transaction costs and cover both controlled businesses and associates.

Hedging and IFRS volatility

Hedging and IFRS volatility represents timing differences between fair value movements on hedges and the underlying exposure. They do not affect the Bank's performance over the life of the hedge transaction. To qualify as an economic hedge the terms and/or risk profile must match or be substantially the same as the underlying exposure.

Bankwest non-cash items

The acquisition of Bankwest resulted in the recognition of assets at fair value, some of which have been amortising over their useful life. The transaction was considered one-off in nature. Bankwest customer lists are the only asset still being amortised.

Treasury shares valuation adjustment

These valuation adjustments represent the elimination of gains and losses on CBA shares held through funds in the Wealth Management business.

Full year ended [1]	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %
Net profit after tax from continuing operations cash basis	9,233	9,696	(4.8)
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	44	–	n/a
Hedging and IFRS volatility	101	73	38.4
Bankwest non-cash items	(3)	(3)	–
Net profit after tax from continuing operations statutory basis	9,375	9,766	(4.0)

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

Full year ended [1]	30 Jun 18 $M	30 Jun 17 $M	Jun 18 vs Jun 17 %
Net profit after tax cash basis including discontinued operations	9,412	9,881	(5)
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	(183)	–	n/a
Hedging and IFRS volatility	101	73	38
Bankwest non-cash items	(3)	(3)	–
Treasury shares valuation adjustment discontinued operations	2	(23)	large
Net profit after tax including discontinued operations statutory basis	9,329	9,928	(6)

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

Environmental, customer, social and governance metrics[1]

The Group's wholly owned and operated entities includes Commonwealth Bank of Australia (CBA), Bankwest, Sovereign, ASB, PT Bank Commonwealth and others. All metrics capture data of the wholly owned and operated entities of the Commonwealth Bank Group (the Group), excluding Aussie Home Loans (AHL), associates and joint ventures such as equigroup unless otherwise stated.

PwC has provided limited assurance on the metrics below, excluding the low carbon transition, for the year ended 30 June 2018. The PwC Limited Assurance Report is available on page 79.

Environmental metrics

Greenhouse Gas Emissions (Group)	tCO_2-e	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15	30 Jun 14
Total of Scope 1, 2 & 3 emissions		181,771	197,439[2]	210,447[2]	222,631[2]	241,666[2]
Scope 1 emissions		8,740	9,694	9,063	9,729	10,540
Scope 2 emissions		87,277	96,595	107,762	115,580	122,190
Scope 3 emissions		85,754	91,150[2]	93,622[2]	97,322[2]	108,936[2]
Greenhouse Gas Emissions per FTE (Scope 1 & 2)		2.1	2.3	2.6	2.7	3.0
Greenhouse Gas Emissions (Australia)	**tCO_2-e**	**30 Jun 18**	**30 Jun 17**	**30 Jun 16**	**30 Jun 15**	**30 Jun 14**
Total of Scope 1, 2 & 3 emissions		156,553	168,686[2]	180,898[2]	190,936[2]	208,720[2]
Scope 1 emissions		7,257	7,411	7,682	8,025	8,678
Scope 2 emissions		76,866	83,723	94,255	101,125	108,651
Scope 3 emissions		72,430	77,553[2]	78,961[2]	81,786[2]	91,391[2]
Greenhouse Gas Emissions per FTE (Scope 1 & 2)		2.3	2.6	2.9	3.0	3.4
Greenhouse Gas Emissions (New Zealand)	**tCO_2-e**	**30 Jun 18**	**30 Jun 17**	**30 Jun 16**	**30 Jun 15**	**30 Jun 14**
Total of Scope 1, 2 & 3 emissions		9,030	7,822	8,599	8,640	10,184
Scope 1 emissions		733	1,348	436	632	698
Scope 2 emissions		2,462	2,661	3,213	3,393	4,197
Scope 3 emissions		5,834	3,813	4,950	4,615	5,289
Greenhouse Gas Emissions (Other overseas)	**tCO_2-e**	**30 Jun 18**	**30 Jun 17**	**30 Jun 16**	**30 Jun 15**	**30 Jun 14**
Total of Scope 1, 2 & 3 emissions		16,189	20,930[2]	20,950[2]	23,055[2]	22,762[2]
Scope 1 emissions		750	935	945	1,072	1,164
Scope 2 emissions		7,949	10,211	10,294	11,062	9,342
Scope 3 emissions		7,490	9,784[2]	9,711[2]	10,921[2]	12,256[2]
Australia operations						
Scope 1 Greenhouse Gas Emissions[3]	**tCO_2-e**	**30 Jun 18**	**30 Jun 17**	**30 Jun 16**	**30 Jun 15**	**30 Jun 14**
Stationary emissions		389	541	663	1,167	1,459
Transport emissions		6,868	6,870	7,019	6,858	7,219
Scope 2 Greenhouse Gas Emissions[3]	**tCO_2-e**	**30 Jun 18**	**30 Jun 17**	**30 Jun 16**	**30 Jun 15**	**30 Jun 14**
Purchased electricity		76,866	83,723	94,255	101,125	108,651
Scope 3 Greenhouse Gas Emissions[3]	**tCO_2-e**	**30 Jun 18**	**30 Jun 17**	**30 Jun 16**	**30 Jun 15**	**30 Jun 14**
Stationary emissions		79	116	133	238	344
Purchased electricity		10,021	10,503	12,453	13,989	18,147
Data centres		39,647	44,052[2]	41,261[2]	38,247[2]	41,922[2]
Waste to landfill		1,334	1,306	1,663	1,130	1,259
Transport emissions		21,349	21,576	23,451	28,182	29,719

Waste (Australia)	t	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15	30 Jun 14
Total waste		1,892	1,270	1,407	1,855	2,057
Waste to landfill		1,088	680	755	960	1,129
Waste recycled		804	590	652	895	928
Water (Australia)	**kL**	**30 Jun 18**	**30 Jun 17**	**30 Jun 16**	**30 Jun 15**	
Total water		172,134	171,477	114,608	90,784	
Data centre water		33,438	41,124	41,071	38,984	
Low carbon transition[4]		**30 Jun 18**	**30 Jun 17**	**30 Jun 16**	**30 Jun 15**	
Renewable energy lending exposure	$M	3,716	2,800	2,200	1,400	
Business lending emissions intensity[5]	($kgCO_2$-e/AUD)	N/A[6]	0.28	0.29	0.28	
Climate bond arrangement	$M	2,014	1,018	50	–	

Customer metrics

Customer Satisfaction		30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15	30 Jun 14
CBA – Retail Net Promoter Score[3]	#	4.2	1.7	1.8	3.9	2.6
Rank		1st	1st	1st	2nd	2nd
CBA – Online Net Promoter Score[3]	#	31.3	–	–	–	–
Rank		1st	–	–	–	–
CBA – Business Net Promoter Score[3]	#	-19.6	-13.1	-13.0	0.2	-2.8
Rank		4th	1st	3rd	2nd	2nd
Wealth Management – Colonial First State's platforms Customer Satisfaction	out of 10	8.1	8.0	8.1	7.8	7.9
Rank		1st	1st	1st	2nd	1st
Bankwest – Retail Banking Customer Advocacy	out of 10	7.4	7.4	7.6	7.4	7.5
Bankwest – Business Banking Customer Advocacy	out of 10	7.5	7.2	7.8	7.2	6.9
Sovereign – Customer Experience Score	#	84.9	83.4	81.8	79.1	77.5
ASB – Retail Banking Customer Satisfaction	%	76.3	74.4	74.5	73.0	74.1
Rank		3rd	3rd	3rd	3rd	3rd
ASB – Business and Rural Banking Customer Satisfaction	%	74.0	75.0	78.0	76.0	76.0
Rank		1st	1st	1st	1st	1st
PT Bank Commonwealth – Banking Service Excellence Performance	%	84.5	70.0	68.3	84.7	77.4
Rank		1st	7th	8th	3rd	7th
Customer Complaints		**30 Jun 18**	**30 Jun 17**	**30 Jun 16**		
CBA – Customer Complaints[3]	#	62,073	53,813	42,673		

Non-financial performance metrics

Social metrics

Full-time equivalent employees	#	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15	30 Jun 14
Total		45,753	45,614	45,129	45,948	44,329
Australia		36,446	35,701	35,273	35,797	34,312
New Zealand		5,538	5,409	5,518	5,371	5,416
Others		3,769	4,504	4,338	4,780	4,601

Employee engagement	%	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15	30 Jun 14
Employee engagement index – CBA		72	78	77	81	81
Employee turnover (voluntary)		11.8	10.1	11.3	10.2	10.2

Gender diversity	%	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15	30 Jun 14
Women in workforce		57.4	57.8	58.0	58.5	59.2
Women in Manager and above roles		44.6	44.4	43.6	43.2	42.9
Women in Executive Manager and above roles		37.6	36.7	35.2	33.9	31.8
Women in Senior Leadership (Group Executives)(3)		20.0				

Gender pay equity – female to male base salary comparison	Ratio	30 Jun 18	30 Jun 17	30 Jun 16
Executive General Manager		0.94	0.95	0.96
General Manager		0.99	1.03	0.99
Executive Manager		1.00	1.00	1.00
Manager/Professional		0.98	0.98	0.99
Team Member		1.00	1.00	0.99

Age diversity	%	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15	30 Jun 14
<25 years		7.3	8.1	8.3	8.9	9.4
25-34 years		33.2	34.8	35.9	36.9	36.9
35-44 years		31.0	29.7	29.5	29.1	28.8
45-54 years		19.5	18.9	18.5	17.8	17.7
55-64 years		8.0	7.6	7.2	6.8	6.8
65+ years		0.8	0.6	0.6	0.5	0.4

Cultural diversity based on ancestry – 30 Jun 18(3)	Cultural Diversity Index (CDI) #	Australia, New Zealand, British, Irish %	Europe %	Asia %	Africa, Middle East %	Americas %	Indigenous, Pacific Islanders %
CBA Overall	0.77	51	15	26	3	1	2
General Manager and above	0.60	68	17	6	5	4	1
Executive Manager and above	0.64	65	17	11	3	2	1
2016 Australia Census (ancestry)	0.59	69	12	14	4	1	1

Indigenous workforce	%	30 Jun 18	30 Jun 17	2016 Australia Census (Question 7 on Aboriginal or Torres Strait Islander)
CBA Indigenous workforce (ancestry)(3)		1.0	0.8	2.8

Other diversity dimensions	%	30 Jun 18
Employees who identify as having a disability(3)		11.9
Employees who identify as LGBTI(3)		3.4

Flexibility	%	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15	30 Jun 14
Employees working flexibly		73.7	69.4	43.4	44.5	43.8
Employees working part-time or job-sharing		19.7	19.4	19.8	20.1	20.7
Employees with caring responsibilities(3)		53.0	–	–	–	–

Human capital development	#	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15	30 Jun 14
Number of graduates		188	149	119	114	131

Non-financial performance metrics

Training hours	#	30 Jun 18 Female	30 Jun 18 Male	30 Jun 18 Total	30 Jun 17 Female	30 Jun 17 Male	30 Jun 17 Total
Executive Managers and above		70,019	69,373	139,392	74,051	83,676	157,727
Others		983,633	724,364	1,707,997	1,103,412	795,122	1,898,534
Total		1,053,652	793,737	1,847,389	1,177,463	878,798	2,056,261
Training hours per employee	**Hours**	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
Executive Managers and above		57.5	34.6	43.3	70.7	43.5	53.1
Others		35.0	31.6	33.5	40.4	35.6	38.3
Total		35.9	31.8	34.1	41.6	36.2	39.1

		30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15	30 Jun 14
ESG training	**#**	3,577	2,768	1,786		
Safety and wellbeing		**30 Jun 18**	**30 Jun 17**	**30 Jun 16**	**30 Jun 15**	**30 Jun 14**
Lost Time Injury Frequency Rate (LTIFR)	**Rate**	1.1	1.6[7]	1.6[7]	2.0	1.5
Absenteeism	**Days**	6.0	5.9	6.0	6.0	6.1
Community investment	**$M**	**30 Jun 18**	**30 Jun 17**	**30 Jun 16**	**30 Jun 15**	
Total community investment		290.1	266.0	262.6	243.4	
Cash contributions		55.5	37.2	37.8	31.3	
Time volunteering		1.1	1.2	1.4	1.8	
Forgone revenue		220.3	215.9[8]	211.8	203.5	
Program implementation costs		13.2	11.7	11.6	6.8	
Community investment as a percentage of pre-tax profit	%	2.2	2.0	2.0	1.9	
Financial literacy programs	**#**	**30 Jun 18**	**30 Jun 17**	**30 Jun 16**	**30 Jun 15**	**30 Jun 14**
School banking students (active)[9]		299,074	321,389	325,797	305,844	269,340
Start Smart students (booked)		568,649	574,246	557,475	298,505	288,728
Indigenous community support		**30 Jun 18**	**30 Jun 17**	**30 Jun 16**		
Indigenous Customer Assistance Line (calls received)	#	180,225	168,218	170,789		
Australian Indigenous supplier spend	**$'000**	2,226	1,460	1,080		

Governance metrics

Board diversity	#	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15	30 Jun 14
Male		6	6	8	8	7
Female		4	4	4	3	3
Total		10	10	12	11	10
Female Directors on Board	**%**	40	40	33	27	30
Training related to code and conduct	**%**	**30 Jun 18**	**30 Jun 17**			
Training completion rates on 'Our Commitments'		99.4	97.6			
Training completion rates on mandatory learning		94.4	96.9			
Conduct and whistleblowing	**#**	**30 Jun 18**	**30 Jun 17**			
Substantiated misconduct cases		1,259	1,022			
SpeakUP Program cases		143	171			
Whistleblower cases		33	44			

(1) For definitions, please refer to pages 294 to 299.
(2) Prior period comparative results have been restated for consistency. FY17 Scope 3 results have been restated to remove upstream emissions on electricity consumption in our Australian data centres not under our operational control. FY14 to FY16 results have been restated to include Scope 3 emissions relating to the electricity and diesel consumption in our Australian data centres not under our operational control.
(3) Reported for the first time in 2018.
(4) Low carbon metrics on page 76 have not been covered by the PwC Limited Assurance Report.
(5) For methodology and further details, please refer to www.commbank.com.au/about-us/opportunity-initiatives/performance-reporting.
(6) Our methodology for estimating financed emissions relies on client-specific data, which limits the timing for conducting this assessment.
(7) Prior year data has been restated due to claims received after year-end reporting date as well as expanded scope to include New Zealand employees.
(8) Prior year data has been restated to remove duplication in certain accounts.
(9) Prior year data has been restated to remove duplication from student relocations.

Independent Limited Assurance Report on Non-financial performance metrics

pwc

Independent Limited Assurance Report

To the Board of Directors of Commonwealth Bank of Australia

What we found

Based on the work described below, nothing has come to our attention that causes us to believe that the Non-Financial Performance Metrics (Environmental, Customer, Social and Governance metrics), excluding the low carbon transition metrics (the Metrics), for the year ended 30 June 2018 have not been prepared, in all material respects, in accordance with the definitions established by management.

What we did

Commonwealth Bank of Australia engaged us to perform a limited assurance engagement on the preparation of the Metrics for the year ended 30 June 2018.

Subject matter

The Metrics for the year ended 30 June 2018 are as presented in the Non-Financial Performance Metrics on pages 75 to 78 of the Commonwealth Bank of Australia 2018 Annual Report (the 2018 Annual Report).

Reporting criteria

The definitions for the Metrics are established by management and are as presented on pages 294 to 299 of the 2018 Annual Report.

Our Independence and Quality Control

We have complied with relevant ethical requirements related to assurance engagements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

Limited assurance

This engagement is aimed at obtaining limited assurance for our conclusions. As a limited assurance engagement is restricted primarily to enquiries and analytical procedures and the work is substantially less detailed than that undertaken for a reasonable assurance engagement, the level of assurance is lower than would be obtained in a reasonable assurance engagement.

Professional standards require us to use negative wording in the conclusion of a limited assurance report.

PricewaterhouseCoopers, ABN 52 780 433 757

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Independent Limited Assurance Report on Non-financial performance metrics

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Independent Limited Assurance Report continued

Responsibilities

PwC
Our responsibility is to express a conclusion based on the work we performed.

Management of Commonwealth Bank of Australia
The management of Commonwealth Bank of Australia is responsible for the preparation and presentation of the subject matter in accordance with the Reporting criteria.

Restriction on use

This report has been prepared for the purpose of providing limited assurance on preparation of the Metrics of Commonwealth Bank of Australia and may not be suitable for any other purpose.

Our report is intended solely for the use and benefit of the Directors of Commonwealth Bank of Australia for the purpose described above, and we disclaim all liability and responsibility for the consequences of any other party using or relying on it. If any other party chooses to use or rely on it, they do so at their own risk.

What our work involved

We conducted our work in accordance with the Australian Standard on Assurance Engagements (ASAE) 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. This Standard requires that we comply with independence and ethical requirements and plan the engagement so that it will be performed effectively.

Main procedures performed

The procedures performed included:

- Enquiries of relevant staff responsible for preparing the Metrics;
- Enquiries about the design of the internal controls and systems used to collect and process the Metrics;
- Where applicable, enquiries of third parties responsible for the preparation of data included in the Metrics;
- Enquiries about the design of the systems used by third parties to collect and process the Metrics;
- Comparing the Metrics to relevant underlying sources on a sample basis; and
- Reading the Metrics presented in the Non-Financial Performance Metrics to determine whether they are in line with our overall knowledge of, and experience with, the corporate responsibility performance.

We believe that the information we have obtained is sufficient and appropriate to provide a basis for our conclusion.

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
7 August 2018

Corporate governance

Our Board

Catherine Livingstone AO
Chairman

Resident of NSW. Age 62.

Catherine has been a Director since March 2016 and was appointed Chairman on 1 January 2017. She is a former Chairman of Telstra Corporation Ltd and of the CSIRO, and was Managing Director and Chief Executive Officer of Cochlear Ltd. She has served on the boards of Macquarie Group Ltd, Goodman Fielder Ltd and Rural Press Ltd, and has contributed to the work of the Innovation and Productivity Council for the NSW Government. She is a former President of the Business Council of Australia. In 2008, Catherine was awarded Officer of the Order of Australia.

Committees: Nominations Committee (Chairman), Risk Committee, Audit Committee and Remuneration Committee.

Other Directorships and interests: WorleyParsons Limited, Saluda Medical Pty Ltd, University of Technology Sydney (Chancellor) and The Australian Ballet.

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

Matt Comyn
Managing Director and Chief Executive Officer

Resident of NSW. Age 42.

Matt was appointed Managing Director and Chief Executive Officer on 9 April 2018. He has nearly 20 years' experience across business, institutional and retail banking and in wealth management. He joined the Bank in 1999 and has held a number of senior leadership roles. Between 2006 and 2010, Matt was Managing Director of CommSec. In 2010, he left the Bank for a short time to become Chief Executive Officer of Morgan Stanley's wealth business in Australia. Matt returned to the Bank to lead local business banking and in 2012 he was appointed Group Executive, Retail Banking Services. He is a former Non-Executive Director of AHL Holdings Pty Ltd (Aussie Home Loans).

Other Directorships and interests: Unicef Australia and MasterCard's Global Advisory Board (Member).

Qualifications: BAv (UNSW), MCom (UNSW), EMBA (USyd), GMP (HBS).

Shirish Apte
Non-Executive Director

Resident of Singapore. Age 65.

Shirish has been a Director since June 2014. He has more than 32 years' financial services experience having held various senior roles with Citi, 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.

Committees: Risk Committee (Chairman) and Audit Committee.

Other Directorships and interests: IHH Healthcare Bhd (including two of its subsidiaries), Fullerton India Credit Company Limited, 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

Resident of UK. Age 63.

Sir David has been a Director since September 2014. He is Chairman of Gatwick Airport Ltd, which operates Gatwick Airport in the UK. Sir David is a senior adviser to Global Infrastructure Partners in the US and to Lone Star Funds. He is the former Chairman of High Speed Two (HS2) Ltd. 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.

Committees: Remuneration Committee (Chairman) and Risk Committee.

Other Directorships and interests: Gatwick Airport Ltd (Chairman).

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

Brian Long
Non-Executive Director

Resident of NSW. Age 72.

Brian has been a Director since September 2010. He retired as a partner of Ernst & Young on 30 June 2010. Until that time he was Chairman of both the Ernst & Young Global Advisory Council and the Oceania Area Advisory Council. Brian was one of the firm's most experienced audit partners, with over 30 years' experience serving as audit signing partner for major Australian public companies including those in the financial services, property, insurance and media sectors. Brian will retire from the Board at the end of the 2018 annual general meeting.

Committees: Audit Committee (Chairman), Risk Committee and Nominations Committee.

Other Directorships and interests: Brambles Ltd, OneMarket Limited, Cantarella Bros Pty Ltd, University of NSW (Council Member) and Centennial Park and Moore Park Trust (Trustee).

Qualifications: FCA.

Our Board

Andrew Mohl
Non-Executive Director
Resident of NSW. Age 62.

Andrew has been a Director since July 2008. He has over 40 years' financial services experience. He was Managing Director and Chief Executive Officer of AMP Ltd 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 Australia and New Zealand Banking Group Ltd. Andrew commenced his career at the Reserve Bank of Australia where his roles included Senior Economist and Deputy Head of Research. Andrew will retire from the Board at the end of the 2018 annual general meeting.

Committees: Risk Committee and Remuneration Committee.

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

Qualifications: BEc (Hons) (Monash).

Mary Padbury
Non-Executive Director
Resident of Victoria. Age 59.

Mary has been a Director since June 2016. She is a pre-eminent intellectual property lawyer with over 30 years' experience. Mary retired as Partner of Ashurst at the end of April 2018 and from the role of Vice Chairman of Ashurst at the end of 2017. She was 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.

Committees: Remuneration Committee and Nominations Committee.

Other Directorships and interests: Trans-Tasman IP Attorneys Board (Chairman), The Macfarlane Burnet Institute for Medical Research and Public Health Ltd, Chief Executive Women (Member) and Victorian Legal Admissions Committee (Member).

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

Wendy Stops
Non-Executive Director
Resident of Victoria. Age 57.

Wendy has been a Director since March 2015. She was Senior Managing Director, Technology – Asia Pacific for Accenture Ltd 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.

Committees: Audit Committee and Remuneration Committee.

Other Directorships and interests: Altium Ltd, Fitted For Work Ltd, University of Melbourne (Council Member) and Chief Executive Women (Member).

Qualifications: BAppSc (Information Technology), GAICD.

Anne Templeman-Jones
Non-Executive Director
Resident of NSW. Age 57.

Anne has been a Director since March 2018. She is an experienced listed company Non-Executive Director, currently serving on the boards of GUD Holdings Ltd, The Citadel Group Ltd and WorleyParsons Ltd. She is the former Chairman of the Commonwealth Bank's financial advice companies and is a former Director of Cuscal Ltd, HT&E Limited, Pioneer Credit Ltd, TAL Superannuation Fund, and HBF's private health and general insurance companies. Anne had a 30-year executive career developing deep operational risk, governance and strategy experience. Early in her career she held audit and accounting roles with Price Waterhouse working in Australia and overseas. She gained experience in corporate banking with Bank of Singapore and then Westpac Banking Corporation, and in private banking with Australia and New Zealand Banking Group Ltd. Anne returned to Westpac in 2007 and went on to hold various senior management positions in private banking, risk and strategy until 2013. She has served as a Chair or member of audit and risk committees on current and past boards.

Committee: Audit Committee.

Other Directorships and interests: GUD Holdings Ltd, The Citadel Group Ltd and WorleyParsons Ltd.

Qualifications: BCom (UWA), EMBA (AGSM), MRM (UNSW), CA, FAICD.

Rob Whitfield
Non-Executive Director
Resident of NSW. Age 53.

Rob has been a Director since September 2017. He has significant banking and finance and senior management experience in the private and public sectors. He is a Director of NSW Treasury Corporation and was previously its Chairman. He is a former Secretary of NSW Treasury and NSW Industrial Relations. Prior to NSW Treasury, Rob had a 30-year career with Westpac Banking Corporation and held various senior management positions there, including Chief Executive Officer of the Institutional Bank, Chief Risk Officer, Group Treasurer and Chairman of the Asia Advisory Board. At Westpac, Rob developed a deep knowledge of equity and capital markets and was instrumental in developing Westpac's risk management function and strategies. Rob is a former Deputy Chair of the Australian Financial Markets Association.

Committees: Risk Committee and Nominations Committee.

Other Directorships and interests: NSW Treasury Corporation.

Qualifications: BCom (UNSW), Grad Dip Banking, Grad Dip Fin, AMP (HBS), SF Fin, FAICD.

Our Executive Leadership Team

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.

David Cohen[(1)]
Group Chief Risk Officer[(2)]

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

George Confos
*Acting Group Executive,
Institutional Banking and Markets*[(3)]

George was appointed Acting Group Executive, Institutional Banking and Markets in May 2018. 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.

George joined the Commonwealth Bank in 1997 and has held a variety of senior leadership roles in business and institutional banking, including Executive General Manager of Business & Corporate Finance and Executive General Manager of Global Markets. George is an Associate Member of the Chartered Accountants Australia and New Zealand and a Graduate of the Australian Institute of Company Directors.

Alan Docherty
*Acting Group Executive,
Financial Services and
Chief Financial Officer*

Alan was appointed Acting Group Executive, Financial Services and Chief Financial Officer in May 2018. He is responsible for the overall financial functions of the Group. Alan joined Commonwealth Bank in 2003 and has held a variety of senior finance roles in Group Finance, Group Treasury and Business and Private Banking before serving as Chief Financial Officer of the Institutional Banking and Markets division.

Prior to joining the Group, Alan worked in PwC's Financial Services practice in the United Kingdom, and with Arthur Andersen and Ernst & Young in Australia. Alan is a Member of the Institute of Chartered Accountants of Scotland.

Coenraad (Coen) Jonker
*Group Executive, International
Financial Services*

Coen was appointed Group Executive, International Financial Services in July 2017. He is responsible for the Group's emerging markets retail, SME banking and life insurance businesses outside Australia and New Zealand. Previously, Coen was the Executive General Manager responsible for the digital banking strategy across South Africa, Indonesia, India, Vietnam, China and Hong Kong.

Prior to joining the Group, Coen was the co-founder and CEO of TYME (Take Your Money Everywhere) – a South African fintech start-up that Commonwealth Bank acquired in 2015. He has served on the Executive Committee of Nedcor Investment Bank, and as Director of Inclusive Banking at Standard Bank South Africa. Coen has also acted as advisor to the Gates Foundation and lectured in Corporate Governance & Ethics and Emerging Markets at the Gordon Institution of Business Science.

(1) On 5 November 2018, David Cohen will assume the role of Deputy Chief Executive Officer.
(2) On 5 November 2018, Nigel Williams will assume the role of Group Chief Risk Officer.
(3) On 1 August 2018, Andrew Hinchliff assumed the role of Group Executive, Institutional Banking and Markets.

Our Executive Leadership Team

Melanie Laing[1]
Group Executive, Human Resources[2]

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.

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.

Paul Newham
Acting Group Executive, Enterprise Services and Chief Information Officer[3]

Paul is the Acting Group Executive, Enterprise Services and Chief Information Officer. Appointed to this role in April 2018, he leads the Enterprise Services division which is responsible for all banking operations and technology across the organisation.

Paul joined Commonwealth Bank in 2012 as Executive General Manager of Group Operations where he was accountable for all banking operations across Commonwealth Bank. Paul has more than 30 years' experience in banking and is an operations and technology professional, having held senior executive roles at some of the most well-known banks in Australia.

Vittoria Shortt
Chief Executive and Managing Director, ASB

Vittoria was appointed Chief Executive and Managing Director of ASB, the Group's New Zealand subsidiary in February 2018.

Vittoria joined the Commonwealth Bank in 2002 and gained experience in leadership roles across the retail banking businesses of Commonwealth Bank and Bankwest, including customer-facing, operations and strategy roles such as the Commonwealth Bank's Chief Marketing Officer and Chief Executive Retail Bankwest. In 2015, Vittoria was appointed Group Executive, Marketing and Strategy. In this role Vittoria was responsible for the Group's Corporate Strategy, Mergers and Acquisitions, Advanced Analytics, Customer Advocacy and Marketing. Vittoria's career initially began in New Zealand, working in Corporate Finance and Mergers and Acquisitions with Deloitte and Carter Holt Harvey.

Angus Sullivan
Acting Group Executive, Retail Banking Services[4]

Angus was appointed Acting Group Executive, Retail Banking Services in April 2018. He is responsible for the Group's retail banking operations which serves a customer base of over 10 million customers. Angus joined Commonwealth Bank in 2012 as Executive General Manager of Group Strategy. In 2013, Angus moved across to Retail Banking Services where he held a number of senior roles including Executive General Manager of Credit Cards & Payments, Executive General Manager of Retail Products and Executive General Manager of Retail Sales & Service with responsibility for leading the Group's branch network.

Prior to joining Commonwealth Bank, Angus was a Partner at McKinsey & Co. in New York, specialising in retail and commercial banking, wealth management, payments and general insurance.

Michael Venter
Chief Operating Officer, Wealth Management

Michael was appointed Chief Operating Officer, Wealth Management in January 2018. He is responsible for Colonial First State, Colonial First State Global Asset Management, Wealth Management Advice and CommInsure. He is also a Director of a number of Group subsidiaries, including the CommInsure entities and a number of the Group's international investments.

Michael joined the Group in 2004 and has held a number of positions including Chief Financial Officer Wealth Management, Chief Financial Officer International Financial Services, and Group Deputy Chief Financial Officer. He previously held positions at AMP and Nedcor Bank. Michael is a Member of Chartered Accountants Australia & New Zealand.

(1) On 31 July 2018, Melanie Laing retired.
(2) On 1 August 2018, Sian Lewis assumed the role of Group Executive, Human Resources.
(3) On 1 October 2018, Pascal Boillat will assume the role of Group Executive, Enterprise Services and Chief Information Officer.
(4) On 1 July 2018, Angus Sullivan assumed the role of Group Executive, Retail Banking Services.

Our approach to governance

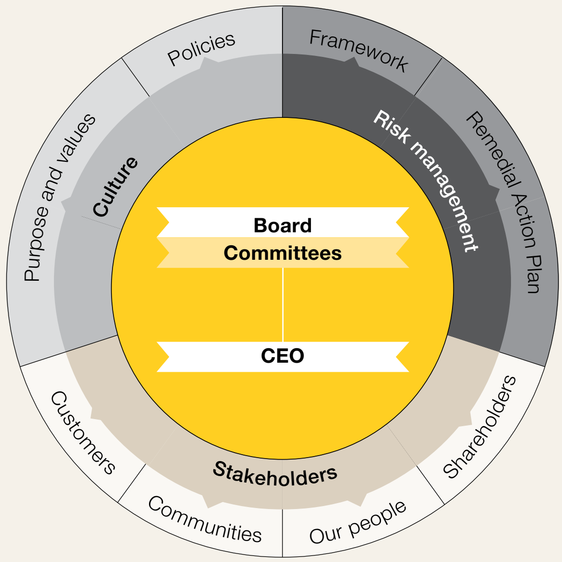
The Board acknowledges the governance shortcomings identified by the APRA Prudential Inquiry and is committed to making the changes needed for a more accountable and customer-focused culture and enhanced risk management.

During the year, the Board's governance priorities were:

- undertaking board renewal, supported by a refreshed board skills matrix
- overseeing succession of the Chief Executive Officer (CEO) and renewal of the Executive Leadership Team
- clarifying the roles and responsibilities of the Board, Board Committees and management
- continuing to review Board governance arrangements and documents, and commencing simplification of our policy framework
- reviewing the Bank's strategy and evolution of purpose and values
- working with our regulators, including supporting an extensive APRA Prudential Inquiry into the governance, culture and accountability of the Bank
- reviewing the findings of the APRA Prudential Inquiry and overseeing the development of a Remedial Action Plan to strengthen the Bank's culture, governance and risk management
- enhancing our senior executive remuneration and governance framework
- demonstrating and reinforcing accountability through remuneration consequences for the poor customer and risk outcomes that have occurred
- overseeing improvements to IT systems resilience
- resolving the civil proceedings commenced by the Australian Transaction Reports and Analysis Centre (AUSTRAC) in August 2017 for alleged breaches of the anti- money laundering and counter-terrorism financing (AML/CTF) law.

A summary of how we are reshaping our culture, strengthening risk management, engaging with stakeholders and enhancing the Board's effectiveness follows.

Governance overview



Corporate Governance Statement

Our Corporate Governance Statement describes the key elements of our governance framework and highlights key actions taken during the financial year to enhance the framework. It can be viewed at commbank.com.au/corporategovernance.

Areas of focus

Culture

We are focused on shaping a more accountable culture that not only supports achievement of our business strategies, but also drives decisions that are lawful, ethical and responsible, and that lead to better customer and risk outcomes. We know that community confidence in us depends on this.

The Board recognises that, together with management, it has a critical role in setting the cultural tone of the Bank. The Board seeks to guide the Bank's culture through the CEO and oversight of risk, remuneration and governance frameworks, policies and processes.

Purpose and values

Recent leadership actions aimed at reshaping our culture include:

- evolving our corporate vision to a simple purpose statement that makes it easier for our people to connect their daily work with what we are trying to achieve as a bank
- more clearly setting out the values that are to guide us as we strive to fulfil this purpose.

Our purpose and values are outlined in ***Our strategy*** section on pages 13 and 18.

Accountability reinforced through pay outcomes

The Board determined that there should be individual and collective accountability for current and former senior leaders for the findings of the APRA Prudential Inquiry, and the poor customer and risk outcomes that have occurred.

The impact of the operation of remuneration frameworks and Board discretion over the 2017 and 2018 financial years has been a reduction in remuneration outcomes across the Group of an amount exceeding $100m, with the most senior leaders within the organisation being held most accountable. These remuneration outcomes include the actions taken by the Board in August 2017 to reduce Non-Executive Director fees by an amount equal to 20% of their individual fees for the previous financial year, and the reduction to zero of the 2017 financial year short-term variable remuneration for Group Executives.

Details of the remuneration paid to the Board and Group Executives during the year are set out on pages 96 to 119.

Policies

Our policies play a central role in setting decision-making rights and conduct expectations across the Bank and its controlled entities (Group). We are strengthening the governance of our policies, as well as making them simpler and easier to understand. An evolved Group Code of Conduct will be launched in the coming months and will outline how we are to act, solve problems and make decisions.

Details on key policies imposing conduct standards are set out in the Corporate Governance Statement, which is available on our website commbank.com.au/corporategovernance.

Risk management

We are committed to having robust and effective risk management policies, processes and practices that support a high standard of governance.

Framework

Our risk management framework (RMF) allows the Group to manage risks within a Board-approved risk appetite.

The RMF incorporates the Group's Risk Appetite Statement, Risk Management Approach and Business Plan. It is overseen by the Board with the assistance of the Risk and Audit Committees. The RMF is regularly reviewed in light of the evolving risk environment.

Remedial Action Plan

The APRA Prudential Inquiry Report highlighted that additional improvements are required to risk management, particularly in relation to:

- issue identification and escalation
- operational risk and compliance risk management.

We have committed to implementing all of the Inquiry's recommendations. Addressing the findings of the report is a key focus for the Board and management.

We have a Remedial Action Plan in place to address the 35 recommendations outlined in the report. The plan was endorsed by APRA on 29 June 2018. We have already made progress in executing against the plan, including by:

- establishing a new management committee for oversight of non-financial risks
- elevating the stature of our compliance function by making the Executive General Manager of Compliance a member of management's newly formed Non-Financial Risk Committee, by making that executive's appointment and removal subject to approval by the Risk Committee, and by ensuring they have direct access to the Board and Risk Committee.

For more on our response to the APRA Prudential Inquiry Report refer to page 10.

Stakeholders

We engage with stakeholders to:

- listen, understand and respond to their perspectives and expectations, and ensure the broader business hears these perspectives
- utilise insights from engaging with them to understand risks and opportunities, and to inform operational and strategic improvements.

Further detail on our stakeholder engagement is available on pages 28 and 29.

Customers

We are working to fulfil our purpose to improve the financial wellbeing of our customers. Key to this is engagement with our customers. We do this in numerous ways, including through customer feedback and complaint channels, surveys and workshops, customer representative bodies, and external dispute resolution bodies. Additionally, we have a Customer Advocate to champion fairness for customers.

Community

We engage with community organisations and members through direct and indirect channels, including external advisory panels, industry memberships, meetings and support of events and summits.

Our people

We are committed to:

- building a more inclusive and diverse culture
- supporting flexible work practices
- rewarding our people responsibly.

During the year we launched our 2018+ Global Diversity and Inclusion Strategy. We are tracking well against our gender and cultural diversity in leadership targets. For more on our approach to diversity and inclusion refer to page 39.

For a summary of the governance arrangements, policies and practices for director and senior executive remuneration refer to pages 103 to 110.

Shareholders

We seek to provide shareholders with information that is timely, of high quality and relevant to their investment, and to listen and respond to shareholder feedback.

We have an investor relations program to facilitate two-way communication with shareholders and to foster participation at shareholder meetings.

Roles and responsibilities

The roles, responsibilities and accountabilities of the Board, Board Committees and management were clarified during the year through:

- updated Board and Board Committee charters
- accountability statements prepared for Director and senior management roles in line with the requirements of the new Banking Executive Accountability Regime (BEAR).(1)

A summary of these roles follows.

The Board

The Board is responsible for:

- appointing the CEO
- setting the strategic objectives of the Bank with input from management
- overseeing the management, performance, remuneration and governance frameworks of the Group.

Board Committees

The Board has four principal Committees that assist it in carrying out its responsibilities. These are the:

- Audit Committee
- Nominations Committee
- Remuneration Committee
- Risk Committee

The roles and responsibilities of the Committees are described in Board-approved charters, which are available on our website commbank.com.au/corporategovernance. The key responsibilities of the Board Committees are summarised in our Corporate Governance Statement commbank.com.au/corporategovernance.

The Board also convenes ad hoc Committees for special purpose business from time to time to support the Board in carrying out its responsibilities.

In August 2017, the Board established the Financial Crimes Review Committee (FCRC). The members of the FCRC were Mary Padbury (Chair), Shirish Apte, Catherine Livingstone AO and Brian Long. The Committee's responsibilities included overseeing the response to the AUSTRAC proceedings, and the Program of Action to uplift the Bank's AML/CTF processes and controls. It met 20 times during the year. Following the resolution of the AUSTRAC proceedings, the FCRC was dissolved and the Risk Committee assumed responsibility for the continuing oversight of the Program of Action.

The CEO

The Board has delegated the management of the Bank to the CEO, except for any specific powers reserved by the Board, or delegated to its Committees or to an individual Director. The CEO may make all decisions and take any action necessary to manage the Bank.

We have a delegations framework through which the authority and responsibility for decision-making conferred by the Board on the CEO cascades to senior executives and then throughout the Group.

The CEO is accountable to the Board for the exercise of the delegated powers and management's performance as articulated in the Board charter.

(1) The BEAR was introduced by the Treasury Laws Amendment (Banking Executive Accountability and Related Measures) Act 2018 (Cth) and imposes accountability, remuneration, key personnel and notification obligations on Authorised Deposit-taking Institutions and persons in director and senior executive roles.

CEO succession

Appointing the CEO is one of the Board's most important functions. In January 2018, the Board announced that Matt Comyn would replace Ian Narev as CEO of the Bank effective 9 April. Ian had announced his intention to retire in August 2017, after more than six years in the role.

The Board undertook an extensive and thorough recruitment process in selecting the CEO, including a global and local candidate search. In assessing candidates, the Board was focused on:

- maintaining the momentum in the business
- addressing the regulatory and reputational challenges and recognising evolving community expectations
- transforming the Bank and adapting the organisational capability and culture to suit the rapidly evolving competitive and technology-centric environment.

Following the rigorous recruitment process, the Board concluded that Matt Comyn had the best mix of skills, attributes and values needed to lead the Bank through our current challenges to become a simpler, better bank.

Board effectiveness

The Board periodically reviews its governance arrangements to reflect the Bank's changing environment. This year, the Board has been particularly focused on refining its composition, policies and practices in light of the challenges and opportunities highlighted in the recent regulatory, legal and industry reviews.

Board composition

The Board's approach to its composition and renewal emphasises the need for:

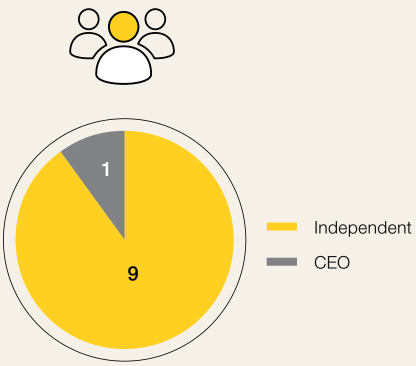
- Skills, expertise and experience: The Board seeks to have an appropriate mix of skills, expertise and experience to enable it to deal with current and emerging opportunities and issues, and to effectively review and challenge the performance of management.
- Independence: The Board considers that all of its Non-Executive Directors, including the Chairman, were independent during the year and continue to be independent.
- Diversity: The Board has a gender diversity objective of 40% female representation by 2020. The Board first met this objective in 2017 and continues to meet it.
- Tenure: The Board balances longer-serving Directors with a deep knowledge of the Bank's operations and history, and newer Directors with fresh perspectives.

Board skills matrix

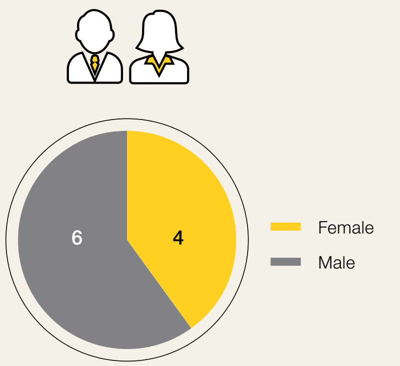
	Skill	Description	Directors
Skills and expertise	**Financial acumen**	Proficiency in financial accounting and reporting, capital management and/or actuarial experience	9 out of 10
	Legal expertise	Proven ability and understanding in the application of legal principles	1 out of 10
	Technology	Experience in technology strategies and innovation	5 out of 10
	Strategy	Demonstrated experience in developing, implementing and delivering strategic business objectives	9 out of 10
	Risk management	Proven ability in identifying, assessing and managing macro, strategic, operational and financial risks	10 out of 10
Experience	**Financial services experience**	Experience in banking, as relevant to CBA, and financial regulation	8 out of 10
	Listed company experience	Experience as a non-executive director of at least two other listed entities (Australia or overseas)	5 out of 10
	Leadership	Held CEO or similar position in an organisation of significant size	9 out of 10
	Global perspective	Having a global perspective through exposure or responsibility for international operations	9 out of 10
	Stakeholder engagement	Demonstrated ability to build and maintain key relationships with industry, government or regulators	8 out of 10

Board composition

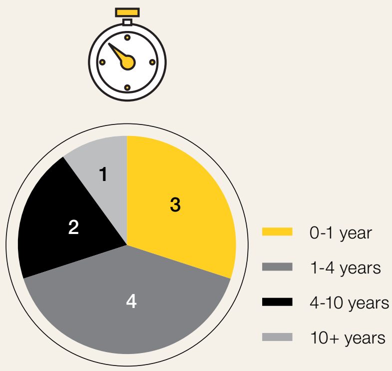
Independence



Gender



Tenure



Board renewal

The Board has succession plans to facilitate the orderly transition of Directors. During the year, the Board underwent extensive renewal, with a focus on skills and expertise in the areas of banking and risk management. Long-serving Directors Launa Inman and Harrison Young retired in 2017, and Andrew Mohl and Brian Long are due to retire at the 2018 Annual General Meeting (AGM). Rob Whitfield and Anne Templeman-Jones were appointed to the Board during the year.

To assist in succession planning, the Board uses a skills matrix to assess its compositional needs. The Board's skills matrix was revised this year with strategy, risk management and stakeholder engagement competencies added to the matrix together with competency descriptions. The updated skills matrix and the collective skills, expertise and experience of the Directors on the Board as at 30 June 2018 are depicted on the previous page.

Director induction and continuing development

Non-Executive Directors joining the Board participate in a comprehensive induction program. The induction program was refined during the year to reflect the Bank's dynamic environment.

The Board also has a continuing education program for Directors to ensure their knowledge of the Bank's business operations and the financial services sector remains current.

Education sessions were held during the year, with Directors gaining insights and deeper knowledge of the business by participating in cyber security simulation exercises, an interactive exercise in the trading room, and briefing sessions on the operation of our platforms, new ways of working and IFRS 9. Additionally, the Board visited our cyber security centre, and operations in Singapore and Indonesia. The Directors undertook regulatory and business engagements on behalf of the Bank while in these countries.

Performance reviews

The Board annually evaluates its performance, and the performance of each of its Committees and Directors.

Performance reviews are facilitated by an external consultant every three years or as otherwise determined by the Board.

This year the Board undertook an internal evaluation to consider, among other things:

- the respective roles and responsibilities of the Board and its Committees
- whether matters raised in the APRA Prudential Inquiry Report were being addressed
- the adequacy of the Board's processes
- the sufficiency of management's reporting to the Board
- the robustness of Director discussion and challenge of management.

Board governance

During the year, key Board governance arrangements and documents were reviewed and refreshed to ensure they remain fit for purpose. Specifically, the review sought to:

- clarify the respective roles and responsibilities of the Board, Board Committees and management, and ensure that the division of functions between them continues to be appropriate for the Bank
- make the governance documents simpler and more enduring
- streamline processes and enhance reporting to the Board
- reflect the BEAR requirements and the governance recommendations in APRA's Prudential Inquiry Report
- incorporate developments in market practice.

The documents reviewed included:

- the charters of the Board and its Committees
- Board and Committee meeting paper templates
- the Board's Corporate Governance Guidelines
- the Board Appointment, Renewal and Performance Policy
- the Appointment Policy for Subsidiary and Other Boards.

This year the Board also continued to strengthen its oversight of key operating subsidiaries with additional reporting obligations implemented.

Directors' Report

The Directors' Report provides information to assist shareholders to make an informed assessment of the Bank's principal activities, financial position, operations, business strategies and prospects.

The Directors of the Commonwealth Bank of Australia present their report, together with the financial report of the Commonwealth Bank of Australia (Bank) and of the Group, being the Bank and its controlled entities, for the year ending 30 June 2018.

Principal activities

We are one of Australia's leading providers of integrated financial services, providing 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 and New Zealand. 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.

In September 2017, we entered into an agreement to sell 100% of our life insurance business in Australia (CommInsure Life) and New Zealand (Sovereign) to AIA Group Limited (AIA). The sale of Sovereign completed on 2 July 2018, resulting in a post tax gain of $102 million (subject to purchase price adjustments to be finalised in September). This has also been reported as a subsequent event. The CommInsure Life sale is expected to be completed in calendar year 2018. The sale agreement also includes a 20-year partnership with AIA to distribute life insurance products to customers in Australia and New Zealand.

On 23 May 2018, CBA announced the sale of BoCommLife Insurance Company Limited (BoComm) to Mitsui Sumitomo Insurance Co. Ltd. The sale requires approval by the China Banking and Insurance Regulatory Commission.

The CBA Board has approved the sale of Commonwealth Bank of South Africa (Holding Company) Limited ("TymeDigital") to the minority shareholder, African Rainbow Capital. The sale is subject to regulatory approval and potential sale price adjustments. As a result, the financial effect of the sale currently cannot be reliably estimated, however, it is not expected to have a material impact on the Group's results.

On 25 June 2018, CBA announced the proposed demerger of its wealth management and mortgage broking businesses ("NewCo") and the intention to undertake a strategic review of its general insurance business, including a potential sale. Due to the uncertain timing of the completion of the demerger, NewCo is included in continuing operations.

On 25 June 2018, when CBA announced the proposed demerger of its wealth management and mortgage broking businesses, CBA's use of the term "independent" in this announcement was intended to describe the proposed demerger of the businesses and new listing of the demerged businesses on the ASX. These statements were not intended to be representations that any services to be provided by the demerged businesses in the future will be independent from CBA. CBA anticipates that it will continue to have an ongoing relationship with the demerged businesses into the future.

Consolidated profit

Statutory net profit after tax including discontinued operations for the year ended 30 June 2018 decreased 6% on the prior year to $9,329 million. Statutory net profit after tax from continuing operations for the year ended 30 June 2018 decreased 4% on the prior year to $9,375 million. Both were impacted by a number of one-off items including a $700 million non-tax deductible expense provision for the AUSTRAC civil penalty.

Operating income growth was 3% primarily driven by a 5% increase in net interest income, with average interest earning assets increasing 2% from growth in home loans and business loans. Net interest margin increased 5 basis points, largely from the repricing of interest-only and investor home loans in order to manage regulatory benchmarks that limit growth in these products.

Operating expense growth was 9%, impacted by a number of one-off items including a $700 million non-tax deductible expense provision for the AUSTRAC civil penalty and $155 million of regulatory costs associated with the Royal Commission, the AUSTRAC proceedings and the APRA Prudential Inquiry. Operating expense growth was also impacted by higher risk and compliance costs, relocation costs of a number of offices to a single location, and the impairment of certain capitalised software assets.

Loan losses reduced by $16 million over the year, reflecting the continued benign environment in both the retail and business portfolios, due to low interest rates and low levels of unemployment.

Tax expense increased by 4% during the period due to the $700 million civil penalty in the AUSTRAC proceedings being non-deductible for tax purposes.

Dividends

The Directors have determined a fully franked (at 30%) final dividend of $2.31 cents per share amounting to $4,053 million. The dividend will be payable on 28 September 2018 to shareholders on the register at 5pm AEST on 16 August 2018.

Dividends paid in the year ended 30 June 2018 were as follows:

Dividend	Date paid	Fully franked dividends per share	Total dividend ($million)	Total dividend comprises ($ million)
Final Dividend for the year ended 30 June 2017	29 Sept 2017	230 cents	$3,979	Cash: $2,406 DRP: $1,573
Interim Dividend for the year ended 30 June 2018	28 Mar 2018	200 cents	$3,505	Cash: $2,969 DRP: $536

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Review of operations

An analysis of operations for the financial year is set out in the Performance Overview section on pages 61 to 80.

Changes in state of affairs

We continue to make progress against each of the key strategic priorities in pursuit of our purpose to improve the financial wellbeing of our customers and communities.

Further to the changes in principal activities referred to above there have been no significant changes in the state of affairs during the financial year.

Events subsequent to balance sheet date

We expect the Dividend Reinvestment Plan (DRP) for the final dividend for the year ended 30 June 2018 will be satisfied by the issue of shares of approximately $622 million.

On 2 July 2018, we announced the sale of Sovereign, our New Zealand life insurance business, to AIA. It resulted in a total post gain of $102 million (inclusive of separation costs and subject to final tax calculations and purchase price adjustments).

The CBA Board has approved the sale of Commonwealth Bank of South Africa (Holding Company) Limited ("TymeDigital") to the minority shareholder, African Rainbow Capital. The sale is subject to regulatory approval and potential sale price adjustments. As a result, the financial effect of the sale currently cannot be reliably estimated, however, it is not expected to have a material impact on the Group's results.

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 development

The business strategy and prospects for future financial years are included in the Strategy and Performance section on pages 12 to 27. The material business risks are set out in the Business Risks section on pages 43 to 47. These should be read in conjunction with Notes 9.1 to 9.4 to the Financial Statements on pages 195 to 224.

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 of 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 environment reporting regulations under the law of the Commonwealth or of a State or Territory of Australia. Our 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
- Matt Comyn (appointed as Managing Director and Chief Executive Officer on 9 April 2018)
- Shirish Apte
- Sir David Higgins
- Brian Long
- Andrew Mohl
- Mary Padbury
- Wendy Stops
- Anne Templeman-Jones (appointed 5 March 2018)
- Rob Whitfield (appointed 4 September 2017)
- Ian Narev (retired as Managing Director and Chief Executive Officer on 8 April 2018)
- Launa Inman (retired 16 November 2017)
- Harrison Young (retired 16 November 2017)

Details of current Directors, their experience, qualifications and any special responsibilities, including Committee memberships, are set out on pages 82, 83 and 88.

Other directorships

The Directors held the following directorships in other Australian listed companies in the three years prior to the end of the 2018 financial year:

Director	Company	Appointment dates	Retirement date (if applicable)
Catherine Livingstone AO	WorleyParsons Limited	01/07/2007	
	Telstra Corporation Ltd	17/11/2000	27/04/2016
Launa Inman	Bellamy's Australia Limited	18/02/2015	28/02/2017
	Super Retail Group Limited	21/10/2015	
Brian Long	Brambles Limited	01/07/2014	
	OneMarket Limited	07/06/2018	
	Ten Network Holdings Limited	01/07/2010	25/07/2016
Wendy Stops	Altium Limited	01/02/2018	
Anne Templeman-Jones	WorleyParsons Limited	01/11/2017	
	The Citadel Group Limited	08/09/2017	
	G.U.D. Holdings Limited	01/08/2015	
	Pioneer Credit Limited	23/09/2014	07/11/2016
	HT&E Limited	04/06/2013	14/05/2018

Directors' meetings

The number of Board and standing Board Committee meetings held during the financial year that each Director was eligible to attend, and the number of meetings attended by each Director, were:

	Board				Committees(1)							
	Scheduled Meetings		Unscheduled Meetings		Risk(2)		Audit(2)		Remuneration(2)		Nominations	
	Held(3)	Attended	Held(3)	Attended	Held(3)	Attended	Held(3)	Attended	Held(3)	Attended	Held(3)	Attended
Director												
Catherine Livingstone AO	10	10	17	17	10	10	9	9	15	15	13	13
Matt Comyn(4)	2	2	7	7	–	–	–	–	–	–	–	–
Shirish Apte	10	10	17	15	10	10	9	9	–	–	–	–
Sir David Higgins	10	10	17	17	10	10	–	–	15	15	–	–
Brian Long	10	10	17	16	10	10	9	9	–	–	13	13
Andrew Mohl	10	10	17	17	10	10	–	–	15	15	–	–
Mary Padbury	10	10	17	17	–	–	–	–	15	15	13	13
Wendy Stops(5)	10	10	17	16	–	–	7	7	15	14	–	–
Anne Templeman-Jones(6)	3	3	8	7	–	–	2	2	–	–	–	–
Rob Whitfield(7)	8	8	15	15	8	8	–	–	–	–	7	7
Ian Narev(8)	8	8	10	3(9)	–	–	–	–	–	–	–	–
Launa Inman(10)	5	5	2	2	–	–	2	2	4	4	–	–
Harrison Young(11)	5	5	2	2	2	2	2	2	–	–	6	6

(1) The Board also establishes ad hoc Committees for special purpose business from time to time to support the Board in carrying out its responsibilities.
(2) A meeting of the Risk, Audit and Remuneration Committees held concurrently has been counted as an additional meeting of each Committee.
(3) The number of scheduled and unscheduled meetings held during the time the Director was a member of the Board or of the relevant Committee.
(4) Matt Comyn was appointed Managing Director and Chief Executive Officer effective 9 April 2018.
(5) Wendy Stops was appointed a member of the Audit Committee effective 1 November 2017.
(6) Anne Templeman-Jones was appointed a member of the Board effective 5 March 2018 and the Audit Committee effective 6 June 2018.
(7) Rob Whitfield was appointed a member of the Board effective 4 September 2017 and the Risk and Nominations Committees effective 1 November 2017.
(8) Ian Narev retired as Managing Director and Chief Executive Officer effective 8 April 2018.
(9) Ian Narev had a material personal interest in the substantive matters discussed during unscheduled meetings and was not present.
(10) Launa Inman retired from the Audit and Remuneration Committees effective 1 November 2017 and the Board effective 16 November 2017.
(11) Harrison Young retired from the Audit, Risk and Nominations Committees effective 1 November 2017 and the Board effective 16 November 2017.

Directors' shareholdings and options

Particulars of shares held by Directors including the Chief Executive Officer (CEO), 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, including the CEO, during the period.

Options and share rights outstanding

As at the date of this report there are no employee options and 1,946,793 share rights outstanding in relation to Bank ordinary shares.

Directors' and officers' indemnity and insurance

Constitution

The Directors, as named on page 93 of this report, and the Company Secretaries of the Bank, referred to below, are indemnified under the Constitution of the Commonwealth Bank of Australia (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, is defined as an "Officer" for the purpose 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

Deeds of indemnity, which include indemnification in substantially the same terms to that provided in the Constitution, have been executed by the Bank in favour of each Director of the Bank.

An Indemnity Deed Poll, which includes indemnification in substantially the same terms to that provided in the Constitution, has been executed by the Bank 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)
- 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 a 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.

Insurance

The Bank has, during the financial year, paid an insurance premium in respect of a Directors' and Officers' liability and company reimbursement insurance policy for the benefit of the Bank and persons defined in the insurance policy who include Directors, Company Secretaries, Officers and certain employees of the Bank and related bodies corporate. 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, follow.

Taryn Morton was appointed Group Company Secretary of the Bank in October 2015. She has over 19 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 MinterEllison. She holds a Bachelor of Laws (Hons), Bachelor of Commerce, Diploma of Modern Languages (Mandarin) and Graduate Diploma in Applied Corporate Governance.

Remuneration report

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

Message from the Remuneration Committee Chairman

Sir David Higgins
Remuneration Committee Chairman

Dear Shareholder,

Thank you for your valued feedback on our remuneration framework and practices. We continue to listen to all our stakeholders and have taken material steps to further strengthen Board governance and the operation of remuneration frameworks. In the 2018 financial year, individual executive remuneration has been reduced in accordance with measurable performance and as a result of the Board exercising discretion.

These remuneration outcomes have been facilitated by the support of shareholders for the significant changes made to our remuneration framework at the 2017 Annual General Meeting. Those changes included enhancements to the risk and reputation review process.

The most senior executives have been held accountable for the Bank's performance over the past year. This includes former Executives.

Executive pay outcomes for our current and former Executives have been directly impacted by the AUSTRAC settlement and the findings of the Australian Prudential Regulation Authority's (APRA) Prudential Inquiry Report into CBA. The Board has also exercised its discretion to adjust downwards individual Executive remuneration outcomes, having regard to other risk and reputation matters.

In March 2018, the current CEO of his own accord, offered to forgo his 2018 financial year short-term variable remuneration (STVR) award, which the Board accepted.

In addition, the Board and the former CEO agreed that he will not receive his 2018 financial year STVR award or any of his unvested long-term variable remuneration (LTVR) awards.

Reflecting consideration of individual and collective accountability for the APRA Prudential Inquiry Report findings, the Board exercised its discretion to:

- reduce 2018 financial year STVR payments of current and former Group Executives by 20%;
- lapse a portion of the unvested deferred STVR awards for approximately 400 current and former Executive General Managers and General Managers; and
- forfeit the full amount of unvested LTVR awards of select former Group Executives.

The Board applied further negative STVR adjustments to current and former Group Executives relating to individual risk matters, separate to the APRA Prudential Inquiry Report findings.

The total impact for all employees of the operation of the remuneration framework and exercise of Board discretion over the 2017 and 2018 financial years has been a reduction in remuneration outcomes exceeding $100m. This includes the Board's action in August 2017 to reduce Non-Executive Director fees, and reduce to zero the STVR for Group Executives for the 2017 financial year.

In making these decisions, the Committee and Board were determined to address fully, past performance issues identified for former and current Executives, and focus their efforts on becoming a stronger, better bank.

Changing Executives

New appointments to the Executive Leadership Team provide a balance between external experience and knowledge of the Group. These appointments reflect the Board's continual scrutiny of our Executives' ability to cope with complex changes, and act on ensuring we have the leadership talent and capability as strategy adapts to competitive pressure and expectations of performance and behaviour.

In determining remuneration arrangements for the new appointments, the Board considered the individual skills and experience that each Executive brings, internal and external market comparators, our emphasis on delivering customer service and sustainable value, and community expectations.

We are committed to improving our remuneration practices. We have made and are continuing to make changes to our remuneration practices to better align with and support our customers, our community, our people and our shareholders.

Specifically, for the new Group Chief Risk Officer, the Board has had regard for the comments of the APRA Prudential Inquiry Report and ensured the remuneration mix supports independence.

Remuneration arrangements for the internal appointments have been set at or below the level of previous incumbents.

The Group's remuneration framework has supported the Board and the Committee's judgements and decision-making. The outcomes demonstrate a robust, quantitative and rigorous approach which reinforces both individual and collective accountability.

I invite you to review the full report, and thank you for your interest.

Sir David Higgins
Remuneration Committee Chairman

The Remuneration Committee is the governing body for remuneration across the Group. During the 2018 financial year, its key focus areas were:

- enhancing remuneration and risk governance and frameworks
- setting remuneration for newly appointed Executives
- determining termination arrangements for departing Executives
- implementing remuneration changes to align with the Banking Executive Accountability Regime (BEAR)
- developing the APRA Prudential Inquiry Report's remuneration-related remediation plan and agreeing key milestones
- assessing remuneration outcomes reflecting all elements of performance, assisted by the Audit and Risk Committees.

We also made substantive changes to the way our retail customer-facing roles and their leaders are recognised and rewarded, effective 1 July 2018:

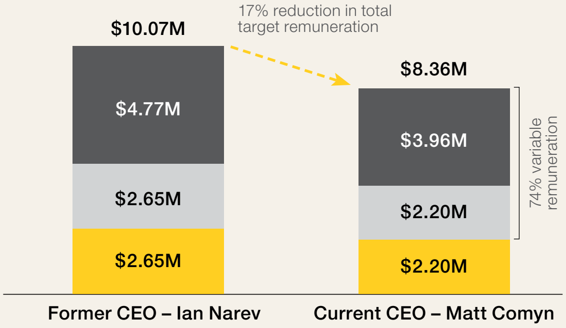
- limiting the weighting of any financial measures to 30% of a balanced scorecard
- removal of high-risk features such as accelerators
- rewarding tellers based on customer feedback and leader observations
- introducing net promoter score (NPS) to support customer centricity.

The Remuneration Committee's priorities and key actions for the 2019 financial year are:

- completing all of the APRA Prudential Inquiry Report's agreed 2019 financial year remuneration-related milestones
- further enhancing frameworks and governance in relation to remuneration consequences for risk, reputation and conduct outcomes
- undertaking a comprehensive review of the Executive remuneration strategy and framework.

Key remuneration outcomes

CEO target remuneration on appointment



Matt Comyn's fixed and total target remuneration is approximately 17% lower than the former CEO's fixed and total target remuneration.

In setting the CEO's remuneration we took into account the remuneration of market peers, as well as broader stakeholder and community expectations.

Fixed remuneration (FR) increases

For the 2018 financial year:

- Due to his change in role, Matt Comyn received an increase to his FR effective from the date of his appointment to CEO.
- Two Group Executives received FR increases:
  - Adam Bennett (5%) due to a significant change in role and portfolio scope
  - Melanie Laing (2%) to reflect consideration of market remuneration levels.

STVR outcomes

Overall, performance outcomes against scorecard measures are lower than the prior year, largely due to Group financial performance and Group customer NPS outcomes.

In addition, as a consequence of the APRA Prudential Inquiry Report's findings, the Board has resolved to apply a negative adjustment of 20% to the 2018 financial year performance scorecard outcomes for each individual Group Executive. This is to reflect collective accountability for the APRA Prudential Inquiry Report findings. Further negative adjustments to STVR outcomes were also made to reflect individual accountability for other risk and reputation matters separate from the APRA Prudential Inquiry Report findings.

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	% of maximum STVR	
	2018 financial year	2017 financial year
CEO – Matt Comyn(1)	0%	0%
Former CEO – Ian Narev(2)	0%	0%
Group Executives (range)(1)	0% – 38%	0%

(1) In March 2018, Matt Comyn offered to forgo his 2018 financial year STVR award in both his CEO and Group Executive, Retail Banking Services roles. The Board accepted his offer and no STVR was awarded for the 2018 financial year.

(2) The Board and Ian Narev have agreed he will not receive his 2018 financial year STVR award.

LTVR outcomes

The 2015 financial year LTVR award reached the end of its four-year performance period on 30 June 2018 and 23.82% vested as a result of performance against the LTVR hurdles.

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Remuneration consequences of the APRA Prudential Inquiry Report

2018 financial year remuneration outcomes incorporate consequences for the findings of the APRA Prudential Inquiry Report. The Board determined that an approach that predominantly attributed accountability for the findings collectively was most appropriate, with a number of senior executives also being held accountable individually. The remuneration consequences determined by the Board that were applied are as follows:

- **Current CEO and Group Executives:** The CEO and Group Executives were assessed as Partially Met on risk outcomes with the Board applying a negative risk adjustment of 20% to the 2018 financial year STVR outcomes for each individual. Separately, in March 2018, Matt Comyn offered to forgo his 2018 financial year STVR award and the Board accepted his offer.
- **Former CEO:** The Board and former CEO believe that the CEO has the highest level of accountability of all the Group's Executives for the findings of the APRA Prudential Inquiry Report. Accordingly, the Board and Ian Narev have agreed that he will not receive his 2018 financial year STVR award or any of his unvested LTVR awards.

- **Former Group Executives:** The Board forfeited all unvested LTVR awards for David Craig and Alden Toevs reflecting collective and individual accountability for the APRA Prudential Inquiry Report findings.

The Board forfeited a portion of all unvested deferred STVR awards for current and former Group EGMs and GMs (including Other Executives, defined on page 101).

The Board recognises that, as CBA's most senior governing body, it too is collectively accountable for the trust and reputational issues that prompted the need for the APRA Prudential Inquiry. It announced in August 2017 that Non-Executive Directors' base and committee fees for the 2018 financial year would be reduced by an amount equivalent to 20% of individual 2017 financial year fees.

Exit arrangements

The table below outlines the exit arrangements for Executives during the 2018 financial year. Further detail is provided in the statutory remuneration table on page 111.

Executive(1)	Exit arrangement
Ian Narev (ceased as KMP 8 Apr 18)	• Employment formally ended after a period of gardening leave (9 Apr 18 to 30 Jun 18) • Payment in lieu of balance of notice period (notice commenced 13 Aug 17 so payment in lieu of period from 1 Jul 18 to 12 Aug 18) • Provision of other benefits required by law and agreed legal costs related to termination
Kelly Bayer Rosmarin (ceased as KMP 30 Apr 18)	• Employment formally ended after a period of gardening leave (1 May 18 to 30 Jun 18) • Payment in lieu of balance of notice period (notice commenced 1 Apr 18 so payment in lieu of period from 1 Jul 18 to 30 Sept 18) • Provision of other benefits required by law, severance payment for past services in accordance with her employment agreement (six months FR) and agreed legal costs related to termination
Rob Jesudason (ceased as KMP 13 May 18)	• Employment formally ended after a period of gardening leave (14 May 18 to 8 Jun 18) • Payment in lieu of balance of notice period (notice commenced 13 May 18 so payment in lieu of period from 9 Jun 18 to 13 Nov 18) • Provision of other benefits required by law • 50% of Rob's relocation costs provided in the 2018 financial year were recovered
Annabel Spring (ceased as KMP 31 Dec 17)	• Employment formally ended after a period of gardening leave (1 Jan 18 to 30 Jun 18) • Provision of other benefits required by law (including 14 weeks' statutory redundancy pay), severance payment for past service in accordance with her employment agreement (six months FR) and agreed legal costs related to termination
David Whiteing (ceased as KMP 30 Apr 18)	• Employment formally ended after a period of gardening leave (1 May 18 to 30 Jun 18) • Payment in lieu of balance of notice period (notice commenced 1 Apr 18 so payment in lieu of period from 1 Jul 18 to 30 Sept 18) • Provision of other benefits required by law, severance payment for past service in accordance with his employment agreement (six months FR) and agreed legal costs related to termination

(1) Melanie Laing ceased as KMP on 31 Jul 18. Her exit arrangements will be disclosed in the 2019 financial year remuneration report.

During their gardening leave periods, each of the Executives were available to assist with handover, provide guidance on matters within their respective scope of responsibility and remained available to perform other reasonable transitional duties as required by the Bank.

Rob Jesudason was not entitled to a 2018 financial year STVR award and all of his unvested LTVR awards were forfeited upon termination of employment.

For Kelly Bayer Rosmarin and David Whiteing, any variable remuneration awarded would be treated as follows:

- 2018 financial year STVR payment to be determined and paid in normal course of business, subject to performance and risk and reputation review, with 50% paid in cash and remaining 50% deferred as cash in two equal tranches over two years.
- Unvested LTVR awards to continue unchanged with performance measured at the end of the performance period related to each award. There is no accelerated or automatic vesting upon ceasing employment.

Ian Narev agreed he would not receive a 2018 financial year STVR and agreed he would forfeit all of his unvested LTVR awards.

Annabel Spring agreed she would not receive a 2018 financial year STVR. Her LTVR awards will continue unchanged with performance measured at the end of the performance period related to each award.

Other awards

- No sign-on or retention awards were made to Executives during the 2018 financial year.
- While acting in Group Executive roles, George Confos, Alan Docherty and Paul Newham received an additional cash allowance. Angus Sullivan did not receive an additional cash allowance while acting in the Group Executive, Retail Banking Services role. Other Executives did not participate in the LTVR plan during the 2018 financial year.

Remuneration received by current Executives during the 2018 financial year

The remuneration outcomes table below provides a summary of the remuneration that was received by current Executives in their KMP role during the 2018 financial year. We believe that presenting this information provides shareholders with greater clarity and transparency about Executive remuneration. This differs from the statutory remuneration table on page 111, which presents remuneration in accordance with accounting standards.

Remuneration received by current Executives during the financial year ended 30 June 2018:

Cash payments	a) **FR:** Base remuneration plus superannuation paid for the period as KMP. For Other Executives (defined on page 101), this includes their acting cash allowance (where applicable). b) **Cash STVR:** For the CEO and Group Executives the amount is 50% of the 2018 financial year STVR (relates to performance during the 12 months to 30 June 2018). For Other Executives, this represents two-thirds of the 2018 financial year STVR for the relevant period.
Vesting of prior year awards	d) **Deferred cash awards:** The value of all deferred cash STVR awards that vested during their period as KMP plus any accrued interest. e) **Deferred equity awards:** The value of all equity awards that vested during their period as KMP plus any dividends accrued during the vesting period. The value shown is the face value (i.e. based on the volume-weighted average closing price (VWACP) of the Group's ordinary shares over the five trading days preceding the vesting date).
Awards forfeited or lapsed	g) **Previous years' awards forfeited or lapsed:** The value of all deferred cash and/or equity awards that were forfeited or lapsed during the 2018 financial year.

				Vesting of prior year awards			
	FR	Cash STVR[1]	Total cash payments	Deferred cash awards	Deferred equity awards[2]	Total remuneration received	*Previous years' awards forfeited or lapsed*
	a	b	c = a + b	d	e	f = c + d + e	*g*
CEO							
Matt Comyn[3]							
30 Jun 18	**1,315,949**	**–**	**1,315,949**	**–**	**1,529,923**	**2,845,872**	***(653,185)***
30 Jun 17	1,055,750	–	1,055,750	667,623	556,427	2,279,800	*(1,892,800)*
Current Executives							
Adam Bennett							
30 Jun 18	**1,049,580**	**225,988**	**1,275,568**	**–**	**280,480**	**1,556,048**	**–**
30 Jun 17	999,600	–	999,600	566,483	310,626	1,876,709	–
David Cohen							
30 Jun 18	**1,200,000**	**261,300**	**1,461,300**	**–**	**1,377,033**	**2,838,333**	***(587,842)***
30 Jun 17	1,200,000	–	1,200,000	541,294	510,966	2,252,260	*(1,738,351)*
George Confos							
30 Jun 18 (effective 1 May 18)	**137,210**	**103,417**	**240,627**	**–**	**–**	**240,627**	***(99,349)***
Alan Docherty							
30 Jun 18 (effective 14 May 18)	**98,630**	**51,966**	**150,596**	**–**	**–**	**150,596**	***(41,820)***
Coen Jonker[4]							
30 Jun 18 (effective 1 Jul 17)	**848,793**	**202,623**	**1,051,416**	**–**	**52,470**	**1,103,886**	**–**
Melanie Laing							
30 Jun 18	**861,900**	**–**	**861,900**	**–**	**1,262,296**	**2,124,196**	***(538,855)***
30 Jun 17	845,000	–	845,000	494,180	454,251	1,793,431	*(1,545,176)*
Anna Lenahan							
30 Jun 18	**865,000**	**249,120**	**1,114,120**	**–**	**260,418**	**1,374,538**	**–**
30 Jun 17 (effective 26 Nov 16)	509,521	–	509,521	–	859,586	1,369,107	–
Paul Newham							
30 Jun 18 (effective 1 May 18)	**142,054**	**92,879**	**234,933**	**–**	**–**	**234,933**	***(78,330)***
Angus Sullivan							
30 Jun 18 (effective 9 Apr 18)	**114,909**	**78,641**	**193,550**	**–**	**–**	**193,550**	***(67,857)***
Michael Venter							
30 Jun 18 (effective 1 Jan 18)	**325,779**	**271,702**	**597,481**	**–**	**–**	**597,481**	***(82,258)***

(1) **2017 financial year STVR awards:** The STVR outcomes for the CEO and Group Executives were adjusted downwards to zero, reflecting collective accountability for the overall reputation of the Group and risk matters.

(2) **Deferred equity awards:** For Matt Comyn, David Cohen and Melanie Laing this reflects the portion of the 2014 financial year LTVR award (performance period ended 30 June 2017) that vested during the 2018 financial year. For Adam Bennett and Coen Jonker this reflects the 2014 financial year deferred STVR awarded under Executive General Manager arrangements that vested in 2018 financial year. For Anna Lenahan, this reflects the portion of the sign-on award that vested in the 2018 financial year.

(3) **Matt Comyn** was appointed as CEO effective 9 April 2018. 2018 financial year remuneration reflects his time in both the Group Executive, Retail Banking Services role (1 July 2017 to 8 April 2018) and CEO role (9 April 2018 to 30 June 2018). Prior year comparison reflects remuneration for his prior role, Group Executive, Retail Banking Services. In March 2018, Matt Comyn offered to forgo his 2018 financial year STVR award. The Board accepted his offer and no STVR was awarded for the 2018 financial year.

(4) **Coen Jonker** was appointed as KMP effective 1 July 2017, therefore no prior year comparison is shown. Remuneration was paid in Hong Kong dollars and was impacted by movements in exchange rates.

Contents

Definitions

This remuneration report details the performance and remuneration of Key Management Personnel (KMP) for the 2018 financial year. KMP is defined as 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 following terms are used throughout this report to describe different groups of KMP.

Term	Meaning
CEO	Managing Director and Chief Executive Officer
Executives	Collective term referring to the CEO, Group Executives and Other Executives
Group Executives	Includes all permanent Group Executives (for both business units and support functions)
Other Executives	Includes Michael Venter (Chief Operating Officer Wealth Management) and all Acting Group Executives
Non-Executive Directors	KMP who are not Executives

1. Key Management Personnel

The table below outlines the Group's KMP in the financial year ended 30 June 2018.

Name	Position	Term as KMP
Chairman		
Catherine Livingstone AO	Chairman	Full year
Current Non-Executive Directors		
Shirish Apte	Director	Full year
David Higgins	Director	Full year
Brian Long (1)	Director	Full year
Andrew Mohl (1)	Director	Full year
Mary Padbury	Director	Full year
Wendy Stops	Director	Full year
Anne Templeman-Jones	Director (from 5 March 2018)	Part year
Robert Whitfield	Director (from 4 September 2017)	Part year
Former Non-Executive Directors		
Launa Inman	Director (ceased as KMP on 16 November 2017)	Part year
Harrison Young	Director (ceased as KMP on 16 November 2017)	Part year
Managing Director and CEO		
Matt Comyn (2)	Managing Director and CEO (from 9 April 2018)	Full year
Current Executives		
Adam Bennett	Group Executive, Business and Private Banking	Full year
David Cohen (3)	Group Chief Risk Officer	Full year
George Confos (4)	Acting Group Executive, Institutional Banking and Markets (from 1 May 2018)	Part year
Alan Docherty	Acting Group Executive, Financial Services and Chief Financial Officer (from 14 May 2018)	Part year
Coen Jonker	Group Executive, International Financial Services	Full year
Melanie Laing (3)	Group Executive, Human Resources	Full year
Anna Lenahan	Group General Counsel and Group Executive, Group Corporate Affairs	Full year
Paul Newham (4)	Acting Group Executive, Enterprise Services and Chief Information Officer (from 1 May 2018)	Part year
Angus Sullivan (4)	Acting Group Executive, Retail Banking Services (from 9 April 2018)	Part year
Michael Venter	Chief Operating Officer Wealth Management (from 1 January 2018)	Part year
Former Managing Director and CEO		
Ian Narev	Managing Director and CEO (ceased as KMP on 8 April 2018)	Part year
Former Executives		
Kelly Bayer Rosmarin	Group Executive, Institutional Banking and Markets (ceased as KMP on 30 April 2018)	Part year
Rob Jesudason	Group Executive, Financial Services and Chief Financial Officer (ceased as KMP on 13 May 2018)	Part year
Vittoria Shortt	Group Executive, Marketing and Strategy (ceased as KMP on 2 February 2018)	Part year
Annabel Spring	Group Executive, Wealth Management (ceased as KMP on 31 December 2017)	Part year
David Whiteing	Group Executive, Enterprise Services and Chief Information Officer (ceased as KMP on 30 April 2018)	Part year

(1) Brian Long and Andrew Mohl will cease their duties as Non-Executive Directors at the conclusion of the 2018 Annual General Meeting.

(2) Matt Comyn was the Group Executive, Retail Banking Services from 1 July 2017 to 8 April 2018 and Managing Director and CEO of the Group from 9 April 2018 to 30 June 2018.

(3) Post 30 June 2018, David Cohen has been appointed as Deputy Chief Executive Officer effective 5 November 2018 and Melanie Laing ceased as KMP on 31 July 2018. Nigel Williams has been appointed Group Chief Risk Officer effective 5 November 2018 and Sian Lewis has been appointed Group Executive, Human Resources effective 1 August 2018.

(4) Post 30 June 2018, George Confos ceased as KMP on 31 July 2018. Paul Newham will cease as KMP on 30 September 2018. Andrew Hinchliff has been appointed Group Executive, Institutional Banking and Markets effective 1 August 2018, Pascal Boillat has been appointed Group Executive, Enterprise Services and Chief Information Officer effective 1 October 2018 and Angus Sullivan has been appointed Group Executive, Retail Banking Services effective 1 July 2018.

2. Executive remuneration framework

CEO and Group Executive summary

The following diagram illustrates the remuneration framework that applied to the CEO and Group Executives during the 2018 financial year. The Remuneration Committee undertook a comprehensive review with changes effective from 1 July 2017. The key changes included:

- increased weighting on financial and quantitative measures in STVR
- 50% of STVR deferred into equity (previously cash)
- a longer STVR deferral period over two years (previously STVR deferral was one year)
- introduction of new LTVR performance measures
- allocating LTVR reward rights on a face value basis (previously this was on a fair value basis)
- enhanced risk and remuneration governance and frameworks.

Alignment to the Banking Executive Accountability Regime (BEAR)

Our existing variable remuneration deferral for the CEO and Group Executives complies with the BEAR.

All Accountable Person's variable remuneration for the 2019 financial year onwards will be BEAR compliant.

Our 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
- Reflects the Group's strategy and values

FR

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

Attracts high quality talent and reflects role size and scope.

STVR (at risk)

- STVR outcomes range from 0% to 150% of FR.
- Risk and reputation and values assessment as modifier of outcomes.
- Balanced scorecard comprising financial and non-financial measures.

50% is paid as cash	25% is deferred as equity for one year	25% is deferred as equity for two years

Varies remuneration up or down reflecting annual performance results. Subject to Board risk and reputation review.

LTVR (at risk)

- Maximum face value allocation of 180% of FR, vesting is subject to performance measures and risk and reputation review.
- Performance measures comprise financial (relative TSR – 75%); and non-financial (trust and reputation – 12.5%; and employee engagement – 12.5%).
- A positive TSR gateway applies to the 25% non-financial measures.
- Delivered as reward rights (no dividend equivalent payments).
- Four-year performance period.

Varies remuneration up or down reflecting performance over multiple years. Subject to Board risk and reputation review.

CEO and Group Executive remuneration mix

The following diagrams illustrate the remuneration mix for the CEO and Group Executives at target and maximum. More than three-quarters of maximum remuneration is variable and at risk.

Target STVR (100% of FR)

FR	Cash STVR	Deferred equity STVR	Maximum face value LTVR
26%	13%	13%	48%

Variable remuneration (74%)

Maximum STVR (150% of FR)

FR	Cash STVR	Deferred equity STVR	Maximum face value LTVR
23%	17.5%	17.5%	42%

Variable remuneration (77%)

FR | Cash STVR | Deferred equity STVR | Maximum face value LTVR

All variable remuneration (STVR and LTVR) is subject to Board risk and reputation review prior to final outcome or vesting (malus).

The Board has the discretion to adjust STVR and LTVR outcomes down to zero where appropriate.

Other Executives

The STVR for Other Executives is calculated as a percentage of base remuneration (before superannuation), not FR. Two-thirds of their STVR is paid in cash and the remaining one-third is deferred into equity that vests in three equal tranches over three years. George Confos' arrangement does not specify an STVR target and/or maximum. Note, Other Executives did not participate in the LTVR plan during the 2018 financial year.

George Confos, Alan Docherty and Paul Newham received an additional cash allowance during their acting periods to recognise the additional accountability and responsibilities of their respective roles. Angus Sullivan did not receive an additional cash allowance during his acting period.

Risk and reputation review

We further strengthened our risk and reputation review processes in the 2018 financial year. Risk scorecards were introduced as a key input to the overall risk assessment for Executives, providing the Board with robust information to determine the appropriate consequences to be applied to Executive STVR and LTVR outcomes for risk and reputation matters. Executive risk scorecards are independently reviewed and challenged by the Group Chief Risk Officer.

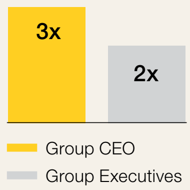
The Remuneration Committee also met with the Risk and Audit Committees to consider all relevant risk and audit matters in the determination of Executive remuneration outcomes.

Mandatory shareholding

The CEO and Group Executives are required to accumulate CBA shares over a five-year period from 1 July 2013 when the mandatory shareholding requirement was implemented or from the date of their appointment to a Group Executive role, to the value shown in the diagram.

As at 30 June 2018, all Group Executives who have been in a Group Executive role for more than five years meet these shareholding requirements. Individuals who have been in Group Executive roles for less than five years are working towards, or have already satisfied these requirements. More detail about the shareholdings for Executives as at 30 June 2018 is provided in section 5.

Proportion of FR:

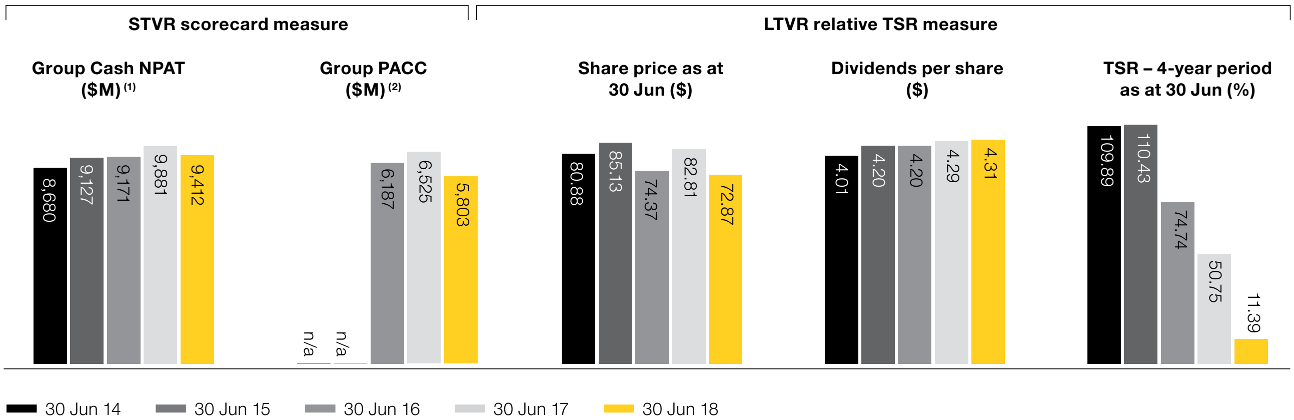


3. Performance and remuneration outcomes

Remuneration varies with short-term and long-term performance outcomes.

Group financial performance

The table below shows the link between CEO and Group Executive remuneration and the Group's financial performance over the past five financial years (including the 2018 financial year).



(1) Group Cash NPAT includes discontinued operations.

(2) Due to methodology changes, comparatives for Group Profit after Capital Charge (PACC) have only been provided for the 2016 and 2017 financial years.

Outcomes	30 Jun 14	30 Jun 15	30 Jun 16	30 Jun 17	30 Jun 18
STVR outcome (average % of maximum)	82%	78%	75%	0%(1)	19%(2)
LTVR vesting outcome (% of maximum)	97%	86%	20%	67%	24%

(1) The STVR outcomes for the CEO and Group Executives were adjusted downwards to zero, reflecting collective accountability for the overall reputation of the Group and risk matters.

(2) As a consequence of the APRA Prudential Inquiry Report, the Board has applied a negative adjustment of 20% to the 2018 financial year performance scorecard outcomes for each current Group Executive and assessed individual risk outcomes as Partially Met to reflect collective accountability for the APRA Prudential Inquiry Report findings. Further negative risk adjustments to STVR outcomes were also made to reflect individual accountability relating to the individual for other risk and reputation matters separate from the APRA Prudential Inquiry Report findings.

Short-term variable remuneration

2018 financial year STVR award – key features

The table below outlines key features of the 2018 financial year STVR award for the Executives. Refer to page 116 for treatment of STVR on cessation of employment.

Features	Approach
Purpose	Reward annual performance, incorporating both risk and reputation and values outcomes.
Participants	All Executives
Opportunity	See table below
CEO and Group Executive performance measures and weightings	Individual STVR outcomes are determined on the basis of overall Group performance and an assessment of individual performance through a balanced scorecard. The performance measures chosen support the delivery of the Group's strategy and reflect a mix of quantitative and qualitative outcomes to provide a balanced assessment of performance. Scorecard weightings cover financial and non-financial measures linked to Group and business unit targets, and vary by role.
Modifier(s)	In addition to performance against a balanced scorecard, Executives are assessed on how they demonstrate exemplary leadership of: • **values:** the Board has the discretion to adjust Executive STVR outcomes upwards or downwards including to zero where appropriate • **risk and reputation:** the Board has the discretion to adjust Executive STVR outcomes downwards including to zero where appropriate.
Calculation of awards	STVR awards for the CEO and Group Executives are calculated as follows: (see table below)
Deferral	• **CEO and Group Executives:** 50% of the STVR award is deferred and delivered in restricted shares that vest equally over one and two years. Deferred STVR awards are subject to Board risk and reputation review prior to vesting. • **Other Executives:** One-third of the STVR award is deferred and delivered in restricted shares that vest equally over one, two and three years. Deferred STVR awards are subject to Board risk and reputation review prior to vesting.

Opportunity

Executives	Target STVR	Maximum STVR
CEO and Group Executives	100% of FR	150% of FR
Other Executives (excluding George Confos)(1)	n/a	130% – 170% of base remuneration

(1) George Confos' arrangement does not specify an STVR target and/or maximum.

CEO and Group Executive performance measures and weightings

Role	Financial/Shareholder	Non-financial (split between customer, people and strategy)
CEO	60%	40%
Group Executive managing business units	60%	40%
Group Executive managing support functions and the Group Executive, International Financial Services	40%	60%
Group Chief Risk Officer	30%	70% (40% of the 70% is weighted towards risk management-related measures)

Calculation of awards

Opportunity					Unadjusted outcome		Modifiers		Adjusted outcome
FR $	x	Target STVR opportunity %	x		Performance scorecard result(1) %	→	Values modifier	=	Value of adjusted STVR award $
						→	Risk and reputation modifier		

(1) The Board retains discretion to adjust scorecard outcomes.

STVR performance outcomes in the financial year ended 30 June 2018 – CEO

The Board's assessment of the CEO's performance in the 2018 financial year is outlined below.

Key:

● = Actual result

Threshold	50% – Board assesses CEO has met the threshold level of performance.
Target	100% – Board assesses CEO has met the stated performance level in all aspects.
Above expectations	150% – Board assesses CEO has substantially exceeded the stated performance level.

Matt Comyn

The table below reflects an assessment of the CEO's performance during the period 9 April 2018 to 30 June 2018. The STVR disclosed in the table on page 107 comprises STVR outcomes as Group Executive, Retail Banking Services for the period 1 July 2017 to 8 April 2018 and as CEO for the period 9 April 2018 to 30 June 2018. In March 2018, Matt Comyn offered to forgo his 2018 financial year STVR award. The Board accepted his offer and no STVR was awarded for the 2018 financial year.

Ian Narev

Ian was rated as Partially Met for risk and reputation and Exceptionally Demonstrated for values. However, the Board and Ian Narev believe that given his former position and in light of the APRA Prudential Inquiry Report findings, he must demonstrate the highest level of accountability. As such, they have agreed that he will not receive his 2018 financial year STVR award.

Measure	%	Threshold 50%	Target 100%	Above expectations 150%	% of STVR target (100% of FR)	% of STVR maximum (150% of FR)	Commentary
Performance scorecard							
Financial/shareholder							
Group cash NPAT	25%	●			10%	7%	• Below threshold in Group cash NPAT (including discontinued operations) (Actual: $9,412M, Target: $10,102M) • Below threshold in Group underlying PACC (Actual: $5,803M, Target: $6,523M) • Progress on productivity targets
Group underlying PACC	25%	●					
Group productivity	10%		●				
Customer							
Blended average of NPS outcomes for retail and business customers (six-month rolling)	15%	●			0%	0%	• Actual result was -7.7 (decline of 2 points) • Blended average NPS target was set at a level of NPS increase of +5 percentage points relative to June 2017 score (-5.7) (Target: -0.7)
People							
Culture, talent, diversity, safety and wellbeing	15%		●		15%	10%	Board discretion, having regard to: • "Your Voice" outcomes for the Group • Quality of talent development within the Group • Improvement in gender and cultural diversity metrics for Executive Manager and above population within the Group • Quality of safety outcomes and processes
Strategy							
Delivery of key strategic initiatives	10%	●			7.5%	5%	• Better Risk Outcomes Program established to drive Group response to APRA recommendations and enforceable undertaking • Good progress on M&A and divestment strategies
Overall STVR CEO outcome					**33%**	**22%**	
STVR modifier							
Values			Exceptionally Demonstrated		No adjustment		• Developed partnerships for vulnerable customers • Launched Welcome Change campaign • Enhanced Better Customer Outcomes Program
Risk and reputation			Partially Met		-20% reduction		• Collective accountability for APRA Prudential Inquiry Report findings
Overall adjusted STVR CEO outcome					**26%**	**17%**	
Final STVR outcome (due to voluntary forfeiture)					**0%**	**0%**	

STVR performance outcomes in the financial year ended 30 June 2018 – Executives

The following table provides the 2018 financial year STVR outcomes for Executives. The minimum potential outcome is zero.

	STVR target	STVR actual Total	STVR actual Cash	STVR actual Deferred	STVR actual as % of STVR target	STVR actual as % of STVR maximum
	$	$	$	$	%	%
CEO						
Matt Comyn(1)	1,315,949	–	–	–	0%	0%
Current Executives						
Adam Bennett	1,049,580	451,975	225,988	225,987	43%	29%
David Cohen	1,200,000	522,600	261,300	261,300	44%	29%
George Confos(2)(3)	n/a	155,126	103,417	51,709	n/a	n/a
Alan Docherty(2)(3)	82,052	77,949	51,966	25,983	n/a	95%
Coen Jonker	848,793	405,246	202,623	202,623	48%	32%
Melanie Laing	861,900	–	–	–	0%	0%
Anna Lenahan	865,000	498,240	249,120	249,120	58%	38%
Paul Newham(2)(3)	162,945	139,318	92,879	46,439	n/a	85%
Angus Sullivan(2)(3)	163,836	117,962	78,641	39,321	n/a	72%
Michael Venter(2)(3)	532,748	407,553	271,702	135,851	n/a	77%
Former CEO						
Ian Narev(4)(5)	2,047,397	–	–	–	0%	0%
Former Executives						
Kelly Bayer Rosmarin(4)	875,020	397,870	198,935	198,935	45%	30%
Rob Jesudason(4)	955,342	–	–	–	0%	0%
Vittoria Shortt(4)	512,417	194,847	97,424	97,423	38%	25%
Annabel Spring(4)(6)	532,214	–	–	–	0%	0%
David Whiteing(4)	832,544	297,634	148,817	148,817	36%	24%

(1) Matt Comyn was appointed to the CEO role effective 9 April 2018. His STVR target reflects his time in both the Group Executive, Retail Banking Services role (1 July 2017 to 8 April 2018) and CEO role (9 April 2018 to 30 June 2018). In March 2018, Matt offered to forgo his 2018 financial year STVR award and the Board accepted.

(2) Newly appointed Executives' remuneration reflects their time in the role. George Confos (1 May 2018 to 30 June 2018), Alan Docherty (14 May 2018 to 30 June 2018), Paul Newham (1 May 2018 to 30 June 2018), Angus Sullivan (9 April 2018 to 30 June 2018) and Michael Venter (1 January 2018 to 30 June 2018).

(3) Other Executives' STVR target shown above reflects their STVR maximum (excluding George Confos). Paul Newham's and Michael Venter's STVR maximum is 170% of base remuneration. Angus Sullivan's STVR maximum is 150% of base remuneration. Alan Docherty's STVR maximum is 130% of base remuneration. George Confos' arrangement does not specify an STVR target and/or maximum.

(4) Former Executives' remuneration reflects their time in the role. Ian Narev (1 July 2017 to 8 April 2018), Kelly Bayer Rosmarin (1 July 2017 to 30 April 2018), Vittoria Shortt (1 July 2017 to 2 February 2018), Annabel Spring (1 July 2017 to 31 December 2017) and David Whiteing (1 July 2017 to 30 April 2018). Rob Jesudason ceased as KMP on 13 May 2018 and is not eligible for an STVR award for the 2018 financial year.

(5) The Board and Ian Narev believe that given his former position and in light of the APRA Prudential Inquiry Report findings, he must demonstrate the highest level of accountability. They have agreed he will not receive his 2018 financial year STVR award.

(6) Annabel Spring agreed not to receive a 2018 financial year STVR award.

Long-term variable remuneration

LTVR award in the year ended 30 June 2018 – key features

The table below outlines key features of the 2018 financial year LTVR for the CEO and Group Executives. Refer to page 116 for treatment of LTVR on cessation of employment.

Features	Approach
Purpose	To focus efforts on achieving superior performance for key stakeholder groups – being shareholders, customers, our people and the community – creating sustainable long-term shareholder value.
Participants	CEO and Group Executives.
Opportunity	The maximum face value of LTVR that can be granted is 180% of FR. The minimum potential outcome value is zero.
Performance period	Four years from 1 July 2017 to 30 June 2021.
Instrument	Reward rights – each reward right entitles the participant to receive one CBA share, subject to meeting performance hurdles.
Allocation approach	Maximum face value allocation approach. Reward rights granted are calculated as follows: FR (at time of grant) $ × 180% ÷ Share price (no discount applied) $ = Number of reward rights Share price: The share price used was the VWACP of CBA's ordinary shares over the five trading days up to and including 1 July 2017.
Dividend payments	No dividends or dividend equivalent payments are provided on reward rights.
Board discretion	The total LTVR award is subject to a risk and reputation review prior to vesting, and can be reduced to zero. The Board has discretion to determine that some or all of the award will lapse in certain circumstances, including where, in the opinion of the Board: • the vesting of reward rights is not justified or supportable, having regard for the participant's performance and/or conduct, the performance of the business unit or function, or the overall Group performance • the vesting of reward rights will impact on the financial soundness of the Group or a member of the Group • a significant unexpected or unintended consequence or outcome has occurred.

Performance measures	Approach

75% TSR (relative)

- TSR measures a company's share price movement, dividends paid and any return on capital over a specific period.
- Relative TSR compares the ranking of Group TSR over the performance period with the TSR of other companies in a peer group.

Reason for selection: Provides a direct link between Executive reward and shareholder returns, for alignment with our shareholders' interests.

Peer group

- The peer group is made up of the 20 largest companies on the ASX by market capitalisation at the beginning of the performance period, excluding resources companies, and the Group[1].
- This cross-industry peer group has been chosen as it represents the typical portfolio of companies in which the Group's shareholders invest, and so provides valid benchmarks for measuring against the Group's TSR.

Vesting framework

Peer group ranking	Vesting %
At the 75th percentile or higher	100%
Between the median and 75th percentile	Pro-rata vesting from 50% to 100%
At the median	50%
Below the median	0%

Calculation of results

Each company in the peer group will be given a percentile ranking based on the growth in its TSR over the four-year performance period.

TSR outcomes are calculated by an independent provider, Orient Capital.

Subject to positive TSR gateway

Performance measures	Approach
12.5% Trust and reputation (relative) • Measured against the independent RepTrak® pulse score survey conducted by the Reputation Institute, which uses a set of four equally weighted questions to test the trust, respect and admiration a respondent has for a particular company. Our score over the performance period is compared with the performance over the same period of a peer group. • The RepTrak® pulse score survey is conducted quarterly. **Reason for selection:** The Board recognises the critical importance for the Group and the industry of rebuilding and improving the trust of customers and the broader community. This is a key factor in enhancing long-term financial performance and value to shareholders.	***Peer group*** • The peer group of the 16 largest consumer-facing companies listed on the ASX by market capitalisation at the beginning of the performance period, excluding resource companies, companies that are not familiar to the general public, companies that do not operate nationally, and the Group[(2)]. • This cross-industry peer group has been chosen to ensure that the Group focuses on delivering trust and reputation outcomes that are among the best in class for all customer-focused industries, not just financial services. ***Vesting framework*** Peer group ranking – Vesting % At the 75th percentile or higher – 100% Between the median and 75th percentile – Pro-rata vesting from 50% to 100% At the median – 50% Below the median – 0% ***Calculation of results*** The opening pulse score for each company will be based on the average of the March, June and September 2017 surveys, while the closing pulse score will be based on the November 2020, March and June 2021 surveys. Each company in the peer group will be given a percentile ranking based on the change in its pulse score over the four-year performance period.
12.5% Employee engagement (absolute) • Employees of the Group are invited to participate in an externally conducted online survey. • The Employee Engagement Index (EEI) is calculated using particular questions from the survey. • EEI is based on the proportion of employees responding that they "strongly agree" or "agree" with the four questions relating to satisfaction, commitment, advocacy and pride (each of which is equally weighted). **Reason for selection:** The Board considers that an engaged workforce results in greater productivity and a better customer experience, and that builds overall value for the Group. It is important the Group's employees are its advocates, committed to our purpose, values and strategy.	***Target setting*** The target and stretch levels of performance have been set by the Board having regard for the IBM Kenexa gap closure method and global benchmark scores provided by IBM Kenexa. ***Vesting framework*** EEI score – Vesting % 82% or higher – 100% Between 80% and 82% – Pro-rata vesting from 50% to 100% 80% – 50% Below 80% – 0% ***Calculation of results*** The surveys will be conducted by an independent provider who will facilitate and collate the EEI results. The change in the EEI scores between the March 2017 EEI score of 78% and the March 2021 score will be used to determine the level of vesting.

(1) The peer group at the beginning of the performance period for the TSR performance hurdle comprised: AGL Limited, 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, Wesfarmers Limited, Westfield Corporation, Westpac Banking Corporation and Woolworths Limited. The reserve bench comprised Aristocrat Leisure Limited, Aurizon Holdings Limited, Cimic Group 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.

(2) The peer group at the beginning of the performance period for the trust and reputation performance hurdle comprised: AGL Limited, AMP Limited, Australia & New Zealand Banking Group Limited, Crown Resorts Limited, Insurance Australia Group Limited, Lendlease Group Limited, Macquarie Group Limited, National Australia Bank Limited, Qantas Limited, QBE Insurance Group Limited, Stockland Corporation Limited, Suncorp Group Limited, Telstra Corporation Limited, Wesfarmers Limited, Westpac Banking Corporation and Woolworths Limited. The reserve bench comprised Bendigo and Adelaide Bank Limited, BlueScope Steel Limited, Coca-Cola Amatil Limited and Medibank Private Limited.

A positive TSR gateway is applied to the non-financial performance measures (trust and reputation, employee engagement), such that no vesting on these measures occurs unless the change in shareholder value is positive.

LTVR performance outcomes for the financial year ended 30 June 2018

The 2015 financial year LTVR award reached the end of its four-year performance period on 30 June 2018 and vested at 23.82%. 76.18% of the 2015 financial year LTVR lapsed.

Performance measure	Percentage of award	Performance outcome	Vesting outcome
Relative TSR	73.97%	35th percentile ranking relative to TSR peer group	0%
Relative customer satisfaction(1)	26.03%	Average result by business 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 = 1.17	91.5%

(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). Relative customer satisfaction vests at 50% if the weighted average ranking is 2nd and 100% if the weighted average ranking is 1st, with straight line vesting in between.

4. Remuneration governance

Remuneration Committee

The Remuneration Committee is the governing body for developing, assessing and monitoring remuneration philosophy, framework and policies across the Group for Board approval. The Remuneration Committee met formally 15 times during the 2018 financial year.

The Remuneration Committee works closely with the Board's Risk and Audit Committees, the Group Chief Risk Officer and Executive General Manager Internal Audit to consider risk and reputational matters when determining remuneration outcomes. Information provided to the Board Committees to support their considerations include Executive risk scorecards, details of material risk matters arising during the year and outcomes of internal audit reviews conducted during the year.

The following diagram illustrates our remuneration governance framework.

CBA Board

The Board reviews, challenges, applies judgement and, as appropriate, approves the Remuneration Committee's recommendations. It approves the remuneration of Executives and of Non-Executive Directors and the policies and processes governing both.

Risk Committee

Assists the Board in the governance of the Group's risks.

Advises the Remuneration Committee of material risk matters which may impact remuneration outcomes.

Risk and Remuneration Review Committee (RRRC)

Management committee that advises the Group Chief Risk Officer on accountability for material risk matters which may impact remuneration outcomes.

Remuneration Committee

Members (as at 30 June 2018)

David Higgins (Chairman)
Catherine Livingstone AO
Andrew Mohl
Mary Padbury
Wendy Stops

Role

Reviews, challenges, applies judgment and, as appropriate, endorses the recommendations made by management and submits for Board approval.

It oversees the Group's remuneration framework and assists the Board to ensure the Group's remuneration strategy and structure are appropriate.

Charter

The responsibilities of the Remuneration Committee are outlined in its Charter and reviewed periodically:

www.commbank.com.au/content/dam/commbank/about-us/shareholders/pdfs/corporate-profile/remuneration-committee-charter.pdf

Board Audit Committee

Assesses and advises the Remuneration Committee, of any matter relevant to financial outcomes that warrants consideration when it considers variable remuneration award outcomes for Executives.

Independent Remuneration Consultant

During the 2018 financial year, the Remuneration Committee engaged external advisors to provide information to assist in making remuneration decisions.

It did not seek or receive any remuneration recommendations in the 2018 financial year.

5. Executive statutory remuneration disclosures

Executive statutory remuneration

The following statutory table details the statutory accounting expense of all remuneration-related items for the Group's Executives. This includes remuneration costs in relation to both the 2017 and 2018 financial years. The tables are different from the remuneration outcomes table on page 100, which shows the remuneration received in the 2018 financial year rather than the accrual accounting amounts determined in accordance with the Australian Accounting Standards. 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.

	FR[1]		Other short-term benefits				Long-term benefits		Share-based payments			
	Base remuneration[2] $	Superannuation $	Non-monetary[3] $	Cash STVR (at risk)[4] $	Deferred STVR (at risk)[5] $	Other[6] $	Long-term[7] $	Deferred STVR (at risk)[5] $	Deferred rights (at risk)[8] $	LTVR reward rights (at risk)[9]	Termination benefits $	Total statutory remuneration[10] $
CEO												
Matt Comyn[11]												
30 Jun 18	1,292,075	23,874	15,726	–	–	266,686	198,599	–	–	1,162,327	–	2,959,287
30 Jun 17	1,030,750	25,000	14,599	–	–	24,802	25,425	–	–	1,078,073	–	2,198,649
Current Executives												
Adam Bennett												
30 Jun 18	1,024,580	25,000	16,911	225,988	–	21,013	58,981	–	51,962	974,726	–	2,399,161
30 Jun 17	974,600	25,000	15,909	–	–	(36,560)	24,113	–	145,640	523,671	–	1,672,373
David Cohen												
30 Jun 18	1,175,000	25,000	16,911	261,300	–	(40,808)	56,646	–	–	1,150,959	–	2,645,008
30 Jun 17	1,175,000	25,000	15,909	–	–	44,169	100,122	–	–	988,620	–	2,348,820
George Confos[11]												
30 Jun 18	133,031	4,178	2,858	103,417	–	7,779	2,401	–	64,612	–	–	318,276
Alan Docherty[11]												
30 Jun 18	95,994	2,637	2,270	51,966	–	6,791	4,018	–	23,222	–	–	186,898
Coen Jonker[12][13]												
30 Jun 18	845,827	2,967	–	203,710	–	461,814	231,089	–	189,362	95,845	–	2,030,614
Melanie Laing												
30 Jun 18	836,900	25,000	16,911	–	–	54,274	14,817	–	–	938,990	–	1,886,892
30 Jun 17	820,000	25,000	15,909	–	–	2,409	22,217	–	–	878,734	–	1,764,269
Anna Lenahan[11]												
30 Jun 18	844,951	20,049	16,911	249,120	–	49,351	6,993	–	533,239	440,478	–	2,161,092
30 Jun 17	497,966	11,555	10,455	–	–	18,571	3,292	–	1,158,780	118,307	–	1,818,926
Paul Newham[11]												
30 Jun 18	137,877	4,178	2,612	92,879	–	3,033	1,516	–	50,603	–	–	292,698
Angus Sullivan[11]												
30 Jun 18	109,224	5,685	3,586	78,641	–	8,480	2,168	–	61,180	–	–	268,964
Michael Venter[11]												
30 Jun 18	313,381	12,397	6,510	271,702	–	73,009	(9,953)	–	179,691	–	–	846,737
Former CEO												
Ian Narev[11][14]												
30 Jun 18	2,028,082	19,315	12,986	–	–	(26,757)	63,019	–	–	(3,316,726)	905,169	(314,912)
30 Jun 17	2,625,000	25,000	15,909	–	–	(33,007)	113,341	–	–	2,966,120	–	5,712,363

	FR[1]		Other short-term benefits				Long-term benefits		Share-based payments			
	Base remuneration[2] $	Superannuation $	Non-monetary[3] $	Cash STVR (at risk)[4] $	Deferred STVR (at risk)[5] $	Other[6] $	Long-term[7] $	Deferred STVR (at risk)[5] $	Deferred rights (at risk)[8] $	LTVR reward rights (at risk)[9] $	Termination benefits $	Total statutory remuneration[10] $
Former Executives												
Kelly Bayer Rosmarin [11][15]												
30 Jun 18	854,198	20,822	14,052	238,853	–	(547)	29,288	238,853	–	2,788,243	966,236	5,149,998
30 Jun 17	1,025,600	25,000	15,909	–	–	18,037	(52,237)	–	70,583	833,943	–	1,936,835
Rob Jesudason [11][12][14]												
30 Jun 18	937,930	17,412	14,641	–	–	215,545	(105,165)	–	–	(1,122,965)	538,770	496,168
30 Jun 17	1,149,030	3,073	–	–	–	972,349	41,466	–	–	987,414	–	3,153,332
Vittoria Shortt [11]												
30 Jun 18	497,554	14,863	9,913	97,424	–	(37,597)	(120,140)	97,424	33,852	2,113,398	–	2,706,691
30 Jun 17	836,900	25,000	15,909	–	–	40,010	(41,739)	–	129,441	374,761	–	1,380,282
Annabel Spring [11][15]												
30 Jun 18	519,611	12,603	7,639	–	–	9,769	(17,886)	–	–	2,117,192	1,376,076	4,025,004
30 Jun 17	1,030,750	25,000	14,599	–	–	13,905	34,003	–	–	1,078,073	–	2,196,330
David Whiteing [11][15]												
30 Jun 18	815,845	16,698	12,710	148,817	–	63,524	(47,658)	148,817	–	2,632,434	914,666	4,705,853
30 Jun 17	979,984	19,616	14,599	–	–	(8,609)	19,620	–	52,634	585,192	–	1,663,036

(1) FR comprises base remuneration and superannuation (post-employment benefit). Superannuation contributions for Rob Jesudason in the 2017 financial year and Coen Jonker in the 2018 financial year 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) For the CEO and Group Executives, 50% of the 2018 financial year STVR for performance during the 12 months to 30 June 2018 (payable in September 2018). For the Other Executives, two-thirds of the 2018 financial year STVR for performance during the 12 months to 30 June 2018 (payable in September 2018).

(5) The 2017 financial year STVR outcome for the CEO and Group Executives was adjusted downwards to zero, reflecting accountability for the overall reputation and risk matters of the Group. The deferred portion of the 2018 financial year STVR outcome for Kelly Bayer Rosmarin, Vittoria Shortt and David Whiteing is deferred into cash over a two year period.

(6) Includes company-funded benefits (including associated fringe benefits tax where applicable) and the net change in accrued annual leave. For Rob Jesudason in the 2017 financial year and Coen Jonker in the 2018 financial year, this includes costs in relation to Hong Kong assignments 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.

(8) 2018 financial year expense for deferred STVR awarded under Executive General Manager arrangements, as well as 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. Deferred 2018 financial year STVR will be expensed over the vesting period commencing 1 July 2018.

(9) 2018 financial year expense for the 2015, 2016, 2017 and 2018 financial year LTVR awards.

(10) The percentage of 2018 financial year remuneration related to performance was: Matt Comyn 39%, Adam Bennett 52%, David Cohen 53%, George Confos 53%, Alan Docherty 40%, Coen Jonker 24%, Melanie Laing 50%, Anna Lenahan 57%, Paul Newham 49%, Angus Sullivan 52%, Michael Venter 53%, Ian Narev 0%, Kelly Bayer Rosmarin 63%, Rob Jesudason 0%, Vittoria Shortt 87%, Annabel Spring 53% and David Whiteing 62%.

(11) Remuneration reflects the individual's time in their respective KMP role(s).

(12) For Rob Jesudason, FY17 remuneration and Coen Jonker, FY18 remuneration was paid in Hong Kong dollars and was impacted by movements in exchange rates. For Rob Jesudason, the 2017 financial year values include costs in relation to his Hong Kong assignment and relocation to Australia. On his exit, 50% of his relocation costs were recovered (as reflected in the 2018 financial year value).

(13) For Coen Jonker, his long-term benefit represents a portion of a deferred purchase price in connection with the Group's acquisition of TymeDigital in the 2015 financial year calculated with reference to his continued employment with the Group and paid to a company in which a related party is a shareholder. Coen also participates in a cash-based incentive scheme known as the 'Excess Return Bonus Scheme' (ERBS), a scheme in which certain other employees in the TymeDigital business also participate. Coen has participated in the ERBS since the 2015 financial year, following CBA's acquisition of TymeDigital. The value of the award is determined by reference to Coen's share in any excess returns generated above a benchmark rate from TymeDigital and certain other branchless digital banking operations established by CBA over a period of up to approximately 20 years (with amounts payable on 30 September 2024 and 30 September 2034, subject to achievement of relevant conditions). Coen's entitlement to payments under the ERBS may be forfeited, reduced or accelerated in certain circumstances (e.g. forfeiture in circumstances of termination for serious misconduct). It is not possible to reliably estimate Coen's maximum potential award under the ERBS, noting, that no amounts have been accrued or became payable to Coen since the 2015 financial year.

(14) For Ian Narev and Rob Jesudason, LTVR awards were forfeited and the associated expense recognised in prior years has been reversed.

(15) The LTVR reward rights value for Kelly Bayer Rosmarin, Annabel Spring and David Whiteing reflects the disclosable accruals for all previously granted LTVR awards that remain unvested following cessation of employment up to the end of each performance period. This means that up to three years of each unvested LTVR award expense has been brought forward and disclosed in total for the 2018 financial year, including those amounts which would otherwise have been included in future year disclosures and that may not vest. These LTVR awards remain on foot and will only vest subject to the achievement of the pre-determined performance conditions and risk and reputation review.

Fair value assumptions for equity awards granted in the 2018 financial year

In the 2018 financial year a face value allocation approach was used to determine the number of rights granted under the LTVR (refer to page 108). The table below is provided in accordance with statutory requirements. The fair value has been calculated using a Monte Carlo simulation method using the assumptions below. The exercise price is nil across all LTVR awards. The fair value of rights under the trust and reputation and employee engagement performance measures is higher than for the relative TSR performance measure. This is expected because the likelihood of achieving a positive TSR over the performance period is greater than the likelihood of achieving a relative TSR ranking higher than the median.

			Assumptions					
Equity plan	Performance measure	Grant date	Fair value $	Performance period end	Expected life (years)	Expected volatility %	Risk free rate %	Dividend yield %
FY18 LTVR reward rights	Relative TSR	17 Nov 17	36.94	30 Jun 21	3.62	15	2.12	5.17
	Trust and reputation (positive TSR gateway)	17 Nov 17	57.11	30 Jun 21	3.62	15	2.12	5.17
	Employee engagement (positive TSR gateway)	17 Nov 17	57.11	30 Jun 21	3.62	15	2.12	5.17

Equity awards received as remuneration

The table below details the value and number of all equity awards that were granted, vested, forfeited or lapsed to Executives during their time in a KMP role in 2018 financial year. Due to the change in the LTVR allocation approach from fair to face value, the table below provides the face value of LTVR reward rights granted during the 2018 financial year (previously was disclosed as fair value). It also shows the number of previous years' awards that vested during the 2018 financial year – some of which relate to past non-KMP roles.

		Granted during 2018 financial year (1)		Previous years' awards vested during 2018 financial year (2)		Forfeited or lapsed during 2018 financial year (3)	
	Class	Units	$	Units	$	Units	$
CEO							
Matt Comyn	LTVR reward rights	22,961	1,900,252	16,441	1,529,923	(8,067)	(653,185)
Current Executives							
Adam Bennett	LTVR reward rights	22,826	1,889,080	–	–	–	–
	Deferred rights	–	–	3,464	280,480	–	–
David Cohen	LTVR reward rights	26,098	2,159,870	14,798	1,377,033	(7,260)	(587,842)
George Confos	Deferred rights	–	–	–	–	(1,366)	(99,349)
Alan Docherty	Deferred rights	–	–	–	–	(575)	(41,820)
Coen Jonker	LTVR reward rights	18,658	1,544,136	–	–	–	–
	Deferred rights	2,896	220,762	634	52,470	–	–
Melanie Laing	LTVR reward rights	18,745	1,551,336	13,565	1,262,296	(6,655)	(538,855)
Anna Lenahan	LTVR reward rights	18,812	1,556,881	–	–	–	–
	Deferred rights	–	–	3,463	260,418	–	–
Paul Newham	Deferred rights	–	–	–	–	(1,077)	(78,330)
Angus Sullivan	Deferred rights	–	–	–	–	(933)	(67,857)
Michael Venter	Deferred rights	–	–	–	–	(1,131)	(82,258)
Former CEO							
Ian Narev	LTVR reward rights	–	–	42,334	3,983,713	(188,524)	(13,882,512)
Former Executives							
Kelly Bayer Rosmarin	LTVR reward rights	22,849	1,890,983	8,697	809,302	(4,266)	(345,418)
	Deferred rights	–	–	2,610	211,332	–	–
Rob Jesudason	LTVR reward rights	23,923	1,979,867	13,565	1,262,296	(96,316)	(7,059,900)
Vittoria Shortt	LTVR reward rights	18,745	1,551,336	–	–	–	–
	Deferred rights	–	–	2,681	217,081	–	–
Annabel Spring	LTVR reward rights	–	–	16,441	1,529,923	(8,067)	(653,185)
David Whiteing	LTVR reward rights	21,739	1,799,120	–	–	–	–
	Deferred rights	–	–	1,946	157,568	–	–

(1) Represents the maximum number of LTVR reward rights and deferred rights that may vest to each executive during their time as KMP. For LTVR reward rights the value represents the face value at grant date being the VWACP of the Group's ordinary shares over the five trading days up to and including 1 July 2017. 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 fair value at grant date. The fair value is the same as the face value. The minimum potential outcome for LTVR reward rights and deferred rights is zero.

(2) Previous years' awards that vested include the 2014 financial year LTVR award and other deferred equity awards that vested during time in KMP role. The value of the awards vested is calculated using VWACP for the five days preceding the vesting date, and includes the value of dividends accrued over the vesting period.

(3) This includes the portion of the 2014 financial year LTVR award (32.92%) that did not meet the performance hurdle and lapsed. The value of the lapsed award is calculated using the VWACP for the five days preceding the lapse date. Also includes portion of deferred rights and/or LTVR reward rights forfeited as a result of individual or collective accountability in relation to the APRA Prudential Inquiry. David Craig's unvested LTVR reward rights (87,358 units valued at $6,353,547) and Alden Toev's unvested LTVR reward rights (60,605 units valued at $4,407,802) were forfeited. The value of forfeited awards is calculated using the VWACP for the five days preceding 30 June 2018.

Overview of unvested equity awards

		Performance period		
Equity plan	**Grant date**	**Start date**	**End date**	**Performance measures**
FY16 LTVR	*CEO:* 17 Nov 15 *Executives:* 10 Nov 15	1 Jul 15	30 Jun 19	Each award is split and tested: • 75% TSR ranking relative to peer group • 25% customer satisfaction average ranking relative to peer group
FY17 LTVR	22 Feb 17	1 Jul 16	30 Jun 20	
FY18 LTVR	17 Nov 17	1 Jul 17	30 Jun 21	Each award is split and tested: • 75% TSR ranking relative to peer group • 12.5% trust and reputation (relative to a peer group) and 12.5% employee engagement (both measures are subject to a positive TSR gateway)

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 relating to time in KMP role. For details of Executive equity plans refer to the Financial Statements Note 10.1 Share-based payments.

	Class[(1)]	Balance 1 Jul 17	Acquired/ granted as remuneration	Previous years' awards vested during the 2018 financial year[(2)]	Net change other[(3)]	Balance 30 Jun 18
CEO						
Matt Comyn	Ordinary	33,562	–	–	16,441	50,003
	LTVR reward rights	90,776	22,961	(16,441)	(8,067)	89,229
Current Executives						
Adam Bennett	Ordinary	16,361	–	–	3,464	19,825
	LTVR reward rights	50,937	22,826	–	–	73,763
	Deferred rights	5,520	–	(3,464)	–	2,056
David Cohen	Ordinary	38,796	–	–	–	38,796
	LTVR reward rights	85,309	26,098	(14,798)	(7,260)	89,349
George Confos	Ordinary	n/a	–	–	1,685	1,685
	Deferred rights	n/a	–	–	12,332	12,332
	PERLS	n/a	–	–	330	330
Alan Docherty	Ordinary	n/a	–	–	2,192	2,192
	Deferred rights	n/a	–	–	5,209	5,209
Coen Jonker	Ordinary	–	–	–	–	–
	LTVR reward rights	–	18,658	–	–	18,658
	Deferred rights	1,902	2,896	(634)	–	4,164
Melanie Laing	Ordinary	31,980	–	–	–	31,980
	LTVR reward rights	73,713	18,745	(13,565)	(6,655)	72,238

	Class[1]	Balance 1 Jul 17	Acquired/ granted as remuneration	Previous years' awards vested during the 2018 financial year[2]	Net change other[3]	Balance 30 Jun 18
Anna Lenahan[4]	Ordinary	10,389	–	–	3,463	13,852
	LTVR reward rights	18,099	18,812	–	–	36,911
	Deferred rights	12,697	–	(3,463)	–	9,234
Paul Newham	Ordinary	n/a	–	–	4,932	4,932
	Deferred rights	n/a	–	–	9,729	9,729
Angus Sullivan	Ordinary	n/a	–	–	4,316	4,316
	Deferred rights	n/a	–	–	8,412	8,412
Michael Venter	Ordinary	n/a	–	–	–	–
	Deferred rights	n/a	–	–	10,191	10,191
Former CEO						
Ian Narev	Ordinary	131,349	–	–	32,065	n/a
	LTVR reward rights	230,858	–	(42,334)	(188,524)	n/a
Former Executives						
Kelly Bayer Rosmarin	Ordinary	21,857	–	–	8,904	n/a
	LTVR reward rights	78,799	22,849	(8,697)	(4,266)	n/a
	Deferred rights	2,610	–	(2,610)	–	n/a
Rob Jesudason	Ordinary	–	–	–	30,265	n/a
	LTVR reward rights	85,958	23,923	(13,565)	(96,316)	n/a
Vittoria Shortt	Ordinary	8,703	–	–	2,681	n/a
	LTVR reward rights	41,428	18,745	–	–	n/a
	Deferred rights	4,934	–	(2,681)	–	n/a
Annabel Spring	Ordinary	29,370	–	–	16,441	n/a
	LTVR reward rights	90,776	–	(16,441)	(8,067)	n/a
David Whiteing	Ordinary	–	–	–	1,946	n/a
	LTVR reward rights	61,788	21,739	–	–	n/a
	Deferred rights	1,946	–	(1,946)	–	n/a

(1) LTVR reward rights are subject to performance hurdles. Deferred rights represent the deferred STVR awarded under Executive General Manager arrangements, sign-on and retention awards received as restricted rights. Both LTVR reward rights and deferred rights are unvested as at 30 June 2018. The maximum potential outcome for LTVR reward rights and deferred rights is subject to CBA share price at time of vesting.

(2) LTVR reward rights and deferred rights become ordinary shares upon vesting.

(3) Net change other incorporates changes resulting from purchases, sales, forfeitures during the year and shares or rights held by an Executive prior to their appointment as KMP. Includes portion of deferred rights and/or LTVR reward rights forfeited as a result of individual or collective accountability in relation to the APRA Prudential Inquiry.

(4) 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	Other Executives
Contract type [1]	Permanent	Permanent	Permanent
Notice period	12 months	6 months	3 months
Severance	n/a	6 months[2]	3 months[3]
STVR entitlements on termination	• Unless otherwise determined by the Board, Executives who resign or are dismissed are 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 any other reason (e.g., retrenchment, retirement or death), the Executive may be entitled to an STVR payment with regard to actual performance against performance measures (as determined by the Board following the end of the performance period). • Unless otherwise determined by the Board, where an Executive's exit is related to any other reason (e.g., retrenchment, retirement or death) unvested deferred STVR awards will remain on foot subject to the original terms and conditions and will vest in the ordinary course, as though the Executive had not ceased employment.		
LTVR entitlements on termination	In general, 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 any other reason (e.g., retrenchment, retirement or death), any unvested LTVR awards continue unchanged with performance measured at the end of the performance period related to each award.		• n/a – Not eligible for LTVR

(1) Permanent contracts continue 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.
(3) Severance applies where the employee is terminated due to redundancy.

6. 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 2018. Non-Executive Director base and committee fees for the 2018 financial year were reduced by an amount equal to 20% of their individual 2017 financial year fees to reflect a shared accountability for the overall reputation of the Group and risk matters.

Fees are inclusive of base fees and statutory superannuation. The Chairman does not receive separate committee fees.

Board/Committee[1]	Chairman $	Member $
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) The Board established the Financial Crimes Review Committee (FCRC) in August 2017 to oversee the response to AUSTRAC's civil proceedings and the Program of Action. The Chairman of the FCRC received a fee of $60,000 pa. The FCRC was dissolved in June 2018.

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 is reached.

Non-Executive Director statutory remuneration

The statutory table below details individual statutory remuneration for the Non-Executive Directors for both the 2018 and 2017 financial years.

	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)				
30 Jun 18	732,290	20,049	–	752,339
30 Jun 17	552,098	19,616	–	571,714
Current Non-Executive Directors				
Shirish Apte (5)(6)				
30 Jun 18	332,013	15,037	–	347,050
30 Jun 17	340,292	10,405	–	350,697
David Higgins (6)				
30 Jun 18	246,570	20,049	–	266,619
30 Jun 17	331,286	19,616	–	350,902
Brian Long				
30 Jun 18	259,777	20,049	–	279,826
30 Jun 17	331,848	19,616	–	351,464
Andrew Mohl				
30 Jun 18	223,073	19,650	–	242,723
30 Jun 17	285,197	19,616	–	304,813
Mary Padbury				
30 Jun 18	225,448	20,049	30,793	276,290
30 Jun 17	231,084	19,239	30,806	281,129
Wendy Stops				
30 Jun 18	225,434	19,554	–	244,988
30 Jun 17	252,661	19,616	–	272,277
Anne Templeman-Jones (7)				
30 Jun 18	66,861	6,516	8,349	81,726
Robert Whitfield (8)				
30 Jun 18	185,476	16,567	26,172	228,215
Former Non-Executive Directors				
Launa Inman (6)(9)				
30 Jun 18	46,542	5,066	5,917	57,525
30 Jun 17	256,128	19,616	28,980	304,724
Harrison Young (6)(9)				
30 Jun 18	49,988	6,064	–	56,052
30 Jun 17	310,520	19,616	–	330,136

(1) Cash includes Board and committee fees received as cash, as well as the provision of additional benefits (including associated fringe benefits tax).

(2) Superannuation contributions are capped at the superannuation maximum contributions base as described under the Superannuation Guarantee legislation.

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

(4) Catherine Livingstone AO was appointed as Chairman from 1 January 2017. Prior year comparison reflects remuneration in both the Non-Executive Director and Chairman role.

(5) For Shirish Apte, 2018 financial year cash fees includes payments in relation to tax advice and health benefits and minor adjustments in relation to prior years.

(6) Shirish Apte, David Higgins, Launa Inman and Harrison Young's 2017 financial year cash has been restated to include the provision of additional benefits (including associated fringe benefits tax).

(7) Anne Templeman-Jones was appointed as a Non-Executive Director effective 5 March 2018 and her remuneration reflects time in the role.

(8) Robert Whitfield was appointed as a Non-Executive Director effective 4 September 2017 and his remuneration reflects time in the role.

(9) Launa Inman and Harrison Young retired from their Non-Executive Director roles effective 16 November 2017 and their remuneration reflects time in the 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 Jul 17	Acquired [1]	Net change other [2]	Balance 30 Jun 18
Chairman					
Catherine Livingstone AO	Ordinary	5,337	–	–	5,337
Current Non-Executive Directors					
Shirish Apte	Ordinary	7,500	–	–	7,500
David Higgins	Ordinary	10,878	–	–	10,878
	PERLS [4]	2,620	–	(2,470)	150
Brian Long	Ordinary	14,797	159	–	14,956
	PERLS [4]	6,850	–	–	6,850
Andrew Mohl	Ordinary	82,234	–	–	82,234
Mary Padbury	Ordinary	294	540	–	834
	PERLS [4]	1,600	–	–	1,600
Wendy Stops	Ordinary	16,000	–	–	16,000
Anne Templeman-Jones	Ordinary	n/a	358	–	358
Robert Whitfield	Ordinary	n/a	309	–	309
Former Non-Executive Directors					
Launa Inman [3]	Ordinary	4,653	251	–	n/a
Harrison Young [3]	Ordinary	30,000	–	–	n/a

(1) Incorporates shares and other securities acquired during the year. Non-Executive Directors who hold fewer than 5,000 CBA 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 the 2018 financial year, under the Non-Executive Directors' Share Plan, Mary Padbury received 478 shares, Anne Templeman-Jones received 57 shares, Robert Whitfield received 282 shares and Launa Inman received 171 shares. Mary Padbury and Robert Whitfield also voluntarily sacrificed a portion of their fees to purchase 62 shares and 27 shares respectively in the 2018 financial year. Launa Inman also received 80 shares in relation to the dividend reinvestment plan.

(2) Net change other incorporates changes resulting from sales of securities.

(3) Launa Inman and Harrison Young retired from the Group on 16 November 2017 and their shareholding balance as at 30 June 2018 is not included.

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

7. 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 including the term of the loan, security required and the interest rate (which may be fixed or variable). No loans were written down during the period.

Total loans to KMP

	30 Jun 18 $
Opening balance	12,145,179
Closing balance [1]	12,914,040
Interest charged	475,873

(1) The aggregate loan amount at the end of the reporting period includes loans issued to 20 KMP.

Loans to KMP exceeding $100,000 in aggregate during the 2018 financial year

	Balance 1 Jul 17 $	Interest charged $	Interest not charged $	Write-off $	Balance 30 Jun 18 $	Highest balance in period [1] $
Kelly Bayer Rosmarin[2]	1,643,424	37,024	–	–	n/a	1,675,615
David Cohen	487,134	20,719	–	–	451,026	511,046
Matt Comyn	2,360,099	30,743	–	–	–	2,736,395
Alan Docherty[2]	n/a	6,691	–	–	1,580,232	1,601,458
Melanie Laing	929,178	11,818	–	–	20,198	962,226
Paul Newham[2]	n/a	76,545	–	–	4,008,128	4,074,273
Mary Padbury	676,992	1,539	–	–	256	700,985
Vittoria Shortt[2]	3,417,879	14,002	–	–	n/a	3,675,571
Angus Sullivan[2]	n/a	60,788	–	–	5,639,759	5,691,182
Michael Venter[2]	n/a	21,933	–	–	1,185,250	1,223,176
David Whiteing[2]	2,502,057	192,867	–	–	n/a	9,721,269
Total	12,016,763	474,669	–	–	12,884,849	32,573,196

(1) Represents the sum of highest balances outstanding at any point during the 2018 financial year for each individual loan held by the KMP.
(2) The values disclosed relate to their period as KMP.

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.

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

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 was also employed by the Group, and was remunerated in a manner consistent with normal employee arrangements.

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 12.4 to the Financial Statements are as follows:

	2018 $'000
Taxation services	2,265
Risk management, compliance and controls related work	8,234
Other	2,787
Total non-audit services (1)	13,286
Total audit and related services	33,780

(1) An additional amount of $3,757,145 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 Strategic report (pages 2 to 60) including the Chairman and CEO statement, Performance overview (pages 61 to 80), Corporate governance (pages 81 to 90) and Shareholding information (pages 277 to 282) sections of this Annual Report.

C.B. Livingstone

Catherine Livingstone AO
Chairman

7 August 2018

Matt Comyn
Managing Director and Chief Executive Officer

7 August 2018

As lead auditor for the audit of Commonwealth Bank of Australia for the year ended 30 June 2018, 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.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
7 August 2018

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Financial Report

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Income Statements

For the year ended 30 June 2018

		Group (1)			Bank (2)	
	Note	**30 Jun 18 $M**	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Interest income	2.1	**34,543**	33,301	33,819	**33,418**	33,534
Interest expense	2.1	**(16,202)**	(15,758)	(16,961)	**(17,007)**	(17,764)
Net interest income		**18,341**	17,543	16,858	**16,411**	15,770
Other banking income		**5,390**	5,684	4,628	**7,365**	6,955
Net banking operating income		**23,731**	23,227	21,486	**23,776**	22,725
Net funds management operating income		**2,099**	1,928	1,916	**-**	-
Net insurance operating income		**302**	231	215	**-**	-
Total net operating income before impairment and operating expenses		**26,132**	25,386	23,617	**23,776**	22,725
Loan impairment expense	3.2	**(1,079)**	(1,095)	(1,256)	**(963)**	(1,040)
Operating expenses	2.4	**(11,633)**	(10,626)	(9,996)	**(10,510)**	(9,560)
Net profit before tax		**13,420**	13,665	12,365	**12,303**	12,125
Corporate tax expense	2.5	**(4,026)**	(3,879)	(3,400)	**(3,293)**	(3,146)
Net profit after tax from continuing operations		**9,394**	9,786	8,965	**9,010**	8,979
Non-controlling interests in continuing operations		**(19)**	(20)	(20)	**-**	-
Net profit attributable to equity holders of the Bank from continuing operations		**9,375**	9,766	8,945	**9,010**	8,979
Net (loss)/profit after tax from discontinued operations		**(46)**	166	278	**(135)**	-
Non-controlling interests in discontinued operations		**-**	(4)	-	**-**	-
Net profit attributable to equity holders of the Bank		**9,329**	9,928	9,223	**8,875**	8,979

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 (3)	
	30 Jun 18	30 Jun 17	30 Jun 16
		Cents per share	
Earnings per share from continuing operations:			
Basic	**536. 9**	567. 9	525. 6
Diluted	**520. 2**	549. 9	513. 3
Earnings per share:			
Basic	**534. 3**	577. 3	542. 0
Diluted	**517. 7**	558. 8	529. 0

(1) Information has been restated and presented on a continuing operations basis. Discontinued operations include the Group's life insurance businesses in Australia and New Zealand, its 37.5% equity interest in BoComm Life and TymeDigital. For details on the Group's discontinued operations refer to note 11.3.
(2) Comparative information has been restated to conform to presentation in the current year.
(3) Basic and diluted earnings per share for all periods presented have been adjusted retrospectively to incorporate the discount element of the dividend reinvestment plan.

Statements of Comprehensive Income

For the year ended 30 June 2018

	Group [1]			Bank	
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Net profit after income tax for the period from continuing operations	**9,394**	9,786	8,965	**9,010**	8,979
Other comprehensive income/(expense):					
Items that may be reclassified subsequently to profit/(loss):					
Foreign currency translation reserve net of tax	**5**	(256)	339	**53**	(11)
Gains and (losses) on cash flow hedging instruments net of tax	**(53)**	(577)	210	**4**	(666)
Gains and (losses) on available-for-sale investments net of tax	**(77)**	(52)	(316)	**(34)**	35
Total of items that may be reclassified	**(125)**	(885)	233	**23**	(642)
Items that will not be reclassified to profit/(loss):					
Actuarial gains from defined benefit superannuation plans net of tax	**161**	175	10	**159**	175
Losses on liabilities at fair value due to changes in own credit risk net of tax	**(2)**	(3)	(1)	**(2)**	(3)
Revaluation of properties net of tax	**31**	23	1	**29**	19
Total of items that will not be reclassified	**190**	195	10	**186**	191
Other comprehensive income/(expense) net of income tax	**65**	(690)	243	**209**	(451)
Total comprehensive income for the period from continuing operations	**9,459**	9,096	9,208	**9,219**	8,528
Net profit after income tax for the period from discontinued operations	**(46)**	166	278	**(135)**	-
Other comprehensive income/(expense) for the period from discontinued operations net of income tax	**(14)**	(29)	44	**-**	-
Total comprehensive income for the period	**9,399**	9,233	9,530	**9,084**	8,528
Total comprehensive income for the period is attributable to:					
Equity holders of the Bank	**9,380**	9,209	9,510	**9,084**	8,528
Non-controlling interests	**19**	24	20	**-**	-
Total comprehensive income net of income tax	**9,399**	9,233	9,530	**9,084**	8,528

(1) Information has been restated and presented on a continuing operations basis.

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

		Group		
		30 Jun 18	30 Jun 17	30 Jun 16
	Note	Cents per share		
Dividends per share attributable to shareholders of the Bank:				
Ordinary shares	8.4	**431**	429	420
Trust preferred securities		**-**	-	7,994

Balance Sheets

As at 30 June 2018

		Group (1)		Bank	
		30 Jun 18	30 Jun 17	**30 Jun 18**	30 Jun 17
Assets	Note	**$M**	$M	**$M**	$M
Cash and liquid assets	5.1	**36,417**	45,850	**33,581**	42,814
Receivables due from other financial institutions	5.2	**9,222**	10,037	**8,376**	8,678
Assets at fair value through Income Statement:					
Trading	5.3	**32,254**	32,704	**29,993**	31,127
Insurance	5.3	**372**	13,669	**-**	-
Other	5.3	**258**	1,111	**-**	796
Derivative assets	5.4	**32,133**	31,724	**30,885**	32,094
Available-for-sale investments	5.5	**82,240**	83,535	**77,731**	79,019
Loans, bills discounted and other receivables	3.1	**743,365**	731,762	**656,650**	647,503
Bank acceptances of customers		**379**	463	**379**	463
Shares in and loans to controlled entities	11.2	**-**	-	**118,252**	101,337
Property, plant and equipment	6.1	**2,576**	3,873	**1,460**	1,494
Investment in associates and joint ventures	11.1	**2,842**	2,778	**1,118**	1,241
Intangible assets	6.2	**9,023**	10,024	**4,399**	4,449
Deferred tax assets (2)	2.5	**1,439**	906	**1,430**	1,324
Other assets	6.3	**6,991**	7,882	**6,279**	6,457
Assets held for sale	11.3	**15,654**	-	**19**	-
Total assets		**975,165**	976,318	**970,552**	958,796
Liabilities					
Deposits and other public borrowings	4.1	**622,234**	626,655	**566,200**	571,353
Payables due to other financial institutions		**20,899**	28,432	**20,014**	28,038
Liabilities at fair value through Income Statement	4.2	**10,247**	10,392	**9,106**	8,989
Derivative liabilities	5.4	**28,472**	30,330	**30,871**	32,173
Bank acceptances		**379**	463	**379**	463
Due to controlled entities		**-**	-	**105,327**	91,222
Current tax liabilities		**952**	1,450	**796**	1,278
Deferred tax liabilities	2.5	**-**	332	**-**	-
Other provisions	7.1	**1,889**	1,780	**1,590**	1,372
Insurance policy liabilities		**451**	12,018	**-**	-
Debt issues	4.3	**172,294**	167,571	**139,984**	134,966
Managed funds units on issue		**-**	2,577	**-**	-
Bills payable and other liabilities	7.2	**11,596**	11,932	**10,116**	10,909
Liabilities held for sale	11.3	**14,900**	-	**-**	-
		884,313	893,932	**884,383**	880,763
Loan capital	8.2	**22,992**	18,726	**22,249**	17,959
Total liabilities		**907,305**	912,658	**906,632**	898,722
Net assets		**67,860**	63,660	**63,920**	60,074
Shareholders' Equity					
Ordinary share capital	8.3	**37,270**	34,971	**37,533**	35,262
Reserves	8.3	**1,676**	1,869	**2,568**	2,556
Retained profits (2)	8.3	**28,360**	26,274	**23,819**	22,256
Shareholders' Equity attributable to Equity holders of the Bank		**67,306**	63,114	**63,920**	60,074
Non-controlling interests	11.1	**554**	546	**-**	-
Total Shareholders' Equity		**67,860**	63,660	**63,920**	60,074

(1) Current period balances have been impacted by the announced sale of the Group's life Insurance businesses in Australia and New Zealand, the investment in BoComm Life and TymeDigital.

(2) Comparatives have been restated following a change in accounting policy to recognise deferred tax on brand names acquired by the Group. Further details on the change are provided in Note 1.1.

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

Statements of Changes in Equity

For the year ended 30 June 2018

						Group
	Ordinary share capital $M	Reserves $M	Retained profits $M	Total $M	Non-controlling interests $M	Total Shareholders' Equity $M
As at 30 June 2016	33,845	2,734	23,435	**60,014**	550	**60,564**
Change in accounting policy [1]	-	-	(56)	**(56)**	-	**(56)**
Restated opening balance	33,845	2,734	23,379	**59,958**	550	**60,508**
Net profit after income tax from continuing operations	-	-	9,766	**9,766**	20	**9,786**
Net profit after income tax from discontinued operations	-	-	162	**162**	4	**166**
Net other comprehensive income from continuing operations	-	(862)	172	**(690)**	-	**(690)**
Net other comprehensive income from discontinued operations	-	(29)	-	**(29)**	-	**(29)**
Total comprehensive income for the period	-	(891)	10,100	**9,209**	24	**9,233**
Transactions with Equity holders in their capacity as Equity holders: [2]						
Dividends paid on ordinary shares	-	-	(7,237)	**(7,237)**	-	**(7,237)**
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**
Other changes	-	(6)	32	**26**	(28)	**(2)**
As at 30 June 2017	34,971	1,869	26,274	**63,114**	546	**63,660**
Net profit after income tax from continuing operations	-	-	9,375	**9,375**	19	**9,394**
Net profit after income tax from discontinued operations	-	-	(46)	**(46)**	-	**(46)**
Net other comprehensive income from continuing operations	-	(94)	159	**65**	-	**65**
Net other comprehensive income from discontinued operations	-	(14)	-	**(14)**	-	**(14)**
Total comprehensive income for the period	-	(108)	9,488	**9,380**	19	**9,399**
Transactions with Equity holders in their capacity as Equity holders: [2]						
Dividends paid on ordinary shares	-	-	(7,484)	**(7,484)**	-	**(7,484)**
Dividend reinvestment plan (net of issue costs)	2,105	-	-	**2,105**	-	**2,105**
Issue of shares (net of issue costs)	164	-	-	**164**	-	**164**
Share-based payments	-	(19)	-	**(19)**	-	**(19)**
Purchase of treasury shares	(95)	-	-	**(95)**	-	**(95)**
Sale and vesting of treasury shares	125	-	-	**125**	-	**125**
Other changes	-	(66)	82	**16**	(11)	**5**
As at 30 June 2018	37,270	1,676	28,360	**67,306**	554	**67,860**

(1) Comparatives have been restated following a change in accounting policy to recognise deferred tax on brand names acquired by the Group. Further details on the change are provided in Note 1.1.
(2) Current period and prior periods include discontinued operations.

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 2018

	Bank				
	Ordinary share capital $M	Other equity instruments $M	Reserves $M	Retained profits $M	Total Shareholders' Equity $M
As at 30 June 2016	34,125	406	3,115	20,430	58,076
Change in accounting policy [(1)]	-	-	-	(56)	(56)
Restated opening balance	34,125	406	3,115	20,374	58,020
Net profit after income tax from continuing operations	-	-	-	8,979	8,979
Net other comprehensive income from continuing operations	-	-	(623)	172	(451)
Total comprehensive income for the period	-	-	(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	22,256	60,074
Net profit after income tax from continuing operations	-	-	-	9,010	9,010
Net profit after income tax from discontinued operations	-	-	-	(135)	(135)
Net other comprehensive income from continuing operations	-	-	52	157	209
Total comprehensive income for the period	-	-	52	9,032	9,084
Transactions with Equity holders in their capacity as Equity holders: [(1)]					
Dividends paid on ordinary shares	-	-	-	(7,484)	(7,484)
Dividend reinvestment plan (net of issue costs)	2,107	-	-	-	2,107
Issue of shares (net of issue costs)	164	-	-	-	164
Share-based payments	-	-	(25)	-	(25)
Redemptions	-	-	-	-	-
Other changes	-	-	(15)	15	-
As at 30 June 2018	37,533	-	2,568	23,819	63,920

(1) Comparatives have been restated following a change in accounting policy to recognise deferred tax on brand names acquired by the Group. Further details on the change are provided in Note 1.1.

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

Statements of Cash Flows (1) (2)

For the year ended 30 June 2018

		Group			Bank	
	Note	**30 Jun 18 $M**	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Cash flows from operating activities						
Interest received		**35,801**	33,536	34,047	**34,679**	33,807
Interest paid		**(15,356)**	(15,006)	(16,285)	**(16,100)**	(17,057)
Other operating income received		**6,181**	5,556	5,688	**4,217**	3,959
Expenses paid		**(10,340)**	(9,763)	(9,981)	**(8,739)**	(8,152)
Income taxes paid		**(4,791)**	(3,976)	(3,071)	**(3,892)**	(3,163)
Net inflows/(outflows) from assets at fair value through Income Statement (excluding life insurance)		**5,270**	4,220	(2,642)	**7,185**	2,742
Net inflows/(outflows) from liabilities at fair value through Income Statement:						
Insurance:						
Investment income		**225**	186	(362)	**-**	-
Premiums received (3)		**3,241**	3,366	3,114	**-**	-
Policy payments and commission expense (3)		**(3,453)**	(3,854)	(3,301)	**-**	-
Other liabilities at fair value through Income Statement		**(208)**	156	1,872	**12**	1,588
Cash flows from operating activities before changes in operating assets and liabilities		**16,570**	14,421	9,079	**17,362**	13,724
Changes in operating assets and liabilities arising from cash flow movements						
Movement in available-for-sale investments:						
Purchases		**(51,783)**	(54,608)	(50,233)	**(50,501)**	(53,883)
Proceeds		**52,832**	49,392	46,150	**51,673**	48,750
Net increase in loans, bills discounted and other receivables		**(16,105)**	(38,744)	(52,825)	**(10,420)**	(31,708)
Net decrease in receivables due from other financial institutions and regulatory authorities		**884**	1,100	803	**583**	1,121
Net decrease/(increase) in securities purchased under agreements to resell		**9,258**	(13,993)	4,574	**9,723**	(13,381)
Insurance business:						
Purchase of insurance assets at fair value through Income Statement		**(1,594)**	(1,789)	(2,020)	**-**	-
Proceeds from sale/maturity of insurance assets at fair value through Income Statement		**2,671**	3,152	4,276	**-**	-
Net increase in other assets		**(11)**	(174)	(108)	**(35)**	(152)
Net (decrease)/increase in deposits and other public borrowings		**(876)**	39,821	37,783	**(4,984)**	36,379
Net (decrease)/increase in payables due to other financial institutions		**(8,279)**	666	(6,323)	**(8,451)**	718
Net (decrease)/increase in securities sold under agreements to repurchase		**(1,574)**	(853)	4,148	**(1,695)**	(804)
Net (decrease)/increase in other liabilities		**(884)**	802	135	**(1,664)**	(1,947)
Changes in operating assets and liabilities arising from cash flow movements		**(15,461)**	(15,228)	(13,640)	**(15,771)**	(14,907)
Net cash provided by/(used in) operating activities	12.3 (a)	**1,109**	(807)	(4,561)	**1,591**	(1,183)

(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) Includes discontinued operations.
(3) Represents gross premiums and policy payments before splitting between policyholders and shareholders.

Statements of Cash Flows (1) (2) (continued)

For the year ended 30 June 2018

		Group			Bank	
	Note	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	30 Jun 18 $M	30 Jun 17 $M
Cash flows from investing activities						
Cash inflows/(outflows) from acquisitions	11.4	**26**	(31)	(857)	**-**	-
Net proceeds from disposal of entities and businesses (net of cash disposals)		**-**	1	110	**-**	-
Dividends received		**68**	94	78	**2,085**	1,200
Net amounts received from controlled entities (3)		**-**	-	-	**(2,993)**	5,500
Proceeds from sale of property, plant and equipment		**155**	381	405	**42**	50
Purchases of property, plant and equipment		**(477)**	(602)	(1,259)	**(321)**	(320)
Payments for acquisitions of investments in associates/joint ventures		**(271)**	(25)	-	**-**	(15)
Net purchase of intangible assets		**(503)**	(495)	(509)	**(405)**	(409)
Net cash (used in)/provided by investing activities		**(1,002)**	(677)	(2,032)	**(1,592)**	6,006
Cash flows from financing activities						
Dividends paid (excluding Dividend Reinvestment Plan)		**(5,366)**	(6,084)	(5,827)	**(5,364)**	(6,084)
Redemption of other equity instruments (net of costs)		**-**	-	(939)	**-**	(406)
Proceeds from issuance of debt securities		**68,273**	94,560	98,958	**57,708**	77,938
Redemption of issued debt securities		**(67,809)**	(81,758)	(97,740)	**(56,692)**	(71,345)
Purchase of treasury shares		**(95)**	(92)	(108)	**-**	-
Sale of treasury shares		**55**	34	50	**-**	-
Issue of loan capital		**4,445**	3,757	3,949	**4,436**	3,379
Redemption of loan capital		**(464)**	-	(1,678)	**(467)**	3
Proceeds from issuance of shares (net of issue costs)		**-**	(6)	5,022	**-**	(6)
Other		**27**	61	(67)	**36**	30
Net cash (used in)/provided by financing activities		**(934)**	10,472	1,620	**(343)**	3,509
Net (decrease)/increase in cash and cash equivalents		**(827)**	8,988	(4,973)	**(344)**	8,332
Effect of foreign exchange rates on cash and cash equivalents		**715**	(318)	150	**746**	(292)
Cash and cash equivalents at beginning of year		**23,117**	14,447	19,270	**20,949**	12,909
Cash and cash equivalents at end of year	12.3 (b)	**23,005**	23,117	14,447	**21,351**	20,949

(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) Includes discontinued operations.
(3) Amounts received from and paid to controlled entities are presented in line with how they are managed and settled.

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

Overview

1.1 General Information, Basis of Accounting, Future Accounting Development

General Information

The Financial Report of the Commonwealth Bank of Australia (the Bank) and the Bank and its subsidiaries (the Group) for the year ended 30 June 2018, were approved and authorised for issue by the Board of Directors on 7 August 2018. 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 Financial Report includes the consolidated and standalone financial statements of the Group and the Bank respectively. Notes accompanying the Financial Statements and the Independent Auditor's Report also form part of the Financial Report.

During the 2018 financial year, the Group announced the sale of 100% of its life insurance businesses in Australia (CommInsure Life) and New Zealand (Sovereign) to AIA Group Limited (AIA) for $3.8 billion.

The sale agreement includes a 20-year partnership with AIA for the provision of life insurance products to customers in Australia and New Zealand. The sale of Sovereign completed on 2 July 2018, resulting in a total post-tax gain of $102 million (inclusive of separation costs and subject to final tax calculations and purchase price adjustments). This has also been reported as a subsequent event.

The sale of CommInsure Life remains subject to certain conditions and regulatory approvals, and is expected to be completed later in calendar year 2018.

On 23 May 2018 CBA announced the sale of its 37.5% equity interest in BoComm Life Insurance Company Limited (BoComm Life) to Mitsui Sumitomo Insurance Co. Ltd (MSI). Completion of the sale is subject to regulatory approvals in China, and is a condition precedent to completion of the CommInsure Life sale.

The CBA Board has approved the sale of Commonwealth Bank of South Africa (Holding Company) Limited ("TymeDigital") to the minority shareholder, African Rainbow Capital. The sale is subject to regulatory approval and potential sale price adjustments. As a result, the financial effect of the sale currently cannot be reliably estimated, however, it is not expected to have a material impact on the Group's results.

Each of these businesses have been treated as discontinued operations for the 2018 financial year.

Discontinued operations are excluded from the results of the continuing operations and are presented as a single line item "net profit after tax from discontinued operations" in the Income Statements.

Assets and Liabilities of discontinued operations subject to disposal have been presented separately as held for sale on the Balance Sheet as at 30 June 2018.

On 25 June 2018 CBA announced its intention to demerge its wealth management and mortgage broking businesses ("NewCo"), and undertake a strategic review of its general insurance business, including a potential sale. Due to the uncertainty of completion of the demerger (potentially greater than 12 months), NewCo is included in continuing operations.

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

The Financial Statements have five primary statements for the Group and the Bank, being:

1. Income Statement;
2. Statement of Comprehensive Income;
3. Balance Sheet;
4. Statement of Changes in Equity; and
5. Statement of Cash Flows.

Associated notes as required by Australian Accounting Standards (the standards) are in the proceeding sections of the Financial Statements.

Disclosures have been grouped into the following categories in order to assist users in their understanding of the Financial Statements:

1. **Overview** – contains the principal accounting policies, the basis of accounting, and future accounting developments.
2. **Our Performance** – includes information on how we generate returns, as well as providing information on our operating segments which is consistent with how information is presented internally to key decision makers.
3. **Our Lending Activities** – provides information on our primary business activity.
4. **Our Investing, Trading and Other Banking Activities** – provides information on assets and activities that cover investing, trading and balance sheet management.
5. **Our Deposits and Funding Activities** – includes information on the diversified funding sources which support our key activities.
6. **Other assets** – includes information on assets such as, intangible assets and property, plant and equipment.
7. **Other liabilities** – includes disclosures on the nature of other provisions, accruals and payables.
8. **Our Capital, Equity and Reserves** – provides information on our capital position.
9. **Risk Management** – provides commentary on the exposure to different risks through participation in the banking and financial services industries, how we manage these risks and the potential impact on our results and balance sheets.
10. **Employee Benefits** – information on cash and equity settled share plans, retirement benefit obligations and key management personnel.
11. **Group Structure** – provides a summary of the Group's controlled entities and includes disclosures relating to transactions which impact the structure of the Group.
12. **Other** – includes disclosures on commitments, contingencies, subsequent events, the impact of new accounting standards and auditors remuneration.

Where applicable for each note, disclosures are further organised by:

i. Disclosures on balances as required by the Standards and the Corporations Act 2001;
ii. The Accounting Policy for the transactions and balances, which provides information to assist in the understanding of how the numbers are measured, recognised and disclosed; and
iii. Any critical accounting judgements and estimates applied by the Group in determining the numbers.

Overview (continued)

1.1 General Information, Basis of Accounting, Future Accounting Developments

Basis of Accounting

The Financial Report:

- is a general purpose financial report;
- has been prepared in accordance with the Standards, the Australian Accounting interpretations adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standard (IFRSs) as issued by the International Accounting Standards Board;
- has been prepared in accordance with the requirements of the Corporations Act 2001;
- is presented in Australian dollars, which is the Bank's functional and presentation currency, with all values rounded to the nearest million dollars ($m) in accordance with ASIC Corporations Instrument 2016/1991 unless otherwise indicated;
- includes foreign currency transactions that are translated into the functional currency, using the exchange rates prevailing at the date of each transaction;
- has been prepared on a going concern basis using a historical cost basis, except for certain assets and liabilities (including derivative instruments) measured at fair value;
- presents assets and liabilities on the face of the Balance Sheets in decreasing order of liquidity;
- where required, presents restated comparative information for consistency with the current year's presentation in the Financial Report;
- contains accounting policies that have been consistently applied to all periods presented, unless otherwise stated.

Change in Comparatives

Discontinued Operations

Discontinued operations are excluded from the results of the continuing operations and are presented as a single line item "net profit after tax from discontinued operations" in the Consolidated Income Statement for the current and prior periods.

Assets and Liabilities of discontinued operations subject to disposal have been presented separately as held for sale on the Balance Sheet as at 30 June 2018.

Re- segmentation

During the year, refinements have been made to the allocation of customer balances and associated revenue and expenses between business segments as detailed in Note 2.7.

Reclassification of IT expenses by nature

During the year, staff expenses and IT expense have been restated to more accurately reflect the nature of each underlying line item. The $142 million impact resulted in a decrease in salaries and related costs and an increase in Application maintenance and development expenses for June 2017 and $154 million for June 2016.

Other

No amendments to Australian Accounting Standards have been adopted during the period that have a material impact on the Group.

Change in Accounting Policies

Deferred tax on indefinite useful life Brand Names

Previously, the Bank did not recognise deferred tax on the Bankwest brand acquired through a business combination in 2008 (carrying value $186 million at 30 June 2017) due to the brand having an indefinite useful life and its carrying value was expected to be realised through sale.

In November 2016 the IFRS Interpretations Committee ("IFRIC") published an agenda decision concluding that an entity cannot assume that the carrying value of an intangible asset with an indefinite useful life will be recovered through sale.

As a result, the expected manner of recovery in relation to the Bankwest brand has changed to being realised through use given that there is no planned, expected or potential sale of Bankwest in the near future.

Therefore, we have retrospectively changed the accounting policy for the accounting of deferred tax on the Bankwest brand. The impact of the change resulted in a decrease in opening retained earnings of $56 million with a corresponding increase in deferred tax liabilities. Deferred tax liabilities have been offset against deferred tax assets. There was no impact on profit.

Where necessary, comparative information has been restated to conform to presentation in the current period. All changes have been footnoted throughout the financial statements.

Future Accounting Developments

Refer to Note 12.5 for information on the adoption of AASB 9 'Financial Instruments' and AASB 15 'Revenue from Contracts with Customers' adopted from 1 July 2018.

Other Accounting Developments

AASB 16 'Leases' amends the accounting for leases and will replace AASB 117 'Leases'. Lessees will be required to bring both operating and finance leases on Balance Sheet as a right of use asset along with the associated lease liability. Interest expense will be recognised in profit or loss using the effective interest rate method, and the right of use asset will be depreciated. Lessor accounting remains largely unchanged. AASB 16 is not mandatory until 1 July 2019.

The potential financial impacts of the above have not yet been determined.

Other amendments to existing standards that are not yet effective are not expected to result in significant changes to accounting policies.

2) Our Performance

Overview

The Group earns its returns from providing a broad range of banking and insurance products and services to retail and wholesale customers in Australia, New Zealand and other jurisdictions.

Lending and deposit taking are the Group's primary business activities with net interest income being the main contributor to the Group's results. Net interest income is derived as the difference between interest earned on lending and investment assets and interest incurred on customer deposits and wholesale debt raised to fund these assets.

The Group further generates income from lending fees and commissions, funds management services, insurance products and trading activities. It also incurs costs associated with running the business such as staff, occupancy, technology and related expenses.

The Performance section provides details of the main contributors to the Group's returns and analysis of its financial performance by business segments, geographical regions and on an earnings per share basis.

2.1 Net Interest Income

	Group (1)			Bank	
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Interest Income					
Loans and bills discounted	**31,714**	30,734	30,969	**28,283**	27,214
Other financial institutions	**140**	149	136	**121**	133
Cash and liquid assets	**459**	321	291	**427**	291
Assets at fair value through Income Statement	**501**	490	576	**465**	467
Available-for-sale investments	**1,729**	1,607	1,847	**1,639**	1,510
Controlled entities	**-**	-	-	**2,483**	3,919
Total interest income	**34,543**	33,301	33,819	**33,418**	33,534
Interest Expense					
Deposits	**10,243**	10,518	11,764	**8,802**	9,039
Other financial institutions	**418**	300	277	**379**	274
Liabilities at fair value through Income Statement	**167**	102	211	**142**	58
Debt issues	**4,169**	4,159	4,125	**3,286**	3,326
Loan capital	**836**	679	584	**801**	650
Bank levy	**369**	-	-	**369**	-
Controlled entities	**-**	-	-	**3,228**	4,417
Total interest expense	**16,202**	15,758	16,961	**17,007**	17,764
Net interest income	**18,341**	17,543	16,858	**16,411**	15,770

(1) Information has been restated and presented on a continuing operations basis.

Interest recognised on financial instruments measures at amortised cost

Total interest income for financial assets that are not at fair value through profit or loss is $33,783 million (2017: $32,419 million, 2016: $32,657 million) for the Group and $32,694 million (2017: $32,675 million) for the Bank.

Total interest expense for financial liabilities that are not fair value through profit or loss is $16,035 million (2017: $15,656 million, 2016: $16,750) for the Group and $16,865 million (2017: 17,706 million) for the Bank.

Accounting Policies

Interest income and interest expense on financial assets and liabilities are measured using the effective interest rate method. The effective interest rate method calculates the amortised cost of a financial instrument, such as a loan, deposit or issued debt instrument, and allocates the interest income or interest expense over the expected life of the financial instrument.

Fees, transaction costs and issue costs integral to the financial assets and liabilities are capitalised and included in the interest recognised over the expected life of the instrument.

Interest income on finance leases is recognised progressively over the life of the lease, consistent with the outstanding investment and unearned income balance. Interest expense also includes payments made under a liquidity facility arrangement with the Reserve Bank of Australia, the Major Bank Levy (Bank Levy) expense and other financing charges.

2.2 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).

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 and New Zealand, which is reflected in overseas, did not change during the financial year 2018 (2017: 25 basis points decrease for Australia, and 50 basis points decrease for New Zealand).

			Group						
			30 Jun 18			30 Jun 17			30 Jun 16
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	**19,087**	**313**	**1. 6**	17,734	271	1. 5	11,536	186	1. 6
Overseas	**18,898**	**146**	**0. 8**	19,626	47	0. 2	20,183	104	0. 5
Receivables due from other financial institutions									
Australia	**2,290**	**50**	**2. 2**	2,266	20	0. 9	3,387	26	0. 8
Overseas	**5,997**	**90**	**1. 5**	8,850	132	1. 5	8,986	111	1. 2
Assets at fair value through Income Statement - Trading and Other									
Australia	**20,761**	**444**	**2. 1**	21,731	422	1. 9	19,354	500	2. 6
Overseas	**4,070**	**57**	**1. 4**	3,895	68	1. 7	3,090	76	2. 5
Available-for-sale investments									
Australia	**66,241**	**1,479**	**2. 2**	66,615	1,458	2. 2	66,543	1,662	2. 5
Overseas	**17,011**	**250**	**1. 5**	13,870	149	1. 1	12,770	185	1. 4
Loans, bills discounted and other receivables [2]									
Australia [3]	**597,343**	**27,110**	**4. 5**	581,093	26,266	4. 5	554,206	26,620	4. 8
Overseas	**102,566**	**4,604**	**4. 5**	99,061	4,468	4. 5	90,541	4,349	4. 8
Total interest earning assets and interest income	**854,264**	**34,543**	**4. 0**	834,741	33,301	4. 0	790,596	33,819	4. 3

(1) Information has been restated and presented on a continuing operations basis.
(2) Loans, bills discounted and other receivables include bank acceptances.
(3) Net of average mortgage offset balances that are included in Non-interest earning assets. Gross Australian loan balance is $638,167 million (2017: $616,418 million, 2016: $581,067 million).

2.2 Average Balances and Related Interest (continued)

			Group
	30 Jun 18	30 Jun 17	30 Jun 16
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
Overseas	**377**	2,477	2,502
Property, plant and equipment			
Australia	**2,940**	3,743	2,827
Overseas	**252**	289	266
Other assets			
Australia [(1) (2)]	**94,925**	108,931	97,012
Overseas	**11,924**	13,774	14,889
Provisions for impairment			
Australia	**(3,203)**	(3,303)	(3,272)
Overseas	**(466)**	(424)	(375)
Total non-interest earning assets	**106,749**	137,592	125,668
Assets held for sale [(3)]			
Australia	**13,046**	-	-
Overseas	**2,228**	-	-
Total assets	**976,287**	972,333	916,264
Percentage of total assets applicable to overseas operations (%)	**16. 7**	16. 6	16. 7

(1) Comparative information has been restated to conform to presentation in the current year.
(2) Includes average mortgage offset balances.
(3) On 21 September 2017 CBA announced the sale of 100% of its life insurance businesses CommInsure Life and Sovereign to AIA Group Limited (AIA) and its 37.5% equity stake in BoComm Life. For 30 June 2018, $79 million of Non-lending interest earning assets and $15,177 million of other assets have been reclassified to Assets held for sale. Assets held for sale also includes $18 million of assets that reside outside the Group's life insurance business as at 30 June 2018.

2.2 Average Balances and Related Interest (continued)

									Group
			30 Jun 18			30 Jun 17			30 Jun 16
Interest bearing liabilities (1)	**Average Balance $M**	**Interest $M**	**Average Rate %**	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %
Time deposits									
Australia (2)	**203,694**	**5,438**	**2. 7**	207,501	5,645	2. 7	196,883	5,926	3. 0
Overseas	**51,291**	**1,652**	**3. 2**	48,461	1,554	3. 2	41,541	1,417	3. 4
Savings deposits									
Australia (2)	**143,462**	**1,767**	**1. 2**	144,631	2,005	1. 4	156,648	2,844	1. 8
Overseas	**14,414**	**122**	**0. 8**	16,136	172	1. 1	16,688	293	1. 8
Other demand deposits									
Australia	**115,079**	**1,165**	**1. 0**	106,267	1,041	1. 0	94,904	1,156	1. 2
Overseas	**8,136**	**99**	**1. 2**	8,154	101	1. 2	7,288	128	1. 8
Payables due to other financial institutions									
Australia	**10,292**	**196**	**1. 9**	11,098	158	1. 4	14,367	154	1. 1
Overseas	**16,648**	**222**	**1. 3**	19,235	142	0. 7	22,664	123	0. 5
Liabilities at fair value through Income Statement									
Australia	**7,557**	**141**	**1. 9**	7,049	63	0. 9	4,516	95	2. 1
Overseas	**1,332**	**26**	**2. 0**	1,467	39	2. 7	2,349	116	4. 9
Debt issues (3)									
Australia	**138,666**	**3,463**	**2. 5**	136,614	3,323	2. 4	136,453	3,469	2. 5
Overseas	**28,450**	**706**	**2. 5**	32,307	836	2. 6	25,564	656	2. 6
Loan capital									
Australia	**13,788**	**556**	**4. 0**	11,239	447	4. 0	9,442	388	4. 1
Overseas	**6,774**	**280**	**4. 1**	5,453	232	4. 3	4,447	196	4. 4
Bank levy									
Australia	**-**	**369**	**-**	-	-	-	-	-	-
Overseas	**-**	**-**	**-**	-	-	-	-	-	-
Total interest bearing liabilities and interest expense	**759,583**	**16,202**	**2. 1**	755,612	15,758	2. 1	733,754	16,961	2. 3

(1) Information has been restated and presented on a continuing operations basis.
(2) Net of average mortgage offset balances that are included in Non-interest bearing liabilities.
Debt issues include bank acceptances.

			Group
	30 Jun 18	30 Jun 17	30 Jun 16
Non-interest bearing liabilities	**Average Balance $M**	Average Balance $M	Average Balance $M
Deposits not bearing interest			
Australia (1)	**83,949**	72,303	47,182
Overseas	**4,193**	3,671	3,035
Insurance policy liabilities			
Australia	**-**	11,190	11,482
Overseas	**466**	1,368	1,406
Other liabilities			
Australia	**37,250**	53,418	48,604
Overseas	**10,255**	12,796	13,178
Total non-interest bearing liabilities	**136,113**	154,746	124,887
Liabilities held for sale (2)			
Australia	**13,413**	-	-
Overseas	**1,308**	-	-
Total liabilities	**910,417**	910,358	858,641
Shareholders' Equity (3)	**65,870**	61,975	57,623
Total liabilities and Shareholders' Equity	**976,287**	972,333	916,264
Total liabilities applicable to overseas operations (%)	**15. 7**	16. 4	16. 1

(1) Includes average mortgage offset balance.
(2) On 21 September 2018 CBA announced the sale of 100% of its life insurance businesses CommInsure Life and Sovereign to AIA Group Limited (AIA). For 30 June 2018, $867 million of Other demand deposits and $13,854 million of Other non-interest bearing liabilities have been reclassified to Liabilities held for sale.
(3) Comparative information has been restated to conform to presentation in the current year.

2.2 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).

	June 2018 vs June 2017			June 2017 vs June 2016		
Changes in net interest income: Volume and rate analysis [1]	**Volume $M**	**Rate $M**	**Total $M**	Volume $M	Rate $M	Total $M
Interest Earning Assets						
Cash and liquid assets						
Australia	**21**	**21**	**42**	97	(12)	85
Overseas	**(4)**	**103**	**99**	(2)	(55)	(57)
Receivables due from other financial institutions						
Australia	**-**	**30**	**30**	(9)	3	(6)
Overseas	**(43)**	**1**	**(42)**	(2)	23	21
Assets at fair value through Income Statement - Trading and Other						
Australia	**(20)**	**42**	**22**	54	(132)	(78)
Overseas	**3**	**(14)**	**(11)**	17	(25)	(8)
Available-for-sale investments						
Australia	**(8)**	**29**	**21**	2	(206)	(204)
Overseas	**40**	**61**	**101**	14	(50)	(36)
Loans, bills discounted and other receivables						
Australia	**736**	**108**	**844**	1,253	(1,607)	(354)
Overseas	**158**	**(22)**	**136**	397	(278)	119
Changes in interest income	**784**	**458**	**1,242**	1,825	(2,343)	(518)
Interest Bearing Liabilities and Loan Capital						
Time deposits						
Australia	**(103)**	**(104)**	**(207)**	304	(585)	(281)
Overseas	**91**	**7**	**98**	229	(92)	137
Savings deposits						
Australia	**(15)**	**(223)**	**(238)**	(192)	(647)	(839)
Overseas	**(16)**	**(34)**	**(50)**	(8)	(113)	(121)
Other demand deposits						
Australia	**88**	**36**	**124**	125	(240)	(115)
Overseas	**-**	**(2)**	**(2)**	13	(40)	(27)
Payables due to other financial institutions						
Australia	**(13)**	**51**	**38**	(41)	45	4
Overseas	**(27)**	**107**	**80**	(22)	41	19
Liabilities at fair value through Income Statement						
Australia	**7**	**71**	**78**	38	(70)	(32)
Overseas	**(3)**	**(10)**	**(13)**	(34)	(43)	(77)
Debt issues						
Australia	**51**	**89**	**140**	4	(150)	(146)
Overseas	**(98)**	**(32)**	**(130)**	174	6	180
Loan capital						
Australia	**102**	**7**	**109**	73	(14)	59
Overseas	**55**	**(7)**	**48**	44	(8)	36
Bank levy						
Australia	**-**	**369**	**369**	-	-	-
Overseas	**-**	**-**	**-**	-	-	-
Changes in interest expense	**84**	**360**	**444**	481	(1,684)	(1,203)
Changes in net interest income	**415**	**383**	**798**	935	(250)	685

(1) Information has been restated and presented on a continuing operations basis.

2.3 Other Operating Income

	Group (1)			Bank (2)	
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Other Operating Income					
Lending fees	**1,109**	1,078	1,010	**1,032**	1,002
Commissions (3)	**2,670**	2,561	2,289	**2,363**	2,092
Trading income	**1,025**	1,149	1,087	**916**	1,043
Net gain/(loss) on non-trading financial instruments (4)	**62**	433	(27)	**71**	453
Net gain/(loss) on sale of property, plant and equipment	**(17)**	6	(21)	**(17)**	(3)
Net hedging ineffectiveness	**12**	62	(72)	**-**	30
Dividends - Controlled entities	**-**	-	-	**2,029**	1,105
Dividends - Other	**10**	10	12	**56**	95
Net funds management operating income	**2,099**	1,928	1,916	**-**	-
Insurance contracts income	**302**	231	215	**-**	-
Share of profit from associates and joint ventures net of impairment (5)	**323**	273	270	**(7)**	(5)
Other (3) (6)	**196**	112	80	**922**	1,143
Total other operating income	**7,791**	7,843	6,759	**7,365**	6,955

(1) Information has been restated and presented on a continuing operations basis.
(2) Comparative information has been restated to conform to presentation in the current year.
(3) The year ended 30 June 2018 includes $228 million in income from the consolidation of AHL Holdings Pty Ltd (AHL) as the Group acquired the remaining 20% share on 25th August 2017 and an increase of $4 million in commissions from the acquisition of eChoice.
(4) The prior year included a $397 million gain on sale of the Group's remaining investment in VISA Inc.
(5) 2018 includes the gain recognised on acquisition of AHL ($58 million) and a loss due to the dilution of the Bank's interest in Qilu Bank Co. Ltd ($4 million).
(6) Includes depreciation of $74 million (2017: $88 million, 2016: $107 million) and impairment of nil (2017: $6 million, 2016: $69 million) in relation to assets held for lease by the Group. Includes depreciation of $9 million (2017: $13 million) and impairment of nil (2017: $2 million) in relation to assets held for lease by the Bank.

	Group			Bank	
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Net hedging ineffectiveness comprises:					
Gain/(loss) on fair value hedges:					
Hedging instruments	**(757)**	841	(709)	**(759)**	1,862
Hedged items	**765**	(799)	642	**763**	(1,829)
Cash flow and net investment hedge ineffectiveness	**4**	20	(5)	**(4)**	(3)

Accounting Policies

Lending Fees and commission income include:

- Facility fees earned for managing and administering credit and other facilities for customers, which are recognised over the service period;
- Commitment fees to originate a loan that is unlikely to be drawn down are recognised when the commitment is issued; and
- Fee income earned for providing advisory or arrangement services, placement and underwriting services, which are recognised when the related service is completed.

Trading income represents both realised and unrealised gains and losses from changes in the fair value of trading assets, liabilities and derivatives, which are recognised in the period in which they arise.

2.3 Other Operating Income (continued)

Accounting Policies (continued)

Net gain/(loss) on non-trading financial instruments includes realised gains and losses from non-trading financial assets and liabilities (i.e. available-for-sale investments), as well as realised and unrealised gains and losses on non-trading derivatives that are held for risk management purposes.

Net gain/(loss) on the sale of property, plant and equipment is the difference between proceeds received and its carrying value.

Net hedging ineffectiveness is measured on fair value, cash flow and net investment hedges.

Dividends received on non-trading equity investments (including controlled entities) are recognised either on the ex-dividend date or when the right to receive payment is established.

Net funds management operating income includes fees earned where the Group acts as the Responsible Entity, Trustee or Manager for a number of wholesale, superannuation, and investment funds or trusts. Management fees are recognised over the service period. Performance fees are recognised when it is probable that the revenue will be received.

General insurance premiums received and receivable are recognised as revenue when they are earned, 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. Claims are recognised as an expense when the liability is established.

The Group recognises its share of the profits or losses from associate or joint venture investments, less any dividends received or impairment recognised.

Other income includes rental income on operating leases which are recognised on a straight line basis over the lease term. This is offset by depreciation and impairment expense on the associated operating lease assets held by the Group. For the Bank, this includes management fee income for services provided to subsidiaries.

Other income also includes the impact of foreign currency revaluations for foreign currency monetary assets and liabilities. These assets and liabilities are retranslated at the spot rate at balance 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.

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2.4 Operating Expenses

	Group [1]			Bank [2]	
	30 Jun 18	30 Jun 17	30 Jun 16	**30 Jun 18**	30 Jun 17
	$M	$M	$M	**$M**	$M
Staff Expenses					
Salaries and related on-costs [3]	**5,441**	5,264	5,274	**4,587**	4,521
Share-based compensation	**77**	120	86	**91**	118
Superannuation	**421**	481	394	**400**	461
Total staff expenses	**5,939**	5,865	5,754	**5,078**	5,100
Occupancy and Equipment Expenses					
Operating lease rentals	**660**	646	632	**591**	572
Depreciation of property, plant and equipment	**289**	278	259	**245**	237
Other occupancy expenses	**222**	186	218	**185**	155
Total occupancy and equipment expenses	**1,171**	1,110	1,109	**1,021**	964
Information Technology Services					
Application maintenance and development [3]	**709**	586	578	**724**	597
Data processing	**197**	200	197	**198**	209
Desktop	**154**	184	136	**140**	173
Communications	**173**	184	197	**155**	173
Amortisation of software assets [4]	**427**	762	367	**381**	724
Software write-offs	**71**	6	-	**71**	6
IT equipment depreciation	**68**	49	51	**67**	51
Total information technology services	**1,799**	1,971	1,526	**1,736**	1,933
Other Expenses					
Postage and stationery	**177**	183	187	**163**	168
Transaction processing and market data	**181**	185	179	**120**	130
Fees and commissions:					
Professional fees	**677**	386	234	**651**	367
Other	**135**	74	90	**5**	58
Advertising, marketing and loyalty	**482**	429	479	**400**	380
Amortisation of intangible assets (excluding software and merger related amortisation)	**13**	11	12	**-**	-
Non-lending losses [5]	**839**	124	103	**829**	115
Impairment on investments in subsidiaries	**-**	-	-	**231**	40
Other	**186**	284	284	**242**	301
Total other expenses	**2,690**	1,676	1,568	**2,641**	1,559
Total operating expenses [6]	**11,599**	10,622	9,957	**10,476**	9,556
Investment and Restructuring					
Integration expenses	**30**	-	-	**30**	-
Merger related amortisation [7]	**4**	4	39	**4**	4
Total investment and restructuring	**34**	4	39	**34**	4
Total operating expenses	**11,633**	10,626	9,996	**10,510**	9,560

(1) Information has been restated and presented on a continuing operations basis.
(2) Comparative information has been restated to conform to presentation in the current year.
(3) During the year, the group restated staff expenses and IT expenses to more accurately reflect the underlying nature of each line item. The impact was a decrease in salaries and related on-costs and an increase in application maintenance and development expenses of $142 million for June 2017 and $154 million for June 2016.
(4) The year ended 30 June 2017 includes a $393 million one-off expense for acceleration of amortisation on certain software assets.
(5) The year ended 30 June 2018 includes $700 million for the AUSTRAC civil penalty. See Note 7.1 for further information.
(6) The year ended 30 June 2018 includes a $190 million expense following the consolidation of AHL Holdings Pty Ltd (trading as Aussie Home Loans) as the Group acquired the remaining 20% share on 25 August 2017 and a $7 million expense following the acquisition of eChoice.
(7) Merger related amortisation relates to Bankwest core deposits and customer lists.

2.4 Operating Expenses (continued)

Accounting Policies

Salaries and related on-costs include annual leave, long service leave, employee incentives and relevant taxes. Staff expenses are recognised over the period the employee renders the service. Long service leave is discounted to present value using assumptions relating to staff departures, leave utilisation and future salary.

Share-based compensation includes both payments which may be cash or equity settled. Cash settled share-based remuneration is recognised as a liability and re-measured to fair value until settled. The changes in fair value are recognised as staff expenses. Equity settled remuneration is fair valued at the grant date and amortised to staff expenses over the vesting period, with a corresponding increase in the employee compensation reserve.

Superannuation expense includes expenses relating to defined contribution and defined benefit superannuation plans. Defined contribution expense is recognised in the period the service is provided, whilst the defined benefit expense, which measures current and past service costs is determined by an actuarial calculation.

Occupancy and equipment expenses include depreciation which is calculated using the straight line method over the asset's estimated useful life and operating lease rentals which are recognised on a straight line basis over the lease term.

IT services expenses are recognised as incurred unless they qualify for capitalisation as computer software due to the expenditure generating probable future economic benefits. If capitalised, the computer software is subsequently amortised over its estimated useful life. 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.

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

Critical accounting judgements and estimates

Group's Defined Benefit Superannuation Plans

Actuarial valuations of the plans' obligations are dependent on a series of assumptions set out in Note 10.2 including inflation rates, discount rates and salary growth rates. Changes in these assumptions impact the fair value of the plans' obligations, assets, superannuation expense and actuarial gains and losses recognised in Other Comprehensive Income.

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2.5 Income Tax Expense

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

	Group [1]			Bank	
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Profit before income tax	**13,420**	13,665	12,365	**12,303**	12,125
Prima facie income tax at 30%	**4,026**	4,100	3,710	**3,691**	3,638
Effect of amounts which are non-deductible/(assessable) in calculating taxable income:					
Taxation offsets and other dividend adjustments	**(7)**	(11)	(4)	**(612)**	(369)
Tax losses not previously brought to account	**-**	(56)	(5)	**-**	(56)
Offshore tax rate differential	**(66)**	(75)	(76)	**(9)**	(15)
Offshore banking unit	**(39)**	(42)	(33)	**(38)**	(40)
Effect of changes in tax rates	**15**	4	1	**15**	(1)
Income tax (over)/under provided in previous years	**(79)**	(65)	(177)	**(69)**	(53)
Non-deductible expense provision [2]	**210**	-	-	**210**	-
Other	**(34)**	24	(16)	**105**	42
Total income tax expense	**4,026**	3,879	3,400	**3,293**	3,146
Effective tax rate (%)	**30. 0**	28. 4	27. 5	**26. 8**	26. 0

(1) Information has been restated and presented on a continuing operations basis.
(2) Due to the $700 million expense relating to the AUSTRAC civil penalty, which is non-deductible for tax purposes.

	Group			Bank	
Income tax expense attributable to profit from ordinary activities	**30 Jun 18 $M**	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Australia					
Current tax expense	**3,956**	3,737	2,827	**3,370**	3,453
Deferred tax expense/(benefit)	**(416)**	(292)	114	**(157)**	(341)
Total Australia	**3,540**	3,445	2,941	**3,213**	3,112
Overseas					
Current tax expense	**969**	404	465	**77**	68
Deferred tax expense/(benefit)	**(483)**	30	(6)	**3**	(34)
Total overseas	**486**	434	459	**80**	34
Income Tax Expense attributable to profit from ordinary activities	**4,026**	3,879	3,400	**3,293**	3,146

2.5 Income Tax Expense (continued)

	Group (1)			Bank (1)	
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Deferred tax asset balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement:					
Provision for employee benefits	**452**	493	501	**391**	387
Provisions for impairment on loans, bills discounted and other receivables	**991**	1,032	1,051	**913**	946
Other provisions not tax deductible until expense incurred	**221**	201	216	**154**	129
Financial instruments	**(1)**	1	56	**(1)**	-
Defined benefit superannuation plan	**339**	320	310	**339**	320
Unearned income	**267**	228	101	**267**	228
Other	**297**	224	126	**274**	165
Total amount recognised in the Income Statement	**2,566**	2,499	2,361	**2,337**	2,175
Amounts recognised directly in Other Comprehensive Income:					
Cash flow hedge reserve	**114**	123	161	**11**	13
Other reserves	**22**	12	16	**28**	17
Total amount recognised directly in Other Comprehensive Income	**136**	135	177	**39**	30
Total deferred tax assets (before set off)	**2,702**	2,634	2,538	**2,376**	2,205
Set off to tax	**(1,263)**	(1,728)	(2,205)	**(946)**	(881)
Net deferred tax assets	**1,439**	906	333	**1,430**	1,324
Deferred tax liability balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement:					
Lease financing	**200**	235	282	**100**	96
Intangible assets	**56**	64	205	**56**	64
Financial instruments	**30**	179	196	**10**	14
Insurance	**-**	485	510	**-**	-
Investments in associates	**131**	122	95	**-**	-
Other	**83**	246	233	**39**	25
Total amount recognised in the Income Statement	**500**	1,331	1,521	**205**	199
Amounts recognised directly in Other Comprehensive Income:					
Revaluation of properties	**81**	76	74	**80**	76
Foreign currency translation reserve	**18**	8	26	**-**	-
Cash flow hedge reserve	**48**	70	416	**45**	37
Defined benefit superannuation plan	**498**	445	376	**498**	445
Available-for-sale investments reserve	**118**	130	132	**118**	124
Total amount recognised directly in Other Comprehensive Income	**763**	729	1,024	**741**	682
Total deferred tax liabilities (before set off)	**1,263**	2,060	2,545	**946**	881
Set off to tax	**(1,263)**	(1,728)	(2,205)	**(946)**	(881)
Net deferred tax liabilities	**-**	332	340	**-**	-

2.5 Income Tax Expense (continued)

	Group (1) (2)			Bank	
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Deferred tax assets opening balance:	**906**	333	498	**1,324**	793
Movement in temporary differences during the year:					
Provisions for employee benefits	**(41)**	(8)	5	**4**	2
Provisions for impairment on loans, bills discounted and other receivables	**(41)**	(19)	43	**(33)**	(15)
Other provisions not tax deductible until expense incurred	**20**	(15)	(67)	**25**	4
Financial instruments	**(1)**	(97)	36	**8**	-
Defined benefit superannuation plan	**19**	10	17	**19**	10
Unearned Income	**39**	127	3	**39**	127
Other	**73**	98	17	**109**	84
Set off to tax	**465**	477	(219)	**(65)**	319
Deferred tax assets closing balance	**1,439**	906	333	**1,430**	1,324
Deferred tax liabilities opening balance:	**332**	340	351	**-**	-
Movement in temporary differences during the year:					
Lease financing	**(35)**	(47)	(59)	**4**	(12)
Defined benefit superannuation plan	**53**	69	11	**53**	69
Intangible assets	**(8)**	(141)	82	**(8)**	(82)
Financial instruments	**(173)**	(383)	(62)	**(2)**	(272)
Insurance	**(485)**	(25)	85	**-**	-
Investments in associates	**9**	27	17	**-**	-
Other	**(158)**	15	134	**18**	(22)
Set off to tax	**465**	477	(219)	**(65)**	319
Deferred tax liabilities closing balance	**-**	332	340	**-**	-

(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1.1.

(2) During the year deferred tax assets of $46 million, included in 'Other', and deferred tax liabilities of $809 million, included in financial instruments ($129 million), insurance ($484 million) and Other ($196 million) were reclassified as held for sale. The above table includes the impact of these transfers.

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	
Deferred tax assets not taken to account	**30 Jun 18 $M**	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Tax losses and other temporary differences on revenue account that:					
Expire under current legislation	**-**	52	124	**-**	47
Do not expire under current legislation	**47**	29	7	**-**	-
Total	**47**	81	131	**-**	47

Tax Consolidation

The Bank has recognised a tax consolidation contribution to the wholly-owned tax consolidated entity of $98 million (2017: $97 million).

The amount receivable by the Bank under the tax funding agreement was $283 million as at 30 June 2018 (2017: $302 million receivable). This balance is included in 'Other assets' in the Bank's separate Balance Sheet.

2.5 Income Tax Expense (continued)

Accounting Policies

Income tax on the profit or loss for the period comprises current and deferred 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.

Deferred tax is calculated using the Balance Sheet method where temporary differences are identified by comparing the carrying amounts of assets and liabilities for financial reporting purposes to their tax bases.

The amount of deferred tax recognised 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.

The Bank and its wholly owned Australian Subsidiaries elected to be treated as a single entity “the tax consolidated group” under the tax consolidation regime 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 and members.

Any current tax liabilities / assets and deferred tax assets from unused tax losses from subsidiaries in the tax consolidated group are recognised by the Bank legal entity and funded in line with the tax funding arrangement.

The measurement and disclosure of deferred tax assets and liabilities have been performed on a modified stand-alone basis under UIG 1052 ‘Tax Consolidation Accounting’.

Critical accounting judgements and estimates

Provisions for taxation require significant judgement with respect to outcomes that are uncertain. For such uncertainties, the Group has estimated the tax provisions based on the expected outcomes.

The accounting policy on measuring and recognising deferred tax on indefinite useful life brand names changed during the period to reflect that the carrying value of the brand name will be recovered through use, resulting in the Bank recognising a deferred tax liability. The financial impact of the change is outlined in Note 1.1.

2.6 Earnings per Share

	Group [3]		
Earnings per ordinary share [1] [2]	**30 Jun 18**	30 Jun 17	30 Jun 16
	Cents per Share		
Earnings per share from continuing operations:			
Basic	**536. 9**	567. 9	525. 6
Diluted	**520. 2**	549. 9	513. 3
Earnings per share:			
Basic	**534. 3**	577. 3	542. 0
Diluted	**517. 7**	558. 8	529. 0

(1) EPS calculations are based on actual amounts prior to rounding to the nearest million.
(2) The difference between earnings per share from continuing operations and earnings per share represents earnings per share from discontinued operations.
(3) Basic and diluted earnings per share for all periods presented have been adjusted retrospectively to incorporate the discount element of the dividend reinvestment plan.

	Group		
Reconciliation of earnings from continuing operations used in calculation of earnings per share	**30 Jun 18 $M**	30 Jun 17 $M	30 Jun 16 $M
Profit after income tax from continuing operations [1]	**9,394**	9,786	8,965
Less: Other equity instrument dividends	**-**	-	(50)
Less: Non-controlling interests	**(19)**	(20)	(20)
Continuing operations earnings used in calculation of basic earnings per share	**9,375**	9,766	8,895
Add: Profit impact of assumed conversions of loan capital	**267**	218	195
Continuing operations earnings used in calculation of fully diluted earnings per share	**9,642**	9,984	9,090
Reconciliation of earnings used in calculation of earnings per share			
Continuing operations earnings used in calculation of basic earnings per share	**9,375**	9,766	8,895
Discontinued operations earnings used in calculation of basic earnings per share	**(46)**	162	278
Earnings used in calculation of basic earnings per share	**9,329**	9,928	9,173
Add: Profit impact of assumed conversions of loan capital	**267**	218	195
Earnings used in calculation of fully diluted earnings per share	**9,596**	10,146	9,368

(1) Comparative information has been restated to reflect the impact of discontinued operations.

	Number of Shares		
	30 Jun 18 M	30 Jun 17 M	30 Jun 16 M
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**1,746**	1,720	1,692
Effect of dilutive securities - executive share plans and convertible loan capital instruments	**106**	96	79
Weighted average number of ordinary shares used in the calculation of fully diluted earnings per share	**1,852**	1,816	1,771

Accounting Policies

Basic earnings per share ('EPS') 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 EPS is basic EPS adjusted for the impact of all securities on issue that can convert to CBA shares and would dilute basic EPS on conversion. It is 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).

2.7 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, the Group announced the sale of its life Insurance businesses in Australia and New Zealand, the investment in BoCommLife and that it is currently exploring options for the most suitable long-term outcome for TymeDigital. The Group's business segment performance has been updated and presented on a continuing operations basis to exclude these businesses, which are disclosed as discontinued operations. In addition, refinements have been made to the allocation of customer balances and associated revenue and expenses between business segments, including updated transfer pricing allocations. These include the impact of the announced migration of relationship managed customers outside Western Australia from Bankwest to Business and Private Banking. These changes have not impacted the Group's cash net profit, but have resulted in changes to the presentation of the Income Statement and the Balance Sheet of the affected segments.

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 transactions 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 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.

(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. The life Insurance business has been presented as a discontinued operation.

(v) New Zealand

New Zealand includes the Banking, Funds Management and Insurance businesses operating in New Zealand (excluding Institutional Banking and Markets). The Insurance business has been presented as a discontinued operation.

(vi) Bankwest

Bankwest is active in all domestic retail market segments, with lending diversified between housing and personal markets, including a full range of deposit products. Bankwest also provide business and rural relationship managed products and services to Western Australia based customers.

(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, India and South Africa), associate investments in China and Vietnam, the life insurance operations in Indonesia. TymeDigital has been presented as a discontinued operation. 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.

2.7 Financial Reporting by Segments (continued)

	30 Jun 18 [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	9,791	3,392	1,444	-	1,760	1,561	393	**18,341**
Other banking income	2,086	1,033	1,229	-	373	215	246	**5,182**
Total banking income	11,877	4,425	2,673	-	2,133	1,776	639	**23,523**
Funds management income	-	-	-	1,978	105	-	8	**2,091**
Insurance income	-	-	-	183	-	-	110	**293**
Total operating income	11,877	4,425	2,673	2,161	2,238	1,776	757	**25,907**
Investment experience [2]	-	-	-	26	-	-	(9)	**17**
Total net operating income before impairment and operating expenses	11,877	4,425	2,673	2,187	2,238	1,776	748	**25,924**
Operating expenses	(3,745)	(1,596)	(1,142)	(1,440)	(811)	(748)	(2,117)	**(11,599)**
Loan impairment expense	(716)	(129)	(80)	-	(74)	(54)	(26)	**(1,079)**
Net profit before income tax	7,416	2,700	1,451	747	1,353	974	(1,395)	**13,246**
Corporate tax (expense)/benefit	(2,223)	(812)	(330)	(184)	(378)	(293)	226	**(3,994)**
Non-controlling interests	-	-	-	-	-	-	(19)	**(19)**
Net profit after tax from continuing operations - "cash basis"	5,193	1,888	1,121	563	975	681	(1,188)	**9,233**
Net profit after tax from discontinued operations	-	-	-	160	96	-	(77)	**179**
Net profit after tax - "cash basis" [3]	5,193	1,888	1,121	723	1,071	681	(1,265)	**9,412**
(Loss)/gain on disposal and acquisition of entities net of transaction costs	58	-	-	-	-	-	(241)	**(183)**
Hedging and IFRS volatility	-	-	-	-	87	-	14	**101**
Other non-cash items	-	-	-	2	-	(3)	-	**(1)**
Net profit after tax - "statutory basis"	5,251	1,888	1,121	725	1,158	678	(1,492)	**9,329**
Additional information								
Amortisation and depreciation	(239)	(113)	(118)	(29)	(78)	(26)	(198)	**(801)**
Balance Sheet								
Total assets	368,272	117,785	162,716	20,466	89,696	80,819	135,411	**975,165**
Total liabilities	260,508	89,745	153,895	25,202	82,976	53,775	241,204	**907,305**

(1) Information has been presented on a continuing operations basis.

(2) Investment experience is presented on a pre-tax basis.

(3) This balance excludes non-cash items, including unrealised gains and losses relating to hedging and IFRS volatility ($101 million gain), transaction and separation costs associated with the disposal of CommInsure Life and Sovereign ($136 million), and impairment due to the reclassification of TymeDigital as a discontinued operation ($91 million), demerger costs for NewCo ($21 million), a gain recognised on acquisition of AHL ($58 million), a gain on sale of County Banks ($11 million), a loss due to the dilution of the Bank's interest in Qilu Bank Co. Ltd ($4 million), Bankwest non-cash items ($3 million expense) and treasury shares valuation adjustment ($2 million gain).

2.7 Financial Reporting by Segments (continued)

								30 Jun 17 [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	9,208	3,246	1,523	-	1,642	1,473	451	**17,543**
Other banking income [2]	1,997	976	1,348	-	331	204	722	**5,578**
Total banking income	11,205	4,222	2,871	-	1,973	1,677	1,173	**23,121**
Funds management income	-	-	-	1,820	92	-	1	**1,913**
Insurance income	-	-	-	121	-	-	102	**223**
Total operating income	11,205	4,222	2,871	1,941	2,065	1,677	1,276	**25,257**
Investment experience [3]	-	-	-	26	-	-	(3)	**23**
Total net operating income before impairment and operating expenses	11,205	4,222	2,871	1,967	2,065	1,677	1,273	**25,280**
Operating expenses [4]	(3,473)	(1,574)	(1,083)	(1,403)	(795)	(754)	(1,540)	**(10,622)**
Loan impairment expense	(702)	(62)	(64)	-	(65)	(99)	(103)	**(1,095)**
Net profit before income tax	7,030	2,586	1,724	564	1,205	824	(370)	**13,563**
Corporate tax (expense)/benefit	(2,097)	(778)	(413)	(142)	(336)	(248)	167	**(3,847)**
Non-controlling interests	-	-	-	-	-	-	(20)	**(20)**
Net profit after tax from continuing operations - "cash basis"	4,933	1,808	1,311	422	869	576	(223)	**9,696**
Net profit after tax from discontinued operations	-	-	-	130	96	-	(41)	**185**
Net profit after tax - "cash basis" [5]	4,933	1,808	1,311	552	965	576	(264)	**9,881**
Hedging and IFRS volatility	-	-	-	-	27	-	46	**73**
Other non-cash items	-	-	-	(23)	-	(3)	-	**(26)**
Net profit after tax - "statutory basis"	4,933	1,808	1,311	529	992	573	(218)	**9,928**
Additional information								
Amortisation and depreciation	(220)	(114)	(109)	(13)	(78)	(27)	(543)	**(1,104)**
Balance Sheet								
Total assets	355,360	116,294	173,111	22,014	86,784	78,120	144,635	**976,318**
Total liabilities	252,308	84,925	162,112	27,455	80,625	55,482	249,751	**912,658**

(1) Comparative information has been restated to conform to presentation in the current period.
(2) IFS and Other includes a $397 million gain on sale of the Group's remaining investment in Visa Inc.
(3) Investment experience is presented on a pre-tax basis.
(4) IFS and Other includes a $393 million one-off expense for acceleration of amortisation of certain software assets.
(5) This balance excludes non-cash items, including 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).

2.7 Financial Reporting by Segments (continued)

						Group [(1)]
						Year Ended 30 June
	30 Jun 18		30 Jun 17		30 Jun 16	
Financial performance and position	**$M**	**%**	$M	%	$M	%
Income						
Australia	**22,161**	**84. 8**	21,625	85. 2	19,796	83. 8
New Zealand	**2,297**	**8. 8**	2,191	8. 6	2,097	8. 9
Other locations [(2)]	**1,674**	**6. 4**	1,570	6. 2	1,724	7. 3
Total Income	**26,132**	**100. 0**	25,386	100. 0	23,617	100. 0
Non-Current Assets						
Australia	**13,473**	**93. 3**	15,301	91. 8	15,687	91. 7
New Zealand	**581**	**4. 0**	1,045	6. 2	1,087	6. 4
Other locations [(2)]	**387**	**2. 7**	329	2. 0	326	1. 9
Total non-current assets [(3)]	**14,441**	**100. 0**	16,675	100. 0	17,100	100. 0

(1) Information has been restated and presented on a continuing operations basis. Discontinued operations include the Group's life insurance businesses in Australia and New Zealand, the investment in BoCommLife and TymeDigital.
(2) Other locations include: United Kingdom, United States, Japan, Singapore, Malta, Hong Kong, Indonesia, China, Vietnam and South Africa.
(3) 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.

Accounting Policies

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".

3. Our Lending Activities

Overview

Lending is the Group's primary business activity, generating most of its net interest income and lending fees. The Group satisfies customers' needs for borrowed funds by providing a broad range of lending products in Australia, New Zealand and other jurisdictions.

This section provides details of the Group's lending portfolio by type of product and geographical regions.

3.1 Loans, Bills Discounted and Other Receivables

		Group		Bank	
		30 Jun 18	30 Jun 17	**30 Jun 18**	30 Jun 17
	Note	**$M**	$M	**$M**	$M
Australia					
Overdrafts		**25,217**	24,385	**25,217**	24,385
Home loans [(1)] [(3)]		**451,367**	436,184	**444,186**	430,056
Credit card outstandings		**11,877**	12,073	**11,877**	12,073
Lease financing		**4,318**	4,302	**3,268**	3,161
Bills discounted [(2)]		**4,280**	7,486	**4,280**	7,486
Term loans and other lending		**147,028**	149,506	**147,009**	149,294
Total Australia		**644,087**	633,936	**635,837**	626,455
Overseas					
Overdrafts		**1,657**	1,545	**281**	277
Home loans [(1)]		**50,298**	49,673	**397**	519
Credit card outstandings		**993**	960	**-**	-
Lease financing		**25**	36	**4**	9
Term loans and other lending		**50,969**	50,389	**24,348**	24,533
Total overseas		**103,942**	102,603	**25,030**	25,338
Gross loans, bills discounted and other receivables		**748,029**	736,539	**660,867**	651,793
Less					
Provisions for Loan Impairment:	3.2				
Collective provision		**(2,735)**	(2,722)	**(2,482)**	(2,457)
Individually assessed provisions		**(870)**	(971)	**(779)**	(888)
Unearned income:					
Term loans		**(692)**	(681)	**(692)**	(680)
Lease financing		**(367)**	(403)	**(264)**	(265)
		(4,664)	(4,777)	**(4,217)**	(4,290)
Net loans, bills discounted and other receivables		**743,365**	731,762	**656,650**	647,503

(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 4.4.

(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.

(3) These balances are presented gross of mortgage offset balances as required under accounting standards.

3.1 Loans, Bills Discounted and Other Receivables (continued)

Based on behavioural terms and current market conditions, the amounts expected to be recovered within 12 months of the Balance Sheet date are $175,826 million (2017: $177,267 million) for the Group, and $159,688 million (2017: $161,734 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
			30 Jun 18			30 Jun 17
	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	**1,706**	**(162)**	**1,544**	1,439	(151)	1,288
One year to five years	**2,455**	**(190)**	**2,265**	2,651	(187)	2,464
Over five years	**182**	**(15)**	**167**	248	(65)	183
	4,343	**(367)**	**3,976**	4,338	(403)	3,935

						Bank
			30 Jun 18			30 Jun 17
	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	**1,248**	**(116)**	**1,132**	1,166	(95)	1,071
One year to five years	**1,864**	**(135)**	**1,729**	1,797	(108)	1,689
Over five years	**160**	**(13)**	**147**	207	(62)	145
	3,272	**(264)**	**3,008**	3,170	(265)	2,905

Accounting Policy

Loans, bills discounted and other receivables are 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, discounted bills and finance leases.

Loans and receivables are recognised on settlement date, when funding is advanced to the borrowers. The loans and receivables are initially recognised at their fair value plus directly attributable transaction costs such as broker fees. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method and are presented net of provisions for impairment. For the accounting policy on provisions for impairment, please refer to section 3.2. For information on the Group's management of credit risk during the year, refer to section 9.2.

Discounted bills are included in this category due to their financing nature, however they meet the definition of a trading asset. They are measured at fair value through the Income Statement with directly attributable transaction costs expensed.

Finance leases, where the Group acts as lessor, are also included in Loans, Bills Discounted and Other Receivables. Finance leases are those where substantially all the risks and rewards of the lease asset have been transferred to the lessee. Lease receivables are recognised 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.

Critical accounting judgements and estimates

When applying this effective interest method the Group has estimated the behavioural term of each loan portfolio by reference to historical prepayment rates and the contractual maturity.

3.1 Loans, Bills Discounted and Other Receivables (continued)

Contractual Maturity Tables

	Group			
	Maturity Period at 30 June 2018			
Industry [1]	Maturing 1 Year or Less $M	Maturing Between 1 and 5 Years $M	Maturing After 5 Years $M	Total $M
Australia				
Sovereign	13,745	2,490	588	16,823
Agriculture	3,589	5,078	331	8,998
Bank and other financial	6,805	5,818	328	12,951
Home loans	9,861	41,930	399,576	451,367
Construction	1,223	1,465	340	3,028
Other personal	7,663	13,976	2,019	23,658
Asset financing	3,188	5,263	130	8,581
Other commercial and industrial	42,482	65,382	10,817	118,681
Total Australia	88,556	141,402	414,129	644,087
Overseas				
Sovereign	1,023	466	82	1,571
Agriculture	2,533	5,371	2,026	9,930
Bank and other financial	3,684	3,206	185	7,075
Home loans	3,202	657	46,439	50,298
Construction	273	148	217	638
Other personal	1,190	333	321	1,844
Asset financing	23	173	261	457
Other commercial and industrial	7,954	17,153	7,022	32,129
Total overseas	19,882	27,507	56,553	103,942
Gross loans, bills discounted and other receivables	108,438	168,909	470,682	748,029

(1) The industry split has been prepared in line with industry exposures in Note 9.2

Interest rate	Maturing 1 Year or Less $M	Maturing Between 1 and 5 Years $M	Maturing After 5 Years $M	Total $M
Australia	73,612	122,146	328,864	524,622
Overseas	18,035	22,730	13,235	54,000
Total variable interest rates	91,647	144,876	342,099	578,622
Australia	14,944	19,256	85,265	119,465
Overseas	1,847	4,777	43,318	49,942
Total fixed interest rates	16,791	24,033	128,583	169,407
Gross loans, bills discounted and other receivables	108,438	168,909	470,682	748,029

3.1 Loans, Bills Discounted and Other Receivables (continued)

	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 [2]				
Sovereign	1,677	197	26	1,900
Agriculture	2,211	4,321	3,316	9,848
Bank and other financial	2,603	2,990	182	5,775
Home loans	3,383	642	45,648	49,673
Construction	237	171	226	634
Other personal	1,166	329	218	1,713
Asset financing	85	239	140	464
Other commercial and industrial	7,310	16,487	8,799	32,596
Total overseas	18,672	25,376	58,555	102,603
Gross loans, bills discounted and other receivables	110,287	163,535	462,717	736,539

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 [2]	16,283	20,036	14,485	50,804
Total variable interest rates	89,813	140,785	352,520	583,118
Australia	18,085	17,410	66,127	101,622
Overseas [2]	2,389	5,340	44,070	51,799
Total fixed interest rates	20,474	22,750	110,197	153,421
Gross loans, bills discounted and other receivables	110,287	163,535	462,717	736,539

(1) The industry split has been prepared in line with industry exposures in Note 9.2.
(2) Comparative information has been reclassified to conform to contractual presentation in the current year.

3.2 Provisions for Impairment

	Group			Bank	
Provisions for impairment losses	**30 Jun 18 $M**	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Collective provision					
Opening balance	**2,747**	2,818	2,762	**2,482**	2,545
Net collective provision funding	**716**	617	664	**646**	621
Impairment losses written off	**(871)**	(894)	(846)	**(789)**	(871)
Impairment losses recovered	**201**	210	225	**182**	186
Other	**(30)**	(4)	13	**(11)**	1
Closing balance	**2,763**	2,747	2,818	**2,510**	2,482
Individually assessed provisions					
Opening balance	**980**	944	887	**897**	864
Net new and increased individual provisioning	**625**	670	788	**559**	585
Write-back of provisions no longer required	**(262)**	(192)	(196)	**(242)**	(166)
Discount unwind to interest income	**(25)**	(31)	(27)	**(25)**	(31)
Impairment losses written off	**(548)**	(454)	(571)	**(473)**	(399)
Other	**100**	43	63	**63**	44
Closing balance	**870**	980	944	**779**	897
Total provisions for impairment losses	**3,633**	3,727	3,762	**3,289**	3,379
Less: Provision for Off Balance Sheet exposures	**(28)**	(34)	(44)	**(28)**	(34)
Total provisions for loan impairment	**3,605**	3,693	3,718	**3,261**	3,345

	Group			Bank	
Provision ratios	**30 Jun 18 %**	30 Jun 17 %	30 Jun 16 %	**30 Jun 18 %**	30 Jun 17 %
Total provisions for impaired assets as a % of gross impaired assets	**33. 60**	36. 05	36. 17	**37. 18**	39. 51
Total provisions for impairment losses as a % of gross loans and acceptances	**0. 49**	0. 51	0. 54	**0. 50**	0. 52

	Group			Bank	
Loan impairment expense	**30 Jun 18 $M**	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Net collective provision funding	**716**	617	664	**646**	621
Net new and increased individual provisioning	**625**	670	788	**559**	585
Write-back of individually assessed provisions	**(262)**	(192)	(196)	**(242)**	(166)
Total loan impairment expense	**1,079**	1,095	1,256	**963**	1,040

Accounting Policy

By providing loans to customers, the Group bears the risk that the future circumstances of customers might change, including their ability to repay their loans in part or in full. While the Group’s credit and responsible lending policies aim to minimise this risk, there will always be instances where the Group will not receive the full amount owed and hence a provision for impaired loans will be necessary. Credit losses arise primarily from loans, but also from other credit instruments such as bank acceptances, contingent liabilities and other financial instruments. 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.

3.2 Provisions for Impairment (continued)

Accounting Policy (continued)

Loans and other receivables are presented net of provisions for loan impairment. 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. However, 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 Sheets.

Critical accounting judgements and estimates

Provisions for impairment of financial assets are raised to cover assessed credit related losses where there is objective evidence of impairment (i.e. where the Group does not expect to receive all of the cash flows contractually due). Individually assessed provisions against loans are subject to change as new information becomes available to reassess the level of impairment against a loan. 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. Estimates applied include the loss history and the diversity of borrowers within a cohort or similar loan portfolio. Changes in these estimates could have a direct impact on the level of provision determined. Increases or decreases in the provision amount are recognised in the Income Statement.

					Group
Individually assessed provisions by industry classification	**30 Jun 18 $M**	30 Jun 17 $M	30 Jun 16 $M	30 Jun 15 $M	30 Jun 14 $M
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**56**	47	42	133	123
Bank and other financial	**16**	27	29	36	68
Home loans	**236**	249	193	148	151
Construction	**21**	25	25	20	29
Other personal	**6**	9	7	10	14
Asset financing	**16**	18	28	28	30
Other commercial and industrial	**343**	442	483	400	620
Total Australia	**694**	817	807	775	1,035
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**25**	25	23	14	3
Bank and other financial	**-**	-	4	-	15
Home loans	**5**	4	6	10	11
Construction	**1**	1	8	1	1
Other personal	**-**	-	1	-	-
Asset financing	**-**	10	10	10	-
Other commercial and industrial	**145**	123	85	77	62
Total overseas	**176**	163	137	112	92
Total individually assessed provisions	**870**	980	944	887	1,127

3.2 Provisions for Impairment (continued)

					Group
Loans written off by industry classification	**30 Jun 18 $M**	30 Jun 17 $M	30 Jun 16 $M	30 Jun 15 $M	30 Jun 14 $M
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**28**	17	84	65	138
Bank and other financial	**3**	1	10	36	122
Home loans	**126**	115	82	72	113
Construction	**13**	16	11	14	52
Other personal	**764**	792	747	686	677
Asset financing	**23**	41	54	45	37
Other commercial and industrial	**179**	210	249	404	568
Total Australia	**1,136**	1,192	1,237	1,322	1,707
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**3**	15	7	3	3
Bank and other financial	**5**	5	-	69	-
Home loans	**2**	4	7	8	13
Construction	**1**	8	-	-	-
Other personal	**65**	60	54	42	30
Asset financing	**-**	-	-	-	-
Other commercial and industrial	**207**	64	112	35	60
Total overseas	**283**	156	180	157	106
Gross loans written off	**1,419**	1,348	1,417	1,479	1,813
Less recovery of amounts previously written off:					
Australia	**187**	194	211	165	148
Overseas	**14**	16	14	11	17
Total amounts recovered	**201**	210	225	176	165
Net loans written off	**1,218**	1,138	1,192	1,303	1,648

3.2 Provisions for Impairment (continued)

					Group
Loans recovered by industry classification	**30 Jun 18 $M**	30 Jun 17 $M	30 Jun 16 $M	30 Jun 15 $M	30 Jun 14 $M
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**-**	-	1	-	-
Bank and other financial	**1**	1	27	9	6
Home loans	**2**	3	3	3	4
Construction	**-**	1	1	-	-
Other personal	**165**	170	154	125	106
Asset financing	**5**	7	4	4	5
Other commercial and industrial	**14**	12	21	24	27
Total Australia	**187**	194	211	165	148
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**-**	-	-	-	3
Bank and other financial	**-**	-	1	-	3
Home loans	**1**	1	1	1	1
Construction	**1**	1	-	-	-
Other personal	**10**	11	10	10	8
Asset financing	**-**	-	-	-	-
Other commercial and industrial	**2**	3	2	-	2
Total overseas	**14**	16	14	11	17
Total loans recovered	**201**	210	225	176	165

4. Our Deposits and Funding Activities

Overview

Stable and well diversified funding sources are critical to the Group's ability to fund its lending and investing activities to support business growth. Our main sources of funding include customer deposits and term funds raised in domestic and offshore wholesale markets. The Group also uses repurchase agreements as a source of short-term wholesale funding. Refer to Note 9.4 for the Group's management of liquidity and funding risk.

4.1 Deposits and Other Public Borrowings

	Group		Bank	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Australia				
Certificates of deposit	**31,405**	39,854	**33,496**	41,856
Term deposits	**149,924**	158,453	**150,086**	158,691
On-demand and short-term deposits	**300,607**	293,579	**300,768**	292,819
Deposits not bearing interest	**46,082**	41,787	**46,058**	41,764
Securities sold under agreements to repurchase	**14,696**	16,175	**14,806**	16,406
Total Australia	**542,714**	549,848	**545,214**	551,536
Overseas				
Certificates of deposit	**8,509**	12,496	**6,069**	10,021
Term deposits	**43,896**	36,308	**13,707**	8,047
On-demand and short term deposits	**22,640**	24,012	**1,154**	1,605
Deposits not bearing interest	**4,475**	3,896	**56**	49
Securities sold under agreements to repurchase	**-**	95	**-**	95
Total overseas	**79,520**	76,807	**20,986**	19,817
Total external deposits and other public borrowings	**622,234**	626,655	**566,200**	571,353

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 2018
	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)	**15,321**	**9,286**	**2,351**	**4,447**	**31,405**
Term deposits	**83,431**	**25,576**	**32,222**	**8,695**	**149,924**
Total Australia	**98,752**	**34,862**	**34,573**	**13,142**	**181,329**
Overseas					
Certificates of deposit (1)	**3,425**	**2,441**	**2,601**	**42**	**8,509**
Term deposits	**22,758**	**10,033**	**7,901**	**3,204**	**43,896**
Total overseas	**26,183**	**12,474**	**10,502**	**3,246**	**52,405**
Total certificates of deposits and term deposits	**124,935**	**47,336**	**45,075**	**16,388**	**233,734**

(1) All certificates of deposit issued by the Group are for amounts greater than $100,000

4.1 Deposits and Other Public Borrowings (continued)

	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
					Group At 30 June 2017
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.

Accounting Policy

Deposits from customers include certificates of deposit, term deposits, savings deposits, other demand deposits and debentures. Deposits are initially recognised at their fair value less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost. Interest incurred is recognised within Net Interest Income using the effective interest method.

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 liability for the agreed repurchase amount from the counterparty is recognised within deposits and other public borrowings.

4.2 Liabilities at Fair Value through Income Statement

	Group		Bank	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Deposits and other borrowings [1]	**8,124**	7,212	**7,118**	6,197
Debt instruments [1]	**399**	655	**264**	267
Trading liabilities	**1,724**	2,525	**1,724**	2,525
Total liabilities at fair value through Income Statement	**10,247**	10,392	**9,106**	8,989

(1) These liabilities have been initially designated at fair value through the Income Statement.

For the Group and Bank, the majority of liabilities at fair value through the Income Statement are expected to be settled within 12 months of 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 $8,369 million (2017: $7,878 million) and for the Bank is $7,225 million (2017: $6,437 million).

Accounting Policy

The Group designates certain liabilities at fair value through the 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. Trading liabilities are incurred principally for the purpose of repurchasing or settling in the near term.

Subsequent to initial recognition, these liabilities are measured at fair value. Changes in fair value (except those due to changes in credit risk) are recognised in Other Banking Income. Changes in fair value relating to the Group's own credit risk are recognised in Other Comprehensive Income. Interest incurred is recognised within Net Interest Income using the effective interest method.

4.3 Debt Issues

		Group		Bank	
		30 Jun 18	30 Jun 17	**30 Jun 18**	30 Jun 17
	Note	**$M**	$M	**$M**	$M
Medium-term notes		**99,579**	96,016	**87,474**	83,637
Commercial paper		**26,868**	28,800	**23,922**	26,685
Securitisation notes	4.4	**13,089**	13,771	**-**	-
Covered bonds	4.4	**32,758**	28,984	**28,588**	24,644
Total debt issues (1)		**172,294**	167,571	**139,984**	134,966
Short Term Debt Issues by currency					
USD		**27,008**	29,856	**24,061**	27,314
AUD		**1,009**	1,858	**1,009**	1,858
GBP		**2,949**	5,687	**2,949**	5,687
Other currencies		**335**	769	**335**	769
Total short term debt issues		**31,301**	38,170	**28,354**	35,628
Long Term Debt Issues by currency (2)					
USD		**51,472**	45,343	**48,017**	44,120
EUR		**33,057**	28,109	**26,842**	22,241
AUD		**35,066**	32,405	**20,875**	16,883
GBP		**4,701**	6,059	**3,614**	4,075
NZD		**3,954**	5,129	**1,028**	1,079
JPY		**3,505**	3,790	**3,390**	3,680
Other currencies		**9,175**	8,158	**7,801**	6,852
Offshore loans (all JPY)		**63**	408	**63**	408
Total long term debt issues		**140,993**	129,401	**111,630**	99,338
Maturity Distribution of Debt Issues (3)					
Less than twelve months		**59,980**	57,640	**50,994**	47,976
Greater than twelve months		**112,314**	109,931	**88,990**	86,990
Total debt issues		**172,294**	167,571	**139,984**	134,966

(1) Debt issues include unrealised movements of $4,259 million in 2018 predominantly due to foreign exchange gains and losses.
(2) Long-term debt disclosed relates to debt issues which have a maturity at inception of greater than 12 months.
(3) 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; Unlimited Domestic Debt Program; Unlimited 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. The Bank, from time to time, as part of its balance sheet management, may consider opportunities to repurchase outstanding long-term debt pursuant to open-market purchases or other means. Such repurchases help manage the Bank's debt maturity profile, overall funding costs and assist in meeting regulatory changes and requirements.

4.3 Debt Issues (continued)

Short term borrowings by Commercial paper program [1]		Group	
	30 Jun 18	30 Jun 17	30 Jun 16
	$M (except where indicated)		
Total			
Outstanding at year-end [2]	**26,868**	28,800	29,033
Maximum amount outstanding at any month end	**32,336**	33,779	41,453
Average amount outstanding	**30,007**	29,226	37,368
US Commercial Paper Program			
Outstanding at year-end [2]	**26,792**	28,393	27,117
Maximum amount outstanding at any month end	**32,127**	31,460	38,528
Average amount outstanding	**29,887**	27,593	35,208
Weighted average interest rate on:			
Average amount outstanding	**1. 8%**	1. 2%	0. 5%
Outstanding at year end	**2. 3%**	1. 5%	0. 8%
Euro Commercial Paper Program			
Outstanding at year-end [2]	**76**	407	1,916
Maximum amount outstanding at any month end	**219**	2,789	2,925
Average amount outstanding	**120**	1,633	2,160
Weighted average interest rate on:			
Average amount outstanding	**1. 5%**	1. 0%	0. 7%
Outstanding at year end	**2. 2%**	1. 2%	0. 9%

(1) Short-term borrowings include callable medium term notes of $4,433 million (2017:$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 Jun 18**	As At 30 Jun 17
AUD 1.00 =	USD	**0. 7387**	0. 7684
	EUR	**0. 6350**	0. 6720
	GBP	**0. 5635**	0. 5903
	NZD	**1. 0909**	1. 0493
	JPY	**81. 7215**	86. 1110

(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.

4.3 Debt Issues (continued)

Accounting Policy

Debt issues includes short and long-term debt issues of the Group and consists of commercial paper, securitisation notes, covered bonds and medium term notes.

Debt issues are initially measured at fair value and subsequently measured at amortised cost.

Premiums, discounts and associated issue expenses are recognised in the Income Statement using the effective interest method from the date of issue, to ensure the carrying value of securities equals their redemption value 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 rate 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.

4.4 Securitisation, Covered Bonds and Transferred Assets

The Group enters into transactions in the normal course of business that transfers financial assets to counterparties or to Special Purpose Vehicles (SPVs). Transferred financial assets that do not qualify for de-recognition are typically associated with repurchase agreements and our covered bonds and securitisation programs. The underlying assets remain on the Group's Balance Sheet.

At the Balance Sheet date, transferred financial assets that did not qualify for de-recognition and their associated liabilities are as follows:

	Group					
	Repurchase Agreements		Covered Bonds		Securitisation [1]	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Carrying amount of transferred assets	**14,696**	16,270	**37,012**	31,796	**14,661**	15,108
Carrying amount of associated liabilities	**14,696**	16,270	**32,758**	28,984	**13,089**	13,771
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred assets					**14,667**	15,116
Fair value of associated liabilities					**13,089**	13,771
Net position					**1,578**	1,345

	Bank					
	Repurchase Agreements		Covered Bonds		Securitisation	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Carrying amount of transferred assets	**14,806**	16,501	**32,210**	26,414	**71,136**	59,985
Carrying amount of associated liabilities [2]	**14,806**	16,501	**28,588**	24,644	**70,484**	59,985
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred assets					**71,155**	60,020
Fair value of associated liabilities					**70,484**	59,985
Net position					**671**	35

(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 due to controlled entities.

4.4 Securitisation, Covered Bonds and Transferred Assets (continued)

Accounting Policy

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

The Group pools and equitably assigns residential mortgages as securities to investors through a series of wholly controlled securitisation vehicles. Where the Bank and ASB retain substantially all of the risks and rewards associated with the mortgages, the Bank and ASB continue to recognise the mortgages on their Balance Sheets. The Group is entitled to any residual income of the securitisation programs after all payments due to investors have been met. The investors have recourse only to the pool of mortgages in the SPV they have invested in.

Covered Bonds Programs

To complement 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 an SPV associated with covered bond programs to provide security on the payments to investors. Similarly to securitisation programs, the Group is entitled to any residual income after all payments due to covered bond investors have been met. As the Bank and ASB retain substantially all of the risks and rewards associated with the mortgages, the Bank and ASB continue to recognise the mortgages on their Balance Sheets. The covered investors have dual recourse to the Bank and the covered pool assets.

Critical accounting judgements and estimates

The Group exercises judgement at inception and periodically thereafter, to assess whether a 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 programs, and structure transactions such as covered bond programs.

5. Our Investing, Trading and Other Banking activities

Overview

In addition to loans, the Group holds other assets to support its activities. Cash and liquid assets, receivables due from other financial institutions, trading assets and available for sale securities are held for liquidity purposes, to generate returns and to meet customer demand. The mix and nature of assets is driven by multiple factors including the Board's Risk appetite, regulatory requirements, customer demand and the generation of shareholder returns.

The Group also transacts derivatives to meet customer demand and to manage its financial risks (interest rate, foreign currency, commodity and credit risks).

Refer to Note 9.1 for additional information relating to the Group's approach to managing financial risks through the use of derivatives.

5.1 Cash and Liquid Assets

	Group		Bank	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Notes, coins and cash at banks (1)	**17,002**	14,836	**15,586**	12,782
Money at short call	**5,895**	8,281	**5,765**	8,167
Securities purchased under agreements to resell	**13,520**	22,733	**12,230**	21,865
Total cash and liquid assets	**36,417**	45,850	**33,581**	42,814

(1) Comparatives have been restated to align to presentation in the current period.

Accounting Policy

Cash and liquid assets include cash at branches, cash at banks, nostro balances, money at call with an original maturity of three months or less and securities held under reverse repurchase agreements. Cash and other assets are initially measured at fair value then subsequently at amortised cost. Interest is recognised in the Income Statement using the effective interest method.

Securities, including bonds and equities, purchased under agreements to resell are not recognised in the Financial Statements where substantially all the risks and rewards of ownership remain with the counterparty. An asset for the agreed resale amount by the counterparty is recognised within cash and liquid assets.

5.2 Receivables Due from Other Financial Institutions

	Group		Bank	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Placements with and loans to other financial institutions	**9,012**	9,815	**8,302**	8,641
Deposits with regulatory authorities (1)	**210**	222	**74**	37
Total receivables due from other financial institutions	**9,222**	10,037	**8,376**	8,678

(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.

Accounting Policy

Receivables due from other financial institutions includes loans, deposits with regulatory authorities and settlement account balances due from other banks. Receivables are initially recognised at fair value, then subsequently measured at amortised cost.

5.3 Assets at Fair Value through Income Statement

	Group		Bank	
	30 Jun 18	30 Jun 17	**30 Jun 18**	30 Jun 17
Assets at Fair Value through Income Statement	**$M**	$M	**$M**	$M
Trading				
Government bonds, notes and securities	**18,078**	20,370	**16,923**	19,879
Corporate/financial institution bonds, notes and securities	**6,108**	4,640	**5,112**	3,873
Shares and equity investments	**116**	922	**6**	603
Commodities	**7,952**	6,772	**7,952**	6,772
Total trading assets	**32,254**	32,704	**29,993**	31,127
Insurance (1)				
Investments backing life risk contracts	**21**	4,206	**-**	-
Investments backing life investment contracts	**351**	9,463	**-**	-
Total life insurance investment assets	**372**	13,669	**-**	-
Other				
Government securities	**49**	51	**-**	-
Receivables due from other corporate/financial institutions	**209**	264	**-**	-
Other lending	**-**	796	**-**	796
Total other assets at fair value through Income Statement	**258**	1,111	**-**	796
Total assets at fair value through Income Statement (2)	**32,884**	47,484	**29,993**	31,923
Maturity Distribution of assets at fair value through income statement				
Less than twelve months	**32,247**	35,951	**29,724**	31,923
More than twelve months	**637**	11,533	**269**	-
Total assets at fair value through Income Statement	**32,884**	47,484	**29,993**	31,923

(1) Certain life insurance assets have been reclassified to assets held for sale following the announced disposal of the Group's life Insurance businesses.
(2) 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 3.1).

Accounting Policy

These assets are categorised as assets held for trading, insurance assets and other investments. Trading assets are those acquired for the purpose of selling or repurchasing in the near term. Insurance assets are investments that back life insurance and life investment contracts. Other assets are those that are designated at fair value through Income Statement at inception. Subsequent to initial recognition, financial assets are measured at fair value with changes in fair value recognised in Other Banking Income.

5.4 Derivative Financial Instruments

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.

Derivative financial instruments are contracts whose values are derived from one or more underlying prices, indexes or other variables. The fair value of derivative financial instruments is set out in the following tables:

				Group
		30 Jun 18		30 Jun 17
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:				
Forwards	**8,118**	**(7,961)**	5,735	(6,058)
Swaps	**7,457**	**(8,505)**	7,556	(8,473)
Options	**462**	**(415)**	785	(832)
Total foreign exchange rate related contracts	**16,037**	**(16,881)**	14,076	(15,363)
Interest rate related contracts:				
Swaps	**4,834**	**(3,458)**	6,232	(4,654)
Futures	**6**	**(57)**	64	(192)
Options	**531**	**(736)**	918	(1,048)
Total interest rate related contracts	**5,371**	**(4,251)**	7,214	(5,894)
Credit related swaps	**46**	**(65)**	42	(72)
Equity related contracts:				
Swaps	**12**	**(40)**	18	(85)
Options	**1**	**(5)**	2	(9)
Total equity related contracts	**13**	**(45)**	20	(94)
Commodity related contracts:				
Swaps	**397**	**(386)**	452	(284)
Options	**146**	**(85)**	16	(35)
Total commodity related contracts	**543**	**(471)**	468	(319)
Identified embedded derivatives	**229**	**(58)**	190	(131)
Total derivative assets/(liabilities) held for trading	**22,239**	**(21,771)**	22,010	(21,873)

Held for trading derivatives are expected to be recovered or due to be settled within 12 months of the Balance Sheet date.

5.4 Derivative Financial Instruments (continued)

				Group
		30 Jun 18		30 Jun 17
	Fair Value Asset $M	Fair Value Liability $M	Fair Value Asset $M	Fair Value Liability $M
Fair value hedges				
Foreign exchange rate related swaps	**6,538**	**(3,783)**	5,242	(4,184)
Interest rate related swaps	**278**	**(1,672)**	451	(2,096)
Total fair value hedges	**6,816**	**(5,455)**	5,693	(6,280)
Cash flow hedges				
Foreign exchange rate related swaps	**2,331**	**(679)**	2,615	(1,371)
Interest rate related swaps	**734**	**(493)**	1,402	(794)
Equity related swaps	**4**	**(65)**	-	-
Total cash flow hedges	**3,069**	**(1,237)**	4,017	(2,165)
Net investment hedges				
Foreign exchange rate related forwards	**9**	**(9)**	4	(12)
Total net investment hedges	**9**	**(9)**	4	(12)
Total derivative assets/(liabilities) held for hedging	**9,894**	**(6,701)**	9,714	(8,457)

The majority of hedging derivatives are expected to be recovered or due to be settled more than 12 months after the Balance Sheet date.

5.4 Derivative Financial Instruments (continued)

				Bank
		30 Jun 18		30 Jun 17
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:				
Forwards	**8,081**	**(7,937)**	5,706	(6,014)
Swaps	**8,291**	**(9,197)**	8,356	(9,181)
Options	**460**	**(413)**	785	(830)
Derivatives held with controlled entities	**16**	**(1,734)**	688	(1,998)
Total foreign exchange rate related contracts	**16,848**	**(19,281)**	15,535	(18,023)
Interest rate related contracts:				
Swaps	**4,610**	**(3,226)**	5,963	(4,357)
Futures	**6**	**(57)**	55	(191)
Options	**531**	**(736)**	917	(1,047)
Derivatives held with controlled entities	**73**	**(87)**	110	(139)
Total interest rate related contracts	**5,220**	**(4,106)**	7,045	(5,734)
Credit related swaps	**46**	**(65)**	42	(72)
Equity related contracts:				
Swaps	**12**	**(40)**	18	(85)
Options	**1**	**(5)**	2	(9)
Total equity related contracts	**13**	**(45)**	20	(94)
Commodity related contracts:				
Swaps	**397**	**(386)**	452	(285)
Options	**146**	**(85)**	16	(34)
Total commodity related contracts	**543**	**(471)**	468	(319)
Identified embedded derivatives	**229**	**(58)**	190	(131)
Total derivative assets/(liabilities) held for trading	**22,899**	**(24,026)**	23,300	(24,373)

Held for trading derivatives are expected to be recovered or due to be settled within 12 months of the Balance Sheet date.

5.4 Derivative Financial Instruments (continued)

				Bank
		30 Jun 18		30 Jun 17
	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	**5,087**	**(3,052)**	4,337	(3,504)
Derivatives held with controlled entities	**35**	**(1,365)**	349	(789)
Total foreign exchange rate related contracts	**5,122**	**(4,417)**	4,686	(4,293)
Interest rate related contracts:				
Swaps	**213**	**(1,477)**	364	(1,895)
Derivatives held with controlled entities	**13**	**(27)**	2	(56)
Total interest rate related contracts	**226**	**(1,504)**	366	(1,951)
Total fair value hedges	**5,348**	**(5,921)**	5,052	(6,244)
Cash flow hedges				
Foreign exchange rate related contracts:				
Swaps	**2,007**	**(521)**	2,444	(948)
Derivatives held with controlled entities	**16**	**(30)**	11	(81)
Total foreign exchange rate related contracts	**2,023**	**(551)**	2,455	(1,029)
Interest rate related contracts:				
Swaps	**602**	**(299)**	1,253	(511)
Derivatives held with controlled entities	**-**	**-**	30	(4)
Total interest rate related contracts	**602**	**(299)**	1,283	(515)
Equity related swaps	**4**	**(65)**	-	-
Total cash flow hedges	**2,629**	**(915)**	3,738	(1,544)
Net investment hedges				
Foreign exchange rate related forward contracts	**9**	**(9)**	4	(12)
Total net investment hedges	**9**	**(9)**	4	(12)
Total derivative assets/(liabilities) held for hedging	**7,986**	**(6,845)**	8,794	(7,800)

The majority of hedging derivatives are expected to be recovered or due to be settled more than 12 months after the Balance Sheet date.

5.4 Derivative Financial Instruments (continued)

The table below shows the deferred gains and losses, which are expected to be transferred to the Income Statement in the period which the hedge forecast transaction takes place:

	Group	Total	Bank	Total
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Within 6 months	**(39)**	(72)	**(33)**	3
6 months - 1 year	**29**	(26)	**38**	15
1 - 2 years	**16**	133	**68**	131
2 - 5 years	**(131)**	(168)	**(25)**	(34)
After 5 years	**(95)**	(45)	**57**	(24)
Net deferred (losses)/gains	**(220)**	(178)	**105**	91

Accounting Policy

Derivatives Transacted for Hedging Purposes

Derivatives are initially measured at fair value. 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.

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.

Changes in the value of fair value hedges are recognised in the Income Statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. All gains and losses associated with the ineffective portion of fair value hedge relationships are recognised immediately as 'Other Banking Income' in the Income Statement.

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 from the date of discontinuation 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.

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, financial liabilities or highly probable forecast transactions. The Group principally uses interest rate swaps, cross currency swaps, futures and equity related swaps to protect against such fluctuations.

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

When a hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is reclassified to profit or loss in the period in which the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is recycled immediately to the Income Statement. Where it is appropriate, non-derivative financial assets and liabilities are also designated as hedging instruments in cash flow hedge relationships.

5.4 Derivative Financial Instruments (continued)

Accounting Policy (continued)

Derivatives Transacted for Hedging Purposes

Net Investment Hedges

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

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.

5.5 Available-for-Sale Investments

	Group		Bank	
	30 Jun 18	30 Jun 17	**30 Jun 18**	30 Jun 17
	$M	$M	**$M**	$M
Government bonds, notes and securities	**46,363**	48,257	**44,701**	46,424
Corporate/financial institution bonds, notes and securities	**21,372**	22,129	**20,356**	21,199
Shares and equity investments	**298**	295	**45**	37
Covered bonds, mortgage backed securities and SSA (1)	**14,207**	12,854	**12,629**	11,359
Total available-for-sale investments	**82,240**	83,535	**77,731**	79,019

(1) Supranational, Sovereign and Agency Securities (SSA).

The amounts expected to be recovered within 12 months of the Balance Sheet date are $14,772 million (2017: $20,162 million) for the Group and $13,478 million (2017: $19,009 million) for the Bank. Comparative amounts have been restated to conform to presentation in the current period.

Maturity Distribution and Weighted Average Yield

	Group Maturity Period at 30 June 2018									
	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	**4,774**	**0. 85**	**15,424**	**2. 11**	**21,330**	**2. 59**	**4,835**	**2. 97**	**-**	**46,363**
Corporate/financial institution bonds, notes and securities	**6,902**	**1. 81**	**14,442**	**2. 86**	**28**	**3. 96**	**-**	**-**	**-**	**21,372**
Shares and equity investments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**298**	**298**
Covered bonds, mortgage backed securities and SSA	**1,099**	**3. 05**	**4,799**	**2. 47**	**1,542**	**3. 51**	**6,767**	**2. 98**	**-**	**14,207**
Total available-for sale investments	**12,775**	**-**	**34,665**	**-**	**22,900**	**-**	**11,602**	**-**	**298**	**82,240**

The maturity table is based on contractual terms.

Accounting Policy

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 portfolio.

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 Banking Income.

6) Other Assets

Overview

The Group's other assets comprise assets not included in its lending, investing, trading and other banking activities. Other Assets include property, plant and equipment held for use and for lease through our asset finance businesses. Other assets also include software, brand names and goodwill. These assets support the Group's business activities.

6.1 Property, Plant and Equipment

	Group		Bank	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Land and Buildings [1]				
At 30 June valuation	**440**	471	**397**	426
Total land and buildings	**440**	471	**397**	426
Leasehold Improvements				
At cost	**1,580**	1,589	**1,357**	1,339
Accumulated depreciation	**(1,043)**	(1,024)	**(913)**	(885)
Closing balance	**537**	565	**444**	454
Equipment				
At cost	**2,164**	2,044	**1,773**	1,652
Accumulated depreciation	**(1,633)**	(1,496)	**(1,316)**	(1,188)
Closing balance	**531**	548	**457**	464
Total property, plant and equipment held for own use	**1,508**	1,584	**1,298**	1,344
Assets Held for Lease				
At cost	**1,360**	1,437	**193**	212
Accumulated depreciation	**(292)**	(319)	**(31)**	(62)
Closing balance	**1,068**	1,118	**162**	150
Other Property, Plant and Equipment [2]				
At cost	**-**	1,189	**-**	-
Accumulated depreciation	**-**	(18)	**-**	-
Closing balance	**-**	1,171	**-**	-
Total property, plant and equipment	**2,576**	3,873	**1,460**	1,494

(1) Had land and buildings been measured using the cost model rather than fair value, the carrying value would have been $229 million (2017: $243 million) for Group and $217 million (2017: $231 million) for Bank.

(2) Relates to property, plant and equipment held via a partly owned fund within the Group's life insurance businesses. The investment in the fund is used to back life insurance policy liabilities. As a result of the sale of the life insurance businesses this amount has been transferred to Assets Held for Sale. See Note 11.3.

The majority of the above items of Property, Plant and Equipment 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.

6.1 Property, Plant and Equipment (continued)

Reconciliation of the carrying amounts of Property, Plant and Equipment is set out below:

	Group		Bank	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Land and Buildings				
Carrying amount at the beginning of the year	**471**	496	**426**	446
Additions	**10**	6	**10**	5
Disposals	**(40)**	(31)	**(40)**	(22)
Net revaluations	**34**	32	**33**	28
Depreciation	**(34)**	(32)	**(32)**	(31)
Foreign currency translation adjustment	**(1)**	-	**-**	-
Carrying amount at the end of the year	**440**	471	**397**	426
Leasehold Improvements				
Carrying amount at the beginning of the year	**565**	605	**454**	490
Additions	**138**	107	**116**	85
Disposals	**(18)**	(9)	**(14)**	(6)
Depreciation	**(133)**	(135)	**(113)**	(113)
Reclassification to assets held for sale	**(13)**	-	**-**	-
Foreign currency translation adjustment	**(2)**	(3)	**1**	(2)
Carrying amount at the end of the year	**537**	565	**444**	454
Equipment				
Carrying amount at the beginning of the year	**548**	485	**464**	396
Additions	**188**	259	**167**	225
Disposals	**(11)**	(22)	**(10)**	(13)
Depreciation	**(190)**	(174)	**(164)**	(144)
Reclassification to assets held for sale	**(1)**	-	**-**	-
Foreign currency translation adjustment	**(3)**	-	**-**	-
Carrying amount at the end of the year	**531**	548	**457**	464
Assets Held for Lease				
Carrying amount at the beginning of the year	**1,118**	1,287	**150**	171
Additions	**164**	229	**46**	6
Disposals	**(140)**	(304)	**(24)**	(12)
Impairment losses	**-**	(6)	**-**	(2)
Depreciation	**(74)**	(88)	**(10)**	(13)
Foreign currency translation adjustment	**-**	-	**-**	-
Carrying amount at the end of the year	**1,068**	1,118	**162**	150
Other Property, Plant and Equipment				
Carrying amount at the beginning of the year	**1,171**	1,067	**-**	-
Acquisitions attributed to business combinations	**-**	120	**-**	-
Additions	**34**	-	**-**	-
Disposals	**-**	-	**-**	-
Depreciation	**-**	(18)	**-**	-
Reclassification to assets held for sale [1]	**(1,211)**	-	**-**	-
Foreign currency translation adjustment	**6**	2	**-**	-
Carrying amount at the end of the year	**-**	1,171	**-**	-

(1) Relates to property, plant and equipment held via a partly owned fund within the Group's life insurance businesses. The investment in the fund is used to back life insurance policy liabilities. As a result of the sale of the life insurance businesses this amount has been transferred to Assets Held for Sale. See Note 11.3.

6.1 Property, Plant and Equipment (continued)

Accounting Policy

The Group measures its 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 held for lease	
Aircraft	25 years
Rail	35 – 40 years
Ships	25 – 40 years

Land and buildings are carried at fair value based on independent valuations performed during the year. These fair values fall under the Level 3 category of the fair value hierarchy as defined in Note 9.5.

Critical accounting judgements and estimates

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 amount is greater than its recoverable amount, the carrying amount is written down immediately to its recoverable amount.

6.2 Intangible Assets

	Group		Bank	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Goodwill				
Purchased goodwill at cost	**6,941**	7,872	**2,522**	2,522
Closing balance	**6,941**	7,872	**2,522**	2,522
Computer Software Costs				
Cost	**4,633**	4,329	**4,122**	3,792
Accumulated amortisation	**(2,814)**	(2,395)	**(2,440)**	(2,057)
Closing balance	**1,819**	1,934	**1,682**	1,735
Brand Names (1)				
Cost	**206**	190	**186**	186
Accumulated amortisation	**(1)**	(1)	**-**	-
Closing balance	**205**	189	**186**	186
Other Intangibles (2)				
Cost	**195**	154	**45**	38
Accumulated amortisation	**(137)**	(125)	**(36)**	(32)
Closing balance	**58**	29	**9**	6
Total Intangible assets	**9,023**	10,024	**4,399**	4,449

(1) 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 as there is no foreseeable limit to the period over which the brand name is expected to generate cash flows. This balance also includes the Aussie brand name ($16 million) which has an indefinite useful life. They are not subject to amortisation, but require annual impairment testing. No impairment was required this period. The Count Financial brand name ($4 million) is also included and amortised over the estimated useful life of 20 years.

(2) Other intangibles include the value of customer and credit card relationships acquired from Bankwest, Aussie and Count Financial 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 between 6 and 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 9.5.

Earnings multiples relating to the Group's Banking, Wealth Management and IFS 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 10.9 - 11.2 (2017: 12.4 – 12.8), for the IFS businesses 6.3 - 13.0 (2017: 5.9 – 14.5) and for Wealth Management businesses were in the range of 11.0 - 19.0 (2017: 12.0 – 18.4).

Goodwill allocation to cash generating units

	Group	
	30 Jun 18 $M	30 Jun 17 $M
Retail Banking Services	**4,596**	4,149
Business and Private Banking	**297**	297
Wealth Management	**1,770**	2,678
New Zealand	**258**	697
IFS and Other	**20**	51
Total	**6,941**	7,872

6.2 Intangible Assets (continued)

Goodwill Allocation to Cash-Generating Units

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

	Group		Bank	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Goodwill				
Opening balance	**7,872**	7,925	**2,522**	2,522
Additions	**446**	16	**-**	-
Transfers/disposals/other adjustments (1)	**(1,377)**	(69)	**-**	-
Closing balance	**6,941**	7,872	**2,522**	2,522
Computer Software Costs				
Opening balance	**1,934**	2,228	**1,735**	2,061
Additions (1) (2)	**438**	491	**399**	404
Amortisation and write-offs (3)	**(553)**	(785)	**(452)**	(730)
Closing balance	**1,819**	1,934	**1,682**	1,735
Brand Names				
Opening balance	**189**	189	**186**	186
Additions	**16**	-	**-**	-
Closing balance	**205**	189	**186**	186
Other Intangibles				
Opening balance	**29**	42	**6**	9
Additions	**46**	2	**7**	-
Amortisation	**(17)**	(15)	**(4)**	(3)
Closing balance	**58**	29	**9**	6

(1) Includes reclassifications to assets held for sale and foreign currency revaluation.
(2) Primarily relates to internal development costs.
(3) Includes amounts associated with discontinued operations.

Accounting Policy

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 arises on the acquisition of an entity and represents the excess of the consideration paid over the fair value of the net assets and liabilities acquired. Goodwill is tested for impairment annually through allocation to a group of Cash Generating Units (CGUs). The CGUs' recoverable amount is then compared to the carrying amount of goodwill and an impairment is recognised for any excess carrying value.

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 Group's core banking software is amortised over ten years. Software maintenance is expensed as incurred.

6.2 Intangible Assets (continued)

Accounting Policy (continued)

Brand Names

Brand names acquired in a business combination include Aussie, Bankwest and Count Financial Limited and these are initially recognised at fair value. The Aussie and Bankwest brand names are assessed as having an indefinite useful life as there is no foreseeable limit to the period over which the brand names are expected to generate cash flows. The remaining brand names are amortised over their useful life.

Other Intangibles

Other intangibles predominantly comprise customer relationships. 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.

Critical accounting judgements and estimates

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, which are disclosed on page 178.

6.3 Other Assets

		Group		Bank	
		30 Jun 18	30 Jun 17	**30 Jun 18**	30 Jun 17
	Note	**$M**	$M	**$M**	$M
Accrued interest receivable		**2,377**	2,326	**3,114**	3,097
Accrued fees/reimbursements receivable		**1,255**	1,348	**205**	137
Securities sold not delivered		**1,823**	2,352	**1,398**	1,833
Intragroup current tax receivable		**-**	-	**283**	302
Current tax assets		**24**	23	**3**	-
Prepayments		**320**	257	**210**	182
Life insurance other assets		**11**	524	**-**	-
Defined benefit superannuation plan surplus	10.2	**581**	426	**581**	426
Other		**600**	626	**485**	480
Total other assets		**6,991**	7,882	**6,279**	6,457

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.

Accounting Policy

Other assets include interest and fee receivables, current tax assets, prepayments receivables on unsettled trades and the surplus within defined benefit plans. Interest receivables are recognised on an accruals basis, fees and reimbursements receivable are recognised once the service is provided and trade date accounted securities sold not delivered are recognised between trade execution and final settlement. The remaining other assets are recognised on an accruals or service performed basis and amortised over the period in which the economic benefits from these assets are received. Further defined benefit plan details are provided in Note 10.2.

7) Other Liabilities

Overview

Other liabilities primarily represent provisions recognised, interest payable, fees and bills payable and unsettled trades. Other provisions principally cover annual leave and long service leave employee entitlements as well as general insurance claims, potential penalties, committed compliance costs and certain costs related to litigation investigations and reviews. They do not relate to individually assessed provisions or collective provisions recognised on impaired financial assets of the Group (such as impaired home loans).

Certain provisions involve significant judgement to determine the likely outcome of events as well as a reliable estimate of the outflow. Where future events are uncertain or where the outflow cannot be reliably determined, these are disclosed as contingent liabilities. Contingent liabilities are not recognised in the Group's Balance Sheet but disclosed in Note 12.1.

Commentary on certain provisions are given in Note 7.1.

7.1 Other Provisions

		Group		Bank	
	Note	**30 Jun 18 $M**	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Employee entitlements		**815**	847	**774**	757
General insurance claims		**219**	273	**-**	-
Self insurance and non-lending losses		**192**	232	**164**	224
Dividends	8.4	**113**	100	**113**	100
Compliance, programs and regulation		**283**	69	**283**	69
Restructuring costs		**14**	52	**11**	50
Other		**253**	207	**245**	172
Total other provisions		**1,889**	1,780	**1,590**	1,372

Maturity Distribution of Other Provisions

	Group		Bank	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Less than twelve months	**1,635**	1,441	**1,381**	1,089
More than twelve months	**254**	339	**209**	283
Total other provisions	**1,889**	1,780	**1,590**	1,372

7.1 Other Provisions (continued)

Reconciliation	Group 30 Jun 18 $M	Group 30 Jun 17 $M	Bank 30 Jun 18 $M	Bank 30 Jun 17 $M
General insurance claims:				
Opening balance	**273**	260	**-**	-
Additional provisions	**530**	548	**-**	-
Amounts utilised during the year	**(584)**	(535)	**-**	-
Closing balance	**219**	273	**-**	-
Self insurance and non-lending losses:				
Opening balance	**232**	196	**224**	162
Additional provisions	**162**	73	**135**	73
Amounts utilised during the year	**(157)**	(37)	**(162)**	(11)
Release of provision	**(45)**	-	**(33)**	-
Closing balance	**192**	232	**164**	224
Compliance, programs and regulation:				
Opening balance	**69**	78	**69**	78
Additional provisions (1)	**389**	79	**389**	78
Amounts utilised during the year	**(175)**	(88)	**(175)**	(87)
Closing balance	**283**	69	**283**	69
Restructuring:				
Opening balance	**52**	28	**50**	27
Additional provisions	**15**	28	**11**	27
Amounts utilised during the year	**(30)**	(4)	**(27)**	(4)
Release of provision	**(23)**	-	**(23)**	-
Closing balance	**14**	52	**11**	50
Other:				
Opening balance	**207**	181	**172**	162
Additional provisions	**217**	127	**179**	93
Amounts utilised during the year	**(101)**	(76)	**(86)**	(60)
Release of provision	**(33)**	(25)	**(20)**	(23)
Reclassification to liabilities held for sale	**(37)**	-	**-**	-
Closing balance	**253**	207	**245**	172

(1) Compliance, programs and regulation include additional provisions for the year ended 30 June 2018 for Financial Crimes Compliance Program of Action, Royal Commission, ASIC investigation, APRA review, AUSTRAC proceedings and class action.

Accounting Policy

Provisions are recognised for present obligations arising from past events where a payment to settle the obligation is probable and can be reliably estimated. When payments to settle amounts are expected to be greater than one year in the future, they are then discounted using a market observable rate.

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.

7.1 Other Provisions (continued)

Accounting Policy (continued)

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.

Provisions for employee entitlements (such as long service leave, annual leave and other employee benefits)

This provision is calculated based on expected payments. Where the payments are expected to be more than one year in the future, these factor in the expected period of service by employees, as well as salary increases. These future obligations are discounted using a market observable rate.

Critical accounting judgements and estimates

Provisions are held in respect of a range of future obligations, some of which involve significant judgement about the likely outcome of various events and estimated future cash flows.

Litigation, investigations and reviews

The Group is party to legal proceedings and the subject of investigations and reviews, these include the matters outlined below as at 30 June 2018. Provisions have been raised where indicated in line with the principles outlined in the accounting policy section of this note.

Litigation

AUSTRAC Civil Proceedings

On 3 August 2017, the Australian Transaction Reports and Analysis Centre (AUSTRAC) commenced civil penalty proceedings in the Federal Court of Australia against CBA. The AUSTRAC statement of claim alleged past and ongoing contraventions of four provisions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (AML/CTF Act).

On 4 June 2018 CBA announced that it had entered into an agreement with AUSTRAC to resolve the civil proceedings. The agreement followed the Court-ordered mediation between CBA and AUSTRAC. As part of the agreement:

- CBA agreed to pay a civil penalty of $700 million together with AUSTRAC's legal costs.
- AUSTRAC's civil proceedings otherwise be dismissed.

The proposed settlement was approved on 20 June 2018 by the Federal Court. Accordingly, CBA recognised a $700 million expense during the year.

CBA is committed to build on the significant changes made in recent years as part of a comprehensive program to improve operational risk management and compliance at the bank. CBA continues to make significant investment in AML/CTF compliance, including upgrading and enhancing its AML/CTF technology, updating its process documentation, investing in further resourcing and strengthening training of its personnel.

CBA has acted to strengthen financial crime capabilities, and has invested significantly recognising the crucial role that it plays, including through its Program of Action with coverage across all aspects of financial crime (including AML/CTF, sanctions and anti-bribery and corruption) and all business units.

The Program of Action is uplifting the Bank's processes for monitoring, managing, reporting and controlling financial crime across all of its operations, including how the Bank engages with and informs AUSTRAC and other regulators, and the operating model of the Bank which relates specifically to financial crime to ensure increased confidence in managing this area of risk.

The Group has provided for certain costs of running the Program of Action.

ASIC's investigation

On 11 August 2017, following the commencement of the civil proceedings against CBA by AUSTRAC, ASIC confirmed it would investigate the Group's disclosure in respect of the allegations raised in connection with the AUSTRAC proceedings. ASIC is investigating, among other things, whether the officers and Directors at CBA complied with their continuous disclosure obligations under the Corporations Act 2001 (Cth). CBA continues to engage with ASIC in respect of the investigation and respond to requests made by ASIC. It is currently not possible to predict the ultimate outcome of this investigation, if any, on the Group. The Group has provided for the legal costs expected to be incurred in relation to this investigation.

Shareholder Class Actions

In October 2017 CBA was served with a shareholder class action proceeding filed in the Federal Court of Australia alleging breaches of CBA's continuous disclosure obligations and misleading and deceptive conduct in relation to the subject matter of the AUSTRAC civil proceedings. It is alleged that CBA shareholders who acquired an interest in CBA shares between 1 July 2015 and 3 August 2017 suffered loss caused by the alleged conduct. In July 2018 a similar second shareholder class action in relation to the subject matter of the AUSTRAC civil proceedings was served on CBA on behalf of certain CBA shareholders who acquired an interest in CBA shares between 16 June 2014 and 3 August 2017.

7.1 Other Provisions (continued)

Litigation, investigations and reviews

Litigation

Shareholder Class Actions (continued)

It is currently not possible to determine the ultimate impact of these claims, if any, on the Group. The Group denies the allegations and intends to vigorously defend both claims. The Group has provided for legal costs expected to be incurred to defend these claims.

ASIC Bank Bill Swap Rate

On 30 January 2018, as part of the industry wide review into the trading activities of participants in the bank bill market, ASIC filed a claim against CBA alleging that on six occasions between 31 January 2012 and 31 October 2012, CBA's bills traders had engaged in market manipulation and unconscionable conduct. On 9 May 2018, CBA and ASIC agreed to settle the proceedings. The terms of settlement included an admission by CBA that its traders had attempted to engage in unconscionable conduct on 5 occasions in 2012 and that CBA's systems, training, policies and controls were inadequate to prevent the conduct from occurring. CBA agreed to a civil penalty of $5 million (which required the approval of the Federal Court) and to pay ASIC's costs of the investigation and legal costs in a combined amount of $5 million, and to make a community benefit payment of $15 million to Financial Literacy Australia. The agreed settlement was approved on 21 June 2018 by the Federal Court. CBA has also entered into an Enforceable Undertaking with ASIC to ensure that CBA's systems, training, policies and controls are strengthened to prevent a recurrence of the conduct. The Group recognised an expense during the year for the settlement.

Investigations and reviews

APRA's Prudential Inquiry into CBA

On 28 August 2017, APRA announced it would establish an independent prudential inquiry (the "Inquiry") into the Group with the goal of identifying shortcomings in the governance, culture and accountability frameworks. The Inquiry considered, amongst other things, whether the Group's organisational structure, governance, financial objectives, remuneration and accountability frameworks conflicted with sound risk management and compliance outcomes. A Panel was appointed on 8 September 2017 to conduct the Inquiry, comprising of Dr John Laker AO, Jillian Broadbent AO and Professor Graeme Samuel AC (the "Panel").

The Panel published a progress report on 1 February 2018 and its final report on 1 May 2018 ("Final Report"). The Final Report makes a number of findings regarding the complex interplay of organisational and cultural factors within the Group and the need for enhanced management of non-financial risks. In response to the Final Report, the Group has acknowledged that it will implement all of the recommendations and has agreed to adjust its minimum operational risk capital requirements by an additional $1 billion (risk weighted assets $12.5 billion) until such time as the recommendations are implemented to APRA's satisfaction.

CBA has entered into an Enforceable Undertaking under which CBA's remedial action in response to the Final Report would be agreed and monitored regularly by APRA. On 29 June 2018 CBA announced that APRA had endorsed CBA's Remedial Action Plan, which details CBA's response to the 35 recommendations of the Prudential Inquiry, released on 1 May 2018. The Remedial Action Plan provides a detailed program of change outlining how CBA will improve the way it runs its business, manages risk, and works with regulators. The Remedial Action Plan provides a comprehensive assurance framework, with Promontory Financial Group having been appointed as the independent reviewer. The Group has provided for costs expected to be incurred in relation to the conduct of the Inquiry.

The Royal Commission

On 30 November 2017, the Australian Government announced the establishment of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. The former High Court Judge, the Honourable Kenneth Hayne AC QC was appointed as the Commissioner.

The purpose of the Royal Commission is to inquire into the conduct of banks, insurers, superannuation funds and other financial services institutions, and to assess the effectiveness of existing regulatory frameworks and mechanisms for customer redress. A final report is due by 1 February 2019, with an interim report due by 30 September 2018. The Commissioner's report is expected to outline his findings and recommendations, which may form the basis of regulatory changes.

The Royal Commission is conducting rounds of public hearings, focusing on key elements of the financial services industry, including consumer lending, financial advice, lending to small and medium enterprises, superannuation, general and life insurance, and experiences with financial services entities in regional and remote communities.

The Royal Commission is playing an important role in highlighting misconduct and conduct below community standards and expectations, demonstrating that the industry hasn't always done the right thing by customers, and it will continue to highlight cases where we have made mistakes.

The Group is engaging openly and transparently with the Royal Commission and carefully considering the issues specific to the Group and the broader issues the Royal Commission, customers, regulators and other stakeholders are raising around how the financial services industry operates.

The Group's Royal Commission Project team leads our engagement with the Royal Commission and manages the various requirements, including providing requested documents, supporting our witnesses, attending hearings, and preparing submissions. As at 30 June 2018, the Group had responded to 106 notices to produce documents from the Royal Commission, provided 47 witness statements and 10 submissions. In addition, Group executives had provided in-hearing evidence to the Royal Commission on 12 occasions. The Group provided for costs expected to be incurred in relation to the conduct of the Royal Commission.

7.2 Bills Payable and Other Liabilities

		Group		Bank	
	Note	**30 Jun 18 $M**	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Bills payable		**931**	1,495	**827**	1,431
Accrued interest payable		**2,745**	2,633	**2,163**	1,920
Accrued fees, employee incentives and other items payable (1)		**3,165**	2,586	**2,494**	1,693
Defined benefit superannuation plan deficit	10.2	**-**	11	**-**	11
Securities purchased not delivered		**2,456**	2,771	**1,942**	2,297
Unearned income		**1,389**	1,430	**968**	1,007
Life insurance other liabilities and claims payable		**-**	297	**-**	-
Other		**910**	709	**1,722**	2,550
Total bills payable and other liabilities		**11,596**	11,932	**10,116**	10,909

(1) Includes payable for AUSTRAC civil penalty of $700 million,

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.

Accounting Policy

Bills Payable and Other Liabilities include accrued interest payable, accrued incentives payable, accrued fees payable and unearned income. Bills Payable and Other Liabilities are measured at the contractual amount payable. As most payables are short-term in nature, the contractual amount payable approximates fair value.

8) Our Capital, Equity and Reserves

Overview

The Group maintains a strong capital position in order to satisfy regulatory capital requirements, provide financial security to its depositors and creditors and adequate return to its shareholders. The Group's Shareholders' Equity includes issued ordinary shares, retained earnings and reserves.

This section provides analysis of the Group's Shareholder's Equity including changes during the period.

8.1 Capital Adequacy

The Bank 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), Additional Tier 1 Capital and Tier 2 Capital. CET1 primarily consists of Shareholders' Equity, less goodwill and other prescribed adjustments. Additional Tier 1 Capital is comprised of high quality capital providing a permanent and unrestricted commitment of funds, is freely available to absorb losses, ranks behind the claims of depositors and other more senior creditors and provides for fully discretionary capital distributions. Tier 1 capital is the aggregate of CET1 and Additional Tier 1 capital. Tier 2 Capital is hybrid and debt instruments that fall short of necessary conditions to qualify as Additional Tier 1 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 risk based capital ratios. The capital ratios reflect capital (CET1, Additional Tier 1, Tier 2 and 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 Leadership Team and at regular intervals throughout the year to the Board 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, 2017 and 2018 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.

8.2 Loan Capital

		Currency Amount (M)	Endnotes	Group 30 Jun 18 $M	Group 30 Jun 17 $M	Bank 30 Jun 18 $M	Bank 30 Jun 17 $M
Tier 1 Loan Capital							
Undated	FRN	USD 100	(1)	**135**	130	**135**	130
Undated	PERLS VI	AUD 2,000	(2)	**1,999**	1,994	**1,999**	1,994
Undated	PERLS VII	AUD 3,000	(2)	**2,978**	2,979	**2,978**	2,979
Undated	PERLS VIII	AUD 1,450	(2)	**1,436**	1,435	**1,436**	1,435
Undated	PERLS IX	AUD 1,640	(2)	**1,622**	1,622	**1,622**	1,622
Undated	PERLS X	AUD 1,365	(2)	**1,356**	-	**1,352**	-
Total Tier 1 Loan Capital				**9,526**	8,160	**9,522**	8,160
Tier 2 Loan Capital							
AUD denominated			(3)	**1,773**	1,773	**1,773**	1,773
USD denominated			(4)	**4,380**	3,047	**4,380**	3,047
JPY denominated			(5)	**896**	850	**896**	850
GBP denominated			(6)	**266**	254	**266**	254
NZD denominated			(7)	**729**	755	**-**	-
EUR denominated			(8)	**5,107**	3,338	**5,107**	3,338
Other currencies denominated			(9)	**309**	293	**309**	293
Total Tier 2 Loan Capital				**13,460**	10,310	**12,731**	9,555
Fair value hedge adjustments				**6**	256	**(4)**	244
Total Loan Capital (1)				**22,992**	18,726	**22,249**	17,959

(1) Loan Capital includes unrealised movements of $776 million in 2018 predominantly due to foreign exchange gains and losses.

As at the reporting date there are no securities of the Group and the Bank that are 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, PERLS IX and PERLS X

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). On 6 April 2018, the Bank issued $1,365 million of CommBank PERLS X Capital Notes (PERLS X). PERLS VI, PERLS VII, PERLS VIII, PERLS IX and PERLS X are subordinated, unsecured notes.

PERLS VI, PERLS VII, PERLS VIII, PERLS IX and PERLS X 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.

8.2 Loan Capital (continued)

[(4)] **USD denominated Tier 2 Loan Capital issuances**

- USD350 million subordinated fixed rate notes, issued June 2003, and redeemed in June 2018;
- USD1,250 million subordinated notes issued December 2015, due December 2025;
- USD750 million subordinated EMTN (Euro Medium Term Notes) issued October 2016, due October 2026; and
- USD 1,250 million subordinated notes issued January 2018, due in January 2048;

[(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
- 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;
- EUR1,250 million subordinated notes issued April 2015, due April 2027; and
- EUR 1,000 million subordinated EMTN, issued October 2017, due October 2029.

[(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 PERLS X, 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, PERLS IX and PERLS X only) or a non-viability trigger event (all securities) occurs. Any exchange will occur as described in the terms of the applicable instrument documentation.

Accounting Policy

Loan capital are instruments issued by the Group, which qualify as regulatory capital under the Prudential Standards set by the Australian Prudential Regulation Authority (APRA) and the Reserve Bank of New Zealand (RBNZ). Loan capital is initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. Interest expense incurred is recognised in net interest income.

8.3 Shareholder's Equity

	Group		Bank	
	30 Jun 18	30 Jun 17	**30 Jun 18**	30 Jun 17
	$M	$M	**$M**	$M
Ordinary Share Capital				
Shares on issue:				
Opening balance	**35,266**	34,129	**35,262**	34,125
Issue of shares (net of issue costs) (1)	**164**	(6)	**164**	(6)
Dividend reinvestment plan (net of issue costs) (2)	**2,105**	1,143	**2,107**	1,143
	37,535	35,266	**37,533**	35,262
Less treasury shares:				
Opening balance	**(295)**	(284)	**-**	-
Purchase of treasury shares (3)	**(95)**	(92)	**-**	-
Sale and vesting of treasury shares (3)	**125**	81	**-**	-
	(265)	(295)	**-**	**-**
Closing balance	**37,270**	34,971	**37,533**	35,262

(1) During the year shares issued relate to the acquisition of the remaining 20% interest in AHL Holding Pty Limited.

(2) The determined dividend includes an amount attributable to the dividend reinvestment plan of $536 million (interim 2017/2018), $1,573 million (final 2016/2017), $558 million (interim 2016/2017) and $586 million (final 2015/2016). The value of shares issued under plans rules net of issue costs for the respective periods was $533 million, $1,572 million, $557 million and $586 million.

(3) The movement in treasury shares relate to amounts held within life Insurance Statutory Funds, and 1,132,108 shares acquired at an average price of $77.11 for 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 10.3, shares purchased were not on behalf of or initially allocated to a director.

	Group		Bank	
	30 Jun 18	30 Jun 17	**30 Jun 18**	30 Jun 17
Number of shares on issue	**Shares**	Shares	**Shares**	Shares
Opening balance (excluding treasury shares deduction)	**1,729,868,161**	1,715,142,177	**1,729,868,161**	1,715,142,177
Issue of shares (1)	**2,087,604**	-	**2,087,604**	-
Dividend reinvestment plan issues:				
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
2016/2017 Final dividend fully paid ordinary shares $75.73	**20,772,433**	-	**20,772,433**	-
2017/2018 Interim dividend fully paid ordinary shares $75.38	**7,114,732**	-	**7,114,732**	-
Closing balance (excluding treasury shares deduction)	**1,759,842,930**	1,729,868,161	**1,759,842,930**	1,729,868,161
Less: treasury shares (2)	**(3,225,310)**	(3,854,763)	**-**	-
Closing balance	**1,756,617,620**	1,726,013,398	**1,759,842,930**	1,729,868,161

(1) During the period, the number of shares issued relates to the acquisition of the remaining 20% interest in AHL Holdings Pty Limited.

(2) Relates to Treasury shares held within the life Insurance statutory funds and the employees share scheme trust.

Ordinary shares have no par value and the Company does not have a limited amount of share capital.

Ordinary shares entitle holders to receive dividends payable to ordinary shareholders and to participate in the proceeds available to ordinary shareholders on winding up of the Company in proportion to the number of fully paid ordinary shares held.

On a show of hands every holder of fully paid ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll one vote for each share held.

8.3 Shareholder's Equity (continued)

	Group		Bank	
	30 Jun 18	30 Jun 17	**30 Jun 18**	30 Jun 17
Retained Profits	**$M**	$M	**$M**	$M
Opening balance [1]	**26,274**	23,379	**22,256**	20,374
Actuarial gains from defined benefit superannuation plans	**161**	175	**159**	175
Losses on liabilities at fair value due to changes in own credit risk	**(2)**	(3)	**(2)**	(3)
Realised gains and dividend income on treasury shares	**16**	26	**-**	-
Operating profit attributable to Equity holders of the Bank	**9,329**	9,928	**8,875**	8,979
Total available for appropriation	**35,778**	33,505	**31,288**	29,525
Transfers from/(to) general reserve	**47**	33	**(4)**	(2)
Transfers from asset revaluation reserve	**19**	(27)	**19**	(30)
Interim dividend - cash component	**(2,969)**	(2,871)	**(2,969)**	(2,871)
Interim dividend - Dividend Reinvestment Plan	**(536)**	(558)	**(536)**	(558)
Final dividend - cash component	**(2,406)**	(3,222)	**(2,406)**	(3,222)
Final dividend - Dividend Reinvestment Plan	**(1,573)**	(586)	**(1,573)**	(586)
Closing balance	**28,360**	26,274	**23,819**	22,256

(1) Comparative information has been restated to reflect the change in accounting policy to recognise deferred tax on brand names with indefinite useful lives acquired by the Group detailed in Note 1.1.

8.3 Shareholders' Equity (continued)

	Group		Bank	
Reserves	**30 Jun 18 $M**	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
General Reserve				
Opening balance	**906**	939	**580**	578
Appropriation (to)/from retained profits	**(47)**	(33)	**4**	2
Closing balance	**859**	906	**584**	580
Capital Reserve				
Opening balance	**-**	-	**1,254**	1,254
Closing balance	**-**	-	**1,254**	1,254
Asset Revaluation Reserve				
Opening balance	**223**	173	**196**	147
Revaluation of properties	**35**	32	**33**	28
Transfer to retained profits	**(19)**	27	**(19)**	30
Income tax effect	**(4)**	(9)	**(4)**	(9)
Closing balance	**235**	223	**206**	196
Foreign Currency Translation Reserve				
Opening balance	**457**	739	**35**	46
Currency translation adjustments of foreign operations	**(9)**	(315)	**39**	(23)
Currency translation on net investment hedge	**15**	14	**14**	12
Income tax effect	**(15)**	19	**-**	-
Closing balance	**448**	457	**88**	35
Cash Flow Hedge Reserve				
Opening balance	**(107)**	473	**66**	732
Gains and losses on cash flow hedging instruments:				
Recognised in other comprehensive income	**(260)**	(1,282)	**6**	(987)
Transferred to Income Statement:				
Interest income	**(960)**	(1,241)	**(975)**	(1,226)
Interest expense	**1,160**	1,684	**985**	1,258
Income tax effect	**7**	259	**(12)**	289
Closing balance	**(160)**	(107)	**70**	66
Employee Compensation Reserve				
Opening balance	**164**	132	**164**	132
Current period movement	**(19)**	32	**(25)**	32
Closing balance	**145**	164	**139**	164
Available-for-Sale Investments Reserve				
Opening balance	**226**	278	**261**	226
Net gains and (losses) on revaluation of available-for-sale investments	**(185)**	414	**(135)**	494
Net (gains) and losses on available-for-sale investments transferred to Income Statement on disposal	**87**	(464)	**87**	(447)
Income tax effect	**21**	(2)	**14**	(12)
Closing balance	**149**	226	**227**	261
Total Reserves	**1,676**	1,869	**2,568**	2,556

8.3 Shareholder's Equity (continued)

Accounting Policy

Shareholder's equity includes ordinary share capital, retained profits and reserves. Policies for each component are set out below:

Ordinary Share Capital:

Ordinary shares are recognised at the amount paid up per ordinary share, net of directly attributable issue costs. Where the Bank or entities within 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.

Retained Profits:

Retained profits includes the accumulated profits for the Group including certain amounts recognised directly in retained profits less dividends paid.

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 business.

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. Specifically assets and liabilities are translated at the prevailing exchange rate at Balance Sheet date; revenue and expenses are translated at the transaction date; and all resulting exchange differences are recognised in the foreign currency translation reserve.

When a foreign operation is disposed of, exchange differences are recycled out of the reserve and recognised in the Income Statement.

Cash Flow Hedge Reserve

The cash flow hedge reserve is used to record fair value gains or losses associated with the effective portion of designated cash flow hedging instruments. Amounts are reclassified to profit or loss when the hedged transaction impacts profit or loss.

Employee Compensation Reserve

The employee compensation reserve is used to recognise the fair value of shares and other equity instruments issued to employees under the employee share plans and bonus schemes.

Available-for-Sale Investment Reserve

The available-for-sale investment reserve includes changes in the fair value of available-for-sale financial assets. These changes are transferred to profit or loss when the asset is derecognised or impaired.

8.4 Dividends

	Note	Group			Bank	
		30 Jun 18	30 Jun 17	30 Jun 16	**30 Jun 18**	30 Jun 17
		$M	$M	$M	**$M**	$M
Ordinary Shares						
Interim ordinary dividend (fully franked) (2018: 200 cents; 2017: 199 cents; 2016: 198 cents)						
Interim ordinary dividend paid - cash component only		**2,969**	2,871	2,829	**2,969**	2,871
Interim ordinary dividend paid - Dividend Reinvestment Plan		**536**	558	552	**536**	558
Total dividend paid		**3,505**	3,429	3,381	**3,505**	3,429
Other Equity Instruments						
Dividend paid		**-**	-	56	**-**	-
Total dividend provided for, reserved or paid		**3,505**	3,429	3,437	**3,505**	3,429
Other provision carried		**113**	100	90	**113**	100
Dividend proposed and not recognised as a liability (fully franked) (2018: 231 cents; 2017: 230 cents; 2016: 222 cents) (1)		**4,065**	3,979	3,808	**4,065**	3,979
Provision for dividends						
Opening balance		**100**	90	82	**100**	90
Provision made during the year		**7,484**	7,237	6,994	**7,484**	7,237
Provision used during the year		**(7,471)**	(7,227)	(6,986)	**(7,471)**	(7,227)
Closing balance	7.1	**113**	100	90	**113**	100

(1) The 2018 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 $622 million. The 2017 final dividend was satisfied by cash disbursements of $2,406 million and $1,573 million being reinvested by the participants through the DRP. The 2016 final dividend was satisfied by cash disbursements $3,222 million and $586 million being reinvested by the participants through the DRP.

Final Dividend

The Directors have declared a franked final dividend of 231 cents per share amounting to $4,065 million. The dividend will be payable on 28 September 2018 to shareholders on the register at 5pm AEST on 16 August 2018. The ex-dividend date is 15 August 2018.

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 2018 to frank dividends for subsequent financial years, is $1,464 million (2017: $1,067 million). This figure is based on the franking accounts of the Bank at 30 June 2018, 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 2018.

8.4 Dividends (continued)

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 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	75. 73	39. 5
31 December 2017	200	28/03/2018	71. 4	-	75. 38	15. 3
30 June 2018	231	28/09/2018	91. 9	81. 2	-	-

(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.

Accounting Policy

Dividends represent a distribution of profits that holders of ordinary shares receive from time to time. Dividends are not accrued as a liability until a dividend declaration is made by the Board of the Bank. The liability is reduced when the dividend is paid. The Board takes into consideration factors including the Group's relative capital strength and the Group's existing dividend payout ratio guidelines in determining the amount of dividends to be paid.

9) Risk Management

Overview

The Group is exposed to both financial and non-financial risks arising from its operations. The Group manages these risks through its Risk Management Framework (Framework) that evolves with emerging risks arising from the changing business environment, better practice approaches and regulatory and community expectations. The components of the Framework are illustrated below.

Following the publication in April of the Prudential Inquiry Panel report to APRA, the Group has committed to implement all of its recommendations. A number of the resulting actions will strengthen the Framework, particularly for the Operational and Compliance risk types. The Action Plan to deliver these changes has been endorsed by APRA and the changes will be embedded into the framework on the basis agreed.

Further details on each of the material risks, and how the Group manages them are outlined in this note.

9.1 Risk Management Framework

The Group's embedded Framework 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 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 Risk Management Approach (RMA) describes how the Group ensures the comprehensive management of risks across the Group in support of achieving its strategic goals.
- The Group 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 Framework is underpinned by key foundational components, in particular:

Risk Culture and Conduct Risk

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. Culture is a key driver of conduct. The RAS requires business practices that are fair to the Group's customers and protects the fair and efficient operation of the market. This defines the Group's standard of good conduct. The Group's risk culture emphasises doing what is right, accountability, service, excellence and getting things done. APRA requires the CBA 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.

9.1 Risk Management Framework (continued)

Trust and Reputation

The reputation of the Group and trust of stakeholders are significant assets. Damage to the Group's reputation arises from negative perception on the part of customers, counterparties, shareholders, investors, debt holders, market analysts, regulators and other relevant stakeholders of the Group. The Group's purpose and values combined with the organisational culture and our conduct as an organisation and as individuals form the framework which protects this asset. Potential adverse reputational impacts are managed as an outcome of the Group's material risks. In addition the Group has a corporate responsibility plan focused on driving positive change through education, innovation and good business practice.

The four key elements that operationalise the Framework are:

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:

- Monitors the Group's risk profile (including identification of emerging risks);
- 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 Risk Committee or the CRO.

The Group is rolling out a new Three Lines of Accountability (3LoA) model which places accountability for risk ownership with Line 1 Business Units (BUs) while focussing the mandate of Line 2 Risk Teams on appetite and framework, oversight, assurance, challenge and advice (and elevates Line 1 Profit and Loss owners as accountable for decision making and risk management).

Line 3 Audit provides independent assurance to the Board, regulators and other stakeholders of the effectiveness of risk management, internal controls and governance. This model recognises that the business is best positioned to make optimal long-term risk-reward decisions that consider the full end-to-end value chain.

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;
- Quantifying the financial operating tolerances for material risks; and
- Clearly stating the types of risk outcomes to which the Group is intolerant.

Risk Reporting

Regular management information is produced which allows financial and risk positions to be monitored against approved Risk Appetite and policy limits. At Board level, the majority of risk reporting is provided to the Board Risk Committee although select matters (e.g. regulatory relationships, strategic risk and reputational matters, capital, liquidity risk) are reported directly to the Board. Controls reporting is provided to the Audit Committee. The Chairs of the Board Risk and Audit Committees report to the Board following each Committee meeting.

Risk Management Infrastructure

The Framework is supported by systems and processes that together provide the infrastructure for the management of the Group's material risk types. The key risk management systems and processes in place include:

- A Management Information System to measure and aggregate 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.

9.1 Risk Management (continued)

Material Risks

A description of the material 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 9.2)	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 Principles, Framework and Governance ▪ Group and Business Unit Credit Risk Policies **Key Management Committee**: Executive Risk Committee	The following credit concentration frameworks set credit portfolio concentration limits: ▪ Large Credit Exposure Policy; ▪ Country Risk Exposure Policy; and ▪ Industry Sector Concentration Policy. Credit quality metrics with associated limits are set in the Group RAS for corporate and retail exposures and cascaded to BUs. Group and BU Credit Risk Policies cover the credit risk exposure cycle. The measurement of credit risk is primarily based on the APRA accredited Advanced Internal Ratings Based (AIRB) approach.
Market Risk (including Equity Risk) (refer to Note 9.3)	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 operating leased assets at maturity (lease residual value risk).	**Governing Policies:** ▪ The Group Market Risk Policy **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; ▪ 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 9.4)	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 **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; ▪ The Net Stable Funding Ratio, which encourages stable funding of core assets; ▪ 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.

9.1 Risk Management (continued)

Risk Type	Description	Governing Policies and Key Management Committees	Key Limits, Standards and Measurement Approaches
Operational Risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	**Governing Policies:** ▪ Operational Risk Management Framework (ORMF) ▪ Group and Business Unit Operational Risk Policies **Key Management Committee:** Executive Leadership Team Non- Financial Risk Committee.	▪ Group Risk Appetite Statement- Operational Risk metric in respect of: ▪ Losses; ▪ Residual Risk; ▪ Internal Control environment; and ▪ Issues. ▪ The measurement of operational risk capital is based on an APRA accredited Advanced Measurement Approach. The approach combines internal and external loss experience and business judgements captured through scenario analysis.
Compliance Risk	Compliance risk is the risk of sanctions, financial loss, or reputational damage we may suffer as a result of the Group's failure to comply with laws, regulations, rules, statements of regulatory policy, and codes of conduct applicable to its business activities (not including operational risk failures) and includes societal expectations. Financial crime represents a sub-component of Compliance Risk and covers risks including Anti Money Laundering, Counter Terrorism Financing, Anti-Bribery and Corruption, and sanctions.	**Governing Policies:** ▪ Group Compliance Risk Management Framework (CRMF) ▪ Group and Business Unit Compliance Policies **Key Management Committee:** Executive Leadership Team Non- Financial Risk Committee.	The CRMF sets the standards on how the Group identifies, assesses, manages, monitors and reports on Compliance Risk. The CRMF is supported by a number of key policies which are set out in the Group Risk Management Approach (RMA). Compliance Risk Measures are included in the Group RAS.
Insurance Risk	Insurance risk is the risk of loss due to increases in policy benefits arising from variations in the incidence or severity of insured events. In the life insurance business this arises primarily through mortality (death) or morbidity (illness or injury) 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.	**Governing Policies:** ▪ Product Management Policy ▪ Underwriting Policy ▪ Claims Management Policy ▪ Reinsurance Management Policy **Key Management Committee:** Executive Committees of insurance writing businesses	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.

9.1 Risk Management (continued)

Risk Type	Description	Governing Policies and Key Management Committees	Key Limits, Standards and Measurement Approaches
Strategic Risk	Strategic Risk is the risk of material value destruction or less than planned value creation arising from changes in the business environment (caused by macro-economic conditions, competitive forces at work, technology, regulatory, political and social trends, customer preference and the environment or internal weaknesses, such as a poorly implemented or flawed strategy).	**Governing Policies:** ▪ The management of Strategic Risks is intrinsically interconnected with business management and is driven by the Group's Strategic Planning Cycle. **Key Management Committee:** Executive Leadership Team	Strategic risks are overseen by the Board. The Group's approach to managing Strategic Risks is to select a strategy that is expected to maximise long-term value for shareholders. While considering Group and BU strategic plans, the Board considers the most significant risks (current and emerging) arising from these plans. Strategic risk is assessed by using scenario analysis and stress testing to understand the potential impacts of changes in the external operating environment. The findings from these assessments are used to inform mitigating actions, including incorporating contingency (where appropriate) into the strategic and financial plans. Potential adverse climate change impacts are measured and managed as an outcome of all other material risks. In support of our commitment to limiting climate change in line with the Paris Agreement and the responsible global transition to net zero emissions by 2050 we: ▪ Develop scenario analyses to understand the impacts of both transition and physical climate-related risks in our business and the implications for strategic and tactical portfolio decisions; and ▪ Have developed strong policy frameworks which consider Environmental, Social and Governance (ESG) issues, including climate change impacts in assessing our relationships with customers and suppliers. In addition, Corporate Responsibility programs: ▪ Outline our objectives for safeguarding the environment, whilst supporting economic growth and development; and ▪ Provide guidelines in monitoring and reducing our own greenhouse gas emissions and energy use.

9.2 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 Group's 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, frameworks, 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 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. Loans past due are reviewed by the relevant Risk Management/ Business Unit Arrears Management or Financial Assistance 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).

Either a PD Rating Tool or expert judgement is used to determine the PD for customers in this segment. Expert judgement is used where the complexity of the transaction and/or the counterparty is such that it is inappropriate to rely completely on a statistical model. External ratings may be used for benchmarking in 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 classified as impaired.

Default is usually consistent with one or more of the following:

- The customer is 90 days or more overdue on a scheduled credit 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 the 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.

9.2 Credit Risk (continued)

Credit Risk Measurement (continued)

EAD is the estimate of the amount of a facility that will be outstanding under a facility in the event of default. Estimates are based on a downturn in economic conditions. The estimate is based on the actual amount outstanding, plus the undrawn amount multiplied by a credit conversion factor (CCF). The CCF 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 CFF 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 to calculate EAD.

LGD expressed as a percentage, is the estimated proportion of a facility likely to be lost in the event of default. LGD is impacted by

- Type and level of any collateral held;
- Liquidity and volatility of collateral;
- Carrying costs (effectively the costs of providing a facility that is not generating an interest return); and
- Realisation costs.

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 held as 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 8.1 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. These include 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 $21,148 million (2017: $20,307 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).

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.

Derivative Assets

The Group's use of derivative contracts is outlined in Note 5.4. The Group is exposed to counterparty credit risk on derivative contracts. The counterparty credit risk is affected by the nature of the trades, the counterparty, netting, and collateral arrangements. Credit risk from derivatives is mitigated where possible (typically for financial institutions 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 cleared 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. The fair value of collateral held and the potential effect of offset obtained by applying master netting agreements are disclosed in Note 9.7.

9.2 Credit Risk (continued)

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, $100,110 million (2017: $100,078 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; and
- Charges over business assets such as cash, shares, inventory, fixed assets and accounts receivables.

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.

9.2 Credit Risk (continued)

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

										Group
										At 30 June 2018
			Bank and				Asset	Other		
		Agri-	Other	Home	Constr-	Other	Financ-	Comm and		
	Sovereign	culture	Financial	Loans	uction	Personal	ing	Indust.	Other	Total
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Australia										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	4,461	-	10,974	-	-	-	-	-	-	15,435
Receivables due from other financial institutions	-	-	2,644	-	-	-	-	-	-	2,644
Assets at fair value through Income Statement:										
Trading	15,917	-	2,780	-	-	-	-	10,223	-	28,920
Other	49	-	209	-	-	-	-	-	-	258
Derivative assets	1,371	45	20,865	-	4	-	-	1,736	-	24,021
Available-for-sale investments	39,906	-	26,525	-	-	-	-	298	-	66,729
Loans, bills discounted and other receivables (1)	16,823	8,998	12,951	451,367	3,028	23,658	8,581	118,681	-	644,087
Bank acceptances	-	2	-	-	2	-	-	35	-	39
Other assets (2)	1,030	4	4,272	-	1	7	-	237	15,100	20,651
Assets held for sale	1,521	-	4,585	-	-		-	4,172	3,136	13,414
Total on Balance Sheet Australia	81,078	9,049	85,805	451,367	3,035	23,665	8,581	135,382	18,236	816,198
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	44	18	991	6	307	-	-	3,059	-	4,425
Loan commitments	907	1,750	7,837	66,483	2,439	21,783	-	34,995	-	136,194
Other commitments	54	22	736	1	1,357	-	10	3,021	-	5,201
Total Australia	82,083	10,839	95,369	517,857	7,138	45,448	8,591	176,457	18,236	962,018
Overseas										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	16,688	-	4,294	-	-	-	-	-	-	20,982
Receivables due from other financial institutions	-	-	6,578	-	-	-	-	-	-	6,578
Assets at fair value through Income Statement:										
Trading	2,161	-	1,085	-	-	-	-	88	-	3,334
Insurance	358	-	14	-	-	-	-	-	-	372
Other	-	-	-	-	-	-	-	-	-	-
Derivative assets	348	16	4,586	-	-	-	-	3,162	-	8,112
Available-for-sale investments	12,515	-	2,995	-	-	-	-	1	-	15,511
Loans, bills discounted and other receivables (1)	1,571	9,930	7,075	50,298	638	1,844	457	32,129	-	103,942
Bank acceptances	-	-	-	-	-	-	-	340	-	340
Other assets (2)	30	-	798	2	-	3	10	43	1,334	2,220
Assets held for sale	-	-	1,788	-	-	-	-	-	452	2,240
Total on Balance Sheet overseas	33,671	9,946	29,213	50,300	638	1,847	467	35,763	1,786	163,631
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	1	9	1,486	-	40	-	-	304	-	1,840
Loan commitments	349	1,007	4,266	7,268	230	1,977	-	10,799	-	25,896
Other commitments	9	5	607	-	1	-	-	1,018	-	1,640
Total overseas	34,030	10,967	35,572	57,568	909	3,824	467	47,884	1,786	193,007
Total gross credit risk	116,113	21,806	130,941	575,425	8,047	49,272	9,058	224,341	20,022	1,155,025

(1) Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income in line with Note 3.1.
(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.

9.2 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 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 (2)	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 [3]	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 (2)	1,900	9,848	5,775	49,673	634	1,713	464	32,596	-	**102,603**
Bank acceptances	-	-	-	-	-	-	-	422	-	**422**
Other assets [3]	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) 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 in line with Note 3.1.
(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.

9.2 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 CRR, the type of client, and facility tenor. All exposures outside the policy limits require approval by the Executive Risk Committee and are reported to the Board Risk Committee.

The following table shows the 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
	30 Jun 18 Number	30 Jun 17 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 60% 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.

9.2 Credit Risk (continued)

Distribution of Financial Instruments by Credit Quality (continued)

	Neither Past Due nor Impaired $M	Past due but not Impaired $M	Impaired Assets $M	Gross $M	Total Provisions for Impairment Losses $M	Group 30 Jun 18 Net $M
Cash and liquid assets	**36,417**	**-**	**-**	**36,417**	**-**	**36,417**
Receivables due from other financial institutions	**9,222**	**-**	**-**	**9,222**	**-**	**9,222**
Assets at fair value through Income Statement:						
Trading	**32,254**	**-**	**-**	**32,254**	**-**	**32,254**
Insurance	**372**	**-**	**-**	**372**	**-**	**372**
Other	**258**	**-**	**-**	**258**	**-**	**258**
Derivative assets	**32,081**	**-**	**52**	**32,133**	**-**	**32,133**
Available-for-sale investments	**82,240**	**-**	**-**	**82,240**	**-**	**82,240**
Loans, bills discounted and other receivables:						
Australia	**628,865**	**13,071**	**2,151**	**644,087**	**(3,178)**	**640,909**
Overseas	**100,904**	**2,152**	**886**	**103,942**	**(427)**	**103,515**
Bank acceptances	**379**	**-**	**-**	**379**	**-**	**379**
Assets held for sale	**11,999**	**-**	**-**	**11,999**	**-**	**11,999**
Credit related commitments	**175,106**	**-**	**90**	**175,196**	**(28)**	**175,168**
Total	**1,110,097**	**15,223**	**3,179**	**1,128,499**	**(3,633)**	**1,124,866**

	Neither Past Due nor Impaired $M	Past Due but not Impaired $M	Impaired Assets $M	Gross $M	Total Provisions for Impairment Losses $M	Group 30 Jun 17 Net $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

9.2 Credit Risk (continued)

Distribution of Financial Instruments by Credit Quality (continued)

Bank 30 Jun 18

	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	**33,581**	**-**	**-**	**33,581**	**-**	**33,581**
Receivables due from other financial institutions	**8,376**	**-**	**-**	**8,376**	**-**	**8,376**
Assets at fair value through Income Statement:						
Trading	**29,993**	**-**	**-**	**29,993**	**-**	**29,993**
Insurance	**-**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**
Derivative assets	**30,834**	**-**	**51**	**30,885**	**-**	**30,885**
Available-for-sale investments	**77,731**	**-**	**-**	**77,731**	**-**	**77,731**
Loans, bills discounted and other receivables:						
Australia	**620,641**	**13,066**	**2,130**	**635,837**	**(3,171)**	**632,666**
Overseas	**24,681**	**23**	**326**	**25,030**	**(90)**	**24,940**
Bank acceptances	**379**	**-**	**-**	**379**	**-**	**379**
Shares in and loans to controlled entities	**118,252**	**-**	**-**	**118,252**	**-**	**118,252**
Credit related commitments	**159,521**	**-**	**85**	**159,606**	**(28)**	**159,578**
Total	**1,103,989**	**13,089**	**2,592**	**1,119,670**	**(3,289)**	**1,116,381**

Bank 30 Jun 17

	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

9.2 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 30 Jun 18
Credit grading	**Home Loans $M**	**Other Personal $M**	**Asset Financing $M**	**Other Commercial and Industrial $M**	**Total $M**
Australia					
Investment	**307,993**	**4,608**	**643**	**71,525**	**384,769**
Pass	**124,371**	**13,863**	**7,435**	**83,185**	**228,854**
Weak	**7,567**	**4,045**	**243**	**3,387**	**15,242**
Total Australia	**439,931**	**22,516**	**8,321**	**158,097**	**628,865**
Overseas (1)					
Investment	**15,471**	**-**	**9**	**23,837**	**39,317**
Pass	**32,327**	**1,544**	**424**	**26,078**	**60,373**
Weak	**888**	**-**	**-**	**326**	**1,214**
Total overseas	**48,686**	**1,544**	**433**	**50,241**	**100,904**
Total loans which were neither past due nor impaired	**488,617**	**24,060**	**8,754**	**208,338**	**729,769**

					Group 30 Jun 17
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

(1) For New Zealand Housing Loans, PDs reflect Reserve Bank of New Zealand requirements resulting in higher PDs on average and lower grading.

9.2 Credit Risk (continued)

Credit Quality of Loans, Bills Discounted and Other Receivables which were Neither Past Due nor Impaired (continued)

	Bank 30 Jun 18				
Credit grading	Home Loans $M	Other Personal $M	Asset Financing $M	Other Commercial and Industrial $M	Total $M
Australia					
Investment	**307,974**	**4,603**	**641**	**70,727**	**383,945**
Pass	**117,245**	**13,847**	**7,386**	**83,066**	**221,544**
Weak	**7,539**	**4,039**	**243**	**3,331**	**15,152**
Total Australia	**432,758**	**22,489**	**8,270**	**157,124**	**620,641**
Overseas					
Investment	**65**	**-**	**1**	**18,711**	**18,777**
Pass	**295**	**2**	**-**	**5,544**	**5,841**
Weak	**-**	**-**	**-**	**63**	**63**
Total overseas	**360**	**2**	**1**	**24,318**	**24,681**
Total loans which were neither past due nor impaired	**433,118**	**22,491**	**8,271**	**181,442**	**645,322**

	Bank 30 Jun 17				
Credit grading	Home Loans $M	Other Personal $M	Asset Financing $M	Other Commercial and Industrial $M	Total $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

9.2 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 2018 and 30 June 2017 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. Unsecured consumer loans are impaired at 90 days past due and may be classified as impaired earlier if non-commercial repayment arrangements are agreed or a related loan is classified as impaired.

					Group 30 Jun 18
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	4,703	550	146	1,170	6,569
Past due 30 - 59 days	1,770	180	38	199	2,187
Past due 60 - 89 days	1,005	121	11	93	1,230
Past due 90 - 179 days	1,410	-	2	140	1,552
Past due 180 days or more	1,292	2	-	239	1,533
Total Australia	10,180	853	197	1,841	13,071
Overseas					
Past due 1 - 29 days	1,227	205	13	268	1,713
Past due 30 - 59 days	162	44	4	7	217
Past due 60 - 89 days	63	19	1	8	91
Past due 90 - 179 days	45	14	2	15	76
Past due 180 days or more	26	7	-	22	55
Total overseas	1,523	289	20	320	2,152
Total loans which were past due but not impaired	11,703	1,142	217	2,161	15,223

(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 all unsecured portfolio managed facilities are classified as impaired.

9.2 Credit Risk (continued)

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

					Group 30 Jun 17
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

					Bank 30 Jun 18
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	**4,701**	**550**	**146**	**1,170**	**6,567**
Past due 30 - 59 days	**1,769**	**180**	**38**	**199**	**2,186**
Past due 60 - 89 days	**1,005**	**121**	**11**	**93**	**1,230**
Past due 90 - 179 days	**1,409**	**-**	**2**	**140**	**1,551**
Past due 180 days or more	**1,291**	**2**	**-**	**239**	**1,532**
Total Australia	**10,175**	**853**	**197**	**1,841**	**13,066**
Overseas					
Past due 1 - 29 days	**20**	**-**	**-**	**-**	**20**
Past due 30 - 59 days	**2**	**-**	**-**	**-**	**2**
Past due 60 - 89 days	**-**	**-**	**-**	**-**	**-**
Past due 90 - 179 days	**-**	**-**	**-**	**-**	**-**
Past due 180 days or more	**-**	**-**	**-**	**1**	**1**
Total overseas	**22**	**-**	**-**	**1**	**23**
Total loans which were past due but not impaired	**10,197**	**853**	**197**	**1,842**	**13,089**

(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 all unsecured portfolio managed facilities are classified as impaired.

9.2 Credit Risk (continued)

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

					Bank 30 Jun 17
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

(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 all unsecured portfolio managed facilities 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. Interest income on these facilities is reserved and taken to the Income Statement only if paid in cash or if a recovery is made.

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.

9.2 Credit Risk (continued)

Impaired Assets by Classification (continued)

	Group				
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	30 Jun 15 $M	30 Jun 14 $M
Australia					
Non-Performing assets:					
Gross balances	**1,711**	1,962	2,002	1,940	2,134
Less individual provisions for impairment	**(694)**	(817)	(807)	(775)	(1,035)
Net non-performing assets	**1,017**	1,145	1,195	1,165	1,099
Restructured assets:					
Gross balances	**264**	174	221	144	361
Less provisions for impairment [1]	**(4)**	-	-	-	-
Net restructured assets	**260**	174	221	144	361
Unsecured retail products 90 days or more past due:					
Gross balances	**254**	251	252	251	236
Less provisions for impairment [1]	**(161)**	(157)	(169)	(130)	(131)
Net unsecured retail products 90 days or more past due	**93**	94	83	121	105
Net Australia impaired assets	**1,370**	1,413	1,499	1,430	1,565
Overseas					
Non-Performing assets:					
Gross balances	**695**	686	560	454	377
Less individual provisions for impairment	**(176)**	(163)	(138)	(112)	(92)
Net non-performing assets	**519**	523	422	342	285
Restructured assets:					
Gross balances	**242**	101	67	54	248
Less provisions for impairment [1]	**(20)**	-	-	-	-
Net restructured assets	**222**	101	67	54	248
Unsecured retail products 90 days or more past due:					
Gross balances	**13**	13	14	12	11
Less provisions for impairment [1]	**(13)**	(12)	(13)	(9)	(8)
Net unsecured retail products 90 days or more past due	**-**	1	1	3	3
Net overseas impaired assets	**741**	625	490	399	536
Total net impaired assets	**2,111**	2,038	1,989	1,829	2,101

(1) Collective provisions are held for these portfolios.

9.2 Credit Risk (continued)

Impaired Assets by Size

						Group
Impaired assets by size	**Australia 30 Jun 18 $M**	**Overseas 30 Jun 18 $M**	**Total 30 Jun 18 $M**	Australia 30 Jun 17 $M	Overseas 30 Jun 17 $M	Total 30 Jun 17 $M
Less than $1 million	**1,418**	**139**	**1,557**	1,338	114	1,452
$1 million to $10 million	**569**	**197**	**766**	666	260	926
Greater than $10 million	**242**	**614**	**856**	383	426	809
Total	**2,229**	**950**	**3,179**	2,387	800	3,187

Movement in Impaired Assets

					Group
Movement in gross impaired assets	**30 Jun 18 $M**	30 Jun 17 $M	30 Jun 16 $M	30 Jun 15 $M	30 Jun 14 $M
Gross impaired assets - opening balance	**3,187**	3,116	2,855	3,367	4,330
New and increased	**2,136**	2,164	2,370	2,095	2,393
Balances written off	**(1,196)**	(1,225)	(1,328)	(1,355)	(1,697)
Returned to performing or repaid	**(1,666)**	(1,637)	(1,460)	(1,903)	(2,303)
Portfolio managed - new/increased/return to performing/repaid	**718**	769	679	651	644
Gross impaired assets - closing balance	**3,179**	3,187	3,116	2,855	3,367

9.2 Credit Risk (continued)

Impaired Assets by Industry and Status

							Group 30 Jun 18
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	16,823	-	-	-	-	-	-
Agriculture	8,998	94	(56)	38	28	-	28
Bank and other financial	12,951	7	(16)	(9)	3	(1)	2
Home loans	451,367	1,256	(236)	1,020	126	(2)	124
Construction	3,028	16	(21)	(5)	13	-	13
Other personal	23,658	289	(171)	118	764	(165)	599
Asset financing	8,581	63	(16)	47	23	(5)	18
Other commercial and industrial	118,681	426	(343)	83	179	(14)	165
Total loans - Australia	**644,087**	**2,151**	**(859)**	**1,292**	**1,136**	**(187)**	**949**
Loans - Overseas							
Sovereign	1,571	-	-	-	-	-	-
Agriculture	9,930	365	(25)	340	3	-	3
Bank and other financial	7,075	9	-	9	5	-	5
Home loans	50,298	89	(5)	84	2	(1)	1
Construction	638	1	(1)	-	1	(1)	-
Other personal	1,844	11	(33)	(22)	65	(10)	55
Asset financing	457	4	-	4	-	-	-
Other commercial and industrial	32,129	407	(145)	262	207	(2)	205
Total loans - overseas	**103,942**	**886**	**(209)**	**677**	**283**	**(14)**	**269**
Total loans	**748,029**	**3,037**	**(1,068)**	**1,969**	**1,419**	**(201)**	**1,218**
Other balances - Australia							
Credit commitments	145,820	75	-	75	-	-	-
Derivatives	24,021	3	-	3	-	-	-
Total other balances - Australia	**169,841**	**78**	**-**	**78**	**-**	**-**	**-**
Other balances - Overseas							
Credit commitments	29,376	15	-	15	-	-	-
Derivatives	8,112	49	-	49	-	-	-
Total other balances - overseas	**37,488**	**64**	**-**	**64**	**-**	**-**	**-**
Total other balances	**207,329**	**142**	**-**	**142**	**-**	**-**	**-**
Total	**955,358**	**3,179**	**(1,068)**	**2,111**	**1,419**	**(201)**	**1,218**

(1) Write off, 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.

9.2 Credit Risk (continued)

Impaired Assets by Industry and Status (continued)

							Group 30 Jun 17
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-off, 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.

9.2 Credit Risk (continued)

Collateral held against Loans, Bills Discounted and Other Receivables

	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	Total
					Group 30 Jun 18
Maximum exposure ($M)	501,665	25,502	9,038	211,824	**748,029**
Collateral classification:					
Secured (%)	99. 1	12. 4	99. 4	44. 7	**81. 2**
Partially secured (%)	0. 9	-	0. 6	15. 3	**4. 9**
Unsecured (%)	-	87. 6	-	40. 0	**13. 9**
					Group 30 Jun 17
Maximum exposure ($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
					Bank 30 Jun 18
Maximum exposure ($M)	444,583	23,633	8,531	184,120	**660,867**
Collateral classification:					
Secured (%)	99. 1	13. 4	99. 2	40. 7	**79. 6**
Partially secured (%)	0. 9	-	0. 8	14. 7	**4. 8**
Unsecured (%)	-	86. 6	-	44. 6	**15. 6**
					Bank 30 Jun 17
Maximum exposure ($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

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

Home loans are generally 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 Ratio (LVR) of higher than 80% either a Low Deposit Premium or margin is levied, or Lenders Mortgage Insurance (LMI) is taken out to cover the difference between the principal plus interest owing and the net amount received from selling the collateral post default. Impaired home loans are classified as partially secured.

Personal Lending

Personal lending (such as credit cards and personal loans) are predominantly unsecured, whilst margin lending is secured.

9.2 Credit Risk (continued)

Collateral held against Loans, Bills Discounted and Other Receivables (continued)

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 the 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; 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.

9.3 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 and correlation between different markets.

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 2018 (1) $M**	**As at June 2018 $M**	Average June 2017 (1) $M	As at June 2017 $M
Traded Market Risk	**11. 1**	**13. 3**	10. 6	11. 1
Non-Traded Interest Rate Risk (2) (3)	**43. 1**	**37. 6**	57. 7	53. 9
Non-Traded Equity Risk (2)	**5. 3**	**4. 7**	6. 6	5. 8
Non-Traded Insurance Market Risk (2)	**5. 4**	**5. 6**	5. 1	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.
(3) The scope of the internal model for AUD Non-Traded Interest Rate Risk has been broadened to include a measurement of the risk of the change in spreads between swap rates and bond yields for Debt Securities held in the Banking Book. Prior periods have been restated to reflect this change in scope. NZD numbers remain unchanged.

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 2018 (1) $M**	**As at June 2018 $M**	Average June 2017 (1) $M	As at June 2017 $M
Interest rate risk	**8. 4**	**12. 5**	8. 9	6. 7
Foreign exchange risk	**2. 2**	**2. 7**	1. 8	1. 1
Equities risk	**0. 2**	**0. 1**	0. 5	0. 1
Commodities risk	**3. 2**	**3. 6**	3. 0	3. 3
Credit spread risk	**2. 0**	**1. 4**	3. 3	2. 8
Diversification benefit	**(7. 7)**	**(9. 4)**	(9. 3)	(5. 1)
Total general market risk	**8. 3**	**10. 9**	8. 2	8. 9
Undiversified risk	**2. 5**	**2. 3**	2. 2	2. 1
ASB Bank	**0. 3**	**0. 1**	0. 2	0. 1
Total	**11. 1**	**13. 3**	10. 6	11. 1

(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.

9.3 Market Risk (continued)

Non-Traded Market Risk (continued)

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 been 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.

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 2018 $M	June 2017 $M
Average monthly exposure	AUD	**229. 2**	284. 7
	NZD (1)	**23. 3**	25. 4
High monthly exposure	AUD	**311. 5**	352. 3
	NZD (1)	**44. 3**	33. 5
Low monthly exposure	AUD	**120. 2**	248. 9
	NZD (1)	**4. 3**	17. 4
As at balance date	AUD	**231. 4**	304. 4
	NZD (1)	**10. 5**	18. 5

(1) Net interest earnings at risk for NZD decreased during the period due to an update to products classified as sensitive to interest rate changes.

(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 2018 (1) $M	Average June 2017 (1) $M
AUD Interest rate risk (3)	**192. 9**	257. 9
NZD Interest rate risk (4)	**3. 3**	4. 5

(1) Average VaR calculated for each 12 month period.
(2) VaR is only for entities that have material risk exposure.
(3) The scope of the internal model for AUD Non-Traded Interest Rate Risk has been broadened to include a measurement of the risk of the change in spreads between swap rates and bond yields for Debt Securities held in the Banking Book. Prior periods have been restated to reflect this change in scope. NZD numbers remain unchanged.
(4) 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 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 2018 $M	As at June 2017 $M
VaR	**21. 2**	26. 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 2018.

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 2018 (1) $M	Average June 2017 (1) $M
Shareholder funds (2)	**1. 1**	1. 3
Guarantees (to Policyholders) (3)	**23. 6**	22. 3

(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.

The Group announced the sale of its life insurances businesses during the period.

9.3 Market Risk (continued)

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, Asian and US 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 10.2).

9.4 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 and compliance with Group policies and manages the Group's relationship with prudential regulators.

Subsidiaries within the Colonial Holding Company 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;
- A surplus of stable funding from various sources, as measured by APRA's Net Stable Funding Ratio (NSFR), is maintained. The NSFR was introduced by APRA on 1 January 2018 and requires Australian ADIs to fund core assets with stable sources of funding. The NSFR is calculated by applying APRA prescribed factors to assets and liabilities to determine a ratio of required stable funding to available stable funding which must be greater than 100%;
- 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, Australian Residential Mortgage-backed Securities (RMBS) and 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 to meet required obligations. All securities are central bank repo-eligible under normal market conditions.

9.4 Liquidity and Funding Risk (continued)

Liquidity and Funding Policies and Management (continued)

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; US 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;
- 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.

9.4 Liquidity and Funding Risk (continued)

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 2018					
	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)	502,021	103,788	17,587	489	-	623,885
Payables due to other financial institutions	18,064	2,827	-	44	-	20,935
Liabilities at fair value through Income Statement	6,622	1,747	524	1,441	-	10,334
Derivative financial instruments:						
Held for trading	21,346	-	-	-	-	21,346
Held for hedging purposes (net-settled)	19	145	1,256	942	-	2,362
Held for hedging purposes (gross-settled):						
Outflows	886	15,504	38,593	24,176	-	79,159
Inflows	(804)	(13,761)	(36,432)	(22,539)	-	(73,536)
Bank acceptances	331	48	-	-	-	379
Insurance policy liabilities	-	-	-	-	451	451
Debt issues and loan capital	18,597	43,784	96,080	46,296	-	204,757
Managed funds units on issue	-	-	-	-	-	-
Other monetary liabilities	6,582	874	96	23	-	7,575
Liabilities held for sale	182	572	274	143	12,886	14,057
Total monetary liabilities	573,846	155,528	117,978	51,015	13,337	911,704
Guarantees (2)	6,265	-	-	-	-	6,265
Loan commitments (2)	162,090	-	-	-	-	162,090
Other commitments (2)	6,841	-	-	-	-	6,841
Total off Balance Sheet items	175,196	-	-	-	-	175,196
Total monetary liabilities and off Balance Sheet items	749,042	155,528	117,978	51,015	13,337	1,086,900

	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. These accounts provide a stable source of long-term funding.
(2) All of Balance Sheet items are included in the 0 to 3 months maturity band to reflect their earliest possible maturity

9.4 Liquidity and Funding Risk (continued)

Maturity Analysis of Monetary Liabilities (continued)

	Bank					
	Maturity Period as at 30 June 2018					
	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)	**464,588**	**88,005**	**14,496**	**468**	**-**	**567,557**
Payables due to other financial institutions	**17,197**	**2,808**	**-**	**44**	**-**	**20,049**
Liabilities at fair value through Income Statement	**5,480**	**1,747**	**524**	**1,441**	**-**	**9,192**
Derivative financial instruments:						
Held for trading	**21,175**	**-**	**-**	**-**	**-**	**21,175**
Held for hedging purposes (net-settled)	**5**	**52**	**1,022**	**932**	**-**	**2,011**
Held for hedging purposes (gross-settled):						
Outflows	**644**	**17,441**	**45,661**	**32,583**	**-**	**96,329**
Inflows	**(614)**	**(15,421)**	**(42,679)**	**(29,927)**	**-**	**(88,641)**
Bank acceptances	**331**	**48**	**-**	**-**	**-**	**379**
Debt issues and loan capital	**15,333**	**37,730**	**78,067**	**39,379**	**-**	**170,509**
Due to controlled entities	**6,174**	**6,070**	**24,411**	**68,672**	**-**	**105,327**
Other monetary liabilities	**6,274**	**750**	**65**	**10**	**-**	**7,099**
Total monetary liabilities	**536,587**	**139,230**	**121,567**	**113,602**	**-**	**910,986**
Guarantees (2)	**5,835**	**-**	**-**	**-**	**-**	**5,835**
Loan commitments (2)	**147,098**	**-**	**-**	**-**	**-**	**147,098**
Other commitments (2)	**6,673**	**-**	**-**	**-**	**-**	**6,673**
Total off Balance Sheet items	**159,606**	**-**	**-**	**-**	**-**	**159,606**
Total monetary liabilities and off Balance Sheet items	**696,193**	**139,230**	**121,567**	**113,602**	**-**	**1,070,592**

	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.

(2) All off Balance Sheet items are included in the 0 to 3 months maturity band to reflect their earliest possible maturity.

9.5 Disclosures about Fair Values

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. An explanation of how fair values are calculated and the levels in the fair value hierarchy are included in the accounting policy within this note.

Group

	Fair Value as at 30 June 2018				Fair Value as at 30 June 2017			
	Level 1 $M	**Level 2 $M**	**Level 3 $M**	**Total $M**	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets measured at fair value on a recurring basis								
Assets at fair value through Income Statement:								
Trading	22,078	10,176	-	**32,254**	24,657	8,047	-	32,704
Insurance [1]	-	372	-	**372**	3,519	8,620	1,530	13,669
Other	49	209	-	**258**	51	1,060	-	1,111
Derivative assets	42	31,998	93	**32,133**	63	31,594	67	31,724
Available-for-sale investments	74,234	7,941	65	**82,240**	75,050	8,346	139	83,535
Bills discounted	4,280	-	-	**4,280**	7,486	-	-	7,486
Assets held for sale [1]	2,012	8,061	1,818	**11,891**	-	-	-	-
Total financial assets measured at fair value	102,695	58,757	1,976	**163,428**	110,826	57,667	1,736	170,229
Financial liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement	1,724	8,523	-	**10,247**	2,525	7,867	-	10,392
Derivative liabilities	57	28,075	340	**28,472**	192	30,036	102	30,330
Life investment contracts [1]	-	337	-	**337**	-	7,374	565	7,939
Liabilities held for sale [1]	5	6,985	353	**7,343**	-	-	-	-
Total financial liabilities measured at fair value	1,786	43,920	693	**46,399**	2,717	45,277	667	48,661

(1) As at 30 June 2018 Assets and Liabilities of the Group's life insurance businesses have been presented as held for sale.

Bank

	Fair Value as at 30 June 2018				Fair Value as at 30 June 2017			
	Level 1 $M	**Level 2 $M**	**Level 3 $M**	**Total $M**	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets measured at fair value on a recurring basis								
Assets at fair value through Income Statement:								
Trading	20,813	9,180	-	**29,993**	23,866	7,261	-	31,127
Other	-	-	-	**-**	-	796	-	796
Derivative assets	41	30,751	93	**30,885**	55	31,972	67	32,094
Available-for-sale investments	69,988	7,678	65	**77,731**	71,206	7,674	139	79,019
Bills Discounted	4,280	-	-	**4,280**	7,486	-	-	7,486
Total financial assets measured at fair value	95,122	47,609	158	**142,889**	102,613	47,703	206	150,522
Financial liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement	1,724	7,382	-	**9,106**	2,525	6,464	-	8,989
Derivative liabilities	57	30,474	340	**30,871**	192	31,878	103	32,173
Total financial liabilities measured at fair value	1,781	37,856	340	**39,977**	2,717	38,342	103	41,162

9.5 Disclosures about Fair Value (continued)

Analysis of Movements between Fair Value Hierarchy Levels

During the year ended 30 June 2018 there have been $1,722 million reclassifications of trading securities (30 June 2017: $20 million) from Level 2 to Level 1, due to changes in the observability of inputs. There have been no reclassifications of available for sale securities (30 June 2017: $752 million) from Level 2 to Level 1. There have been no reclassifications of insurance assets (30 June 2017: $488 million) from Level 1 to Level 2. 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 2018

							Group
	Financial Assets				Financial Liabilities		
	Insurance Assets $M	Derivative Assets $M	Available for Sale Investments $M	Assets held for sale $M	Derivative Liabilities $M	Life Investment Contracts $M	Liabilities held for Sale $M
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	-	-
As at 1 July 2017	1,530	67	139	-	(102)	(565)	-
Purchases	618	-	-	-	-	-	-
Sales/ settlements [1]	(208)	(18)	(100)	-	14	212	-
Gains/(losses) in the period:							
Recognised in the Income Statement	(122)	(15)	-	-	(144)	-	-
Recognised in the Statement of Comprehensive Income	-	-	-	-	-	-	-
Transfers in	-	59	26	1,818	(108)	-	(353)
Transfers out	(1,818)	-	-	-	-	353	-
As at 30 June 2018	-	93	65	1,818	(340)	-	(353)
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2018	(103)	(15)	-	-	(144)	-	-

(1) Sales/ settlements includes the impact of changing fund ownership percentage held via the Group's life insurance operations.

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 or 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.

9.5 Disclosures about Fair Value (continued)

Analysis of Movements between Fair Value Hierarchy Levels (continued)

Level 3 Movement Analysis for the year ended 30 June 2018 (continued)

	Financial Assets		Bank Financial Liabilities
	Derivative Assets $M	Available for Sale Investments $M	Derivative Liabilities $M
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
As at 1 July 2017	67	139	(103)
Purchases	-	-	-
Sales/settlements	(18)	(100)	15
Gains/(losses) in the period:			
Recognised in the Income Statement	(15)	-	(144)
Recognised in the Statement of Comprehensive Income	-	-	-
Transfers in	59	26	(108)
Transfers out	-	-	-
As at 30 June 2018	93	65	(340)
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2018	(15)	-	(144)

9.5 Disclosures about Fair Value (continued)

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 2018 are presented below:

	Group 30 Jun 18				
	Carrying value	Fair value			
	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets not measured at fair value on a recurring basis					
Cash and liquid assets	**36,417**	22,896	13,521	-	**36,417**
Receivables due from other financial institutions	**9,222**	-	9,222	-	**9,222**
Loans and other receivables	**739,085**	-	-	739,545	**739,545**
Bank acceptances of customers	**379**	379	-	-	**379**
Other assets	**5,455**	1,823	3,630	2	**5,455**
Assets held for sale	**192**	107	85	-	**192**
Total financial assets	**790,750**	25,205	26,458	739,547	**791,210**
Financial liabilities not measured at fair value on a recurring basis					
Deposits and other public borrowings	**622,234**	-	622,327	-	**622,327**
Payables due to other financial institutions	**20,899**	-	20,899	-	**20,899**
Bank acceptances	**379**	379	-	-	**379**
Debt issues	**172,294**	-	173,895	-	**173,895**
Managed funds units on issue	**-**	-	-	-	**-**
Bills payable and other liabilities	**9,271**	2,459	6,812	-	**9,271**
Loan capital	**22,992**	9,566	14,131	-	**23,697**
Liabilities held for sale	**2,621**	13	923	1,685	**2,621**
Total financial liabilities	**850,690**	12,417	838,987	1,685	**853,089**
Financial guarantees, loan commitments and other off Balance Sheet instruments	**170,586**	-	-	170,586	**170,586**

	Group 30 Jun 17				
	Carrying value	Fair value			
	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $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

9.5 Disclosures about Fair Value (continued)

Fair Value Information for Financial Instruments not measured at Fair Value (continued)

	Carrying value	Fair value			
	Bank 30 Jun 18				
	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets not measured at fair value on a recurring basis					
Cash and liquid assets	**33,581**	21,351	12,230	-	**33,581**
Receivables due from other financial institutions	**8,376**	-	8,376	-	**8,376**
Loans and other receivables	**652,370**	-	-	652,794	**652,794**
Bank acceptances of customers	**379**	379	-	-	**379**
Loans to controlled entities	**106,431**	-	-	106,509	**106,509**
Other assets	**4,717**	1,398	3,317	2	**4,717**
Total financial assets	**805,854**	23,128	23,923	759,305	**806,356**
Financial liabilities not measured at fair value on a recurring basis					
Deposits and other public borrowings	**566,200**	-	566,200	-	**566,200**
Payables due to other financial institutions	**20,014**	-	20,014	-	**20,014**
Bank acceptances	**379**	379	-	-	**379**
Due to controlled entities	**105,327**	-	-	105,309	**105,309**
Debt issues	**139,984**	-	142,064	-	**142,064**
Bills payable and other liabilities	**7,400**	1,942	5,458	-	**7,400**
Loan capital	**22,249**	9,561	13,373	-	**22,934**
Total financial liabilities	**861,553**	11,882	747,109	105,309	**864,300**
Financial guarantees, loan commitments and other off Balance Sheet instruments	**155,012**	-	-	155,012	**155,012**

	Carrying value	Fair value			
	Bank 30 Jun 17				
	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $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

9.5 Disclosures about Fair Value (continued)

Accounting Policy

Valuation

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. On initial recognition, the transaction price generally represents the fair value of the financial instrument, unless there is observable information from an active market that provides a more appropriate 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 where observable market data is unavailable. Where market data is unavailable 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 de-recognition of the instrument, as appropriate.

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.

Fair Value Hierarchy

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.

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.

9.5 Disclosures about Fair Value (continued)

Accounting Policy (continued)

Critical accounting judgements and estimates (continued)

Valuation techniques are used to estimate the fair value of securities. When using valuation techniques the Group 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 transaction in the same instruments (i.e. without modification or repackaging) and any other available observable market data.

9.6 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	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Cash	**6,884**	7,280	**6,155**	7,042
Securities	**13,520**	22,733	**12,230**	21,865
Collateral held	**20,404**	30,013	**18,385**	28,907
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 were as follows:

	Group		Bank	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Cash	**6,064**	6,307	**5,679**	5,607
Securities (1)	**15,495**	16,360	**15,604**	16,591
Assets pledged	**21,559**	22,667	**21,283**	22,198
Asset pledged which can be re-pledged or re-sold by counterparty	**15,495**	16,360	**15,604**	16,591

(1) These balances include assets sold under repurchase agreements. The liabilities related to these repurchase agreements are disclosed in Note 4.1.

The Group and the Bank have pledged collateral as part of entering repurchase and derivative agreements. These transactions are governed by standard industry agreements.

9.7 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 Jun 18							
	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	36,923	(6,794)	30,129	(19,344)	(6,770)	4,015	2,004	**32,133**
Securities purchased under agreements to resell	13,520	-	13,520	(765)	(12,755)	-	-	**13,520**
Equity securities sold not delivered	516	(230)	286	-	-	286	-	**286**
Total financial assets	50,959	(7,024)	43,935	(20,109)	(19,525)	4,301	2,004	**45,939**
Derivative liabilities	(37,466)	10,149	(27,317)	19,344	4,567	(3,406)	(1,155)	**(28,472)**
Securities sold under agreements to repurchase	(14,696)	-	(14,696)	765	13,931	-	-	**(14,696)**
Equity securities purchased not delivered	(656)	230	(426)	-	-	(426)	-	**(426)**
Total financial liabilities	(52,818)	10,379	(42,439)	20,109	18,498	(3,832)	(1,155)	**(43,594)**

(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 9.6.

9.7 Offsetting Financial Assets and Financial Liabilities (continued)

Group 30 Jun 17

	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)

(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 9.6.

9.7 Offsetting Financial Assets and Financial Liabilities (continued)

								Bank 30 Jun 18
	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	35,483	(6,794)	28,689	(18,887)	(5,955)	3,847	2,196	**30,885**
Securities purchased under agreements to resell	12,230	-	12,230	(765)	(11,465)	-	-	**12,230**
Total financial assets	47,713	(6,794)	40,919	(19,652)	(17,420)	3,847	2,196	**43,115**
Derivative liabilities	(39,785)	10,149	(29,636)	18,887	4,375	(6,374)	(1,235)	**(30,871)**
Securities sold under agreements to repurchase	(14,806)	-	(14,806)	765	14,041	-	-	**(14,806)**
Total financial liabilities	(54,591)	10,149	(44,442)	19,652	18,416	(6,374)	(1,235)	**(45,677)**

(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 9.6.

9.7 Offsetting Financial Assets and Financial Liabilities (continued)

Bank 30 Jun 17

	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	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)

(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 9.6.

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.

Accounting Policy

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.

10. Employee Benefits

Overview

The Group employs over 50,000 people across multiple jurisdiction and remunerates its employees through both fixed and variable arrangements. This section outlines details of the share based payment and superannuation components of employee remuneration and provides an overview of key management personnel arrangements.

10.1 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 (LTVR) plan for the CEO and Group Executives. The GLRP focuses efforts on achieving superior performance for key stakeholders – being shareholders, customers, our people and the community–creating sustainable long-term shareholder value.

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:

For awards up to and including the 2017 period:

- 25% of the award is assessed against Customer Satisfaction (CS) compared to ANZ, NAB, Westpac and other key competitors for our wealth management business by reference to independent external surveys; and
- 75% of the award is assessed against Total Shareholder Return (TSR) compared the 20 largest companies listed on the ASX (by market capitalisation) at the beginning of each respective performance period, excluding resource companies and CBA.

For awards made in the 2018 period:

- 75% of the award is assessed against TSR compared the 20 largest companies listed on the ASX (by market capitalisation) at the beginning of each respective performance period, excluding resource companies and CBA.
- 12.5% of the award is assessed against a Relative Trust and Reputation measure; and
- 12.5% of the award is assessed against an Absolute Employee Engagement measure.

A positive TSR gateway applies to the Trust and Reputation and Employee Engagement measures. Refer to the Remuneration Report for further details on the GLRP.

The following table provides details of outstanding Reward Rights granted under the GLRP.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June	Expense ($'000)
30 Jun 18	**1,174,899**	**215,356**	**(174,139)**	**(537,315)**	**678,801**	**4,329**
30 Jun 17	1,250,589	295,725	(75,442)	(295,973)	1,174,899	15,658

The fair value at the grant date for TSR was $36.94 and $57.11 for both Trust and Reputation and Employee Engagement Reward Rights issued during the year (2017: $65.76 for TSR and $83.71 for CS). The fair value of the Reward Rights granted during the period has been independently calculated at grant date using a Monte Carlo pricing model based on market information and excluding the impact of non-market performance conditions. The assumptions included in the valuation of the 2018 financial year award include a risk-free interest rate of 2.12%, a 5.17% dividend yield on the Bank's ordinary shares and a volatility in the Bank share price of 15%.

Group Rights Plan (GRP) and Employee Equity Plan (EEP)

The GRP and EEP facilitate mandatory short-term variable remuneration deferral, sign-on incentives and retention awards. Participants are awarded rights or restricted shares that vest provided the participant remains in employment of the Group until vesting date. The following table provides details of outstanding awards of rights and shares granted under the GRP and EEP.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June	Expense ($'000)
30 Jun 18	**2,125,927**	**1,045,179**	**(849,508)**	**(75,394)**	**2,246,204**	**67,725**
30 Jun 17	1,795,728	1,067,588	(673,224)	(64,165)	2,125,927	70,455

The average fair value at grant date of the awards issued during the year was $75.67 (2017: $72.07).

10.1 Share-Based Payments (continued)

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.

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 2017 resulting in shares being awarded to each eligible employee during the financial year ended 30 June 2018. The following table provides details of shares granted under the ESAP.

Period	Allocation date	Participants	Number of Shares Allocated per Participant	Total Number of Shares Allocated	Issue Price $	Total Fair Value $
30 Jun 18	**8 Sep 2017**	**31,780**	**12**	**381,360**	**79.11**	**30,169,390**
30 Jun 17	9 Sep 2016	32,049	13	416,637	71.89	29,952,034

It is estimated that approximately $18.7 million of CBA shares will be purchased on market at the prevailing market price for the 2018 grant.

Other Employee Awards

A number of other plans are operated by the Group, including:

- The Employee Share (Performance Unit) Plan and Employee Equity Plan (EEP) Cash Settled Rights are cash-based versions 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)
30 Jun 18	**458,764**	**251,284**	**(168,925)**	**(31,196)**	**509,927**	**21,405**
30 Jun 17	298,693	269,766	(77,300)	(32,395)	458,764	17,913

The average fair value at grant date of the awards issued during the year was $75.70 (2017: $71.83).

Salary Sacrifice Arrangements

The Group facilitates the purchase of CBA shares via salary sacrifice as follows:

Type	Arrangements
Salary Sacrifice	▪ Australian based employees and Non-Executive Directors can elect to sacrifice between $2,000 and $5,000 p.a. of their fixed remuneration and/or annual STVR or fees (in the case of Non-Executive Directors) ▪ 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 Employee Salary Sacrifice Share Plan (ESSSP).

Period	Participants	Number of shares purchased	Average purchase price $	Total purchase consideration $
30 Jun 18	**983**	**41,390**	**77.68**	**3,215,222**
30 Jun 17	828	37,310	77.14	2,878,131

During the year four (2017: two) Non-Executive Directors applied $74,991 in fees (2017: $43,427) to purchase 988 shares (2017: 564 shares).

10.2 Retirement Benefit Obligations

Name of Plan	Type	Form of Benefit	Date of Last Actuarial Assessment of the Fund
Commonwealth Bank Group Super	Defined Benefits and Accumulation[1]	Indexed pension and lump sum	30 June 2015 [2]
Commonwealth Bank of Australia (UK) Staff Benefits Scheme (CBA (UK) SBS)	Defined Benefits and Accumulation[1]	Indexed pension and lump sum	30 June 2016

(1) The defined benefit formulae are generally comprised of final salary, or final average salary, and service.
(2) The actuarial assessment of the Fund as at 30 June 2018 is due to be finalised by 31 December 2018.

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 2016 was completed in September 2017. It confirmed a funding deficit of GBP26.2 million ($44.8 million). The Bank agreed to pay deficit reduction contributions of GBP5 million ($8.7 million) per annum, paid monthly from 1 January 2018 to 31 December 2022. Deficit recovery contributions of GBP15 million ($26.6 million) per annum were paid until 31 December 2017. The Group's expected contributions to the Commonwealth Bank Group Super and the CBA (UK) SBS for the year ended 30 June 2019 are $240 million and GBP7.6 million ($13.5 million) respectively.

10.2 Retirement Benefit Obligations (continued)

Defined Benefit Superannuation Plan

		Commonwealth Bank Group Super		CBA(UK)SBS		Total	
	Note	**30 Jun 18 $M**	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Present value of funded obligations		**(2,826)**	(2,910)	**(645)**	(656)	**(3,471)**	(3,566)
Fair value of plan assets		**3,355**	3,336	**697**	645	**4,052**	3,981
Net pension assets/(liabilities) as at 30 June		**529**	426	**52**	(11)	**581**	415
Amounts in the Balance Sheet:							
Assets	6.3	**529**	426	**52**	-	**581**	426
Liabilities	7.2	**-**	-	**-**	(11)	**-**	(11)
Net assets/(liabilities)		**529**	426	**52**	(11)	**581**	415
The amounts recognised in the Income Statement are as follows:							
Current service cost		**(36)**	(38)	**(6)**	(7)	**(42)**	(45)
Net interest income/(expense)		**13**	6	**-**	(1)	**13**	5
Employer financed benefits within accumulation division [1]		**(289)**	(275)	**-**	-	**(289)**	(275)
Total included in superannuation plan expense		**(312)**	(307)	**(6)**	(8)	**(318)**	(315)
Changes in the present value of the defined benefit obligation are as follows:							
Opening defined benefit obligation		**(2,910)**	(3,114)	**(656)**	(656)	**(3,566)**	(3,770)
Current service cost		**(36)**	(38)	**(6)**	(7)	**(42)**	(45)
Interest cost		**(122)**	(105)	**(17)**	(18)	**(139)**	(123)
Member contributions		**(6)**	(7)	**-**	-	**(6)**	(7)
Actuarial gains/(losses) from changes in demographic assumptions		**-**	-	**-**	41	**-**	41
Actuarial gains/(losses) from changes in financial assumptions		**(25)**	175	**29**	(84)	**4**	91
Actuarial gains/(losses) from changes in other assumptions		**57**	(9)	**-**	(4)	**57**	(13)
Payments from the plan		**216**	188	**35**	32	**251**	220
Exchange differences on foreign plans		**-**	-	**(30)**	40	**(30)**	40
Closing defined benefit obligation		**(2,826)**	(2,910)	**(645)**	(656)	**(3,471)**	(3,566)
Changes in the fair value of plan assets are as follows:							
Opening fair value of plan assets		**3,336**	3,375	**645**	605	**3,981**	3,980
Interest income		**135**	111	**17**	17	**152**	128
Return on plan assets (excluding interest income)		**143**	66	**17**	63	**160**	129
Member contributions		**6**	7	**-**	-	**6**	7
Employer contributions		**240**	240	**22**	29	**262**	269
Employer financed benefits within accumulation division		**(289)**	(275)	**-**	-	**(289)**	(275)
Payments from the plan		**(216)**	(188)	**(35)**	(32)	**(251)**	(220)
Exchange differences on foreign plans		**-**	-	**31**	(37)	**31**	(37)
Closing fair value of plan assets		**3,355**	3,336	**697**	645	**4,052**	3,981

(1) Represents superannuation contributions required by the Bank to meet its obligations to members of the defined contribution division of Commonwealth Bank Group Super.

10.2 Retirement Benefit Obligations (continued)

Economic Assumptions

Economic assumptions	Commonwealth Bank Group Super 30 Jun 18 %	Commonwealth Bank Group Super 30 Jun 17 %	CBA(UK)SBS 30 Jun 18 %	CBA(UK)SBS 30 Jun 17 %
The above calculations were based on the following assumptions:				
Discount rate	**4. 20**	4. 20	**2. 70**	2. 60
Inflation rate	**2. 10**	2. 00	**3. 30**	3. 50
Rate of increases in salary	**2. 90**	3. 00	**4. 30**	4. 50

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 30 Jun 18 Years	Commonwealth Bank Group Super 30 Jun 17 Years	CBA(UK)SBS 30 Jun 18 Years	CBA(UK)SBS 30 Jun 17 Years
Male pensioners currently aged 60	**28. 8**	28. 7	**27. 6**	27. 8
Male pensioners currently aged 65	**23. 8**	23. 7	**23. 1**	23. 0
Female pensioners currently aged 60	**33. 1**	33. 0	**29. 8**	29. 7
Female pensioners currently aged 65	**28. 1**	28. 0	**25. 0**	24. 9

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 30 Jun 18 %	CBA(UK)SBS 30 Jun 18 %
0.25% decrease in discount rate	**3. 40**	**4. 90**
0.25% increase in inflation rate	**2. 70**	**3. 30**
0.25% increase to the rate of increases in salary	**0. 50**	**0. 30**
Longevity increase of 1 year	**4. 50**	**3. 70**

Average Duration

The average duration of defined benefit obligation at 30 June is as follows:

	Commonwealth Bank Group Super 30 Jun 18 Years	CBA(UK)SBS 30 Jun 18 Years
Average duration at balance date	**12**	**20**

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.

10.2 Retirement Benefit Obligations (continued)

Risk Management (continued)

The Commonwealth Bank Group Super's investment strategy comprises 40% growth and 60% 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.

The allocation of assets backing the defined benefit portion of the Commonwealth Bank Group Super is as follows:

	Commonwealth Bank Group Super			
	30 Jun 18		30 Jun 17	
Asset allocations	**Fair value $M**	**% of plan asset**	Fair value $M	% of plan asset
Cash	**81**	**2. 4**	144	4. 3
Equities - Australian [1]	**253**	**7. 5**	307	9. 2
Equities - Overseas [1]	**570**	**17. 0**	520	15. 6
Bonds - Commonwealth Government [1]	**679**	**20. 2**	648	19. 4
Bonds - Semi-Government [1]	**1,179**	**35. 1**	1,107	33. 2
Bonds - Corporate and other [1]	**79**	**2. 4**	62	1. 9
Real Estate [2]	**334**	**10. 0**	367	11. 0
Derivatives [2]	**(17)**	**(0. 5)**	(18)	(0. 6)
Other [3]	**197**	**5. 9**	199	6. 0
Total fair value of plan assets	**3,355**	**100. 0**	3,336	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 $15 million of Commonwealth Bank shares. The real estate fair value includes $1.5 million of property assets leased to the Bank. The bonds – corporate and other fair value includes $0.1 million of Commonwealth Bank debt securities. The other asset allocation includes $0.3 million of Commonwealth Bank shares and $0.1 million debt securities held in a multi-asset fund.

10.3 Key Management Personnel

Detailed remuneration disclosures by Key Management Personnel (KMP) are provided in the Remuneration Report of the Directors' Report on pages 96 to 118 and have been audited.

	Group		Bank	
Key Management Personnel compensation	**30 Jun 18 $'000**	30 Jun 17 [1] $'000	**30 Jun 18 $'000**	30 Jun 17 [1] $'000
Short-term benefits	**23,089**	18,205	**23,089**	18,205
Post-employment benefits	**421**	438	**421**	438
Long-term benefits	**854**	359	**854**	359
Share-based payments	**11,234**	15,966	**11,234**	15,966
Total	**35,598**	34,968	**35,598**	34,968

(1) Comparatives have been restated to include the provision of partner travel costs (including associated fringe benefits tax).

10.3 Key Management Personnel (continued)

Security holdings

Details of the aggregate security holdings of KMP are set out below.

	Class [(1)]	Balance 1 July 17	Acquired/ Granted as Remuneration	Previous Years Awards Vested [(2)]	Net Change Other [(3)]	Balance 30 June 18 [(4)]
Non-Executive Directors	Ordinary [(5)]	171,693	1,617	-	(34,904)	**138,406**
	PERLS	11,070	-	-	(2,470)	**8,600**
Executives [(6)]	Ordinary	505,701	-	-	(338,120)	**167,581**
	LTVR - Reward Rights	1,029,620	215,356	(125,841)	(738,987)	**380,148**
	Deferred Rights	29,609	2,896	(14,798)	38,816	**56,523**
	PERLS	-	-	-	330	**330**

(1) LTVR reward rights 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 and appointment or departure of KMP during the year. It also includes a portion of deferred rights and/or LTVR reward rights forfeited as a result of individual and collective accountability in relation to the APRA Prudential Inquiry.
(4) 30 June 18 balances represent aggregate shareholdings of all KMP 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) Anna Lenahan holds 2,000 Capital Notes.

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.

Details of aggregate loans to KMP are set out below:

	30 Jun 18 $'000	30 Jun 17 $'000
Loans	**12,914**	12,145
Interest charged	**476**	406

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 and entities controlled or significantly influenced by them.

All such financial instrument transactions that have occurred between entities within the Group and their KMP 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 KMP 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 who has also been employed by the Group, and is remunerated in a manner consistent with normal employee relationships.

Services Agreements

The maximum contingent liability for termination benefits in respect of service agreements with the Chief Executive Officer and other Group KMP at 30 June 2018 was $3,096,820 (2017: $5,614,191).

11. Group Structure

Overview

The Group Structure includes the Bank legal entity and its interests in operating and special purpose subsidiaries, joint ventures and associates. These entities were either acquired or established and their classification is driven by the Bank's level of control or influence.

These entities operating activities include banking, advice, funds management, specialised customer financing and asset backed financing across multiple jurisdictions.

11.1 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	Medallion Trust Series 2017-2
Medallion Trust Series 2014-2	Residential Mortgage Group Pty Ltd
(b) Insurance and Funds Management	
Capital 121 Pty Limited	Commonwealth Insurance Limited
Colonial Holding Company Limited	The Colonial Mutual Life Assurance Society Limited [(1)]
Commonwealth Insurance Holdings Limited	

All the above subsidiaries are 100% owned and incorporated in Australia.

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 [(1)]		New Zealand
PT Commonwealth Life	80%	Indonesia
Sovereign Assurance Company Limited [(1)]		New Zealand

(1) These Subsidiaries are part of the Group's discontinued operations and include the Group's Life Insurance businesses in Australia and New Zealand.

11.1 Investments in Subsidiaries and Other Entities (continued)

Subsidiaries (continued)

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, or where the Group is deemed to control an entity despite holding less than 50% of the voting rights.

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	
	30 Jun 18	30 Jun 17
	$M	$M
Shareholders' Equity	**554**	546
Total non-controlling interests	**554**	546

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. These 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. These shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly on the New Zealand one year swap rate plus a margin of 1.0% and are non-cumulative. The payments of dividends are subject to a number of conditions including the satisfaction of solvency tests and the ability of the Board to cancel payments.

ASB Capital Limited and ASB Capital No.2 Limited have advanced proceeds from the above public issues to ASB Funding Limited, a New Zealand subsidiary. ASB Funding Limited in turn invested the proceeds in PPS issued by ASB Limited (ASB PPS), also a New Zealand subsidiary. In relation to ASB Capital No.2 Limited, if an APRA Event occurs, the loan to ASB Funding Limited will be repaid and ASB Capital No.2 Limited will become the holder of the corresponding ASB PPS.

The PPS may be purchased by a Commonwealth Bank subsidiary exercising a buy-out right five years or more after issue, or on the occurrence of regulatory or tax events.

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 2018 and 30 June 2017. 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.

11.1 Investments in Subsidiaries and Other Entities (continued)

The Group's investments in associates and joint ventures are shown in the table below.

	Group						
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 Ownership Interest %**	30 Jun 17 Ownership Interest %	Principal Activities	Country of Incorporation	Balance Date
AHL Holdings Pty Limited (1)	**-**	288	**-**	80	Mortgage Broking	Australia	30-Jun
Bank of Hangzhou Co., Ltd	**1,680**	1,412	**18**	18	Commercial Banking	China	31-Dec
BoCommLife Insurance Company Limited (2)	**-**	151	**38**	38	Insurance	China	31-Dec
First State European Diversified Infrastructure Fund FCP-SIF	**121**	116	**3**	3	Funds Management	Luxembourg	31-Dec
Qilu Bank Co., Ltd	**638**	445	**18**	20	Commercial Banking	China	31-Dec
Vietnam International Commercial Joint Stock Bank	**210**	186	**20**	20	Commercial Banking	Vietnam	31-Dec
Other	**193**	180	**Various**	Various	Various	Various	Various
Carrying amount of investments in associates and joint ventures	**2,842**	2,778					

(1) On 25 August 2017, the Group acquired the remaining 20% holding in AHL Holdings Pty Limited (trading as Aussie Home Loans) (AHL). Further information is set out in Note 11.4. In the prior period, the Group's 80% interest in AHL (trading as Aussie Home Loans) was jointly controlled, as the key financial and operating decisions required the unanimous consent of all Directors. The Group's maximum exposure to loss in relation to its investment was its carrying value, The total assets of Aussie Home Loans in 2017 were $292 million.

(2) On 23 May 2018, the Group entered an agreement to dispose of its stake in BoCommLife. The investment of $401 million has been reclassified as held for sale subject to the completion of the sale.

	Group	
Share of Associates' and Joint Ventures profits (1)	**30 Jun 18 $M**	30 Jun 17 $M
Operating profits before income tax	**321**	354
Income tax expense	**(52)**	(81)
Operating profits after income tax (2)	**269**	273

(1) Excludes information concerning associates and joint ventures classified as held for sale.

(2) This amount is recognised within Note 2.3 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 $857 million (2017: $773 million).

The Group has no contractual obligations to purchase assets from its securitisation structured entities.

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.

11.1 Investments in Subsidiaries and Other Entities (continued)

Consolidated Structured Entities (continued)

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 2018, the Bank entered into a debt forgiveness arrangement with three wholly owned structured entities for the total of $17 million (2017: $11 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 RMBS and ABS 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.

	30 Jun 18				
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	22	-	-	43	65
Available-for-sale investments	7,233	652	-	224	8,109
Loans, bills discounted and other receivables	3,056	1,576	2,892	8,089	15,613
Other assets	-	-	-	401	401
Assets held for sale	-	-	-	824	824
Total on Balance Sheet exposures	10,311	2,228	2,892	9,581	25,012
Total notional amounts of off Balance Sheet exposures (1)	2,027	674	454	4,302	7,457
Total maximum exposure to loss	12,338	2,902	3,346	13,883	32,469
Total assets of the entities (2)	52,230	9,869	12,032	332,443	406,574

(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 $9.7 billion.

11.1 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
					30 Jun 17
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 [1]	-	-	-	419	419
Total on Balance Sheet exposures	9,407	2,290	2,589	8,869	23,155
Total notional amounts of off Balance Sheet exposures [2]	1,348	1,658	668	5,837	9,511
Total maximum exposure to loss	10,755	3,948	3,257	14,706	32,666
Total assets of the entities [3]	62,805	19,017	9,736	325,941	417,499

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Relates to undrawn facilities
(3) 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.

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
				30 Jun 18
Senior [1]	12,254	2,902	3,346	**18,502**
Mezzanine [2]	84	-	-	**84**
Total maximum exposure to loss	12,338	2,902	3,346	**18,586**

(1) All ABS exposures, $12,240 million of RMBS exposures and $1,647 million of other financing exposures are rated investment grade. $14 million of RMBS and $1,699 million of other financing exposures are sub-investment grade.
(2) All RMBS and ABS exposures are rated investment grade.

Ranking and credit rating of exposures to unconsolidated structured entities	RMBS $M	ABS $M	Other Financing $M	Total $M
				30 Jun 17
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.

11.1 Investments in Subsidiaries and Other Entities (continued)

Unconsolidated Structured Entities (continued)

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.

As at 30 June 2018, the Group has not sponsored any unconsolidated structured entities.

Accounting Policy

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 an 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.

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 predominately required for the Group's securitisation program, structured transactions and involvement with investment funds.

Transactions between subsidiaries in the Group are eliminated. Non-controlling interests and the related share of profits in 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. At the acquisition date, the cost of the business is the fair value of the purchase consideration, measured as the aggregate of the fair values of assets transferred, 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 represents the excess of the fair value of the purchase consideration over the fair value of the Group's share of assets acquired and liabilities and contingent liabilities assumed on the date of acquisition. 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.

Investments 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 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 5.5). 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 the 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.

11.2 Related Party Disclosures

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 8.4 and 2.1.

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	
	30 Jun 18 $M	30 Jun 17 $M
Shares in controlled entities	**11,821**	10,572
Loans to controlled entities	**106,431**	90,765
Total shares in and loans to controlled entities	**118,252**	101,337

The Group also receives fees on an arm's length basis of $118 million (2017: $53 million) from funds classified as associates.

The Bank provides letters of comfort to other entities within the Group on standard terms. Guarantees include a $175 million (2017: $50 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 2.5. The amount receivable by the Bank under the tax funding agreement with the tax consolidated entities is $283 million as at 30 June 2018 (2017: $302 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.

Accounting Policy

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.

11.3 Discontinued Operations and Operations under Strategic Review

Discontinued Operations

During the 2018 financial year the Group announced the sale of 100% of its life insurance businesses in Australia (CommInsure Life) and New Zealand (Sovereign) to AIA Group Limited (AIA) for $3.8 billion.

The sale agreement includes a 20-year partnership with AIA for the provision of life insurance products to customers in Australia and New Zealand. The sale of Sovereign completed on 2 July 2018, resulting in a total post tax gain of $102 million (inclusive of separation costs and subject to final tax calculations and purchase price adjustments). This has also been reported as a subsequent event.

The sale of CommInsure Life remains subject to certain conditions and regulatory approvals, and is expected to be completed later in calendar year 2018.

On 23 May 2018 CBA announced the sale of its 37.5% equity interest in BoComm Life Insurance Company Limited (BoComm Life) to Mitsui Sumitomo Insurance Co. Ltd (MSI). Completion of the sale is subject to regulatory approvals in China, and is a condition precedent to completion of the CommInsure Life sale.

The Group is currently exploring options for the most suitable long-term structure for TymeDigital with African Rainbow Capital, a minority shareholder in TymeDigital.

CommInsure Life currently forms part of the Wealth Management segment, Sovereign forms part of the New Zealand segment while BoComm Life and TymeDigital form part of the IFS and Other segment. All are discontinued operations within each segment. The comparative Income Statement and Statement of Comprehensive Income of the Group have been restated to disclose discontinued operations separately from continuing operations.

11.3 Discontinued Operations and Operations under Strategic Review

Operations under Strategic Review

On 25 June 2018, CBA announced its intention to demerge its wealth management and mortgage broking businesses, and will undertake a strategic review of its general insurance business, including a potential sale. The demerged business (NewCo) will include Colonial First State, Colonial First State Global Asset Management (CFSGAM), Count Financial, Financial Wisdom and Aussie Home Loans (AHL) and the Group's minority interests in Mortgage Choice and Countplus. The implementation of the demerger is subject to final CBA Board, shareholder and regulatory approvals under a scheme of arrangement. If approved, the demerger is expected to be implemented in calendar year 2019. Due to the uncertain timing of the completion of the demerger, NewCo is included in continuing operations.

Financial Impact of Discontinued Operations on the Group

The performance and net cash flows of the Group's interest in CommInsure Life, Sovereign, BoComm Life and TymeDigital are set out in the tables below. The balance sheet of the Group's interest in CommInsure Life, Sovereign and BoComm Life are set out in the table on page 251. TymeDigital is a discontinued operation but has not been classified as held for sale.

	Full Year Ended (1)		
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M
Net interest income	**1**	(9)	(2)
Other banking income	**15**	17	13
Net banking operating income	**16**	8	11
Net funds management operating income	**109**	123	145
Net insurance operating income	**676**	604	805
Net operating income before operating expenses	**801**	735	961
Operating expenses (2)	**(554)**	(456)	(477)
Net profit before tax	**247**	279	484
Corporate tax expense	**(98)**	(81)	(105)
Policyholder tax	**(59)**	(32)	(101)
Net profit after tax and before transaction and separation costs	**90**	166	278
Transaction and separation costs	**(136)**	-	-
Non-controlling interests	**-**	(4)	-
Net profit after income tax from discontinued operations attributable to equity holders of the Bank	**(46)**	162	278

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Includes impairment due to the reclassification of TymeDigital as a discontinued operation.

	Full Year Ended (1)		
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M
Net cash used in operating activities	**(801)**	(1,132)	(759)
Net cash from investing activities	**862**	1,205	1,060
Net cash used in financing activities	**(82)**	(6)	(287)
Net cash inflows/(outflows) from discontinued operations	**(21)**	67	14

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

11.3 Discontinued Operations and Operations under Strategic Review (continued)

Discontinued Operations

Assets held for sale	As at [1] 30 June 18 $M
Cash and liquid assets	**108**
Insurance assets at fair value through Income Statement	**11,867**
Intangible assets	**1,372**
Property, plant and equipment	**1,225**
Investment in associates and joint ventures	**401**
Other assets	**653**
Total assets [2]	**15,626**
Liabilities held for sale	
Insurance policy liabilities	**11,188**
Deferred tax liabilities	**763**
Deposits and other public borrowings	**871**
Managed funds units on issue	**1,698**
Other liabilities	**380**
Total liabilities	**14,900**

(1) Intragroup balances have been eliminated; however will impact the final gain/loss on disposal of the discontinued operations.
(2) Excludes businesses or assets that are held for sale, which do not form part of the Group's discontinued operations.

11.4 Acquisition of Controlled Entities

On 25 August 2017, the Group acquired the remaining 20% of the issued share capital of AHL Holdings Pty Limited ("AHL") for $164 million purchase consideration in the form of CBA shares. Following acquisition of the remaining 20% issued share capital of AHL, the Group controls and consolidates AHL. AHL is the parent of the "Aussie" group of entities. Aussie predominantly operates as a mortgage broker and originator.

On 23 February 2018, the Group completed the acquisition of eChoice's operating assets and intellectual property for $5 million.

The fair value of the identifiable assets acquired and liabilities assumed as at the acquisition date for both AHL and eChoice are as follows:

	Group		
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M
Net identifiable assets at fair value [1]	**55**	16	553
Add: Goodwill	**446**	16	304
Less: Fair value of previously held interests [2]	**(332)**	-	-
Purchase consideration	**169**	32	857
Less: Cash and cash equivalents acquired	**(31)**	(1)	-
Less: Non-cash consideration	**(164)**	-	-
Net cash (inflow)/outflow on acquisition for cash flow statement [3]	**(26)**	31	857

(1) This balance includes $67 million of acquired intangible assets in the form of Aussie customer-broker relationships and the Aussie Brand name, $19 million of deferred tax liabilities relating to intangible assets, $4 million of software related to eChoice and $7 million of tangible assets related to Aussie. The Aussie Brand has an indefinite useful life. The carrying value of all acquired net tangible assets approximate their fair values.
(2) As a result of remeasuring its equity interest in AHL to fair value, the Group recognised a gain of $58 million calculated as the difference between the carrying value of the 80% investment ($274 million) and the fair value ($332 million) of this previously held interest.
(3) For the purpose of the statements of cash flow, presentation of cash inflows will be positive and outflows negative.

12. Other Information

Overview

This section includes other information about the Group's operations that is disclosed to provide a more complete view of our business. It includes customer related commitments and contingent liabilities that arise in the ordinary course of business through certain lending arrangements. In addition, it covers the impact of adopting new accounting standards, notes to the statement of cash flows, lease commitments and remuneration of auditors. Finally, details of events that have taken place subsequent to the balance sheet date are provided.

12.1 Contingent Liabilities, Contingent Assets and Commitments arising from the banking business

Details of contingent liabilities and off Balance Sheet instruments are presented below and in Note 7.1 Other Provisions-Litigations, investigations and reviews. The face (contract) value represents the maximum potential amount that could be lost if the counterparty fails to meet its financial obligations. The credit equivalent amounts are a measure of potential loss to the Group in the event of non-performance by the counterparty. 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 should they be drawn upon by the customer.

				Group
		Face Value		Credit Equivalent
Credit risk related instruments	**30 Jun 18 $M**	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Guarantees	**6,265**	7,424	**5,185**	7,424
Documentary letters of credit	**761**	1,183	**753**	1,168
Performance related contingents	**4,610**	2,133	**2,531**	2,127
Commitments to provide credit	**162,090**	173,555	**157,636**	167,205
Other commitments	**1,470**	837	**1,470**	835
Total credit risk related instruments	**175,196**	185,132	**167,575**	178,759

				Bank
		Face Value		Credit Equivalent
Credit risk related instruments	**30 Jun 18 $M**	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Guarantees	**5,835**	7,037	**4,754**	7,037
Documentary letters of credit	**720**	1,098	**715**	1,086
Performance related contingents	**4,593**	2,133	**2,514**	2,127
Commitments to provide credit	**147,098**	158,567	**144,102**	153,638
Other commitments	**1,360**	713	**1,360**	711
Total credit risk related instruments	**159,606**	169,548	**153,445**	164,599

12.1 Contingent Liabilities, Contingent Assets and Commitments arising from the banking business (continued)

Accounting Policy

Credit default financial guarantees are unconditional undertakings given to support the obligations of a customer to third parties. Other forms of financial guarantees include documentary letters of credit which are undertakings by the Group to pay or accept drafts drawn by a supplier of goods against presentation of documents in the event of payment default by a customer. Financial guarantees are recognised within other liabilities and initially measured at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Income Statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is recorded in the Income Statement. The premium received is recognised in the Income Statement in other operating income on a straight line basis over the life of the guarantee.

Performance related contingents are undertakings that oblige the Group to pay third parties should a customer fail to fulfil a contractual non-monetary obligation. Performance related contingents are performance guarantees and do not meet the definition of a financial guarantee, because they do not transfer credit risk. Performance guarantees are recognised when it is probable that an obligation has arisen. The amount of any provision is the best estimate of the amount required to fulfil the obligation.

Commitments to provide credit include all obligations on the part of the Group to provide credit facilities (unutilised credit lines or undrawn portions of credit lines) against which clients can borrow money under defined terms and conditions. As facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. 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. Other commitments to provide credit include commitments with certain drawdowns, standby letters of credit and bill endorsements.

12.2 Lease Commitments

	Group		Bank	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Lease Commitments - Property, Plant and Equipment				
Due within one year	**681**	662	**619**	603
Due after one year but not later than five years	**1,764**	1,826	**1,593**	1,641
Due after five years	**1,811**	2,160	**1,658**	1,951
Total lease commitments - property, plant and equipment	**4,256**	4,648	**3,870**	4,195

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 $88 million as at 30 June 2018 (2017: $99 million).

12.3 Notes to the Statements of Cash Flows

(a) Reconciliation of Net Profit after Income Tax to Net Cash provided by/ (used in) Operating Activities

	Group			Bank	
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Net profit after income tax	**9,348**	9,952	9,243	**8,875**	8,979
Increase in interest receivable	**(62)**	(14)	(148)	**(17)**	21
Increase/(decrease) in interest payable	**112**	(26)	(312)	**243**	(5)
Net decrease/(increase) in assets at fair value through Income Statement (excluding life insurance)	**1,536**	2,788	(8,538)	**2,079**	3,372
Net loss/(gain) on sale of controlled entities and associates	**184**	(2)	-	**172**	-
Net movement in derivative assets/liabilities	**3,381**	(492)	5,988	**4,830**	(3,509)
Net loss/(gain) on sale of property, plant and equipment	**17**	(6)	21	**17**	3
Equity accounting profit	**(287)**	(292)	(289)	**7**	-
Loan impairment expense	**1,079**	1,095	1,256	**963**	1,040
Depreciation and amortisation (including asset write downs)	**968**	1,229	857	**777**	1,035
(Decrease)/increase in liabilities at fair value through Income Statement (excluding life insurance)	**(258)**	121	1,651	**(41)**	1,550
Increase/(decrease) in other provisions	**156**	114	(78)	**205**	113
(Decrease)/increase in income taxes payable	**(461)**	603	486	**(484)**	570
Increase/(decrease) in deferred tax liabilities	**400**	(14)	(162)	**-**	-
(Increase)/decrease in deferred tax assets	**(538)**	(573)	66	**(106)**	(587)
Decrease/(increase) in accrued fees/reimbursements receivable	**20**	(238)	137	**(68)**	20
Increase/(decrease) in accrued fees and other items payable	**631**	18	(150)	**801**	(62)
Decrease in life insurance contract policy liabilities	**(836)**	(1,240)	(991)	**-**	-
Cash flow hedge ineffectiveness	**(4)**	(20)	5	**4**	3
(Gain)/loss on changes in fair value of hedged items	**(765)**	799	(642)	**(763)**	1,829
Dividend received - controlled entities	**-**	-	-	**(2,085)**	(1,200)
Changes in operating assets and liabilities arising from cash flow movements	**(15,461)**	(15,228)	(13,640)	**(15,771)**	(14,907)
Other	**1,949**	619	679	**1,953**	552
Net cash provided by/(used in) operating activities	**1,109**	(807)	(4,561)	**1,591**	(1,183)

(b) Reconciliation of Cash

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

	Group			Bank	
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Notes, coins and cash at banks	**17,110**	14,836	12,103	**15,586**	12,782
Other short-term liquid assets	**5,895**	8,281	2,344	**5,765**	8,167
Cash and cash equivalents at end of year	**23,005**	23,117	14,447	**21,351**	20,949

12.3 Notes to the Statements of Cash Flows (continued)

(c) Non-cash Financing and Investing Activities

			Group
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M
Shares issued under the Dividend Reinvestment Plan	**2,105**	1,143	1,209

12.4 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
	30 Jun 18 $'000	30 Jun 17 $'000	**30 Jun 18 $'000**	30 Jun 17 $'000
a) Audit and audit related services				
Audit services				
PricewaterhouseCoopers Australian firm	**21,292**	16,643	**14,040**	10,758
Network firms of PricewaterhouseCoopers Australian firm	**5,939**	5,167	**1,027**	705
Total remuneration for audit services	**27,231**	21,810	**15,067**	11,463
Audit related services				
PricewaterhouseCoopers Australian firm	**4,416**	5,765	**3,736**	4,952
Network firms of PricewaterhouseCoopers Australian firm	**2,133**	981	**145**	178
Total remuneration for audit related services	**6,549**	6,746	**3,881**	5,130
Total remuneration for audit and audit related services	**33,780**	28,556	**18,948**	16,593
b) Non-audit services				
Taxation services				
PricewaterhouseCoopers Australian firm	**757**	617	**561**	197
Network firms of PricewaterhouseCoopers Australian firm	**1,508**	1,601	**481**	834
Total remuneration for tax related services	**2,265**	2,218	**1,042**	1,031
Other Services				
PricewaterhouseCoopers Australian firm	**10,955**	4,347	**10,933**	4,300
Network firms of PricewaterhouseCoopers Australian firm	**66**	534	**-**	-
Total remuneration for other services	**11,021**	4,881	**10,933**	4,300
Total remuneration for non-audit services	**13,286**	7,099	**11,975**	5,331
Total remuneration for audit and non-audit services (1)	**47,066**	35,655	**30,923**	21,924

(1) An additional amount of $11,850,256 (2017: $10,728,963) was paid to PricewaterhouseCoopers by way of fees for entities not consolidated into the Financial Statements. Of this amount, $8,093,111 (2017: $8,401,175) 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 relating to comfort levels over financing programmes, reviews of systems and processes as well as reviews of internal controls reports.

Taxation services included the assistance with tax returns and submissions, and advice regarding Australian/foreign tax legislation.

Other services include benchmarking and process reviews on the Bank's response to APRA and the Royal Commission as well as IT security assessments.

12.5 New accounting standards adopted on 1 July 2018

AASB 9 'Financial Instruments'

In December 2014, the AASB issued the Australian Accounting Standard AASB 9 'Financial Instruments' which has replaced AASB 139 'Financial Instruments: Recognition and Measurement'. The standard covers three broad topics: Impairment, Classification and Measurement and Hedging.

The Group adopted AASB 9 Classification and Measurement and Impairment requirements on 1 July 2018. The Group has currently elected an accounting policy choice in AASB 9 to retain AASB 139 hedge accounting requirements. The Group can commence applying IFRS 9 hedging at the beginning of any reporting period in the future. This choice is available until the amended standard resulting from IASB's project on macro hedging is effective at which point IFRS 9 hedging requirements will become mandatory.

AASB 9 Classification and Measurement and Impairment requirements have been applied on a retrospective basis. The Group has adjusted the carrying amounts of financial instruments resulting from adoption of AASB 9 through opening retained earnings and reserves on 1 July 2018 as if it has always applied the new requirements. As permitted by AASB 9, the Group will not restate the prior period comparative financial statements.

The key changes to the Group's accounting policies and the impacts resulting from the adoption of AASB 9 are described below.

Impairment

AASB 9 introduced an expected credit loss ('ECL') impairment model which differs significantly from the incurred loss approach under AASB 139. The ECL model is forward looking and does not require evidence of an actual loss event for impairment provisions to be recognised.

The implementation of AASB 9 required management to make a number of judgements and assumptions and has had a significant impact on the Group's impairment methodology. A description of the key components of the Group's AASB 9 impairment methodology is provided below.

Expected credit loss ('ECL') model

The ECL model uses a three-stage approach to ECL recognition. Financial assets migrate through these stages based on changes in credit risk since origination:

- *Stage 1 – 12 months ECL – Performing loans*

  On origination financial assets recognise an impairment provision equivalent to 12 month's ECL. 12 month's ECL is the credit losses expected to arise from defaults occurring over the next 12 months.
- *Stage 2 – Lifetime ECL – Performing loans that have experienced a significant increase in credit risk ('SICR')*

  Financial assets that have experienced a SICR since origination are transferred to Stage 2 and recognise an impairment provision equivalent to lifetime ECL. Lifetime ECL is the credit losses expected to arise from defaults occurring over the remaining life of financial assets. If credit quality improves in a subsequent period such that the increase in credit risk since origination is no longer considered significant the exposure is reclassified to Stage 1 and the impairment provision reverts to 12 month's ECL.
- *Stage 3 – Lifetime ECL – Non-performing*

  Credit impaired financial assets recognise an impairment provision equivalent to lifetime expected credit losses.

Financial assets in stage 1 and stage 2 are assessed for impairment collectively, whilst those in stage 3 are subjected to either collective or individual impairment assessment.

Interest revenue is recognised on gross carrying amounts for financial assets in Stage 1 and Stage 2, and gross carrying value net of impairment provisions for financial assets in Stage 3.

The ECL model applies to all financial assets measured at amortised cost, debt securities measured at fair value through OCI, lease receivables, loan commitments and financial guarantee contracts not measured at fair value through Income Statement.

Significant increase in credit risk ('SICR')

SICR is assessed by comparing the risk of default occurring over the expected life of the financial asset at reporting date to the corresponding risk of default at origination. The Group considers all available qualitative and quantitative information that is relevant to assessing SICR.

For non-retail portfolios, such as the corporate risk rated portfolio and the asset finance portfolio, the risk of default is defined using the existing Risk Rated Probability of Default (PD) Masterscale. The PD Masterscale is used in internal credit risk management and includes 23 risk grades that are assigned at a customer level using rating tools reflecting customer specific financial and non-financial information and management experienced credit judgement. Internal credit risk ratings are updated regularly on the basis of the most recent financial and non-financial information.

The Group has developed a Retail Masterscale for use in the ECL measurement on personal loans, credit cards, home loan and SME retail portfolios. The Retail Masterscale has 15 risk grades that are assigned to retail accounts based on their credit quality scores determined through a credit quality scorecard. Risk grades for retail exposures are updated monthly as credit quality scorecards are recalculated based on the new behavioural information.

For significant portfolios, the primary indicator of SICR is a significant deterioration in an exposure's internal credit rating grade between origination and reporting date. Application of the primary SICR indicator uses a sliding threshold such that an exposure with a higher credit quality at origination would need to experience a more significant downgrade compared to a lower credit quality exposures before SICR is triggered. The levels of downgrade required to trigger SICR for each origination grade have been defined for each significant portfolio.

The Group also uses the following secondary SICR indicators as backstops in combination with the primary SICR indicator:

- 30 days past due arrears information;
- A retail exposure entering a financial hardship status;
- A non-retail exposure referral to Group Credit Structuring.

12.5 New accounting standards adopted on 1 July 2018 (continued)

AASB 9 'Financial Instruments' (continued)

Significant increase in credit risk ('SICR') (continued)

For a number of small portfolios which are not considered significant individually or in combination the Group applies simplified provisioning approaches that differ from the description below. 30 days past due is used as a primary indicator of SICR on exposures in these portfolios.

Definition of default, credit impaired assets and write-offs

The definition of default used in measuring ECL is aligned to the definition used for internal credit risk management purposes across all portfolios. This definition is also in line with the regulatory definition of default. Default occurs when there are indicators that a debtor is unlikely to meet contractual credit obligations to the Group in full, or the exposure is 90 days past due.

Financial assets, including those that are well secured, are considered credit impaired when they default. Loans are written-off when there is no realistic probability of recovery which is consistent with the Group's write-off policy under AASB 139.

ECL Measurement

ECL is a probability weighted expected credit loss estimated 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.

The Group uses the following AASB 9 collective provisioning models in calculating ECL:

- Retail lending: Personal Loans model, Credit Cards model, Home Loans model; Retail SME model.
- Non-retail lending: Corporate Risk rated model, Asset Finance model.

For each *significant portfolio ECL is calculated as a product of the following credit risk factors at a facility level:*

- *Probability of default (PD)*: The likelihood that a debtor will be unable to pay its obligations in full without having to take actions such as realising on security or that the debtor will become 90 days overdue on obligation or contractual commitment;
- *Exposure at default (EAD):* Expected balance sheet exposure at default. The Group generally calculates EAD as the higher of the drawn balance and total credit limit, except for the credit cards portfolio, for which EAD calculation also takes into account the probability of unused limits being drawn down; and
- *Loss given default (LGD):* The amount that is not expected to be recovered following default.

Secured retail exposures with expected loss in excess of $20,000 and defaulted non-retail exposures that are not well secured are assessed for impairment through an Individually Assessed Provisions ('IAP') process. Impairment provisions on these exposures are calculated directly as the difference between the defaulted asset's carrying value and the present value of expected future cash flows including cash flows from realisation of collateral, where applicable.

Forward-looking information

Credit risk factors of PD and LGD used in ECL calculation are point-in-time estimates based on current conditions and adjusted to include the impact of multiple probability-weighted future forecast economic scenarios.

The Group uses the following four alternative macro-economic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

- *Central scenario:* This scenario reflects the Group's base case assumptions used in business planning and forecasting;
- *Upside and Downside scenarios:* These scenarios are set relative to the central scenario based on reasonably possible alternative macro-economic conditions. The upside and downside scenarios reflect macro-economic conditions that generate the lowest and highest impairment losses for a particular portfolio over an approximate 10 year economic cycle, respectively.
- *Severe Downside scenario:* This scenario has been included to account for a potentially severe impact of less likely extremely adverse economic conditions. It reflects macro-economic conditions that generate the highest impairment losses for a particular portfolio over a longer horizon such as a 30 year economic cycle.

Forward looking PD and LGD factors are modelled for each significant portfolio based on macro-economic factors that are most closely correlated with credit losses in the relevant portfolios. Each of the four scenarios includes a forecast of relevant macro-economic variables which differ by portfolio:

- *Retail portfolios:* Cash rate, unemployment rate, GDP per capita and House price index.
- *Non-retail lending:* Unemployment rate, business investment index, ASX 200 and the AUD/ USD exchange rate.

New Zealand equivalents of the above macro-economic variables are used for credit exposures originated in New Zealand.

12.5 New accounting standards adopted on 1 July 2018 (continued)

AASB 9 'Financial Instruments' (continued)

Forward-looking information (continued)

The four scenarios are probability weighted according to management's best estimate of their relative likelihood based on historical frequency, current trends and conditions. The same future forecast scenarios and probability weights apply across all portfolios.

The Group's assessment of SICR also incorporates the impact of multiple probability-weighted future forecast economic scenarios on exposures' internal risk grades using the same four forecast macro-economic scenarios as described above.

In estimating impairment provisions on individually significant defaulted exposures, the Group generally applies conservative assumptions in estimating recovery cash flows. Incorporating multiple forecast economic scenarios in estimates is not expected to significantly effect the level of impairment provisions on these credit exposures.

Lifetime of an exposure

For exposures in Stage 2 impairment provisions are determined as a lifetime expected loss. The Group used a range of approaches to estimate expected lives of financial instruments subject to ECL requirements:

- *Non-revolving products in corporate portfolios*: Expected life is determined as a maximum contractual period over which the Group is exposed to credit risk;
- *Non-revolving retail products*: For fixed term products such as personal loans and home loans, expected life is determined using behavioural term analysis and does not exceed the maximum contractual period; and
- *Revolving products in corporate and retail portfolios:* For revolving products that include both a loan and an undrawn commitment such as, credit cards and corporate lines of credit, the Group's contractual ability to cancel the undrawn limits and demand repayments does not limit the exposure to credit losses to the contractual notice period. For such products, ECL is measured over the behavioural life.

Incorporation of experienced credit judgement

Management exercises credit judgement in assessing if an exposure has experienced SICR and in determining the amount of impairment provisions at each reporting date. Where applicable, model adjustments are made to incorporate reasonable and supportable information about known or expected risks that have not been considered in the modelling process. This includes but is not limited to information about emerging risk at an industry, geographical location or a particular portfolio segment level.

Governance

The Group's Loan Loss Provisioning Committee (LLPC) is responsible for approving forecast economic scenarios and their associated probability weights. In addition, LLPC is responsible for approving all model adjustments including those required to account for situations where all relevant information has not been considered in the modelling process.

The Group's loan loss provisions, loan impairment expense and any areas of judgement are reported to the Group's Board Audit Committee.

Classification and Measurement

Under AASB 9 the Group is required to differentiate between financial asset debt instruments and financial asset equity instruments, as follows:

Financial assets- debt instruments

There are three classification models for financial asset debt instruments under AASB 9:

- *Amortised Cost:* Financial assets with contractual cash flows that comprise the payment of principal and interest only and which are held in a business model whose objective is to collect their cash flows are measured at amortised cost;
- *Fair value through other comprehensive income (FVOCI):* Financial assets with contractual cash flows that comprise the payment of principal and interest only and which are held in a business model whose objective is to both collect their cash flows and sell them are measured at FVOCI; and
- *Fair value through profit or loss (FVTPL):* Other financial assets are measured at FVTPL.

Financial assets - equity instruments

Similar to AASB 139, AASB 9 requires equity instruments to be measured at FVTPL but permits non-traded equity investments to be designated at FVOCI on an instrument by instrument basis. Unlike AASB 139, should this election be made under AASB 9, gains or losses are not reclassified from other comprehensive income to profit or loss on disposal of the investment. However, the gains or losses may be reclassified within equity.

Financial liabilities

The Group adopted the AASB 9 requirement to recognise changes in the fair value of financial liabilities designated at fair value through the Income Statement that are attributable to changes in own credit risk in other comprehensive income on 1 January 2014. There were no other changes to the classification and measurement of financial liabilities as a result of adoption of AASB 9.

12.5 New accounting standards adopted on 1 July 2018 (continued)

Hedging

The Group has currently elected the accounting policy choice to continue applying hedge accounting under AASB 139. The Group can commence applying IFRS 9 hedging at the beginning of any reporting period in the future.

AASB 9 Implementation Program

In November 2015 the Group established AASB 9 Program (the "Program") to ensure a high quality implementation of AASB 9. The Program is jointly owned by Finance and Risk with a steering committee comprising senior management to provide oversight. Progress on each of the areas during the financial year ended 30 June 2018 is set out below:

Impairment

The Group has developed and tested AASB 9 models to address all material portfolios. All the models have been independently validated and approved by the Group's LLPC and the Group Board Audit Committee. Prior to adoption on 1 July 2018, the Group completed parallel runs of the models which included testing, calibration and analysis of models, processes and outputs. The Group is in the process of implementing changes required to finance systems and controls to ensure compliance with the disclosure requirements introduced by AASB 9.

Classification and Measurement

The Group has completed the accounting analysis of the Group's financial assets and implemented changes to finance systems and controls required to ensure financial asset measurement and presentation is compliant with external reporting requirements.

AASB 15 'Revenue from contracts with customers'

The Group has adopted AASB 15 'Revenue from Contracts with Customers' from 1 July 2018, replacing the previous standard, AASB 118 'Revenue'. Under AASB 118 revenue is recognised when risks and rewards have transferred from the seller to the buyer. AASB 15 has introduced a single, principle-based five- step recognition and measurement model for revenue recognition. The five steps are:

1. Identify the contract with a customer;
2. Identify the separate performance obligations;
3. Determine the transaction price;
4. Allocate the transaction price to each performance obligation identified in Step 2; and
5. Recognise revenue when a performance obligation is satisfied.

Where there is variable consideration in calculating a transaction price, revenue will only be recognised if it is highly probable that a significant revenue reversal will not subsequently occur. AASB 15 applies to contracts with customers except for revenue arising from items such as financial instruments, insurance contracts and leases.

The Group has used the modified retrospective approach in adopting AASB 15 which recognises the cumulative effect of initial application through opening retained earnings as at 1 July 2018. The Group will not restate the comparative period financial statements. The modified retrospective approach applied to contracts not completed at 30 June 2018.

The significant changes to the Group as a result of adopting AASB 15 are:

- *Trail commissions:* Certain trail commission income and expenses that were previously recognised over time by the Group, will be recognised at the start of a contract when the performance obligation has been provided. This will result in the Group recognising the net present value of expected future trail commission income and expenses. For investment referral services, the Group is unable to forecast the trail commission revenue in line with the highly probable test in AASB 15. Therefore trail commission revenue and expenses on investment referral balances will be recognised when received or paid; and
- *Upfront fees:* Certain fees in relation to lending, lease and guarantees arrangements are no longer recognised upfront but when the performance obligation to the customer is delivered, which is generally over the life of these contractual arrangements. Where the performance obligation is the Group providing a loan, lease arrangement or guarantee over a contractual period, these fees previously recognised upfront will be amortised over the expected life of the contracts. This will also result in a reclassification from other banking income to interest income.

Impacts of adopting AASB 9 and AASB 15

The following table summarises the adjustments arising on adoption of the new accounting standards. The adjustments have been recognised against the Group's opening retained profits and reserves as at 1 July 2018.

12.5 New accounting standards adopted on 1 July 2018 (continued)

Impacts of adopting AASB 9 and AASB 15

		AASB 9 Classification and Measurement					AASB 9 Impairment	AASB 15 Revenue		Group
Assets	**30 Jun 18 $M**	**High Quality Liquid Assets (HQLAs) $M**	**NZD Liquid Assets $M**	**Non-Traded Equities $M**	**Loans with Embedded Features $M**	**NZD Certificates of Deposit $M**	**$M**	**Trail Commission $M**	**Upfront Fees $M**	**1 Jul 18 $M**
Assets at fair value through Income Statement	**32,884**	-	(2,148)	235	65	-	-	-	-	**31,036**
Derivative assets	**32,133**	-	-	-	(56)	-	-	-	-	**32,077**
Available-for-sale investments	**82,240**	(78,145)	(3,797)	(298)	-	-	-	-	-	**-**
Investment securities								-	-	**-**
At amortised cost	**-**	7,121	-	-	-	-	-	-	-	**7,121**
At fair value through OCI	**-**	71,020	5,945	63	-	-	-	-	-	**77,028**
Loans, bills discounted and other receivables	**743,365**	-	-	-	(10)	-	(968)	-	(156)	**742,231**
Intangible assets	**9,023**	-	-	-	-	-	-	(72)	-	**8,951**
Deferred tax assets	**1,439**	1	-	-	-	-	320	64	72	**1,896**
Other assets	**6,991**	-	-	-	-	-	(10)	351	(3)	**7,329**
Other financial and non-financial assets	**67,090**	-	-	-	-	-	-	-	-	**67,090**
Total assets	**975,165**	(3)	-	-	(1)	-	(658)	343	(87)	**974,759**
Liabilities										
Deposits and other public borrowings	**622,234**	-	-	-	-	1,141	-	-	-	**623,375**
Liabilities at fair value through Income Statement	**10,247**	-	-	-	-	(1,141)	-	-	-	**9,106**
Derivative liabilities	**28,472**	-	-	-	(1)	-	-	-	-	**28,471**
Deferred tax liabilities	**-**	-	-	-	-	-	-	104	(1)	**103**
Other provisions	**1,889**	-	-	-	-	-	87	-	-	**1,976**
Bills payable and other liabilities	**11,596**	-	-	-	-	-	-	214	123	**11,933**
Other financial and non-financial liabilities	**232,867**	-	-	-	-	-	-	-	-	**232,867**
Total liabilities	**907,305**	-	-	-	(1)	-	87	318	122	**907,831**
Shareholders' Equity										
Share capital	**37,270**	-	-	-	-	-	-	-	-	**37,270**
Reserves	**1,676**	(3)	-	-	-	-	3	-	-	**1,676**
Retained profits	**28,360**	-	-	-	-	-	(748)	25	(209)	**27,428**
Non-controlling interest	**554**	-	-	-	-	-	-	-	-	**554**
Total Shareholders' equity	**67,860**	(3)	-	-	-	-	(745)	25	(209)	**66,928**

12.5 New accounting standards adopted on 1 July 2018 (continued)

AASB 9 Classification and Measurement

High quality liquid assets ('HQLA'): under AASB 139, $78,145 million of the Group's HQLA were included in Available-for-Sale investments. $7,121 million of HQLA previously included in Available-for-Sale assets are held within the business model held to collect and have been reclassified to Investment securities at amortised cost under AASB 9. These financial assets have been restated to amortised cost and $4 million of unrealised gains (before tax) previously recognised in the Available-for-sale revaluation reserve have been reversed against the carrying value of the assets on 1 July 2018. This also led to a reversal of the deferred tax previously recognised in relation to unrealised gains on these securities through reserves. The Group's deferred tax asset have increased by $1 million and the reserves have decreased by $3 million.

$71,020 million of HQLA previously included in Available-for-Sale assets are held within the business model held to collect and sell and have been reclassified to Investment securities at fair value through Other Comprehensive Income under AASB 9. The reclassification did not have an impact on retained earnings or reserves.

NZD liquid assets: under AASB 139, $3,797 million of the Group's NZD liquid assets were included in Available-for-Sale investments with the remaining $2,148 million measured at fair value through the Income Statement. These financial assets are held within the business model held to collect and sell and have been reclassified to Investment securities at fair value through Other Comprehensive Income under AASB 9. The reclassification did not have a material impact on retained earnings or reserves.

Non-traded equity instruments: the Group has $298 million of non-traded equity instruments included in Available-for-sale investment under AASB 139. One of the equity securities of $235 million was reclassified to Assets at Fair Value through Income Statement under AASB 9. The remaining $63 million of equity securities have been reclassified to Investment securities at fair value through Other Comprehensive Income under AASB 9. The reclassifications did not have a material impact on retained earnings or reserves.

Loans with embedded derivatives: the Group issued loans with embedded derivative features. Under AASB 139, the embedded derivatives were bifurcated and accounted for as standalone derivatives at fair value through the Income Statement; the host loan contracts were measured at amortised cost and included in Loans, bills discounted and other receivables on the Balance sheet. The contractual cash flows on these instruments are not solely payments of principal and interest and they have been reclassified to Assets at Fair Value through Income Statement together with the related embedded derivative features. The reclassification did not have an impact on retained earnings.

NZD Certificate of Deposits (CD): Under AASB 9, $1,141 million of NZD CDs have been reclassified from liabilities at fair value through income statement to liabilities at amortised cost, as the CDs are not held for trading. The reclassification did not have a material impact on retained earnings or reserves.

AASB 15 'Revenue from contracts with customers'

Trail commission: Other assets and Bills payable and other liabilities have increased by $351 million and $214 million, respectively, to reflect the recognition of trail commission receivable and payable across various trail commission arrangements across the Group. This reflects the upfront recognition of certain future trail commission income and expenses when a performance obligation has been met, e.g. a new customer is introduced into a product. This change also led to a $72 million decrease in goodwill on the acquisition of Aussie Home Loans, a $64 million and $104 million increase in deferred tax assets and deferred tax liabilities, respectively. The impact of this change on retained earnings as at 1 July 2018 was an increase of $25 million.

Upfront fees: Upfront fees in relation to lending lease and guarantee arrangements are no longer recognised upfront. Instead, income is recognised over the life of the contractual arrangements. Establishment fees on financing facilities will be deferred on the Group's Balance Sheet in Loans, bills discounted and other receivables, and amortised to interest income over the expected life of the loan in accordance with AASB 9. From 1 July 2018, this will also result in a reclassification of income from other banking income to interest income. In addition, other annual fees will be deferred on Balance Sheet in Bills payable and other liabilities when received and recognised in other banking income on a straight-line basis throughout the year. The impact at 1 July 2018 includes a reduction in Loans, Bills Discounted and Other Receivables of $156 million, a reduction in Other assets of $3 million, and an increase in Bills payable and other liabilities of $123 million. The deferral of upfront fees from existing customer contracts resulted in a one-off increase in deferred tax assets of $72 million and a decrease in deferred tax liabilities of $1 million. The impact of this change on retained earnings as at 1 July 2018 was a reduction of $209 million.

12.5 New accounting standards adopted on 1 July 2018 (continued)

AASB 9 Impairment

The adoption of AASB 9 impairment requirements has resulted in $1,058 million increase in collective provisions. This includes $968 million for loans, bills discounted and other receivables, $87 million for off- balance sheet instruments (recognised in other provisions), and $3 million for investment securities at fair value through OCI (recognised in reserves). In addition, the Group recognised a $10 million provision on non-lending assets that are not in scope of IFRS 9 CP models. The transition resulted in $320 million increase in deferred tax assets and a corresponding $748 million decrease in retained earnings as at 1 July 2018.

The increase in impairment provisions has been driven by the AASB 9 requirement to hold provisions equivalent to lifetime expected losses for all loans that have experienced a significant increase in credit risk since origination and the impact of forward looking factors on expected credit losses estimates.

The table below presents the Group's total impairment provisions on lending assets by ECL stage as at 1 July 2018.

	1 July 2018				
	Impairment provisions $M				
	Stage 1	Stage 2	Stage 3		
	12 months ECL	Lifetime ECL	Lifetime ECL		
Portfolio [1]	Collectively assessed	Collectively assessed	Collectively assessed	Individually assessed	Total
Retail					
Secured lending	206	410	113	247	**976**
Unsecured lending	525	847	233	3	**1,608**
Total retail	731	1,257	346	250	**2,584**
Non-retail					
Corporate and business lending, banks and sovereign	145	1,268	74	620	**2,107**
Total	876	2,525	420	870	**4,691**

(1) Exposures subject to impairment provisions include drawn balances, undrawn credit commitments, financial guarantees and debt securities classified at fair value through OCI.

12.6 Subsequent Events

The Bank expects the DRP for the final dividend for the year ended 30 June 2018 will be satisfied by the issue of shares of approximately $622 million.

Completion of sale of New Zealand Life Insurance Business (Sovereign)

During the 2018 financial year the Group announced the sale of 100% of its life insurance businesses in Australia ("CommInsure Life") and New Zealand ("Sovereign") to AIA Group Limited ("AIA") for $3.8 billion.

The sale agreement includes a 20-year partnership with AIA for the provision of life insurance products to customers in Australia and New Zealand. The sale of Sovereign completed on 2 July 2018, resulting in a total post tax gain of $102 million (inclusive of separation costs and subject to final tax calculations and purchase price adjustments).

Sale of Commonwealth Bank of South Africa (Holding Company) Limited ("TymeDigital")

The CBA Board has approved the sale of Commonwealth Bank of South Africa (Holding Company) Limited ("TymeDigital") to the minority shareholder, African Rainbow Capital. The sale is subject to regulatory approval and potential sale price adjustments. As a result, the financial effect of the sale currently cannot be reliably estimated, however, it is not expected to have a material impact on the Group's results.

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

The Directors of the Commonwealth Bank of Australia declare that in their opinion:

(a) the consolidated financial statements and notes for the year ended on 30 June 2018, as set out on pages 125 to 263, are in accordance with the *Corporations Act 2001*, including:

  (i) complying with the Accounting Standards and any further requirements in the *Corporations Regulations 2001*; and

  (ii) giving a true and fair view of the Group's financial position as at 30 June 2018 and its performance for the year ended 30 June 2018;

(b) there are reasonable grounds to believe that the Commonwealth Bank of Australia will be able to pay its debts as and when they become due and payable.

Note 1.1 of the consolidated financial statements includes a statement of compliance with the International Financial Reporting Standards.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the Directors.

C.B. Livingstone

Catherine Livingstone AO
Chairman
7 August 2018

Matt Comyn
Managing Director and Chief Executive Officer
7 August 2018

Independent auditor's report

To the members of Commonwealth Bank of Australia

Report on the audit of the financial report

Our opinion

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:

a. giving a true and fair view of the Company's and Group's financial positions as at 30 June 2018 and of their financial performance for the year then ended

b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Company and Group financial report comprises:

- the Consolidated and Company balance sheets as at 30 June 2018;
- the Consolidated and Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Company statements of changes in equity for the year then ended;
- the Consolidated and Company 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 Company and 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.

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Group audit scope

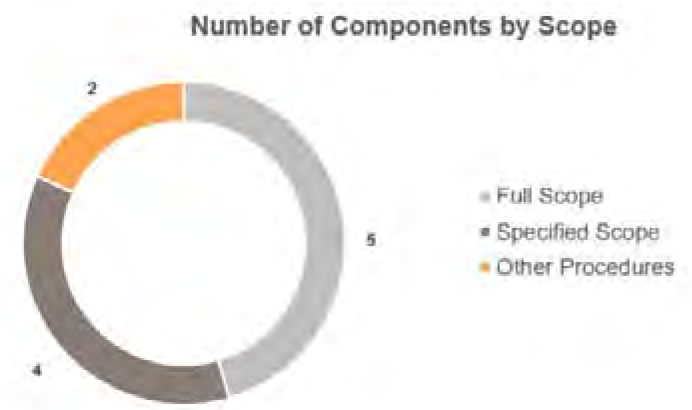
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Company and Group, its accounting processes and controls and the industries in which it operates. We also ensured that the audit team had the appropriate skills and competencies needed for the audit of a complex financial services group. This included industry expertise in retail, business and institutional banking, and insurance 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).

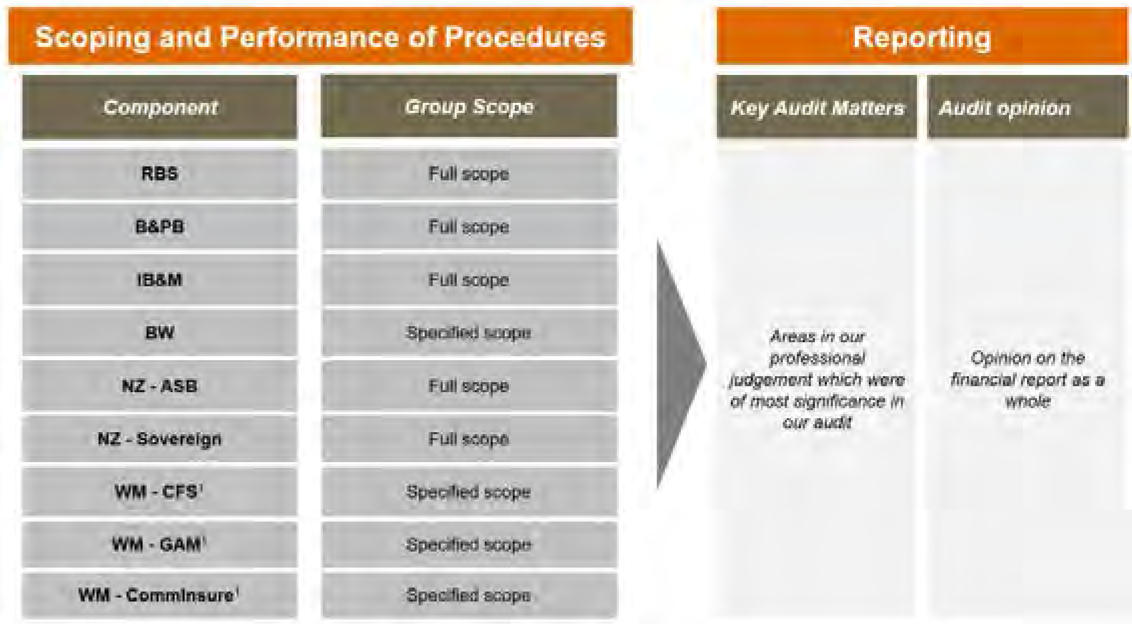
In designing our scope we considered the structure of the Group and identified those entities or business activities (referred to as components) for which the Group prepares financial information for inclusion in the financial report.

The nature, timing and extent of audit work performed for each component was determined by the components' risk characteristics and financial significance to the Group and consideration of whether sufficient evidence had been obtained for our opinion on the financial report as a whole. This involved either:

- an audit of the complete financial information of a component (full scope),
- an audit of one or more of the component's account balances, classes of transactions or disclosures (specified scope),
- analytical procedures performed at the Group level, or
- further audit procedures at a Group level, including over the consolidation of the Group's reporting units and the preparation of the financial report.



Set out on the next page is an overview of our Group audit approach highlighting key aspects of our audit.



[1]Specified scope procedures are performed for the purposes of the Group audit. However, full scope audits are performed for the purposes of standalone legal entity statutory financial statements as required.

Group materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Items are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of the financial report.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial report, which we have set out in the table below:

Overall Group materiality	$615 million (2017: $606 million)
How we determined it	Approximately 5% of 2018 financial year profit before tax (PBT) (2017: approximately 5% of 2017 financial year PBT) for the Company.
Rationale for the materiality benchmark applied	We chose net profit before income 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 performed our audit over both the Group and Company financial information concurrently. We apply the lower of materiality calculated based on Group and Company PBT in order to avoid duplication of work. As the Company has a lower PBT, we have calculated materiality based on the Company PBT. We selected 5% based on our professional judgement noting that it is also within the range of commonly acceptable quantitative materiality measures.

Key Audit Matters

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 in the table 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters, amongst other relevant topics, to the Audit Committee. The key audit matters identified below relate to both the Company and Group audit with the exception of the valuation of insurance policy holder liabilities which relates only to the Group.

Key audit matter	How our audit addressed the key audit matter
Loan impairment provisions *(Relevant components: RBS, B&PB, IB&M, BW, NZ - ASB)*	
We considered this a key audit matter due to the subjective judgements made by the Group 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 the Group. 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 2018, 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 the Group. 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 the Group to take account of emerging trends and where models may fail to fully capture all risks in the loan portfolio.	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 · The Group's assessment of the integrity of these models. For a selection of **individually assessed provisions** for specific lending assets, we performed the following audit procedures, amongst others: · Examined the Group's cashflow forecasts supporting the impairment calculation by assessing key judgements (in particular the amount and timing of recoveries) made by the Group in the context of the borrowers' circumstances based on the detailed loan and counterparty information known by the Group; and · Compared key inputs in the Group's estimates (such as valuation of collateral held) to external information where available. To test the **collectively assessed**

Key audit matter	How our audit addressed the key audit matter
Loan impairment provisions *(Relevant components: RBS, B&PB, IB&M, BW, NZ - ASB)*	
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 1.1 and 3.2 for further information.	**provisions**, we together with our independent modelling experts, performed the following audit procedures, amongst others: · Tested the completeness and accuracy of key data being transferred between the Group's systems and its collective provisioning models; · Compared the Group'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 the following audit procedures, amongst others: · Considered the Group's rationale for the recognition of overlays by considering the potential for impairment to be affected by events not captured by the Group's models; and · Assessed the Group'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.
AASB 9 expected credit loss AASB 9 *Financial Instruments* will be adopted by the Group for the financial year beginning 1 July 2018. In periods prior to adoption of new accounting standards, Australian Accounting Standards require disclosure of known or reasonably estimable information that the application of the new standard will have on the Group's financial report. AASB 9 introduces an expected credit loss ('ECL') impairment model which takes into account forward-looking information reflecting potential future economic events. This has resulted in the Group developing new models which are reliant on large volumes of data, as well as a number of	To determine the appropriateness of the AASB 9 framework implemented by the Group, including the reasonableness of the models developed for the purposes of determining ECL, and the inputs and assumptions used in the models, we along with PwC modelling and economic experts, performed the following audit procedures, amongst others: · Assessed the methodology inherent within the ECL models against the requirements of the new accounting standard. · Considered management's judgements

Key audit matter	How our audit addressed the key audit matter
Loan impairment provisions *(Relevant components: RBS, B&PB, IB&M, BW, NZ - ASB)*	
significant estimates at adoption including the impact of multiple economic scenarios. · We considered this a key audit matter because: · the models used to calculate ECLs (ECL models) are inherently complex and judgement is applied in determining the correct construct of model to be applied; · judgement is applied in determining the most appropriate information and datasets to be used as inputs to the models; and, · there are a number of key assumptions made by the Group concerning the values of inputs to the models (e.g. statistical assumptions used to determine forward looking loan probability of default and discount rates) and how inputs correlate with one another. ***Relevant references in the financial report*** Refer notes 1.1 and 12.5 for further information.	and the reasonableness of forward-looking information incorporated into the ECL models by assessing the forecasts, assumptions and probability weightings applied in the multiple economic scenarios, and comparing on a sample basis against supporting evidence where applicable,. · Considered the integrity of data used as input into the models by tracing a sample of inputs used in the models to source systems and calculations. · Considered the accuracy and reasonableness of the modelled calculations by re-performing the ECL calculations, on a sample basis. · Developed an understanding of the key transition controls related to the calculation, review and approval of the estimated ECL calculation and corresponding disclosures. · Compared the estimated transitional impact amount disclosed in the financial report to the underlying calculations and assessed the adequacy of the disclosures against the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter
Judgemental valuation of financial instruments *(Group and Company level with additional testing by relevant components: IB&M, NZ – ASB)*	
The Group holds financial instruments measured at fair value 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 investments; · Life insurance assets and liabilities; 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-	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 · The Group's assessment of its own models used to measure fair value.

Key audit matter	How our audit addressed the key audit matter
Judgemental valuation of financial instruments *(Group and Company level with additional testing by relevant components: IB&M, NZ – ASB)*	
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 is based on quoted prices in the market) or 'Level 2' (i.e. where key inputs to the valuation is 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 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 1.1, 4.2, 5.3, 5.4, 5.5 and 9.5 for further information.	In relation to the fair value of financial instruments as at 30 June 2018, 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 the Group's calculation of fair value.

Key audit matter	How our audit addressed the key audit matter
Provision for conduct risk and regulator action *(Group and Company level)*	
The Group has assessed the need to raise provisions in relation to certain legal proceedings, investigations and reviews from its regulators including in relation to AUSTRAC's civil proceedings, the Royal Commission into banking misconduct in the banking, superannuation and financial services industry and APRA's Enforceable Undertaking, amongst others. We considered this a key audit matter due to the subjective judgements required by the Group in determining: · the probability of financial outcomes based on available information, and · the estimate of the amounts which may be paid under each of the proceedings, investigation and reviews. ***Relevant references in the financial report*** Refer notes 1.1 and 7.1 for further information.	We developed 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 the directors and management. We obtained written representations from the Group Chief Executive Office, Chief Financial Officer and Group General Counsel and obtained access to relevant documents in order to develop our understanding of the matters. We considered the Group's judgement as to whether there is potential material financial exposure for the Group, and if so, the amount of any provision required. This included inspecting the Group's underlying calculations and assumptions made against available information and, where relevant, agreeing settlements booked to payments made. We have considered if provisions should be recognised in respect of AUSTRAC's civil proceedings and the ASIC Bank Bill Swap Rate Enforceable Undertaking in addition to the civil penalties payables already recognised in the financial report. Where the Group 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. We assessed the adequacy of related disclosures against the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance policyholder liabilities *(Relevant components: WM - CommInsure, NZ - Sovereign)*	
We considered this a key audit matter because the Group'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 the Group's experts include: · 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 note 1.1 for further information.	To assess the assumptions used to determine the value of insurance policyholder liabilities, we along with our independent actuarial experts performed the following audit procedures, amongst others: · Compared the methodology and models used by the Group to those commonly applied in the industry and recognised by regulatory standards; · Developed an understanding of and evaluated the controls the Group has in place over key processes relating to the valuation. This included the Group's use of models, the quality of oversight and controls over key assumptions within those models, and the Group's preparation of the manually calculated components of the liability; · Compared key inputs (for example inflation rates) used by the Group 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 the Group's valuation to source documentation on a sample basis.

Key audit matter	How our audit addressed the key audit matter
Operation of financial reporting Information Technology (IT) systems and controls *(Relevant components: 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, IT dependent manual controls and controls preventing unauthorised access to systems and data. The Group's controls over IT systems include: · The framework of governance over IT systems; · Program development and changes; · Access to process, data and IT operations; and · Governance over generic and privileged user accounts.	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. 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, including *Strategic report, Performance overview, Corporate governance, Directors' report and Other information*, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other 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 other information identified above and, in doing so, consider whether the other 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 other 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 *Corporations Act 2001* and for such internal controls 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 Company and 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 Company or the Group or to cease operations, or have 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 96 to 119 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Commonwealth Bank of Australia for the year ended 30 June 2018 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

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
7 August 2018

Other information

Shareholding information

Top 20 Holders of Fully Paid Ordinary Shares as at 30 July 2018

Rank	Name of Holder	Number of Shares	%
1	HSBC Custody Nominees (Australia) Limited	370,746,865	21.07
2	J P Morgan Nominees Australia Limited	228,386,048	12.98
3	Citicorp Nominees Pty Limited	98,454,740	5.59
4	National Nominees Limited	57,172,719	3.25
5	BNP Paribas Noms Pty Limited	51,468,942	2.92
6	Bond Street Custodians Limited	14,656,952	0.83
7	Australian Foundation Investment Company limited	7,900,000	0.45
8	Navigator Australia Limited	3,670,568	0.21
9	Argo Investments Limited	3,203,731	0.18
10	Milton Corporation Limited	3,119,505	0.18
11	Netwealth Investments Limited	2,956,624	0.17
12	Nulis Nominees (Australia) Limited	2,142,125	0.12
13	Mr. Barry Martin Lambert	1,643,613	0.09
14	Invia Custodian Pty Limited	1,592,260	0.09
15	IOOF Investment Management Limited	1,499,545	0.09
16	McCusker Holdings Pty Ltd	1,470,000	0.08
17	ANZ Executors & Trustee	1,328,789	0.08
18	RBC Dexia Investor Services Australia Nominees Pty Limited	1,243,309	0.07
19	Australian Executor Trustees Limited	1,228,937	0.07
20	Joy Wilma Lambert	1,068,250	0.06

The top 20 shareholders hold 854,953,522 shares which is equal to 48.58% 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 30 July 2018

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1 – 1,000	591,209	73.01	186,153,941	10.58
1,001 – 5,000	190,162	23.48	395,673,395	22.48
5,001 – 10,000	19,815	2.45	134,818,887	7.66
10,001 – 100,000	8,433	1.04	158,583,477	9.01
100,001 and over	186	0.02	884,613,230	50.27
Total	809,805	100.00	1,759,842,930	100.00
Less than marketable parcel of $500	15,346	1.90	45,921	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.

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 Resalable Listed Securities VI ("PERLS VI") as at 30 July 2018

Rank	Name of Holder	Number of Securities	%
1	HSBC Custody Nominees (Australia) Limited	997,275	4.99
2	Bond Street Custodians Limited	422,489	2.11
3	IOOF Investment Management Limited	252,642	1.26
4	National Nominees Limited	241,231	1.21
5	Netwealth Investments Limited	241,217	1.21
6	BNP Paribas Nominees Pty Ltd	224,874	1.12
7	J P Morgan Nominees Australia Limited	173,696	0.87
8	Nulis Nominees (Australia) Limited	168,709	0.84
9	Citicorp Nominees Pty Limited	118,024	0.59
10	Navigator Australia Limited	117,797	0.59
11	Dimbulu Pty Limited	100,000	0.50
12	Eastcote Pty Limited	100,000	0.50
13	Australian Executor Trustees Limited	90,923	0.45
14	V S Access Pty Limited	80,000	0.40
15	Invia Custodian Pty Limited	65,945	0.33
16	Marento Pty Ltd	52,916	0.26
17	Mutual Trust Pty Limited	51,228	0.26
18	Edgelake Proprietary Limited	49,267	0.25
19	Kaptock Pty Limited	48,730	0.24
20	Junax Capital Pty Ltd	47,000	0.24

The top 20 PERLS VI security holders hold 3,643,963 securities which is equal to 18.22% 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 30 July 2018

Range	Number of Security Holders	Percentage of Security Holders	Number of Securities	Percentage of Issued Capital
1 – 1,000	25,239	89.29	8,263,689	41.31
1,001 – 5,000	2,723	9.63	5,517,381	27.59
5,001 – 10,000	194	0.69	1,441,572	7.21
10,001 – 100,000	100	0.35	2,308,079	11.54
100,001 and over	11	0.04	2,469,279	12.35
Total	28,267	100.00	20,000,000	100.00
Less than marketable parcel of $500	9	0.03	22	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 277 and 278 for the Bank's ordinary shares.

Top 20 Holders of CommBank PERLS VII Capital Notes (“PERLS VII”) as at 30 July 2018

Rank	Name of Holder	Number of Securities	%
1	HSBC Custody Nominees (Australia) Limited	2,403,303	8.01
2	BNP Paribas Noms Pty Limited	965,593	3.22
3	Netwealth Investments Limited	507,694	1.69
4	Bond Street Custodians Limited	371,713	1.24
5	J P Morgan Nominees Australia Limited	313,843	1.05
6	National Nominees Limited	300,007	1.00
7	IOOF Investment Management Limited	282,085	0.94
8	Citicorp Nominees Pty Limited	252,287	0.84
9	Nulis Nominees (Australia) Limited	202,216	0.67
10	Navigator Australia Limited	185,200	0.62
11	Australian Executor Trustees Limited	130,665	0.44
12	Dimbulu Pty Limited	100,000	0.33
13	Invia Custodian Pty Limited	96,444	0.32
14	Tandom Pty Limited	90,000	0.30
15	Randazzo C & G Developments Pty Limited	84,286	0.28
16	Tsco Pty Limited	80,000	0.27
17	Simply Brilliant Pty Limited	75,000	0.25
18	Mutual Trust Pty Limited	74,362	0.25
19	Seymour Group Pty Limited	73,700	0.25
20	Willimbury Pty Limited	70,673	0.24

The top 20 PERLS VII security holders hold 6,659,071 securities which is equal to 22.21% 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 30 July 2018

Range	Number of Security holders	Percentage of Security holders	Number of Securities	Percentage of Issued Capital
1 – 1,000	27,875	86.13	9,670,068	32.24
1,001 – 5,000	3,974	12.28	8,004,918	26.68
5,001 – 10,000	300	0.92	2,145,521	7.15
10,001 – 100,000	203	0.63	4,810,090	16.03
100,001 and over	13	0.04	5,369,403	17.90
Total	32,365	100.00	30,000,000	100.00
Less than marketable parcel of $500	8	0.02	27	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 277 and 278 for the Bank's ordinary shares.

Top 20 Holders of CommBank PERLS VIII Capital Notes (“PERLS VIII”) as at 30 July 2018

Rank	Name of Holder	Number of Securities	%
1	BNP Paribas Noms Pty Limited	3,178,248	21.92
2	HSBC Custody Nominees (Australia) Limited	943,954	6.51
3	Goodridge Nominees Pty Ltd	208,870	1.44
4	J P Morgan Nominees Australia Limited	127,344	0.88
5	Mr. Walter Lawton & Mr. Brett Lawton	108,573	0.75
6	G Harvey Nominees Pty Ltd	100,000	0.69
7	Piek Holdings Pty Ltd	93,000	0.64
8	Netwealth Investments Limited	90,418	0.62
9	National Nominees Limited	79,158	0.55
10	Snowside Pty Limited	79,083	0.55
11	Bond Street Custodians Limited	71,560	0.49
12	Nulis Nominees (Australia) Limited	70,476	0.49
13	Citicorp Nominees Pty Limited	65,420	0.45
14	V S Access Pty Limited	62,482	0.43
15	Navigator Australia Limited	57,610	0.40
16	Dimbulu Pty Limited	50,000	0.34
17	Mifare Pty Limited	50,000	0.34
18	Randazzo C & G Developments Pty Limited	50,000	0.34
19	Adirel Holdings Pty Limited	47,000	0.32
20	Resthaven Incorporated	45,500	0.31

The top 20 PERLS VIII security holders hold 5,578,696 securities which is equal to 38.46% 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 Securities (PERLS VIII) as at 30 July 2018

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1 – 1,000	13,149	89.37	4,250,053	29.31
1,001 – 5,000	1,374	9.34	2,945,723	20.32
5,001 – 10,000	120	0.82	888,629	6.13
10,001 – 100,000	64	0.43	1,963,409	13.54
100,001 and over	6	0.04	4,452,186	30.70
Total	14,713	100.00	14,500,000	100.00
Less than marketable parcel of $500	3	0.02	7	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 277 and 278 for the Bank’s ordinary shares.

Top 20 Holders of CommBank PERLS IX Capital Notes ("PERLS IX") as at 30 July 2018

Rank	Name of Holder	Number of Securities	%
1	BNP Paribas Nominees Pty Ltd	2,504,391	15.27
2	HSBC Custody Nominees (Australia) Limited	1,246,863	7.60
3	Bond Street Custodians Limited	234,797	1.43
4	Navigator Australia Limited	218,318	1.33
5	Dimbulu Pty Limited	147,700	0.90
6	Citicorp Nominees Pty Limited	147,080	0.90
7	J P Morgan Nominees Australia Limited	125,468	0.77
8	Netwealth Investments Limited	109,516	0.67
9	Mutual Trust Pty Limited	103,145	0.63
10	G Harvey Investments Pty Limited	100,000	0.61
11	IOOF Investment Management Limited	97,716	0.60
12	Nulis Nominees (Australia) Limited	93,452	0.57
13	National Nominees Limited	84,614	0.52
14	Australian Executor Trustees Limited	71,800	0.44
15	Ranamok Pty Limited	71,365	0.44
16	Invia Custodian Pty Limited	62,613	0.38
17	Ernron Pty Ltd	34,530	0.21
18	J C Family Investments Pty Limited	33,264	0.20
19	Sir Moses Montefiore Jewish Home	30,660	0.19
20	Pendant Realty Pty Ltd	30,000	0.18

The top 20 PERLS IX security holders hold 5,526,649 securities which is equal to 33.67% 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 Securities (PERLS IX) as at 30 July 2018

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1 – 1,000	18,090	90.31	5,723,191	34.90
1,001 – 5,000	1,737	8.67	3,619,443	22.07
5,001 – 10,000	129	0.64	969,294	5.91
10,001 – 100,000	66	0.33	1,733,427	10.57
100,001 and over	9	0.05	4,354,645	26.55
Total	20,031	100.00	16,400,000	100.00
Less than marketable parcel of $500	3	0.01	4	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 277 and 278 for the Bank's ordinary shares.

Top 20 Holders of CommBank PERLS X Capital Notes ("PERLS X") as at 30 July 2018

Rank	Name of Holder	Number of Securities	%
1	HSBC Custody Nominees (Australia) Limited	1,308,096	9.58
2	BNP Paribas Nominees Pty Ltd	1,068,430	7.83
3	Citicorp Nominees Pty Limited	394,146	2.89
4	J P Morgan Nominees Australia Limited	116,377	0.85
5	Bond Street Custodians Limited	107,237	0.79
6	Dimbulu Pty Limited	100,000	0.73
7	Tandom Pty Limited	100,000	0.73
8	Randazzo C & G Developments Pty Limited	80,000	0.59
9	Rakio Pty Limited	77,000	0.56
10	Ernron Pty Ltd	74,428	0.55
11	Nora Goodridge Investments Pty Limited	70,000	0.51
12	Netwealth Investments Limited	69,888	0.51
13	Hanson Tsai Pty Limited	60,000	0.44
14	Navigator Australia Limited	57,362	0.42
15	Eastcote Pty Limited	50,000	0.37
16	Federation University Australia	50,000	0.37
17	Harriette & Co Pty Limited	50,000	0.37
18	National Nominees Limited	42,121	0.31
19	Invia Custodian Pty Limited	34,215	0.25
20	Raffy Holdings Pty Limited	29,910	0.22

The top 20 PERLS X security holders hold 3,939,210 securities which is equal to 28.87% of the total securities on issue.

Stock Exchange Listing

PERLS X are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPG. Details of trading activity are published in some daily newspapers.

Range of Securities (PERLS X) as at 30 July 2018

Range	Number of Security holders	Percentage of Security holders	Number of Securities	Percentage of Issued Capital
1 – 1,000	13,340	88.57	4,585,925	33.60
1,001 – 5,000	1,513	10.05	3,303,894	24.20
5,001 – 10,000	130	0.86	1,009,841	7.40
10,001 – 100,000	74	0.49	1,956,444	14.33
100,001 and over	5	0.03	2,793,896	20.47
Total	15,062	100.00	13,650,000	100.00
Less than marketable parcel of $500	2	0.01	9	0.00

Voting Rights

PERLS X 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 277 and 278 for the Bank's ordinary shares.

Five year financial summary

	30 Jun 18 $M	30 Jun 17 [1] $M	30 Jun 16 [1] $M	30 Jun 15 $M	30 Jun 14 $M
Net interest income	**18,341**	17,543	16,858	15,827	15,131
Other operating income [2]	**7,583**	7,737	7,043	7,751	7,270
Total operating income	**25,924**	25,280	23,901	23,578	22,401
Operating expenses	**(11,599)**	(10,622)	(9,957)	(10,003)	(9,499)
Impairment expense	**(1,079)**	(1,095)	(1,256)	(988)	(953)
Net profit before tax	**13,246**	13,563	12,688	12,587	11,949
Corporate tax expense	**(3,994)**	(3,847)	(3,497)	(3,439)	(3,250)
Non-controlling interests	**(19)**	(20)	(20)	(21)	(19)
Net profit after tax from continuing operations ("cash basis")	**9,233**	9,696	9,171	9,127	8,680
Net profit after tax from discontinued operations	**179**	185	274	-	-
Net profit after tax ("cash basis")	**9,412**	9,881	9,445	9,127	8,680
Treasury shares valuation adjustment	**2**	(23)	4	(28)	(41)
Hedging and IFRS volatility	**101**	73	(199)	6	6
(Loss)/gain on disposal of controlled entities/investments	**(183)**	-	-	-	17
Bankwest non-cash items	**(3)**	(3)	(27)	(52)	(56)
Bell Group litigation	**-**	-	-	-	25
Net profit after income tax attributable to Equity holders of the Bank "statutory basis"	**9,329**	9,928	9,223	9,053	8,631
Contributions to profit (after tax)					
Retail Banking Services	**5,193**	4,933	4,540	3,994	3,678
Business and Private Banking	**1,888**	1,808	1,522	1,495	1,321
Institutional Banking and Markets	**1,121**	1,311	1,190	1,285	1,252
Wealth Management	**563**	422	400	643	789
New Zealand	**975**	869	785	882	742
Bankwest	**681**	576	778	795	675
IFS and Other	**(1,188)**	(223)	(44)	33	223
Net profit after tax from continuing operations ("cash basis")	**9,233**	9,696	9,171	9,127	8,680
Investment experience after tax	**(10)**	(16)	(24)	(150)	(197)
Net profit after tax "underlying basis"	**9,223**	9,680	9,147	8,977	8,483
Balance Sheet					
Loans, bills discounted and other receivables	**743,365**	731,762	695,398	639,262	597,781
Total assets	**975,165**	976,318	932,945	873,489	791,451
Deposits and other public borrowings	**622,234**	626,655	588,045	543,231	498,352
Total liabilities	**907,305**	912,658	872,437	820,684	742,103
Shareholders' Equity	**67,860**	63,660	60,508	52,805	49,348
Net tangible assets (including discontinued operations)	**56,911**	53,090	49,630	41,334	38,080
Risk weighted assets - Basel III (APRA)	**458,612**	437,063	394,667	368,721	337,715
Average interest earning assets	**854,264**	834,741	790,596	736,164	705,862
Average interest bearing liabilities	**759,583**	755,612	733,754	693,376	660,847
Assets (on Balance Sheet) - Australia	**811,491**	817,519	783,114	741,249	669,293
Assets (on Balance Sheet) - New Zealand	**69,052**	89,997	83,832	72,299	69,110
Assets (on Balance Sheet) - Other	**94,622**	68,802	65,999	59,941	53,048

(1) Comparative information for 2017 and 2016 has been restated to reflect the change in accounting policy detailed in Note 1.1 and refinements to the allocation of customer balances.

(2) Includes investment experience.

Five year financial summary

	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15	30 Jun 14
Shareholder summary from continuing operations					
Earnings per share (cents) (1)					
Basic					
Statutory	**536. 9**	567. 9	525. 6	553. 1	530. 6
Cash basis	**528. 6**	563. 4	538. 3	556. 9	532. 7
Fully diluted					
Statutory	**520. 2**	549. 9	513. 3	539. 1	518. 9
Cash basis	**512. 4**	545. 6	525. 4	542. 7	521. 0
Net tangible assets per share ($)	**33. 1**	31. 5	29. 7	25. 4	23. 5
Shareholder summary including discontinued operations					
Earnings per share (cents) (1)					
Basic					
Statutory	**534. 3**	577. 3	542. 0	553. 1	530. 6
Cash basis	**538. 8**	574. 1	554. 5	556. 9	532. 7
Fully diluted					
Statutory	**517. 7**	558. 8	529. 0	539. 1	518. 9
Cash basis	**522. 0**	555. 8	540. 9	542. 7	521. 0
Dividends per share - fully franked (cents)	**431**	429	420	420	401
Dividend cover - statutory (times)	**1. 1**	1. 3	1. 3	1. 3	1. 3
Dividend cover - cash (times)	**1. 2**	1. 3	1. 3	1. 3	1. 3
Dividend payout ratio (%)					
Statutory	**81. 2**	74. 6	78. 4	75. 8	75. 5
Cash basis	**80. 4**	75. 0	76. 5	75. 2	75. 1
Net tangible assets per share ($) including discontinued operations	**32. 3**	30. 7	28. 9	25. 4	23. 5
Weighted average number of shares (statutory basic) (M)	**1,746**	1,720	1,692	1,627	1,618
Weighted average number of shares (statutory fully diluted) (M)	**1,852**	1,816	1,771	1,711	1,691
Weighted average number of shares (cash basic) (M)	**1,747**	1,721	1,694	1,630	1,621
Weighted average number of shares (cash fully diluted) (M)	**1,853**	1,817	1,773	1,714	1,694
Number of shareholders	**811,409**	806,386	820,968	787,969	791,564
Share prices for the year ($)					
Trading high	**85. 12**	87. 74	88. 88	96. 69	82. 68
Trading low	**67. 22**	69. 22	69. 79	73. 57	67. 49
End (closing price)	**72. 87**	82. 81	74. 37	85. 13	80. 88

(1) Comparative information for 2017 and 2016 has been restated to reflect the change in accounting policy detailed in Note 1.1.

Five year financial summary

	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15	30 Jun 14
Performance ratios (%) from continuing operations					
Return on average Shareholders' Equity					
Statutory	**14. 4**	15. 9	15. 8	18. 2	18. 7
Cash basis	**14. 1**	15. 7	16. 1	18. 2	18. 7
Return on average total assets					
Statutory	**1. 0**	1. 0	1. 0	1. 1	1. 1
Cash basis	**0. 9**	1. 0	1. 0	1. 1	1. 1
Net interest margin (1)	**2. 15**	2. 10	2. 13	2. 15	2. 19
Performance ratios (%) including discontinued operations					
Return on average Shareholders' Equity					
Statutory	**14. 3**	16. 2	16. 3	18. 2	18. 7
Cash basis	**14. 4**	16. 0	16. 6	18. 2	18. 7
Return on average total assets					
Statutory	**1. 0**	1. 0	1. 0	1. 1	1. 1
Cash basis	**1. 0**	1. 0	1. 0	1. 1	1. 1
Capital adequacy - Common Equity Tier 1 - Basel III (APRA)	**10. 1**	10. 1	10. 6	9. 1	9. 3
Capital adequacy - Tier 1 - Basel III (APRA)	**12. 3**	12. 1	12. 3	11. 2	11. 1
Capital adequacy - Tier 2 - Basel III (APRA)	**2. 7**	2. 1	2. 0	1. 5	0. 9
Capital adequacy - Total - Basel III (APRA)	**15. 0**	14. 2	14. 3	12. 7	12. 0
Leverage Ratio Basel III (APRA) (%)	**5. 5**	5. 1	5. 0	n/a	n/a
Liquidity Coverage Ratio (%)	**131. 5**	128. 6	120. 0	120. 0	n/a
Net interest margin (1)	**2. 15**	2. 11	2. 14	2. 15	2. 19
Other information (numbers)					
Full-time equivalent employees from continuing operations (1)	**43,771**	43,620	43,178	45,948	44,329
Full-time equivalent employees including discontinued operations	**45,753**	45,614	45,129	45,948	44,329
Branches/services centres (Australia)	**1,082**	1,121	1,131	1,147	1,150
Agencies (Australia)	**3,589**	3,664	3,654	3,670	3,717
ATMs	**4,253**	4,398	4,381	4,440	4,340
EFTPOS terminals (active)	**219,245**	217,098	217,981	208,202	200,733
Productivity from continuing operations (2)					
Total operating income per full-time (equivalent) employee ($)	**591,876**	579,023	552,805	508,578	500,034
Employee expense/Total operating income (%)	**22. 9**	23. 2	24. 1	24. 9	25. 0
Total operating expenses/Total operating income (%)	**44. 8**	42. 1	41. 7	42. 8	42. 9
Productivity including discontinued operations (2)					
Total operating income per full-time (equivalent) employee ($)	**580,859**	568,685	545,237	508,578	500,034
Employee expense/Total operating income (%)	**23. 2**	23. 6	24. 4	24. 9	25. 0
Total operating expenses/Total operating income (%)	**45. 4**	42. 7	42. 4	42. 8	42. 9

(1) Comparative information has been restated for 2017 and 2016 to align to presentation in the current period.
(2) The productivity metrics have been calculated on a cash basis.

Capital

The tables below show the APRA Basel III capital adequacy calculation at 30 June 2018 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	30 Jun 18 %	30 Jun 17 %
Common Equity Tier 1	**10. 1**	10. 1
Tier 1	**12. 3**	12. 1
Tier 2	**2. 7**	2. 1
Total Capital	**15. 0**	14. 2

	30 Jun 18 $M	30 Jun 17 $M
Ordinary Share Capital and Treasury Shares		
Ordinary Share Capital	**37,270**	34,971
Treasury Shares (1)	**265**	295
Ordinary Share Capital and Treasury Shares	**37,535**	35,266
Reserves		
Reserves	**1,676**	1,869
Reserves related to non-consolidated subsidiaries (2)	**(80)**	(81)
Total Reserves	**1,596**	1,788
Retained Earnings and Current Period Profits		
Retained Earnings and Current Period Profits (3)	**28,360**	26,274
Retained earnings adjustment from non-consolidated subsidiaries (4)	**(342)**	(537)
Net Retained Earnings	**28,018**	25,737
Non-controlling interests		
Non-controlling interests (5)	**554**	546
Less ASB perpetual preference shares	**(505)**	(505)
Less other non-controlling interests not eligible for inclusion in regulatory capital	**(49)**	(41)
Non-controlling interests	**-**	-
Common Equity Tier 1 Capital before regulatory adjustments	**67,149**	62,791

(1) Represents shares held by the Group's life insurance businesses ($85 million) and employee share scheme trusts ($180 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 1.1 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 NZD 505 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.

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Capital (continued)

	30 Jun 18 $M	30 Jun 17 $M
Common Equity Tier 1 regulatory adjustments		
Goodwill [(1)]	**(8,021)**	(7,620)
Other intangibles (including software) [(2)]	**(2,057)**	(2,144)
Capitalised costs and deferred fees	**(714)**	(707)
Defined benefit superannuation plan surplus [(3)]	**(407)**	(298)
General reserve for credit losses [(4)]	**(412)**	(412)
Deferred tax asset	**(1,911)**	(1,627)
Cash flow hedge reserve	**160**	107
Employee compensation reserve	**(145)**	(164)
Equity investments [(5)]	**(2,967)**	(2,626)
Equity investments in non-consolidated subsidiaries [(6)]	**(3,474)**	(2,673)
Shortfall of provisions to expected losses [(7)]	**(212)**	(218)
Gain due to changes in own credit risk on fair valued liabilities	**(116)**	(128)
Other	**(336)**	(122)
Common Equity Tier 1 regulatory adjustments	**(20,612)**	(18,632)
Common Equity Tier 1	**46,537**	44,159
Additional Tier 1 Capital		
Basel III complying instruments [(8)]	**9,455**	8,090
Basel III non-complying instruments net of transitional amortisation [(9)]	**640**	635
Holding of Additional Tier 1 Capital [(10)]	**(200)**	(200)
Additional Tier 1 Capital	**9,895**	8,525
Tier 1 Capital	**56,432**	52,684
Tier 2 Capital		
Basel III complying instruments [(11)]	**11,262**	7,744
Basel III non-complying instruments net of transitional amortisation [(12)]	**1,166**	1,495
Holding of Tier 2 Capital	**(25)**	(29)
Prudential general reserve for credit losses [(13)]	**176**	182
Total Tier 2 Capital	**12,579**	9,392
Total Capital	**69,011**	62,076

(1) Goodwill excludes $243 million which is included in equity investments in non-consolidated subsidiaries. In addition, Goodwill also includes $1,323 million Goodwill from discontinued operations.
(2) Other intangibles (including capitalised software costs), net of any associated deferred tax liability. Other intangibles also includes $49 million other intangibles from discontinued operations.
(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 Group's insurance and fund management companies held $1,161 million of capital in excess of minimum regulatory requirements at 30 June 2018.
(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 2018 comprises, PERLS X $1,365 billion (April 2018), PERLS IX $1.64 million (March 2017), PERLS VIII $1.45 billion (March 2016), PERLS VII $3 billion (October 2014) and PERLS VI $2 billion (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 2018 financial year the Group issued USD 1.25 billion and EUR 1 billion subordinated notes that are Basel III compliant Tier 2.
(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 (continued)

Risk Weighted Assets	30 Jun 18 $M	30 Jun 17 $M
Credit Risk		
Subject to AIRB approach [1]		
Corporate [2]	**68,479**	74,663
SME corporate [2]	**32,772**	33,067
SME retail	**4,709**	4,838
SME retail secured by residential mortgage	**2,458**	2,766
Sovereign	**2,509**	2,154
Bank	**11,097**	12,598
Residential mortgage	**139,203**	134,969
Qualifying revolving retail	**9,592**	9,414
Other retail	**15,750**	15,101
Total RWA subject to AIRB approach	**286,569**	289,570
Specialised lending exposures subject to slotting criteria	**55,893**	58,752
Subject to Standardised approach		
Corporate	**1,246**	1,202
SME corporate	**412**	510
SME retail	**5,856**	6,172
Sovereign	**222**	271
Bank	**79**	136
Residential mortgage	**5,627**	5,017
Other retail	**1,593**	2,925
Other assets	**5,241**	5,291
Total RWA subject to Standardised approach	**20,276**	21,524
Securitisation	**2,890**	1,584
Credit valuation adjustment [3]	**2,882**	4,958
Central counterparties	**1,018**	871
Total RWA for Credit Risk Exposures	**369,528**	377,259
Traded market risk	**8,255**	4,650
Interest rate risk in the banking book	**24,381**	21,404
Operational risk	**56,448**	33,750
Total risk weighted assets	**458,612**	437,063

(1) Pursuant to APRA requirements, RWA amounts derived from AIRB risk weight functions have been multiplied by a scaling factor of 1.06.
(2) Traded Market Risk RWA increase was driven by the conservative treatment, under the internal model approach, of some interest rate products, which is under review.
(3) Operational Risk RWA increase mainly driven by: the $12.5 billon add-on required by APRA following the Prudential Inquiry findings; $2.9 billion arising from the inclusion of the Advice businesses in the Level 2 banking group for the first time; and regular assessment of the Group's operational risk profile in the context of the evolving risk and regulatory environment.

Leverage Ratio

Summary Group Leverage Ratio	As at 30 Jun 18	As at 30 Jun 17
Tier 1 Capital ($M)	**56,432**	52,684
Total Exposures ($M) [1]	**1,018,622**	1,027,958
Leverage Ratio (APRA) (%)	**5. 5**	5. 1
Leverage Ratio (Internationally Comparable) (%) [2]	**6. 3**	5. 8

(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 5.5% at 30 June 2018 on an APRA basis and 6.3% on an internationally comparable basis.

The ratio increased across the June 2018 full year benefitting from an increase in capital levels driven by internally generated capital combined with the issuance of PERLS X.

In December 2017, as part of the final calibration of the leverage ratio, the BCBS announced:

- Confirmation that the leverage ratio will have a minimum regulatory requirement of 3% effective from 1 January 2018 and;
- Changes in the definition of exposures related to derivatives and off balance sheet items, effective from 1 January 2022.

In February 2018, APRA released additional refinements to the BCBS guidance including a minimum leverage requirement of 4% for IRB banks. These changes are subject to consultation and are proposed to apply from 1 July 2019.

Liquidity

Level 2	As at 30 Jun 18 $M	As at 30 Jun 17 $M
Liquidity Coverage Ratio (LCR) Liquid Assets		
High Quality Liquid Assets (HQLA) [1]	**83,589**	93,402
Committed Liquidity Facility (CLF)	**53,300**	48,300
Total LCR liquid assets	**136,889**	141,702
Net Cash Outflows (NCO)		
Customer deposits	**73,470**	77,298
Wholesale funding	**13,893**	17,579
Other net cash outflows [2]	**16,767**	15,271
Total NCO	**104,130**	110,148
Liquidity Coverage Ratio (%)	**131**	129
LCR surplus	**32,759**	31,554

(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 2018, the Group's LCR was 131%, up from 129% as at 30 June 2017.

Other information

Profit reconciliation

Profit Reconciliation	Full Year Ended 30 June 2018						
	Net profit after tax "cash basis" $M	(Loss)/gain on disposal and acquisition of controlled entities [1] $M	Hedging and IFRS volatility $M	Bankwest non-cash items [2] $M	Treasury shares valuation adjustment $M	Investment experience $M	Net profit after tax "statutory basis" $M
Group							
Interest income	**34,543**	-	-	-	-	-	**34,543**
Interest expense	**(16,202)**	-	-	-	-	-	**(16,202)**
Net interest income	**18,341**	-	-	-	-	-	**18,341**
Other banking income	**5,182**	65	143	-	-	-	**5,390**
Total banking income	**23,523**	65	143	-	-	-	**23,731**
Funds management income	**2,091**	-	-	-	-	8	**2,099**
Insurance income	**293**	-	-	-	-	9	**302**
Total operating income	**25,907**	65	143	-	-	17	**26,132**
Investment experience	**17**	-	-	-	-	(17)	**-**
Total income	**25,924**	65	143	-	-	-	**26,132**
Operating expenses	**(11,599)**	(30)	-	(4)	-	-	**(11,633)**
Loan impairment expense	**(1,079)**	-	-	-	-	-	**(1,079)**
Net profit before tax	**13,246**	35	143	(4)	-	-	**13,420**
Corporate tax (expense)/benefit	**(3,994)**	9	(42)	1	-	-	**(4,026)**
Non-controlling interests	**(19)**	-	-	-	-	-	**(19)**
Net profit after income tax from continuing operations	**9,233**	44	101	(3)	-	-	**9,375**
Net profit after income tax from discontinued operations [3]	**179**	(227)	-	-	2	-	**(46)**
Net profit after income tax	**9,412**	(183)	101	(3)	2	-	**9,329**

(1) Includes transaction and separation costs (net of tax) associated with the disposal of CommInsure Life and Sovereign ($136 million) and impairment due to the reclassification of TymeDigital as a discontinued operation ($91 million), demerger costs for NewCo ($21 million), a gain recognised on acquisition of AHL ($58 million), a gain on sale of County Banks ($11 million), and a loss due to the dilution of the Group's interest in Qilu Bank Co. Ltd ($4 million).
(2) Includes merger related amortisation through operating expenses of $4 million, and an income tax benefit of $1 million.
(3) Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

Profit Reconciliation	Net profit after tax "cash basis" $M	(Loss)/gain on disposal and acquisition of controlled entities $M	Hedging and IFRS volatility $M	Bankwest non-cash items [2] $M	Treasury shares valuation adjustment $M	Investment experience $M	Net profit after tax "statutory basis" $M
	Full Year Ended 30 June 2017 [1]						
Group							
Interest income	**33,301**	-	-	-	-	-	**33,301**
Interest expense	**(15,758)**	-	-	-	-	-	**(15,758)**
Net interest income	**17,543**	-	-	-	-	-	**17,543**
Other banking income	**5,578**	-	106	-	-	-	**5,684**
Total banking income	**23,121**	-	106	-	-	-	**23,227**
Funds management income	**1,913**	-	-	-	-	15	**1,928**
Insurance income	**223**	-	-	-	-	8	**231**
Total operating income	**25,257**	-	106	-	-	23	**25,386**
Investment experience	**23**	-	-	-	-	(23)	**-**
Total income	**25,280**	-	106	-	-	-	**25,386**
Operating expenses	**(10,622)**	-	-	(4)	-	-	**(10,626)**
Loan impairment expense	**(1,095)**	-	-	-	-	-	**(1,095)**
Net profit before tax	**13,563**	-	106	(4)	-	-	**13,665**
Corporate tax (expense)/benefit	**(3,847)**	-	(33)	1	-	-	**(3,879)**
Non-controlling interests	**(20)**	-	-	-	-	-	**(20)**
Net profit after income tax from continuing operations	**9,696**	-	73	(3)	-	-	**9,766**
Net profit after income tax from discontinued operations [3]	**185**	-	-	-	(23)	-	**162**
Net profit after income tax	**9,881**	-	73	(3)	(23)	-	**9,928**

(1) Comparative information has been restated and presented on a continuing operations basis.
(2) Includes merger related amortisation through operating expenses of $4 million, and an income tax benefit of $1 million.
(3) Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

Glossary of terms

Financial and remuneration related definitions

Term	Description
Assets Under Management	Assets Under Management (AUM) represents the market value of assets for which the Group acts as appointed manager. Growth and volatility in this balance is a key performance indicator for the Wealth Management business.
Board	The Board of Directors of the Group.
CET1 (Common Equity Tier 1 Captial)	The highest quality of capital available to the Group reflecting the permanent and unrestricted commitment of funds that are freely available to absorb losses. It comprises ordinary share capital, retained earnings and reserves less prescribed deductions.
Corporations Act	Corporations Act 2001 (Cth)
Customer satisfaction – Roy Morgan	This represents satisfaction with Main Financial Institution (MFI) based on the relationship with the financial institution as measured by Roy Morgan Research. The figures are six months rolling averages and are based on respondents aged 14+. The measure is the percentage of customers who answered as being either “very satisfied” or “fairly satisfied” with their MFI. Net Promoter Score (NPS) is now the primary metric by which we assess customer satisfaction. Advocacy is measured on a scale of 1 to 10, with 1 being “Very Unlikely” and 10 bring “Very likely” to recommend. Measuring our customers’ satisfaction is important as satisfied customers usually return, they tell other people about their experiences, and they may well pay a premium for the privilege of doing business with an institution they trust. Our aim is to retain our customers by providing quality service to them.
Deferred Rights	Deferred Rights to ordinary shares in CBA are used for deferred STVR awarded under Executive General Manager arrangements, sign-on and retention awards. 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.
Dividend payout ratio (“cash basis”)	Dividends paid on ordinary shares divided by net profit after tax (“cash basis”).
Dividend payout ratio (“statutory basis”)	Dividends paid on ordinary shares divided by net profit after tax (“statutory basis”).
DPS	Dividends per share.
DRP	Dividend reinvestment plan (DRP)
DRP participation	The percentage of total issued capital participating in the dividend reinvestment plan.
EPS (Earnings per share) (basic)	Basic earnings per share is the net profit attributable to ordinary equity holders of the Bank, divided by the weighted average number of ordinary shares on issue during the period, per the requirements of relevant accounting standards.
EPS (Earnings per share) (diluted)	Diluted earnings per share adjusts the net profit attributable to ordinary equity holders of the Bank and the weighted average number of ordinary shares on issue used in the calculation of basic earnings per share, for the effects of dilutive potential ordinary shares.
Expense to income ratio	Represents operating expenses as a percentage of total operating income. The ratio is a key efficiency measure.
Executives	The CEO and Group Executives are collectively referenced as ‘Executives’.
Full-time equivalent staff	Includes all permanent full-time staff, part-time staff equivalents and external contractors employed through third-party agencies.
Funds Under Administration	Funds Under Administration (FUA) represents the market value of funds administered by the Group and excludes AUM. Growth and volatility in this balance is a key performance indicator for the Wealth Management business.
Group	Commonwealth Bank of Australia and its subsidiaries.
Group Executive (GE)	Key Management Personnel who are also members of the Executive Leadership Team (excludes the CEO).
Interest Rate Risk in the Banking Book (IRRBB)	Interest Rate Risk in the Banking Book is the risk that the Bank’s profit derived from Net Interest Income (interest earned less interest paid), in current and future periods, is adversely impacted from changes in interest rates. This is measured from two perspectives: firstly by quantifying the change in the net present value of the Balance Sheet’s future earnings potential, and secondly as the anticipated change to the Net Interest Income earned over 12 months. This calculation is driven by APRA regulations with further detail outlined in the Group’s Basel III Pillar 3 report.
Jaws (%)	The Group uses Jaws as a key measure of financial performance. It is calculated as the difference between Total operating income growth and Operating expenses growth compared to the prior comparative period. The Jaws ratio is an efficiency and profitability indicator for the Group
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. The Company’s executive remuneration framework is designed to attract and retain high-calibre executives by rewarding them for achieving goals that are aligned to the Company’s strategy and shareholder interests.

Glossary of terms

Financial and remuneration related definitions

Term	Description
Net profit after tax ("cash basis")	Represents net profit after tax and non-controlling interests before non- cash items including hedging and IFRS volatility. Bankwest non-cash items, treasury shares valuation adjustment, and losses or gains on disposal and acquisition of entities This is Management's preferred measure of the Group's financial performance.
Net profit after tax ("statutory basis")	Represents net profit after tax and non-controlling interests, calculated in accordance with Australian Accounting Standards.
Net Promoter Score Consumer	DBM Consumer MFI Net Promoter Score. Australian Population 14+ (from Aug 16; 18+ for data prior). Refers to customers' likelihood to recommend their MFI using a scale from 0-10 (where 0 being 'Not at all likely' and 10 being 'Extremely likely') and is calculated by subtracting the percentage of Total Detractors (0-6) from the percentage of Promoters (9-10). Note that percentage signs are not used to report NPS. 6 month rolling average. CBA excludes Bankwest, Westpac exclude St George.
Net Promoter Score Business	DBM Business Net Promoter Score measures the net likelihood of recommendation to others of the customer's main financial institution. Net Promoter Score is a trademark of Bain & Co Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld. Using a scale of 0 to 10 (0 means 'extremely unlikely' and 10 means 'extremely likely'), the 0-6 raters (detractors) are deducted from the 9-10 raters (promoters). A 6-month rolling data is used.
Net Promoter Score Mobile App	Net Promoter Score – Mobile App (via mobile app on a mobile phone or tablet): Roy Morgan Research. Australian population 14+ who used the internet banking services of their (self-nominated) main financial institution in the last 4 weeks, rolling average of the last 6 months of spot scores, as at June 2018. Rank based on comparison to ANZ, NAB and Westpac.
Net Promoter Score Internet Banking	Net Promoter Score –Internet Banking (via the website or mobile app): Roy Morgan Research. Australian population 14+ who used the internet banking services of their (self-nominated) main financial institution in the last 4 weeks, rolling average of the last 6 months of spot scores, as at June 2018. Rank based on comparison to ANZ, NAB and Westpac.
Net tangible assets per share	Net assets excluding intangible assets, non-controlling interests, and other equity instruments divided by ordinary shares on issue at the end of the period (excluding Treasury Shares deduction).
Net Stable Funding Ratio (NSFR)	The NSFR more closely aligns the behaviour terms of assets and liabilities. It is the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF). ASF is the portion of an ADI's capital and liabilities expected to be a reliable source of funds over a one year time horizon. RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off-balance sheet activities
Non-Executive Director	Key Management Personnel who are not Executives.
Profit after capital charge (PACC)	The Group uses PACC, a risk-adjusted measure, as a key measure of financial performance. It takes into account the profit achieved, the risk to capital that was taken to achieve it, and other adjustments.
Other Overseas	Represents amounts booked in branches and controlled entities outside Australia and New Zealand.
Return on equity – cash basis	Based on cash net profit after tax and non-controlling interests less other equity instruments' distributions applied to average shareholders' equity, excluding non-controlling interests, other equity instruments and the treasury shares deduction. Return on equity is a performance metric that indicates shareholder return on investment for the period excluding capital growth.
Return on equity – statutory basis	Based on net profit after tax ("statutory basis") less other equity instruments' distributions applied to average shareholders' equity, excluding non-controlling interests and other equity instruments.
Reward Rights	Rights to ordinary shares in CBA granted under the GLRP and subject to performance hurdles. The aim is to create and maintain a highly motivated employee force by providing an additional reward for their work.
Short-Term Variable Remuneration (STVR)	Variable remuneration paid subject to the achievement of predetermined performance hurdles over one financial year. The Company's executive remuneration framework is designed to attract and retain high-calibre executives by rewarding them for achieving goals that are aligned to the Company's strategy and shareholder interests.
Total Committed Exposure (TCE)	Total Committed Exposure is defined as the balance outstanding and undrawn components of committed facility limits. It is calculated before collateralisation and excludes gross settlement exposures on derivatives.
Weighted average number of shares ("cash basis")	The calculation incorporates the bonus element of any rights issue, discount element of any DRP and excludes "Treasury Shares" related to investment in the Bank's shares held by the employee share scheme trust.
Weighted average number of shares ("statutory basis")	The calculation incorporates the bonus element of any rights issue, discount element of any DRP and excludes "Treasury Shares" related to investments in the Bank's shares held by both the life insurance statutory funds and by the employee share scheme trust.

Glossary of terms

Non-financial performance metrics definitions

Metric	Description
ENVIRONMENT	
Total of Scope 1, 2 & 3 Greenhouse Gas Emissions (Group)	Total of Scope 1, 2 & 3 Greenhouse Gas Emissions (Group) is the sum of Scope 1 Greenhouse Gas Emissions (Group), Scope 2 Greenhouse Gas Emissions (Group) and Scope 3 Greenhouse Gas Emissions (Group) defined below.
Scope 1 Greenhouse Gas Emissions (Group)	Comprises the sum of Scope 1 Greenhouse Gas Emissions for Australia, New Zealand and other overseas locations, as defined below.
Scope 2 Greenhouse Gas Emissions (Group)	Comprises the sum of Scope 2 Greenhouse Gas Emissions for Australia, New Zealand and other overseas locations, as defined below.
Scope 3 Greenhouse Gas Emissions (Group)	Comprises the sum of Scope 3 Greenhouse Gas Emissions for Australia, New Zealand and other overseas locations, as defined below.
Greenhouse Gas Emissions per FTE – Scope (1 & 2) (Group)	Greenhouse Gas Emissions relate to Scope 1 and 2 Greenhouse Gas Emissions for the Group as detailed above. FTE relates to the Group's full-time equivalent employees. For consistency and comparability with peers, emissions per FTE relate to Scope 1 and 2 only.
Total of Scope 1, 2 & 3 Greenhouse Gas Emissions (Australia)	Total of Scope 1, 2 & 3 Greenhouse Gas Emissions (Australia) are the sum of Scope 1, Scope 2 and Scope 3 emissions (Australia) defined below. This comprises CBA, Bankwest and Aussie Home Loans (AHL).
Scope 1 Greenhouse Gas Emissions (Australia)	Scope 1 Greenhouse Gas Emissions (Australia) relate to the consumption of natural gas and stationary fuel used in retail, commercial and data centre properties under our operational control as defined under National Greenhouse and Energy Reporting (NGER). It also includes the business use of our tool-of-trade vehicle fleet. Source of emissions factors: National Greenhouse Accounts (NGA) Factors (2017).
Scope 2 Greenhouse Gas Emissions (Australia)	Scope 2 Greenhouse Gas Emissions (Australia) relate to the electricity used by ATMs, retail, commercial, residential and data centre properties under our operational control as defined under NGER. Source of emissions factors: NGA Factors (2017).
Scope 3 Greenhouse Gas Emissions (Australia)	Scope 3 Greenhouse Gas Emissions (Australia) relate to indirect emissions associated with Scope 1 and Scope 2 emission sources, rental car and taxi use, business use of private vehicles, dedicated bus service, business flights, waste to landfill and emissions associated with electricity consumption at data centres not under CBA's operational control. FY14 to FY16 data has been restated to include data centres Scope 3 emissions relate to the electricity and diesel consumption in our Australian data centres not under our operational control. Source of emissions factors: NGA Factors (2017) and UK Department of Environment, Food and Rural Affairs (DEFRA) guidance (2017) for flights.
Greenhouse Gas Emissions per FTE (Scope 1 & 2) (Australia)	Greenhouse Gas Emissions relate to Scope 1 and 2 Greenhouse Gas Emissions for Australia as detailed above. FTE relates to domestic full-time equivalent employees in Australia. For consistency and comparability with peers, emissions per FTE relate to Scope 1 and 2 only.
Total of Scope 1, 2 & 3 Greenhouse Gas Emissions (New Zealand)	Total of Scope 1, 2 & 3 Greenhouse Gas Emissions (New Zealand) are the sum of Scope 1, Scope 2 and Scope 3 emissions (New Zealand) defined below. This comprises ASB and Sovereign.
Scope 1 Greenhouse Gas Emissions (New Zealand)	Scope 1 Greenhouse Gas Emissions (New Zealand) relate to the consumption of natural gas and stationary fuel used in commercial properties. It also includes the business use of our tool-of-trade vehicle fleet. Source of emissions factors: Guidance for Voluntary Corporate Greenhouse Gas Reporting (2016).
Scope 2 Greenhouse Gas Emissions (New Zealand)	Scope 2 Greenhouse Gas Emissions (New Zealand) relate to the electricity use by ATMs and retail and commercial properties. Source of emissions factors: Guidance for Voluntary Corporate Greenhouse Gas Reporting (2016).
Scope 3 Greenhouse Gas Emissions (New Zealand)	Scope 3 Greenhouse Gas Emissions (New Zealand) relate to indirect emissions associated with Scope 1 and Scope 2 emission sources, waste to landfill, business air travel, taxi use and hire cars, fuel consumed by operating lease fleet vehicles and personal vehicles used by staff for business purposes, postal and courier services and paper. Source of emissions factors: Guidance for Voluntary Corporate Greenhouse Gas Reporting (2016) and DEFRA (2017).
Total of Scope 1, 2 & 3 Greenhouse Gas Emissions (Other overseas)	Total of Scope 1, 2 & 3 Greenhouse Gas Emissions (Other overseas) are the sum of Scope 1, Scope 2 and Scope 3 emissions (Other overseas) defined below. This comprises Group's offices in Asia, Africa, Europe and North America.
Scope 1 Greenhouse Gas Emissions (Other overseas)	Scope 1 Greenhouse Gas Emissions (Other overseas) is an estimate of multiplying the Scope 1 Emissions per FTE as at 30 June 2018 in Australia by the number of FTEs of all the Group's other overseas offices.
Scope 2 Greenhouse Gas Emissions (Other overseas)	Scope 2 Greenhouse Gas Emissions (Other overseas) is an estimate of multiplying the Scope 2 Emissions per FTE as at 30 June 2018 in Australia by the number of FTEs of all the Group's other overseas offices. The 2018 approach differs from prior year data, which included invoiced electricity consumption data for Asia locations.
Scope 3 Greenhouse Gas Emissions (Other overseas)	Scope 3 Greenhouse Gas Emissions (Other overseas) is an estimate of multiplying the Scope 3 Emissions per FTE in Australia by the number of FTEs as at 30 June 2018 of all the Group's other overseas offices.
Scope 1 Stationary Greenhouse Gas Emissions (Australia)	Scope 1 Stationary Greenhouse Gas Emissions (Australia) relate to the consumption of diesel and natural gas used in retail, commercial and data centre properties in Australia under our operational control as defined under NGER. Source of emissions factors: NGA (2017).

Glossary of terms

Non-financial performance metrics definitions

Metric	Description
Scope 1 Transport Greenhouse Gas Emissions (Australia)	Scope 1 Transport Greenhouse Gas Emissions (Australia) relate to the consumption of diesel, ethanol E10 and petrol from our business use of our domestic tool-of-trade vehicle fleet in Australia. Source of emissions factors: NGA (2017).
Scope 2 Purchased Electricity Greenhouse Gas Emissions (Australia)	Scope 2 Purchased Electricity Greenhouse Gas Emissions (Australia) relate to the electricity used by ATMs, retail, commercial, residential and data centre properties under our operational control in Australia as defined under NGER. Source of emissions factors: NGA (2017).
Scope 3 Stationary Greenhouse Gas Emissions (Australia)	Scope 3 Stationary Greenhouse Gas Emissions (Australia) relate to indirect emissions associated with diesel and natural gas used in retail, commercial and data centre properties in Australia under our operational control as defined under NGER. Source of emissions factors: NGA (2017).
Scope 3 Purchased Electricity Greenhouse Gas Emissions (Australia)	Scope 3 Purchased Electricity Greenhouse Gas Emissions (Australia operations) relate to indirect emissions associated with the electricity used by ATMs, retail, commercial and residential properties under our operational control in Australia. Source of emissions factors: NGA (2017).
Scope 3 Data Centres Greenhouse Gas Emissions (Australia operations)	Scope 3 Data centres Greenhouse Gas Emissions (Australia operations) relate to the electricity and diesel consumption in our Australian data centres not under our operational control as defined under NGER. Source of emissions factors: NGA (2017).
Scope 3 Waste to Landfill Greenhouse Gas Emissions (Australia operations)	Scope 3 Waste to Landfill Greenhouse Gas Emissions (Australia operations) relate to emissions generated from our waste to landfill from our commercial properties under our operational control in Australia. Refer to Total waste to Landfill definition below for more details. Source of emissions factors: NGA (2017).
Scope 3 Transport Greenhouse Gas Emissions (Australia)	Scope 3 Transport Greenhouse Gas Emissions (Australia) relate to rental car and taxi use, business use of private vehicles, dedicated bus service, business flights, and indirect emissions from business use of our tool-of-trade vehicle fleet. Source of emissions factors: NGA (2017) and DEFRA (2017) for flights.
Total Waste	Total waste comprises the sum of waste to landfill and waste recycled as defined below.
Total Waste to Landfill	Tonnes of waste to landfill generated per annum from CBA, Bankwest and AHL's commercial buildings under our operational control in Australia. Commercial buildings are buildings that are used for office space and are not retail branches. As a 30 June 2018, we occupied 50 commercial buildings across the states. As at 30 June 2018, 58% waste to landfill data is based on invoiced amounts, the remainder is estimated based on an average tonnes per m2 of net lettable area (NLA). Invoiced amounts are estimated by the total number of bin lifts using density conversion factors or actual weighed amounts where available. These commercial buildings represent the home office location for 72% of the Group's total Australian FTE employees. For the first time in 2018, organic stream is diverted from waste to landfill to waste recycled for properties where data can be reported separately. In 2016-2017, the scope comprised nine major commercial buildings located in NSW and WA which includes 2, 4 and 10 Dawn Fraser Av, 1 and 11 Harbour St, Tower 1 201 Sussex St, 101 and 150 George St and Bankwest Place. 2013-2015 results did not include Bankwest Place.
Total Waste Recycled	Tonnes of recycled waste generated per annum from CBA, Bankwest and AHL's commercial buildings under our operational control in Australia. Commercial buildings are buildings that are used for office space and are not retail branches. As a 30 June 2018, we occupied 50 commercial buildings across the states. 68% waste recycled data is based on invoiced amounts, the remainder is estimated based on an average tonnes per m2 of net lettable area (NLA). Invoiced amounts are estimated by the total number of bin lifts using density conversion factors or actual weighed amounts where available. For the first time in 2018, organic stream is diverted from waste to landfill to waste recycled for properties where data can be reported separately. In 2016-2017, the scope comprised nine major commercial buildings located in NSW and WA which includes 2, 4 and 10 Dawn Fraser Av, 1 and 11 Harbour St, Tower 1 201 Sussex St, 101 and 150 George St and Bankwest Place. 2013-2015 results did not include Bankwest Place.
Total Water	Water consumption (kilolitres) includes tenanted usage from CBA, Bankwest and AHL's commercial buildings in Australia. Commercial buildings are buildings that are used for office space and are not retail branches. As at 30 June, we occupied 50 commercial buildings across the states. Consumption amounts are calculated as follows: ▪ Actual invoiced water quantities are used where available. ▪ Where a complete set of invoices is not available, CBA extrapolates the remaining months of data from a monthly average based on invoiced amounts. ▪ Where CBA occupies a portion of a building and invoices are only available for the whole building, CBA reports an apportioned amount, based on its occupied NLA of the building. ▪ Where CBA occupies a portion of a building and no invoiced data is available, CBA reports an estimated amount, based on an average kL per m2, which is calculated from CBA buildings where invoices are available. As at 30 June 2018, 46% water consumption is based on actual invoiced amounts. In 2016-2017, the scope comprised nine major commercial buildings located in NSW and WA which includes 2, 4 and 10 Dawn Fraser Av, 1 and 11 Harbour St, Tower 1 201 Sussex St, 101 and 150 George St and Bankwest Place. 2013-2015 results did not include Bankwest Place
Data Centres Water	CBA uses five data centres in Australia. CBA only has access to actual water consumption (kilolitres) from invoices for three data centres (Frame Court, Burwood and Norwest). As CBA has no access to water consumption data for the other two data centres, these have been excluded from the reported metric. Frame Court was under our operational control until February 2018, Burwood and Norwest are not under our operational control. Operational control is defined under NGER.

Glossary of terms

Non-financial performance metrics definitions

Metric	Description
CUSTOMER	
CBA – Retail Net Promoter Score (NPS)	This metric measures the likelihood of individual retail customers who identified CBA as their main financial institution, recommending CBA to others. It is based on a scale of 1 to 10, with 1 being 'very unlikely' to recommend and 10 being 'very likely' to recommend. The Net Promoter Score (NPS) is calculated by subtracting the percentage of 'detractors' (score 1-6) from the percentage of 'promoters' (score 9-10). The metric is reported as a 6 month rolling average as at 30 June, based on the Australian population aged 14 and over, surveyed by Roy Morgan. The ranking refers to CBA's position relative to the other main banks (ANZ, NAB and Westpac (excluding St. George)). ®Net Promoter Score (NPS) is a trademark of Bain and Company, Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld.
CBA – Online Net Promoter Score (NPS)	This metric measures the likelihood of individual customers who identified CBAs as their main financial institution, recommending CBA to others based on their experience using Internet Banking services via CBA Website or Mobile App. It is based on a scale of 1 to 10, with 1 being 'very unlikely' to recommend and 10 being 'very likely' to recommend. The Net Promoter Score (NPS) is calculated by subtracting the percentage of 'detractors' (score 1-6) from the percentage of 'promoters' (score 9-10). The metric is reported as a 6 month rolling average as at 30 June, based on the Australian population aged 14 and over, surveyed by Roy Morgan. The ranking refers to CBA's position relative to the other main banks (ANZ, NAB and Westpac (excluding St. George)). ®Net Promoter Score (NPS) is a trademark of Bain and Company, Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld.
CBA – Business Net Promoter Score (NPS)	This metric measures the likelihood of institutions banking customers who identified CBA as their main business's financial institution, recommending CBA to others. It is based on a scale of 0 to 10, with 1 being 'very unlikely' to recommend and 10 being 'very likely' to recommend. The Net Promoter Score (NPS) is calculated by subtracting the percentage of 'detractors' (score 1-6) from the percentage of 'promoters' (score 9-10). The metric is reported as a 6 month rolling average as at 30 June, based on survey by DBM Consultants. The ranking refers to CBA's position relative to the other major banks: ANZ, NAB and Westpac. CBA excludes Bankwest and Westpac excludes St George. DBM interviews approximately 19,000 businesses annually, covering the whole market including Institutional Banking customers via its product 'Business Financial Services Monitor'. Participating businesses includes: ▪ All actively trading businesses, (Australian and foreign-owned registered in Australia); ▪ Commercially operating government organisations; or ▪ Community service organisations (not-for-profit). ®Net Promoter Score (NPS) is a trademark of Bain and Company, Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld.
Wealth Management – Colonial First State's platforms Customer Satisfaction	The metric is calculated based on the weighted average (using Funds Under Administration (FUA) from the most recent Strategic Insight (formerly known as Plan for Life) FUA subscription database) of the overall satisfaction scores (out of 10, from the annual Wealth Insights Platform Service Level Survey) of FirstChoice and FirstWrap. The ranking is calculated by comparing the overall satisfaction score with the weighted average of other platform providers in the relevant peer set (using the same FUA weighted methodology as the CFS score). The relevant peer set includes platforms belonging to Westpac, NAB, ANZ, AMP and Macquarie Bank in the Wealth Insights survey.
Bankwest – Retail Banking Customer Advocacy	This metric represents the average score retail customers give on a scale of 1-10 surveyed by Roy Morgan, based on their likelihood of recommending Bankwest as their Main Financial Institution (MFI). MFI customers are defined as retail customers who consider Bankwest to be their main financial institution. The metric is reported as a 6 month rolling average as at 30 June, based on the Australian population aged 14 and over.
Bankwest – Business Banking Customer Advocacy	The metric represents the average score business customers give on a scale of 0-10, based on their likelihood to recommend Bankwest as their Main Financial Institution (MFI). MFI customers are defined as business customers who consider Bankwest to be their main financial institution. The metric is measured by DBM's Business Financial Services Monitor as a 6 month rolling average as at 30 June.

Glossary of terms

Non-financial performance metrics definitions

Metric	Description
Sovereign – Customer Experience Score	The metric represents the average score of customer experience measured by the Customer Experience Survey conducted by Sovereign, which is sent to customers who have had a recent interaction with Sovereign. The score is based on averages from three customer groups – new customers, existing customers and customers who have made a claim.
ASB – Retail Banking Customer Satisfaction	The metric represents the proportion of retail customers surveyed by Camorra Research Retail Market Monitor (RMM) that rated either 'Excellent' or 'Very good' on a scale of 1 to 5, where 1 is 'Poor' and 5 is 'Excellent' on their satisfaction level with their main provider of financial services. The metric is reported as a 12 month rolling average as at 30 June, based on the New Zealand population aged 15 – 79. The ranking refers to ASB's position relative to the other four main New Zealand banks (ANZ, BNZ, Kiwibank and Westpac).
ASB – Business and Rural Banking Customer Satisfaction	The metric represents the proportion of business and rural customers surveyed by Kantar TNS that rated 'Excellent' or 'Very good' on their overall satisfaction level with their main bank on a scale of 1 to 6 where 1 is 'Excellent' and 6 is 'Very poor'. Main bank is defined as the main provider of financial services by the customer. The metric is reported as a four quarters rolling average to 30 June, based on the New Zealand business and rural populations. The ranking refers to ASB's position relative to the other main New Zealand banks. The competitor set varies for different segments. For small businesses, they are ANZ, BNZ, Kiwibank and Westpac. For commercial and corporate, they are ANZ, BNZ and Westpac. For rural, they are ANZ, BNZ, Westpac and Rabobank.
PT Bank Commonwealth – Banking Service Excellence Performance	The metric represents the results of the Bank Service Excellence Monitor (BSEM) survey conducted by Marketing Research Indonesia (MRI) independently every year using mystery shopping methodology. In 2018, BSEM measured service excellence performance of the top 23 banks in Indonesia (private owned-banks, government banks and foreign banks).
Customer Complaints	The number of complaints resolved as at 30 June for the Group as recorded in the FirstPoint feedback system excluding Bankwest and ASB, as defined by the Australian Securities and Investments Commission Regulatory Guide 165. This includes complaints which has taken more than 5 business days to resolve to the customer's complete satisfaction and any complaints relating to hardship, a declined insurance claim, or the value of an insurance claim.
SOCIAL	
Full-time equivalent employees (FTE)	This metric represents the full-time equivalent (FTE) employees of the Group by geographical work locations. FTE captures full-time, part-time, job-share employees, employees on extended leave and contractors. One full-time role is equal to 38 working hours per week. The FY16 and FY14 numbers are restated due to internal reconfigurations.
Employee engagement index – CBA	The index shows the proportion of employees replying with a score of 4 or 5 to four engagement questions in the Group's annual People and Culture Survey. These questions relate to satisfaction, retention, advocacy and pride on a scale of 1-5 (where 1 is 'Strongly Disagree' and 5 is 'Strongly Agree'). The result captures the responses of CBA employees only, excluding Bankwest, CFSGAM, AHL, ASB, Sovereign and IFS.
Employee turnover (voluntary)	Employee turnover refers to all voluntary exits of permanent employees as a percentage of the average, permanent headcount paid directly by the Group (full-time, part-time, job-share or on extended leave), excluding the employees of ASB and Sovereign. Voluntary exits are determined to be resignations and retirements.
Women in workforce (headcount)	The metric represents percentage of roles filled by women, in relation to the total headcount as at 30 June for the Group. Headcount captures permanent headcount (full-time, part-time, job-share, on extended leave), and contractors (fixed term arrangements) paid directly by the Group, excluding the employees of ASB and Sovereign.
Women in Manager and above roles (headcount)	The metric represents percentage of roles that are filled by women at the level of Manager and above (including Branch Managers), in relation to the total headcount at this level as at 30 June. Headcount captures permanent headcount (full-time, part-time, job share, on extended leave), and contractors (fixed term arrangements) paid directly by the Group, excluding the employees of ASB and Sovereign.
Women in Executive Manager and above roles (headcount)	The metric represents percentage of roles at the level of Executive Manager and above filled by women, in relation to the total headcount at these levels as at 30 June. Headcount captures permanent headcount (full-time, part-time, job share, on extended leave), and contractors (fixed term arrangements) paid directly by the Group, excluding the employees of ASB and Sovereign.
Women in Senior Leadership (Group Executives)	This metric represents the percentage of roles that are filled by women who are current executives as at 30 June. These roles are direct reports of the CEO with authority and responsibility for planning, directing and controlling CBA's activities. This excludes ASB and Sovereign. For the list of current executives, please refer to the 2018 Annual Report page 84 to 85.
Gender pay equity – female to male base salary comparison	Gender pay equity is defined as the pay gap between the weighted average base salary of males and females for Australian-based employees of the Group. The data reflects roles in similar functions, role size and responsibilities. The data refers to permanent full time and part time employees, excluding contractors, and employees who have not defined a gender, as at 31 January 2018.
Age diversity	Age diversity is the breakdown of permanent employees (full-time, part-time, job share or on extended leave) and those contractors paid directly by the Group, by their age group as at 30 June of the reporting year. The population excludes the employees of ASB and Sovereign.

Glossary of terms

Non-financial performance metrics definitions

Metric	Description
Cultural diversity index	Cultural Diversity Index (CDI) is the concentration mix of all cultures of the Group's employees, resulting in an index between 0 and 1, where the higher the score, the more diverse the population. The index is calculated using anonymous, self-disclosed demographic information by employees from the Group's annual People and Culture Survey and benchmarked against the ancestry question in the Australian 2016 Census. The result captures the responses of CBA employees only, excluding Bankwest, CFSGAM, AHL, ASB, Sovereign and IFS.
Indigenous workforce	The metric represents the ancestry of respondents who chose to nominate the ancestry they most strongly identify with in the Group's annual People and Culture Survey conducted by CBA. Indigenous Workforce shows the proportions of employees who selected: 1) Australian Peoples – Australian Aboriginal 2) Australian Peoples – Torres Strait Islander; and 3) Australian Peoples – Both Australian & Torres Strait Islander. The surveyed population is the same as the 'Employee Engagement Index – CBA'. 2016 Australia Census Indigenous question show that Aboriginal and Torres Strait Islander peoples represented 2.8 per cent of the population in Australia.
Employees who identify as having a disability	The metric represents the proportion of CBA employees that have selected any of the disability conditions in the last 12 months based on the survey responses in the Group's annual People and Culture Survey. Answer options for disability condition include: • Physical condition • Intellectual condition • Chronic health • Mental illness • Vision impairment • Hearing impairment and • Other (not listed). The result captures the responses of CBA employees only, excluding Bankwest, CFSGAM, AHL, ASB, Sovereign and IFS.
Employees who identify as LGBTI	The metric represents the proportion of CBA employees who identify as LGBTI in the last 12 months based on the survey responses in the Group's annual People and Culture Survey. Answer options for LGBTI include:• Heterosexual (also known as straight) • Gay • Bisexual • Transgender • Intersex. The result captures the responses of CBA employees only, excluding Bankwest, CFSGAM, AHL, ASB, Sovereign and IFS.
Employees working flexibly	The metric represents the proportion of CBA employees that have used flexible work options in the last 12 months based on the survey responses in the Group's annual People and Culture Survey. The answer options are multi-select. Answer options for flexible working include: working from home, alternating my start/finish time; working from a different location; purchased extra annual leave; job-share; part time/reduced working hours; compressed work week; and other. Note this question was updated in FY17, the previous question was "My manager allows me the flexibility I need to meet my work goals and personal needs with", employees responded with a score of 4 and 5. The result captures the responses of CBA employees only, excluding Bankwest, CFSGAM, AHL, ASB, Sovereign and IFS.
Employees working part-time or job-sharing	The number of employees at 30 June who are employed on a part-time or job share basis, as a percentage of permanent employees (full-time, part-time, job share or on extended leave) and contractors paid directly by the Group, excluding the employees of ASB and Sovereign.
Employees with caring responsibilities	The metric represents the proportion of CBA employees that have selected any of the following caring responsibilities in the last 12 months based on the survey responses in the Group's annual People and Culture Survey. Answer options for caring responsibilities include: • Elderly • Children under the age of 18 • People with a disability • People with a chronic condition •Someone experiencing domestic, family violence and/or sexual assault • other family members. The result captures the responses of CBA employees only, excluding Bankwest, CFSGAM, AHL, ASB, Sovereign and IFS.
Number of graduates	The number of graduates who accepted and commenced in a graduate position with CBA or Bankwest under the Talent Acquisition programme during the year ended 30 June.
Training hours	This represents the total completed training hours recorded in CBA's learning management system 'PeopleLink' as at 30 June. Training hours are allocated to each training item such as face-to-face or online training. Executive Managers, General Managers, Executive General Managers and the Chief Executive Officer are included in 'Executive Managers and above' and 'Others' includes team managers and team members.
Training hours per employee	This metric represents the average completed training hours per employee that is recorded in CBA's learning management system 'PeopleLink' as at 30 June, measured by headcount.
Environmental, Social and Governance (ESG) Training	Number of employees who have completed ESG learning modules recorded in CBA's learning management system 'PeopleLink' as at 30 June, measured by headcount. The ESG learning modules are ESG Risk Fundamentals, ESG Risk Tool and Responsible Investing and Equator Principles III eLearning.
Lost Time Injury Frequency Rate (LTIFR)	LTIFR is the reported number of occurrences of lost time arising from injury or disease that have resulted in an accepted workers compensation claim, for each million hours worked by Australia and New Zealand employees. The metric captures claims relating to permanent, casual, AHL's employees as well as contractors paid directly by the Group. Data is presented using the information available as at 30 June for each financial year. Prior year results include Australia-based employees only.
Absenteeism	Absenteeism refers to the average number of sick leave days per Australia-based full-time equivalent (FTE) (and for CommSec employees, it includes carers leave days), excluding Bankwest.

Glossary of terms

Non-financial performance metrics definitions

Metric	Description
Total community investments	Total voluntary investments contributed to communities in the form of cash contributions, time volunteering, foregone revenue and program implementation costs as defined under each metric below.
Cash contributions	Total dollars contributed by the Group through charitable gifts, community partnerships and matched giving. Matched giving excludes staff contributions.
Time volunteering	Total estimated cost of volunteering hours contributed by CBA and Bankwest Australia-based employees through volunteering activities as captured in CBA's volunteering database. Average hourly rates are calculated using Australia-based permanent employees' salaries as at 30 June excluding the salary of the executive leadership and management teams.
Forgone revenue	Forgone revenue consists of the aggregate value of fee-free or discounted CBA customers banking accounts (relating to Monthly Account Fee and Transaction Fees only, not including discounts in interest rates) for customers who have been assessed as low-income earners, underprivileged or not-for-profit organisations.
Program implementation costs	Total costs incurred by the Group to implement community investment programs, operating costs of managing the Indigenous Customer Assistance Line call centre, operating cost of managing the Group Corporate Affairs team and Women in Focus as well as other not-for-profit activities and school programs. These costs include salary and wages, occupancy, IT and other administration costs.
Community investments as a percentage of pre-tax profit	Total community investments as a percentage of the Group's statutory pre-tax profit as at 30 June.
School banking students (active)	The number of active students who participated in the CBA School Banking program from the period 1 July to 30 June. Active students are those who banked at least once during the last 12-month period through a school which participated in the CBA School Banking program.
Start Smart students (booked)	The number of students booked to attend the CBA's Start Smart programs from the period 1 July to 30 June. Start Smart sessions cover different topics and the same student may be booked to attend a number of sessions.
Indigenous Customer Assistance Line (calls received)	Number of calls received via the dedicated Indigenous Customer Assistance Line (ICAL) of CBA during the period from 1 July to 30 June. The metric does not take into account calls that were abandoned by customers. This assistance line is dedicated to assist the Australian indigenous community.
Australian Indigenous supplier spend	The Group's total direct and indirect supplier diversity spend on Indigenous businesses in Australia. The spend includes supply of stationery, services and other products used by CBA. Indigenous businesses are those businesses who are registered or certified with Supply Nation. This metric excludes payments to the Australian Indigenous business that were given as grants.
GOVERNANCE	
Female Directors on Board	The metric represents percentage of female Directors in relation to the total Commonwealth Bank of Australia Board as at 30 June.
Training completion rates on 'Our Commitments'	The metric represents percentage of employees who have been assigned and completed 'Our Commitments' learning module recorded in CBA's learning management system 'PeopleLink' as at 30 June. This metric excludes the training completion rates of the employees of Bankwest, ASB and Sovereign.
Training completion rates on mandatory learning	The metric represents the percentage of employees who have been assigned and completed the Group's mandatory learning modules recorded in CBA's learning management system 'PeopleLink' as at 30 June. The Group's mandatory learning modules are Anti-Bribery and Corruption, Anti-Money Laundering & Counter-Terrorism Financing, Conflicts of Interest, Fraud, Security and Privacy, Resolving Customer Complaints, Workplace Conduct and Health and Safety.
Substantiated misconduct cases	This metric represents closed substantiated misconduct cases managed in Australia by the Workplace Relations team and Group Investigations team. The metric excludes incidents reported by local associates and joint ventures. There are various internal policies within the Group that govern staff conduct obligations, such as 'Our Commitments' which is the guiding framework at CBA.
SpeakUP Program cases	The metric represents the number of SpeakUP cases recorded in the Group's SpeakUP Program records as at 30 June. The cases include disclosure types such as anonymous, confidential and whistleblower.
Whistleblower cases	The metric represents the number of whistleblower cases recorded in the Group's Speak UP Program records as at 30 June.

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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.

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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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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.

CommonwealthBank

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