



ANNUAL REPORT 2016



**WHEN
WE BELIEVE,
WE CAN.**

Contents

Chairman's Statement	2
Chief Executive Officer's Statement	6
Highlights	9
Group Performance Analysis	13
Group Operations and Business Settings	23
Corporate Responsibility	33
Directors' Report	38
Five Year Financial Summary	72
Financial Statements	74
Income Statements	75
Statements of Comprehensive Income	76
Balance Sheets	77
Statements of Changes in Equity	78
Statements of Cash Flows	80
Notes to the Financial Statements	82
Directors' Declaration	182
Independent Auditor's Report	183
Shareholding Information	185
International Representation	189
Corporate Directory	191
Contact Us	192

Chairman's Statement

The past year has been dominated by political and economic uncertainty. In Australia and beyond we've seen a splintering of consensus around how countries and economies should be managed. This is resulting in outcomes that diverge from what we had come to consider the norm, such as Britain deciding to leave the EU, and central banks setting interest rates below zero in a range of advanced economies.

While questions remain about the outlook for Australia, we are in a position of relative strength. The transition from the mining investment boom to a broader based economy, plus the relatively lower Australian dollar, are supporting employment and moderate growth; and with competitive advantages in industries like education, tourism, agribusiness and health, we should be well-positioned for the future.

Against this backdrop, in the Commonwealth Bank we remain steadfast in our vision, to excel at securing and enhancing the financial wellbeing of people, businesses and communities. We employ 51,700 people, support nearly 16 million customers, are the largest taxpayer in Australia⁽¹⁾, and pay dividends to more than 800,000 shareholders. We will continue to work hard to deliver security and performance for all our stakeholders.

In doing so, we are committed to acting in accordance with our values of integrity, accountability, collaboration, excellence and service. Over the last three years we have been implementing a long-term program to strengthen these values and embed them in the culture of the Group. Most recently this has included providing our people with further guidance on the behavioural expectations for each of our values; and ensuring our vision and values are reflected in recruitment, training and performance management practices. In terms of customer facing measures we have established a new Customer Advocate function in the Group, to drive fair customer outcomes and complaint resolution, and to improve our prevention and remediation processes. We are also continuing to evolve our remuneration structures to ensure alignment with our values.

In the broader arena there has been heightened scrutiny of the financial services industry in the past year. We welcome this scrutiny because trust is critical to our business. Our industry is committed to a wide range of measures to address concerns and improve practices. This includes moving to a user-pays model whereby the industry will contribute to ASIC's funding to enhance its ability to exercise its regulatory powers. An independent review of product sales-commissions and product based payments is already underway, with a view to removing or changing them where they could lead to poor customer outcomes; and the industry is working with consumer organisations to strengthen commitments to customers in the Code of Banking Practice.

An industry register is being established to help prevent the recruitment of individuals who have breached the law or a code of conduct, with the aim of removing them from the industry; and protections for bank employees who speak out against poor conduct will be standardised. At the Commonwealth Bank we have had a long-standing Whistleblower Protection Policy and in 2014 introduced an external, independently run SpeakUp Hotline which is available 24/7 to any employees who wish to raise a concern.

Operating and Financial Results

Detailed commentary on the operating and financial results for 2016 is included in the CEO's statement. In summary, the Group delivered a solid performance for the year. Net profit

after tax on a cash basis was \$9,450 million, up 3% on last year. The final dividend for the year was \$2.22, taking the full year dividend to \$4.20 per share fully franked. Earnings per share on a cash basis was flat on the prior year at \$5.55 per share. Return on equity was 16.5%, down 170 basis points, due to the increased equity base following the Group's \$5.1 billion capital raising in the first half of the year.

Capital and Funding

To reinforce our ability to support our customers for the long-term, we continue to strengthen our capital and funding positions. As at 30 June 2016, the Group had a Common Equity Tier 1 (CET1) capital ratio of 10.6% on an APRA basis, up from 9.1% at 30 June 2015. On an internationally comparable basis our CET1 capital ratio was 14.4%, up from 12.7%. This bolsters our position at the top end of the top quartile of international peer bank capital rankings. Our capital position has been strengthened by our \$5.1 billion entitlement offer to all shareholders, and through sound organic capital growth. We are also one of a very small number of global banks with ratings in the AA band which allows us to secure lower cost funding for our customers.

With regulators both domestically and internationally now taking a broader view of the necessary foundations for a strong and resilient banking system, we have also strengthened our funding and liquidity positions. The Group's Liquidity Coverage Ratio of 120% is significantly higher than the APRA requirement of 100%, and our net stable funding ratio, on current calculations, exceeds 100%. The regulatory outlook will evolve and towards the end of the 2016 calendar year the Basel enhancements are expected to be announced. We are confident that we will maintain our position of strength across all required metrics.

Dividends

The Group's dividend policy seeks to deliver:

- Cash dividends at strong and sustainable levels;
- A full-year payout ratio of between 70% and 80%; and
- The maximum use of franking by paying fully franked dividends.

In keeping with this policy, the Board determined a final dividend of \$2.22 per share for the second half year of the year, representing a dividend payout ratio of 82.3%. This brings the total dividend for the year to \$4.20, flat on the prior year, and represents an overall dividend payout ratio (cash basis) of 76.5%. Our dividend policy has again been supported by the Group's consistently strong financial performance.

Customer satisfaction

Over a number of years, our most important metric has been customer satisfaction and this remains the case. Serving our customers and acting in their best interests is what makes our business sustainable.

Our people have been working tremendously hard in recent years to deliver the service, products and innovation that customers expect. A mark of their success is that we have held the top spot for retail customer satisfaction for 13 consecutive months to June 2016, and ranked outright or equal first for small business satisfaction for 22 consecutive months. We rank first or equal first for customer satisfaction in all key business banking segments, mobile and online banking, and adviser satisfaction in Wealth Management. While these are all real achievements, we know that customer

(1) Source: Bloomberg

Chairman's Statement

expectations will continue to grow and evolve, so we must keep raising our standards and maintain our focus on the satisfaction and financial wellbeing of every customer.

Innovation

Another area where we continue to work extremely hard is innovation. Innovating purposefully and for the benefit of our customers has been at the centre of our strategy for the last 10 years. This focus has seen Commonwealth Bank deliver unparalleled digital banking capabilities, including our industry-leading CommBank app which is now regularly used by 3.7 million customers. In addition to providing frequent improvements for existing customers such as new "photo a bill" functionality for easy bill payment, new-to-bank customers can now download the CommBank app, open an account and start transacting immediately.

Business customers are benefitting from services like Daily IQ, our award-winning data analytics app which provides insights about their business, customers and market. Our state-of-the-art Innovation Lab network, established across Sydney, Hong Kong and London, now allows us to partner with clients, to workshop bespoke solutions for their needs, and to work with start-up and FinTech companies to develop cutting-edge products and services. We are also using our investments and presence overseas to bring new thinking and ways of working into the Group. A current example is the lessons we are learning from TYME (Take Your Money Everywhere), the South Africa based financial services technology company that we acquired in 2015. TYME designs, builds and operates digital banking ecosystems that serve customers in emerging markets, and recently launched MoneyTransfer, a secure and low-cost remittance service that operates through supermarkets. We believe these innovations in support of financial inclusion will supplement our strategies in India, China and Vietnam.

We are also investing in blue-sky projects like blockchain and quantum computing. We know that computing power will be a limit to accelerated innovation in the future, so we have committed an additional \$10 million to Australian researchers who are building the world's first silicon-based quantum computer. Mindful not just of the opportunities, but also of potential future threats, we are investing in cyber security and have partnered with the University of New South Wales to develop a centre of expertise for cyber security education.

Our people, diversity and inclusion

We are first and foremost a people-business and our people are our biggest asset. We therefore seek to create an environment in which everyone can do their best work, and feel motivated, included and respected. In the past year this has meant having discussions with our people across the Group about the contribution they make to our vision by living our values.

We also seek to create a workforce that reflects the communities in which we operate. Our workforce is 58 percent female, and having achieved our target to have women in 35 percent of Executive Manager and above positions, we have increased the target to 40 percent by 2020. Recently a sixth woman was appointed to our most senior leadership team, which will take us to gender equality on the Executive Committee in the first half of the 2017 financial year. Our 12 member Board also now comprises four women.

As a mark of our progress we have again been awarded an Employer of Choice for Gender Equality citation from the Workplace Gender Equality Agency. We have also been named the second-most inclusive employer in the 2016 Australian Workplace Equality Index Awards, and the Group's employee network Unity was named the 2016 LGBTI Employee Network of the Year.

Looking ahead we will be focusing on improving the Group's ethnic diversity, so that we better represent our customers and communities.

Environment, Social and Governance (ESG) priorities

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

In the first half of the 2016 financial year we revised our Group Environment Policy to acknowledge international efforts to limit global warming to two degrees Celsius, and to define the role we play in supporting the transition to a low carbon economy and in tackling climate change. On the lending side, we have entrenched our ESG Lending Commitments through extensive training and a new ESG risk management tool that is central to the credit decision process. We also disclose the assessed carbon emissions of our business lending portfolio, a first for any Australian bank. Our lending exposure to renewable energy generation is now more than five times greater than our exposure to direct coal-fired electricity generation.

On the investment side, a new "Wealth Management Responsible Investing Framework" integrates ESG factors across our Wealth Management investment processes, consistent with the pursuit of sustainable long-term investment outcomes for clients. A responsible investing training module has also been rolled out to Wealth Management professionals.

In terms of our own environmental footprint, we continue to raise our targets for reductions in waste, water and energy usage. We are the first Australian Bank to be awarded, by the Green Building Council of Australia, a 5 Star Green Star rating for our current branch design; and Commonwealth Bank Place in Sydney is the first Australian office awarded a 6 Star Green Star rating across all four aspects: design, construction, interior fit-out and operational performance.

We have issued a new Human Rights Position Statement which states our responsibility and commitment to respect human rights across all of our operations. The Group is committed to being a responsible corporate taxpayer and to acting with the highest integrity in complying with all prevailing tax laws. From a governance perspective, the Group is a signatory to the Voluntary Tax Transparency Code. As part of our compliance with this code, we will continue to provide transparency on our approach to tax risk, governance and tax paid in Australia. Commonwealth Bank is now the largest corporate taxpayer in Australia.

We benchmark our progress in these areas against a number of leading global sustainability indices and surveys. In 2016 we were pleased to be named the number one Australian company and number one bank in the world in the Global 100 (G100) Most Sustainable Corporations Index. We have also again been included in the Dow Jones Sustainability Index World Index, the CDP ASX 200 Climate Disclosure Leadership Index, and the FTSE4Good Index.

Chairman's Statement

We are not perfect but we continue to make good progress in this arena.

Open Advice Review program

In 2014 we set up the most comprehensive review of financial planning advice ever undertaken in Australia in response to concerns raised regarding past instances of poor financial advice. The program was open to all Financial Wisdom and Commonwealth Financial Planning customers who received financial advice between 2003 and 2012. Following an extensive advertising campaign and a mail-out to around 350,000 households, approximately 8,600 customers requested a review of their advice. Examining each individual customer's case and circumstances has been a complex process, but more than 500 people have been dedicated to the program to ensure that each case gets the attention it deserves and that we can put things right where mistakes were made. Good progress has been made, and as at the end of June 2016, 4,014 assessments have been issued and compensation totalling \$7.6m has been offered in 562 cases. The program, which is overseen by a range of independent parties, is on track to deliver all assessments by the end of the 2016 calendar year.

ComInsure

We have taken the recent discovery of poor experiences for a number of our ComInsure insurance customers extremely seriously. The allegations made are completely inconsistent with the culture that underpins the Commonwealth Bank and are not a reflection of the values of our people and business.

All five customer cases aired by the ABC have been resolved, with three resolved before the program went to air. We have also launched investigations into the root causes of the concerns raised, particularly in light of allegations made in the program that these were widespread, and the result of deliberate action.

To date we have not found evidence to substantiate any of the claims of widespread problems and wilful misconduct. These reviews involve well-regarded independent specialists and encompass policy definitions, claims review processes, and other factors such as remuneration and whistleblower practices. We have been working constructively with the regulators on the reviews. The reviews are making good progress, though given the size of the business, and our determination to investigate thoroughly, work remains ongoing.

To determine whether other past denied claims warrant further action we have appointed Deloitte Touche Tohmatsu to review a sample of life insurance claims declined over the last five years. Deloitte is further mandated to provide recommendations to the ComInsure Board with regard to any improvements that can be made to claims policies and procedures. We have also committed to update our policy definitions more frequently to reflect medical advances.

To ensure transparency and consistency going forward, a Claims Review Panel has been established as a permanent and additional layer of assurance. The Panel includes four independent experts, drawn from the medical, consumer protection, and legal professions. Where ComInsure recommends that a complex life insurance claim be declined, it will be referred to the Panel for independent review and assessment to ensure that the outcomes are fair, balanced and consistent.

Corporate Governance and Board Appointments

A critical goal of the Commonwealth Bank Board is to ensure the Group is trusted and achieves the highest ethical standards, so that we continue to best serve our customers, shareholders and the broader community. As Chairman, I seek to advance the sustainable performance of your company by bringing the experience, skills and insights of Board members to bear, so that we remain Australia's leading bank.

This year I am pleased to have been able to bring to the Board the skills and experience of Catherine Livingstone and Mary Padbury. The Group's ability to consistently drive customer-focused innovation is absolutely critical. We welcome the depth and breadth of knowledge Catherine brings as a thought-leader on innovation, and as an experienced leader of several of Australia's most innovation-focused organisations. As an eminent intellectual property lawyer, Mary brings both her insights on how the interplay of technology and regulation will shape our industry in future as well as her management and broad international experience to Board deliberations. More information about both Catherine and Mary can be found on pages 40 and 41 of this report.

We will miss Jane Hemstritch who retired from the Board in March after serving more than nine years as a Director. Jane chaired the Remuneration Committee for six years and made a distinguished contribution through her judgement, insight, and humour. I thank Jane for her outstanding contribution.

On Jane's departure, Sir David Higgins assumed the role of Chairman of the Remuneration Committee. At the end of September the chairmanship of the Risk Committee will transition from Harrison Young to Shirish Apte. Harrison has done a tremendous job as Chairman, and will remain a member of the Risk Committee.

In the year ahead your Board will meet both with and without the Chief Executive Officer to discuss the Group's business and strategy and to carry out our duties in the context of the Audit, Risk and Remuneration Committees. We also look forward to meeting with management, our people and shareholders, to communicate the Board's priorities, centred on our vision, values and culture, and to listen to feedback.

I am very grateful to all my colleagues on the Board for the effort and hard work they put into performing their duties, which requires extreme dedication.

Outlook

Turning to the outlook for the 2017 financial year, we believe that the Australian economy is as well-positioned as it can be. We have key strategic advantages, including our proximity to populous growth markets, our rich natural reserves, and our dynamic and multicultural workforce. The transitions that have been taking place – with the services sector taking up the slack from mining, our exports becoming more diversified, and SMEs playing a greater role – are providing the foundations we need for prosperity and success.

The ability to realise this potential however, is greatly dependent on the supporting environment, both domestic and international. Stable and well-communicated policy settings are of course necessary to ensure that businesses have the confidence to invest for growth, and to give people assurance about their employment prospects and costs and quality of living. However, the external backcloth of political, economic and security uncertainty around the world takes a toll on confidence; and the policy responses to-date, including

Chairman's Statement

quantitative easing and a creep towards closed borders, will inevitably present challenges. We now face the prospect that low or negative interest rates, low inflation and low growth are the new norm, and we are yet to understand what long-term impacts this will have.

While this is a most uncertain global environment, at the Commonwealth Bank we are focused on what will make Australia and of course, your bank, successful in the future, and how we can help achieve that. The importance of our basic responsibility – to supply businesses with credit so they can grow and employ more people, and to provide people with loans and financial products so they can buy a home and plan for their future – will remain our top priority. But in doing so, we seek to leverage our resources – our capital, our innovation and our people – to support the economic activities that we believe are critical to our common future.

That's why we invest in innovation, support new industries such as renewable energy, help traditional sectors like agriculture adapt and prosper through new technology, and fund education initiatives that will build the skills needed for the future.

Through these strategies we will seek to remain a highly successful bank for our people and our shareholders.

I would like to thank everyone in the Group for their continuing hard work and commitment to our vision and values, and express my gratitude to our shareholders and customers for your continuing support.



David Turner
Chairman
9 August 2016

Chief Executive Officer's Statement

Continued execution of our long term strategy, focused on customer satisfaction, innovation and strength, has ensured that the Group performed well during the 2016 financial year.

Guided by our vision to excel at securing and enhancing the financial wellbeing of people, businesses and communities, this strategy has delivered for the Group's many stakeholders for more than 10 years, in a constantly changing environment. This year it has supported solid returns for you, our shareholders, in the form of dividend payments totalling \$7 billion. It has delivered innovative financial products and services for nearly 16 million customers. It has provided \$6.2 billion in salaries and wages to more than 50,000 colleagues, and income of \$4.2 billion for 5,000 SME partners and suppliers. It has also enabled \$3.6bn in corporate tax payments, and made a significant contribution to the health of our economy.

In executing our strategy we concentrate on four key capabilities: people, productivity, technology and strength. Our efforts in each of these areas are guided by the basic principle that we put the customer at the centre of everything we do.

Leading in customer satisfaction

Customer satisfaction is the key metric we use to benchmark execution of Group strategy. Satisfied customers look to us to meet more of their needs. This year we have achieved our best ever customer satisfaction results, and this has again translated into increased customer activity.

Commonwealth Bank ranked outright number one for retail customer satisfaction for each month during the 2016 financial year in the Roy Morgan Retail MFI Customer Satisfaction survey; and ranked first or equal first in all segments of business customer satisfaction at year end, according to the DBM Business Financial Services Monitor. Our institutional bank has performed particularly well on this measure, rating outright or equal first for 57 consecutive months.

Wealth Management regained the top spot for adviser satisfaction in April 2016 in the Wealth Insights Platform Service Level Survey, and we have again been named Bank of the Year for Small Business and for Online Banking (for the seventh year in a row) by Canstar. Internationally we've also experienced success, with PT Bank Commonwealth (Indonesia) awarded for service excellence in its market.

A demonstration of how customer focus converts into customer activity is the growth we've achieved in meeting more customer needs, up from 3.05 products per customer at the end of last financial year, to 3.15 as at 30 June 2016. We have maintained our position as market leader in key product areas including home lending, household deposits and the FirstChoice platform.

Our commitment to putting our customers first extends to making things right if we discover that anything has gone wrong. As the Chairman has mentioned in his statement, we extended our Open Advice Review program to financial advice customers spanning a decade. More than 500 staff have been dedicated to investigating each individual case and to remediating any customers who were adversely affected by the advice they received. Recent concerns about the experiences of a number of CommInsure customers are also being comprehensively addressed, including independent investigations into the root causes of the concerns raised. To date no evidence has been found that

substantiates any of the claims of widespread problems and wilful misconduct.

To ensure we learn from these experiences, we are making a wide range of improvements to our processes and practices. In addition to the additional levels of independent review and assurance highlighted by the Chairman, we will continue to advocate for and participate in industry-wide initiatives that improve practices and customer experiences across the sector.

The strength of our people, and our culture

The strength of our customer satisfaction performance is entirely a reflection of the commitment and dedication our people have shown to their customers, and to the values of the Commonwealth Bank.

Our values of integrity, accountability, collaboration, excellence and service are integral to our culture, and they dictate how we must treat our customers and each other. We have been working intensely for several years to embed a values-driven way of working across the Group, and this year are incorporating into everyone's performance review, including mine, an assessment of how we have demonstrated our values and enhanced our risk culture. This aligns with our determination to be a financial institution with the highest ethical standards.

Another priority is to ensure that the Group is a place where our people feel motivated to give of their best, regardless of gender, ethnicity, sexual orientation, age, or whether they have a disability. The Chairman has highlighted some of our successes in this area, particularly in setting and achieving ambitious gender diversity targets.

We have also launched a range of initiatives to improve the representation of Indigenous Australians in our workforce. In June we launched our fifth Reconciliation Action Plan (RAP) which received "Elevate" status. As part of our new RAP, we announced that we will increase the number of Indigenous Australians we employ, with the goal of achieving employment parity within 10 years. This builds on our existing Indigenous Careers Program which includes school-based traineeships, university student internships, and partnerships with the Australian Indigenous Education Foundation and the Australian Indigenous Mentoring Experience.

The Chairman and I both agree however, that work remains to be done to ensure we truly reflect the diversity of the communities in which we live and work.

Customer-focused innovation

In addition to on-going investment in our people, we continue to prioritise investment in technology and innovation. This has been a core pillar of our strategy for more than a decade. The Group's investment in a new core banking system is now delivering market-leading advantages given the dependence of digital banking and related functionality on integrated, real-time systems. It allows us to deliver important benefits to our customers – to businesses who want their payments to be processed in real-time, and to retail customers who value features like instant credit card Lock, Block & Limit. This has again resulted in above-system growth in transaction accounts.

We are also using our investment in technology to achieve our broader vision of financial wellbeing and to create value for the community. A recent example is the launch of Clever Kash, a cashless money box, by ASB in New Zealand, to help

Chief Executive Officer's Statement

teach children the value of money. Family members or friends can virtually swipe money from their ASB banking app to the child's elephant shaped money box, and the amount will appear on a screen on its tummy. By keeping money tangible, we can help children develop good money habits and learn the importance of saving.

Looking ahead, we will continue to invest in leading-edge technologies so that the Group is positioned to seize the opportunities of the future. We are also focusing on creating an internal culture of entrepreneurialism and opportunity so that our people can anticipate and meet customers' future needs. To this end, we recently ran a 'CommBank Intrapreneur' competition to encourage creative and future-focused thinking among our people, and to provide a fast-track channel for their ideas. More than 500 contestants submitted concepts for new customer-focused products and services, and we look forward to the winning ideas becoming a commercial reality.

Driving productivity and efficiency

At the heart of our approach to productivity and efficiency is a commitment to continuous improvement for better customer outcomes. This means making processes simpler, easier and faster – which is good for the customer and good for our shareholders. This way of thinking extends across all our interfaces with our customers – from extending the range of functionality offered, to building better branches and providing more intelligent deposit machines to allow customers to save time and duplicated effort through efficient self-service.

The emphasis on productivity is just as relevant in our behind-the-scenes processes, with our people working collaboratively to fully understand processes end-to-end, and being accountable and empowered to take steps towards making improvements. This is essential in the current environment of enterprise mobility, rapidly changing business operations and heightened customer expectations.

The success of our productivity initiatives and our productivity culture change are demonstrated in a continued improvement in our cost-to-income ratio, which was down another 40 basis points this year to 42.4%.

Strengthened capital, funding and liquidity positions

Our capacity to support our customers is directly related to the strength of our balance sheet. Our stakeholders rely on our stability, particularly when markets are volatile. During the financial year, we responded to increased regulatory capital requirements, and raised additional capital through an entitlement offer for all shareholders. As a result of the capital raising and strong organic capital growth, we have substantially boosted our capital position. We are now positioned among the most highly capitalised banks internationally and are placed above any 'unquestionably strong' benchmark for Common Equity Tier 1 capital.

Our funding and liquidity positions are similarly strong. Thanks to 8% growth in customer deposits in the year, customer deposits now represent 66% of group funding. Notwithstanding the increased capital levels, we have seen funding costs move higher recently due to global volatility and increased regulatory pressures.

Contribution to our community

In addition to fulfilling our responsibility to support individuals and businesses directly, we also look for ways to make a positive contribution beyond our core business. In particular, we are committed to operating sustainably and to supporting the communities in which we operate through a range of education and community investment focused initiatives.

Continuing our 85 year history of providing financial education to school children through our School Banking program, last year we made a 25 year pledge to invest in education, with an initial commitment of \$50 million over three years. This has facilitated the launch of Evidence for Learning, an initiative aimed at evaluating and funding evidence-based education practices in schools and learning centres. This year we also extended our Start Smart financial literacy workshops to more than 550,000 students.

Given our focus on financial wellbeing we seek to help those excluded from the financial system to gain access to appropriate and affordable financial services. Earlier this year we signed up to the national Financial Inclusion Action Plan to support under-served members of the Australian community. We also run financial inclusion programs internationally and intend to leverage the expertise of TYME in designing, building and operating digital banking ecosystems, to serve customers in emerging markets.

These are only a few examples. Such activities, where we contribute our finance-specific expertise, are just part of our ongoing community investment contribution which totalled more than \$262 million this year.

Financial highlights

Cash net profit after tax (NPAT) was \$9,450 million for the 2016 financial year, an increase of 3% on the prior year. The total dividend per share for the year was \$4.20, equivalent to a dividend payout ratio (cash basis) of 76.5%. Earnings per share were \$5.55, and return on equity was 16.5%.

At a business division level the results were:

- Total banking income growth of 8% in Retail Banking Services, primarily driven by home lending volume growth and improved net interest margin. The income result combined with continued improvements in cost-to-income saw the division's NPAT grow 11%. Growth in savings and transaction accounts resulted in total deposit balance growth of 7%.
- Business and Private Banking achieved business lending growth of 6% in a competitive market, and deposit growth of 8%. The credit quality of the lending portfolio also remained strong, with loan impairment expense to average gross loans and acceptances of 18 basis points.
- In Institutional Banking and Markets, lending growth in strategic areas of focus, and strong sales and trading performance in Markets, were offset by lower lending margins and increased loan impairment expense, primarily due to a small number of exposures in the portfolio.
- Growth in funds management and general insurance income for Wealth Management was offset by a significantly lower life insurance result and lower investment experience. Average funds under administration increased 3%.
- Cash earnings from New Zealand were flat. ASB delivered a 5% increase in earnings due to home and

Chief Executive Officer's Statement

business lending growth but saw margin compression and increased loan impairment expense. Higher investment in technology and expense growth impacted Sovereign's contribution.

- Bankwest achieved core business lending growth of 6%. Total transaction deposits grew 20%. The profit result was impacted by lower margins and lower impairment benefit with the slower run-off of the legacy troublesome and impaired book.
- International Financial Services continues to be affected by the slowdown in emerging markets, which has adversely impacted business volume growth. However, our technology-related investments off-shore are showing promising early signs of impact.

Focusing on our long-term strategy

The current operating environment has its challenges. However, we remain positive about the Australian economy. Continuing demand for Australian resources, a vibrant construction sector in NSW and Victoria, and growth in key services sectors have supported real GDP growth and employment stability. The economy's future prospects are also underpinned by population growth, our proximity to growth in Asia, and the attractiveness of Australia as a destination and a trusted source of a broad range of goods and services.

Weakness in commodity prices has however suppressed nominal growth and low wage inflation has meant that households are not feeling better off. These factors, combined with the new phenomenon of low growth, low inflation and low interest rates, are impacting confidence and rendering businesses and consumers cautious and more hesitant to respond to monetary stimulus.

At the Commonwealth Bank our outlook is of course impacted by these macroeconomic factors, in addition to increased competition and regulation. In these circumstances, we will continue to concentrate on productivity and credit quality. But we remain committed to thinking long-term, through continued investment in our long term strategy.

We also expect continuing scrutiny of the banking system. Given the importance of banks to Australia's economy, that is not surprising. We will continue to listen carefully to the public debate, and we will be prepared to emphasise the importance of a strong banking system, and of balancing the needs of all our stakeholders.

There has been a great deal of discussion about the interests of people borrowing money to buy a home. Their interests are very important, and we will continue to do our best for them. Equally, we need to consider the interests of our depositors and our shareholders. Three quarters of our term deposit holders are over 55. Lower deposit rates have had a major impact on their lifestyle. More than 800,000 Australian households own shares directly in your bank, and millions more own them through their superannuation. These are Australians from all walks of life. As at the date of this letter, their collective investment in your bank is worth over \$100 billion. For many, the dividends they receive are an important part of their financial wellbeing. So effective balancing of all these interests has been, and will be, an important factor in our success.

We are the market leader in customer satisfaction thanks to the dedication of our people, we have continued to grow market share in the right places, we have a significant technology advantage through ongoing investment, we have consistently reinforced our balance sheet, and we have a values-based culture. Of course we need to keep raising our standards, in a market where we have strong, well-run competitors. Building on these strengths, we will continue to manage for the long term, putting customers first and investing for the future, to ensure your company is resilient, strong and successful, and that we remain Australia's leading bank.



Ian Narev
Chief Executive Officer
9 August 2016

Group Performance Highlights

	Full Year Ended ("statutory basis")		Full Year Ended ("cash basis")			Half Year Ended ("cash basis")		
	Jun 16 vs		Jun 16 vs			Jun 16 vs		
	30 Jun 16	Jun 15 %	30 Jun 16	30 Jun 15	Jun 15 %	30 Jun 16	31 Dec 15	Dec 15 %
Net profit after tax (\$M)	9,227	2	9,450	9,137	3	4,646	4,804	(3)
Return on equity (%)	16.2	(200)bpts	16.5	18.2	(170)bpts	15.6	17.2	(160)bpts
Earnings per share - basic (cents)	542.5	(2)	555.1	557.5	-	270.8	284.4	(5)
Dividends per share (cents)	420	-	420	420	-	222	198	12

Financial Performance

The Group's net profit after tax ("statutory basis") for the year ended 30 June 2016 increased 2% on the prior year to \$9,227 million.

Return on equity ("statutory basis") was 16.2% and Earnings per share ("statutory basis") was 542.5 cents, a decrease of 2% on the prior year.

The Management Discussion and Analysis discloses the net profit after tax on both a statutory and cash basis. The statutory basis is prepared and audited in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS). The cash basis is used by management to present a clear view of the Group's underlying operating results, excluding 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 with the prior year and prior half disclosures and do not discriminate between positive and negative adjustments. A list of items excluded from statutory profit is provided in the reconciliation of the Net profit after tax ("cash basis") on page 10 and described in greater detail on page 20.

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

Operating income growth was solid, relative to the prior year. Operating expenses increased due to higher staff costs, the impact of foreign exchange, and increased investment spend, partly offset by the incremental benefit generated from productivity initiatives.

Loan impairment expense increased, primarily due to higher provisioning levels in Institutional Banking and Markets, New Zealand and IFS. Provisioning levels remain prudent and there has been no change to the economic overlay.

Net profit after tax ("cash basis") for the year ended 30 June 2016 increased 3% on the prior year to \$9,450 million. Cash earnings per share remained flat at 555.1 cents per share.

Return on equity ("cash basis") for the year ended 30 June 2016 was 16.5%, a decrease of 170 basis points on the prior year.

Capital

The Group strengthened its capital position during the year, by undertaking a \$5.1 billion institutional and retail entitlement offer, ahead of the APRA requirement to hold additional capital with respect to Australian residential mortgages effective from 1 July 2016. The capital raising places the Group in a strong position both domestically and on an internationally comparable basis. As at 30 June 2016, the Basel III Common Equity Tier 1 (CET1) ratio was 14.4% on an internationally comparable basis and 10.6% on an APRA basis.

Funding

The Group continued to maintain conservative Balance Sheet settings, with a considerable portion of the Group's lending growth funded by growth in customer deposits, which increased to \$518 billion as at 30 June 2016, up \$40 billion on the prior year.

Dividends

The final dividend declared was \$2.22 per share, bringing the total dividend for the year ended 30 June 2016 to \$4.20 per share, in line with the prior year. This represents a dividend payout ratio ("cash basis") of 76.5%.

The final dividend payment will be fully franked and paid on 29 September 2016 to owners of ordinary shares at the close of business on 18 August 2016 (record date). Shares will be quoted ex-dividend on 17 August 2016.

Outlook

Continuing demand for Australian resources, a vibrant construction sector in NSW and Victoria, and employment growth in key services sectors have underpinned real GDP growth and employment stability.

However, on-going economic strength will require a lift in the low rates of nominal growth. Income growth inside and outside Australia remains weak, so people are not feeling better off. When combined with on-going global economic and political uncertainty this makes households and businesses cautious, and hesitant to respond to monetary stimulus.

At CBA, we are cognisant of the combined impact of weaker demand, strong competition and increasing regulation. An on-going focus on productivity and credit quality will be important. But we remain positive about Australia's economic prospects, driven by population growth, our proximity to growth in Asia and the attractiveness of Australia as a destination and a trusted source of a broad range of goods and services. So we will continue to manage for the long term, putting customers first and investing for the future.

Highlights

Group Performance Summary	Full Year Ended ("cash basis")			Half Year Ended ("cash basis")			Full Year Ended ("statutory basis")	
	30 Jun 16	30 Jun 15	Jun 16 vs	30 Jun 16	31 Dec 15	Jun 16 vs	30 Jun 16	Jun 16 vs
	\$M	\$M	Jun 15 %	\$M	\$M	Dec 15 %	\$M	Jun 15 %
Net interest income ⁽¹⁾	16,935	15,827	7	8,508	8,427	1	16,935	7
Other banking income ⁽¹⁾	4,860	4,811	1	2,444	2,416	1	4,576	(5)
Total banking income	21,795	20,638	6	10,952	10,843	1	21,511	4
Funds management income	2,016	1,938	4	984	1,032	(5)	2,061	3
Insurance income	795	792	-	308	487	(37)	1,006	(1)
Total operating income	24,606	23,368	5	12,244	12,362	(1)	24,578	4
Investment experience	141	210	(33)	83	58	43	-	-
Total income	24,747	23,578	5	12,327	12,420	(1)	24,578	4
Operating expenses	(10,429)	(9,993)	4	(5,213)	(5,216)	-	(10,468)	4
Loan impairment expense	(1,256)	(988)	27	(692)	(564)	23	(1,256)	27
Net profit before tax	13,062	12,597	4	6,422	6,640	(3)	12,854	2
Corporate tax expense ⁽²⁾	(3,592)	(3,439)	4	(1,767)	(1,825)	(3)	(3,607)	2
Non-controlling interests ⁽³⁾	(20)	(21)	(5)	(9)	(11)	(18)	(20)	(5)
Net profit after tax ("cash basis")	9,450	9,137	3	4,646	4,804	(3)	n/a	n/a
Hedging and IFRS volatility ⁽⁴⁾	(200)	6	large	(49)	(151)	(68)	n/a	n/a
Other non-cash items ⁽⁴⁾	(23)	(80)	(71)	12	(35)	large	n/a	n/a
Net profit after tax ("statutory basis")	9,227	9,063	2	4,609	4,618	-	9,227	2
Represented by: ⁽¹⁾								
Retail Banking Services	4,436	3,994	11	2,221	2,215	-		
Business and Private Banking	1,567	1,495	5	764	803	(5)		
Institutional Banking and Markets	1,164	1,285	(9)	556	608	(9)		
Wealth Management	617	653	(6)	245	372	(34)		
New Zealand	877	882	(1)	414	463	(11)		
Bankwest	763	795	(4)	367	396	(7)		
IFS and Other	26	33	(21)	79	(53)	large		
Net profit after tax ("cash basis")	9,450	9,137	3	4,646	4,804	(3)		
Investment experience after tax	(100)	(150)	(33)	(56)	(44)	27		
Net profit after tax ("underlying basis")	9,350	8,987	4	4,590	4,760	(4)		

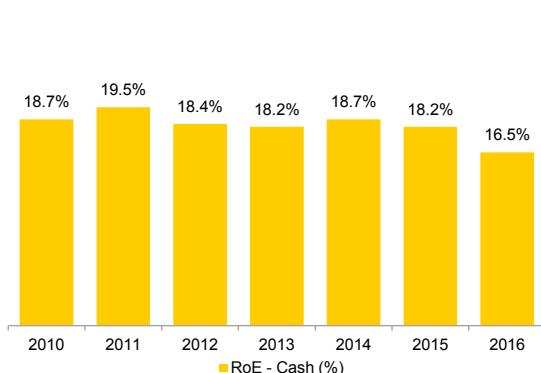
(1) Comparative information has been restated to reflect the changes in presentation disclosed in the prior half, and reclassification of fixed rate prepayment recoveries from Other banking income to Net interest income to align with the associated hedge costs.

(2) For the purposes of presentation of Net profit after tax ("cash basis"), policyholder tax expense components of corporate tax expense are shown on a net basis (30 June 2016: \$101 million and 30 June 2015: \$99 million, and for the half years ended 30 June 2016: \$92 million and 31 December 2015: \$9 million).

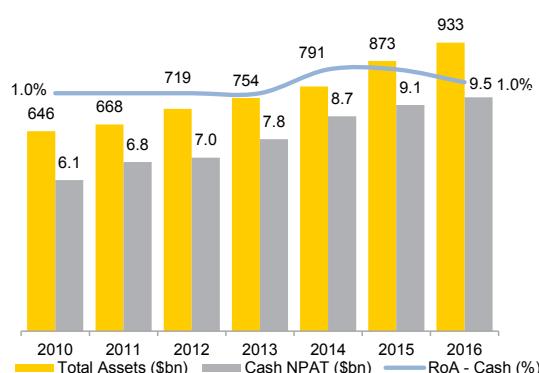
(3) Non-controlling interests include preference dividends paid to holders of preference shares in ASB Capital Limited and ASB Capital No.2 Limited.

(4) Refer to page 20 for details.

Group Return on Equity



Group Return on Assets



Key Performance Indicators	Full Year Ended ⁽¹⁾			Half Year Ended ⁽¹⁾		
	30 Jun 16	30 Jun 15	Jun 16 vs Jun 15 %	Jun 16 vs		Jun 16 vs Dec 15 %
				30 Jun 16	31 Dec 15	
Group						
Statutory net profit after tax (\$M)	9,227	9,063	2	4,609	4,618	-
Cash net profit after tax (\$M)	9,450	9,137	3	4,646	4,804	(3)
Net interest margin (%)	2.07	2.09	(2)bpts	2.06	2.08	(2)bpts
Net interest margin excluding Treasury and Markets (%)	2.06	2.06	-	2.05	2.06	(1)bpt
Average interest earning assets (\$M)	817,457	755,872	8	829,127	805,916	3
Average interest bearing liabilities (\$M)	760,615	713,084	7	758,994	762,221	-
Funds Under Administration (FUA) - average (\$M)	143,312	138,358	4	143,730	143,120	-
Assets Under Management (AUM) - average (\$M)	202,000	199,264	1	200,075	203,603	(2)
Average inforce premiums (\$M)	3,401	3,259	4	3,417	3,386	1
Operating expenses to total operating income (%)	42.4	42.8	(40)bpts	42.6	42.2	40 bpts
Effective corporate tax rate ("cash basis") (%)	27.5	27.3	20 bpts	27.5	27.5	-
Retail Banking Services						
Cash net profit after tax (\$M)	4,436	3,994	11	2,221	2,215	-
Operating expenses to total banking income (%)	32.6	34.1	(150)bpts	32.3	32.8	(50)bpts
Business and Private Banking						
Cash net profit after tax (\$M)	1,567	1,495	5	764	803	(5)
Operating expenses to total banking income (%)	38.1	38.4	(30)bpts	38.4	37.8	60 bpts
Institutional Banking and Markets						
Cash net profit after tax (\$M)	1,164	1,285	(9)	556	608	(9)
Operating expenses to total banking income (%)	37.9	34.6	330 bpts	38.7	37.1	160 bpts
Wealth Management						
Cash net profit after tax (\$M)	617	653	(6)	245	372	(34)
FUA - average (\$M)	132,632	128,880	3	132,723	132,721	-
AUM - average (\$M)	197,569	195,406	1	195,513	199,294	(2)
Average inforce premiums (\$M)	2,474	2,388	4	2,480	2,470	-
Operating expenses to total operating income (%)	70.0	73.5	(350)bpts	76.8	64.3	large
New Zealand						
Cash net profit after tax (\$M)	877	882	(1)	414	463	(11)
FUA - average (\$M)	10,680	9,478	13	11,007	10,399	6
AUM - average (\$M)	4,431	3,858	15	4,562	4,309	6
Average inforce premiums (\$M)	672	638	5	682	664	3
Operating expenses to total operating income (%) ⁽²⁾	40.0	40.2	(20)bpts	40.8	39.3	150 bpts
Bankwest						
Cash net profit after tax (\$M)	763	795	(4)	367	396	(7)
Operating expenses to total banking income (%)	41.7	42.0	(30)bpts	41.9	41.5	40 bpts
Capital (Basel III)						
Common Equity Tier 1 (Internationally Comparable) (%) ⁽³⁾	14.4	12.7	170 bpts	14.4	14.3	10 bpts
Common Equity Tier 1 (APRA) (%)	10.6	9.1	150 bpts	10.6	10.2	40 bpts
Leverage Ratio (Basel III)⁽⁴⁾						
Leverage Ratio (Internationally Comparable) (%) ⁽⁵⁾	5.6	n/a	n/a	5.6	5.6	-
Leverage Ratio (APRA) (%)	5.0	n/a	n/a	5.0	5.0	-

(1) Comparative information has been restated to reflect the changes in presentation disclosed in the prior half, and reclassification of fixed rate prepayment recoveries from Other banking income to Net interest income to align with the associated hedge costs.

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

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

(4) As the Group commenced disclosure of its leverage ratio at 30 September 2015, no full year comparatives have been presented.

(5) 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.

Highlights

Shareholder Summary	Full Year Ended			Half Year Ended		
	Jun 16 vs			Jun 16 %		
	30 Jun 16	30 Jun 15	Jun 15 %	30 Jun 16	31 Dec 15	Dec 15 %
Dividends per share - fully franked (cents)	420	420	-	222	198	12
Dividend cover - "cash basis" (times)	1.3	1.3	-	1.2	1.4	(14)
Earnings Per Share (EPS) (cents) ⁽¹⁾						
Statutory basis - basic ⁽²⁾	542.5	553.7	(2)	268.9	273.6	(2)
Cash basis - basic	555.1	557.5	-	270.8	284.4	(5)
Dividend payout ratio (%)						
Statutory basis	78.3	75.7	260 bpts	82.9	73.7	large
Cash basis	76.5	75.1	140 bpts	82.3	70.8	large
Weighted average no. of shares ("statutory basis") - basic (M) ⁽¹⁾⁽²⁾	1,692	1,627	4	1,707	1,676	2
Weighted average no. of shares ("cash basis") - basic (M) ⁽¹⁾	1,693	1,630	4	1,709	1,678	2
Return on equity ("statutory basis") (%)	16.2	18.2	(200)bpts	15.6	16.6	(100)bpts
Return on equity ("cash basis") (%)	16.5	18.2	(170)bpts	15.6	17.2	(160)bpts

(1) Comparative information has been restated to incorporate the bonus element of the rights issue in the weighted average number of ordinary shares.

(2) Diluted EPS and weighted average number of shares are disclosed in Note 6 to the Financial Statements.

Market Share ⁽¹⁾	As at				
	30 Jun 16	31 Dec 15	30 Jun 15	Jun 16 vs	Jun 16 vs
	%	%	%	Dec 15	Jun 15
Home loans	25.3	25.1	25.2	20 bpts	10 bpts
Credit cards - RBA ⁽²⁾	24.4	24.7	24.3	(30)bpts	10 bpts
Other household lending ⁽³⁾	16.8	16.9	17.4	(10)bpts	(60)bpts
Household deposits	29.2	29.3	29.4	(10)bpts	(20)bpts
Business lending - RBA	16.9	17.0	17.0	(10)bpts	(10)bpts
Business lending - APRA	18.7	18.7	18.8	-	(10)bpts
Business deposits - APRA	20.2	20.3	20.3	(10)bpts	(10)bpts
Asset Finance	12.8	13.1	13.2	(30)bpts	(40)bpts
Equities trading	4.7	5.6	6.0	(90)bpts	(130)bpts
Australian Retail – administrator view ⁽⁴⁾	15.7	15.6	15.8	10 bpts	(10)bpts
FirstChoice Platform ⁽⁴⁾	11.1	11.0	11.1	10 bpts	-
Australia life insurance (total risk) ⁽⁴⁾	11.4	11.6	12.1	(20)bpts	(70)bpts
Australia life insurance (individual risk) ⁽⁴⁾	10.9	11.0	11.6	(10)bpts	(70)bpts
NZ home loans	21.8	21.8	21.7	-	10 bpts
NZ retail deposits	21.0	20.9	21.4	10 bpts	(40)bpts
NZ business lending	12.4	11.9	11.6	50 bpts	80 bpts
NZ retail FUA ⁽⁴⁾	15.6	15.7	16.2	(10)bpts	(60)bpts
NZ annual inforce premiums ⁽⁴⁾	28.5	28.7	28.8	(20)bpts	(30)bpts

(1) Prior periods have been restated in line with market updates and comparatives have not been restated to include the impact of new market entrants in the current period.

(2) As at 31 May 2016.

(3) Other household lending market share includes personal loans, margin loans and other forms of lending to individuals.

(4) As at 31 March 2016.

Credit Ratings	Long-term	Short-term	Outlook
Fitch Ratings	AA-	F1+	Stable
Moody's Investors Service	Aa2	P-1	Stable
S&P Global Ratings	AA-	A-1+	Negative

Group Performance Analysis

Financial Performance and Business Review

Year Ended June 2016 versus June 2015

The Group's net profit after tax ("cash basis") increased 3% on the prior year to \$9,450 million.

Earnings per share ("cash basis") was flat on the prior year at 555.1 cents per share and return on equity ("cash basis") decreased 170 basis points on the prior year to 16.5%.

The key components of the Group result were:

- **Net interest income** increased 7% to \$16,935 million, reflecting 8% growth in average interest earning assets, partly offset by a two basis point decrease in net interest margin. Net interest margin excluding Treasury and Markets remained flat at 2.06%;
- **Other banking income** increased 1% to \$4,860 million, reflecting a strong sales performance in Markets and an increased share of profits from associates, partly offset by unfavourable derivative valuation adjustments;
- **Funds management income** increased 4% to \$2,016 million including a 3% benefit from the lower Australian dollar. This reflects a 4% increase in average Funds Under Administration (FUA), and improved FUA margins;
- **Insurance income** was flat at \$795 million with average inforce premium growth of 4% and fewer event claims, offset by an increase in income protection claims reserves resulting in loss recognition;
- **Operating expenses** increased 4% to \$10,429 million, including a 1% increase from the lower Australian dollar, higher staff costs, increased investment spend, and higher amortisation. This was partly offset by the continued realisation of incremental benefits from productivity initiatives; and
- **Loan impairment expense** increased 27% to \$1,256 million, due to higher provisioning primarily in Institutional Banking and Markets, New Zealand and IFS.

Half Year Ended June 2016 versus December 2015

The Group's net profit after tax ("cash basis") decreased 3% on the prior half to \$4,646 million.

Earnings per share ("cash basis") decreased 5% on the prior half to 270.8 cents per share, and return on equity ("cash basis") decreased 160 basis points on the prior half to 15.6%.

It should be noted when comparing current half financial performance to the prior half that there are two fewer calendar days, impacting revenue in the current half. Key points of note in the result included the following:

- **Net interest income** increased 1% to \$8,508 million, reflecting 3% growth in average interest earning assets, partly offset by a two basis point decrease in net interest margin. Net interest margin excluding Treasury and Markets decreased one basis point to 2.05%;
- **Other banking income** increased 1% to \$2,444 million, reflecting strong growth in trading income, partly offset by lower commissions;
- **Funds management income** decreased 5% to \$984 million including a 1% decrease from the higher Australian dollar, and a 2% decrease in average Assets Under Management (AUM) and lower AUM margins;
- **Insurance income** decreased 37% to \$308 million due to higher event claims, and an increase in income protection claims reserves resulting in loss recognition;
- **Operating expenses** were flat at \$5,213 million due to higher occupancy costs, offset by the continued realisation of incremental benefits from productivity initiatives; and
- **Loan impairment expense** increased 23% to \$692 million, primarily due to higher provisioning in Retail Banking Services and New Zealand, partly offset by increased write-backs in Institutional Banking and Markets.

Group Performance Analysis

Net Interest Income

	Full Year Ended ⁽¹⁾			Half Year Ended ⁽¹⁾		
	30 Jun 16 \$M	30 Jun 15 \$M	Jun 16 vs Jun 15 %	30 Jun 16 \$M	31 Dec 15 \$M	Jun 16 vs Dec 15 %
Net interest income - "cash basis"	16,935	15,827	7	8,508	8,427	1
Average interest earning assets						
Home loans	436,530	410,306	6	443,497	429,639	3
Personal loans	23,722	23,481	1	23,838	23,608	1
Business and corporate loans	211,356	190,537	11	215,027	207,726	4
Total average lending interest earning assets	671,608	624,324	8	682,362	660,973	3
Non-lending interest earning assets	145,849	131,548	11	146,765	144,943	1
Total average interest earning assets	817,457	755,872	8	829,127	805,916	3
Net interest margin (%)	2.07	2.09	(2)bpts	2.06	2.08	(2)bpts
Net interest margin excluding Treasury and Markets (%)	2.06	2.06	-	2.05	2.06	(1)bpt

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

Year Ended June 2016 versus June 2015

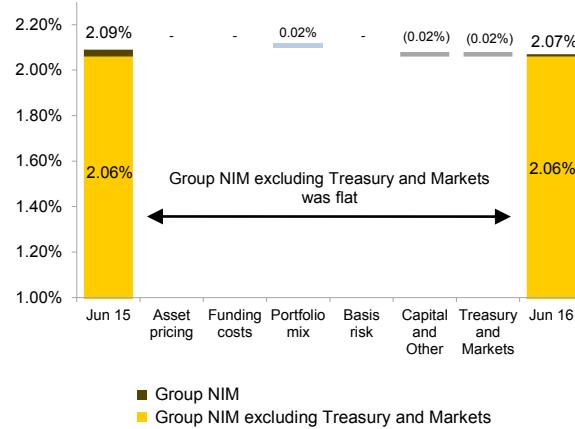
Net interest income increased 7% on the prior year to \$16,935 million. The result was driven by growth in average interest earning assets of 8%, partly offset by a two basis point decrease in net interest margin.

Average Interest Earning Assets

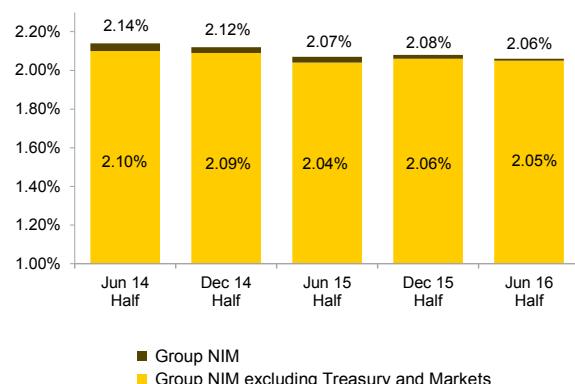
Average interest earning assets increased \$62 billion on the prior year to \$817 billion, driven by:

- Home loan average balances increased \$26 billion or 6% on the prior year to \$437 billion. The growth in home loan balances was largely driven by domestic banking growth.
- Average balances for business and corporate loans increased \$21 billion or 11% on the prior year to \$211 billion driven by growth in institutional and business banking lending balances; and
- Average non-lending interest earning assets increased \$14 billion or 11% on the prior year to \$146 billion due to higher cash, liquid assets and trading assets.

NIM movement since June 2015 ⁽¹⁾



Group NIM (Half Year Ended) ⁽¹⁾



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

Net Interest Margin

The Group's net interest margin decreased two basis points on the prior year to 2.07%. The key drivers of the movement were:

Asset pricing: Flat with the impact of home loan repricing, offset by the impact of competition on home and business lending.

Funding costs: Flat with the benefit from lower wholesale funding costs of one basis point offset by a one basis point increase in deposit costs, mainly due to the lower cash rate.

Portfolio mix: Increased margin of two basis points reflecting a favourable change in funding mix from proportionally higher levels of transactions and savings deposits, partly offset by an unfavourable change in lending mix.

Capital and Other: Decreased margin of two basis points. The positive impact from higher capital was offset by the impact of the falling cash rate environment on free equity funding.

Treasury and Markets: Decreased margin of two basis points driven by increased holdings of liquid assets and a lower contribution from Treasury and Markets.

Group Performance Analysis

Net Interest Income (continued)

Half Year Ended June 2016 versus December 2015

Net interest income increased 1% on the prior half, with growth in average interest earning assets of 3% partly offset by a two basis point decrease in net interest margin to 2.06%.

Average Interest Earning Assets

Average interest earning assets increased \$23 billion on the prior half to \$829 billion, driven by:

- Home loan average balances increased \$14 billion or 3% on the prior half to \$443 billion, primarily driven by growth in the domestic banking business;
- Average balances for business and corporate loans increased \$7 billion or 4% on the prior half to \$215 billion, driven by growth in institutional and business banking lending balances; and
- Average non-lending interest earning assets increased \$2 billion or 1% on the prior half.

Net Interest Margin

The Group's net interest margin decreased two basis points on the prior half to 2.06%. The key drivers were:

Asset pricing: Increased margin of one basis point, reflecting the impact of home loan repricing, partly offset by the impact of competition on home and business lending.

Funding costs: Decreased margin of two basis points, reflecting an increase in deposit costs due to the lower cash rate, and an increase in wholesale funding costs.

Portfolio mix: Increased margin of two basis points reflecting a favourable change in funding mix from proportionally higher levels of transactions and savings deposits.

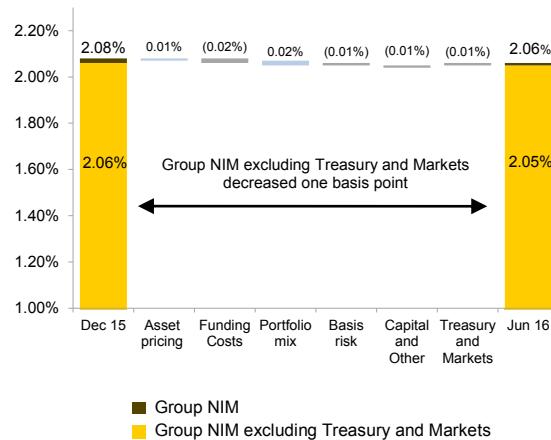
Basis risk: Basis risk arises from funding assets which are priced relative to the cash rate with liabilities priced relative to

the bank bill swap rate. The margin decreased one basis point as a result of an increase in the spread between the cash rate and the bank bill swap rate during the half.

Capital and Other: Decreased margin of one basis point. The positive impact from higher capital was offset by the impact of the falling cash rate.

Treasury and Markets: Decreased margin of one basis point driven by a lower contribution from Treasury and Markets.

NIM movement since December 2015 ⁽¹⁾



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

Other Banking Income

	Full Year Ended ⁽¹⁾			Half Year Ended ⁽¹⁾		
	30 Jun 16 \$M	30 Jun 15 \$M	Jun 16 vs Jun 15 %	30 Jun 16 \$M	31 Dec 15 \$M	Jun 16 vs Dec 15 %
Commissions	2,215	2,209	-	1,064	1,151	(8)
Lending fees	1,010	1,005	-	503	507	(1)
Trading income	1,087	1,039	5	591	496	19
Other income	548	558	(2)	286	262	9
Other banking income - "cash basis"	4,860	4,811	1	2,444	2,416	1

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

Year Ended June 2016 versus June 2015

Other banking income increased 1% on the prior year to \$4,860 million, driven by the following revenue items:

Commissions were flat on the prior year, with higher merchant fee income offset by lower credit card income following a reduction in the interchange rate;

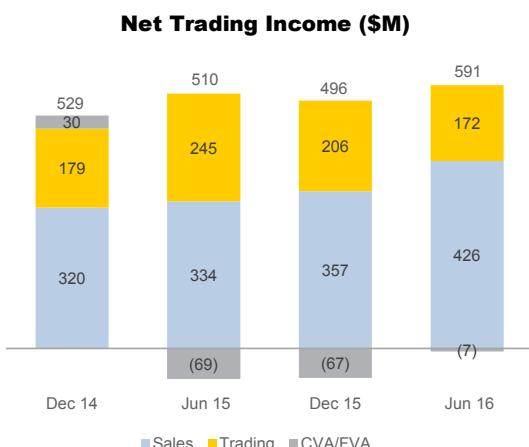
Lending fees were flat on the prior year with volume driven increases offset by lower institutional fees reflecting competitive pressures;

Trading income increased 5% on the prior year to \$1,087 million. This was primarily driven by a strong sales performance in Markets and higher Treasury earnings, partly offset by unfavourable derivative valuation adjustments; and

Other income decreased 2% on the prior year to \$548 million, with a higher realised loss on the hedge of New Zealand earnings and lower structured asset finance income partly offset by a higher contribution from investments in associates.

Group Performance Analysis

Other Banking Income (continued)



Half Year Ended June 2016 versus December 2015

Other banking income increased 1% on the prior half to \$2,444 million, driven by the following revenue items:

Commissions decreased 8% on the prior half to \$1,064 million driven by a decrease in credit card income reflecting the interchange rate reduction, seasonally lower purchases and an increase in loyalty points issued in the half;

Lending fees decreased 1% on the prior half to \$503 million, with higher business lending fee income offset by a decrease in Institutional fees, reflecting competitive pressures;

Trading income increased 19% on the prior half to \$591 million due to a strong sales performance in Markets, and less unfavourable derivative valuation adjustments, partly offset by a reclassification of interest on collateral to Net-interest income; and

Other income increased 9% on the prior half to \$286 million due to recognition of a new associate investment, and higher gains on sales of investments, partly offset by lower structured asset finance income.

Funds Management Income

	Full Year Ended			Half Year Ended		
	30 Jun 16 \$M	30 Jun 15 \$M	Jun 16 vs Jun 15 %	30 Jun 16 \$M	31 Dec 15 \$M	Jun 16 vs Dec 15 %
Colonial First State (CFS) ⁽¹⁾	929	866	7	462	467	(1)
CFS Global Asset Management (CFSGAM)	842	847	(1)	405	437	(7)
CommInsure	120	133	(10)	60	60	-
New Zealand	80	71	13	40	40	-
Other	45	21	large	17	28	(39)
Funds management income - "cash basis"	2,016	1,938	4	984	1,032	(5)

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

Year Ended June 2016 versus June 2015

Funds management income increased 4% on the prior year to \$2,016 million, driven by:

- A 4% increase in average FUA reflecting positive net flows and investment market returns across the Australia and New Zealand businesses;
- A 1% increase in average AUM as a result of strong net flows in New Zealand and positive investment performance across the Australia and New Zealand businesses; and
- Improved FUA margins as a result of reduced provisioning for Advice customer remediation in CFS.

Half Year Ended June 2016 versus December 2015

Funds management income decreased 5% on the prior half to \$984 million, driven by:

- A 2% decrease in average AUM reflecting weakness in global investment markets;
- A decline in AUM margins as a result of a change in asset mix in the Australia business; and
- Flat average FUA due to subdued industry flows in Australia and New Zealand.

Group Performance Analysis

Insurance Income

	Full Year Ended			Half Year Ended		
	30 Jun 16 \$M	30 Jun 15 \$M	Jun 16 vs Jun 15 %	30 Jun 16 \$M	31 Dec 15 \$M	Jun 16 vs Dec 15 %
Cominsure	502	503	-	172	330	(48)
New Zealand	242	232	4	115	127	(9)
IFS	46	42	10	22	24	(8)
Other	5	15	(67)	(1)	6	large
Insurance income - "cash basis"	795	792	-	308	487	(37)

Year Ended June 2016 versus June 2015

Insurance income was flat on the prior year at \$795 million, driven by:

- A 4% increase in average inforce premiums to \$3,401 million;
- Fewer severe weather related event claims in Cominsure General Insurance; and
- Higher Wholesale Life income from repricing; offset by
- An increase in income protection claims reserves resulting in loss recognition in Cominsure in the current year.

Half Year Ended June 2016 versus December 2015

Insurance income decreased 37% on the prior half to \$308 million, driven by:

- Lower Cominsure Retail life income due to higher claims, and an increase in income protection claims reserves resulting in loss recognition;
- Higher weather related event claims in the current half in Cominsure; and
- Unfavourable claims experience in New Zealand and lower investment returns in the IFS business.

Operating Expenses

	Full Year Ended			Half Year Ended		
	30 Jun 16 \$M	30 Jun 15 \$M	Jun 16 vs Jun 15 %	30 Jun 16 \$M	31 Dec 15 \$M	Jun 16 vs Dec 15 %
Staff expenses	6,164	5,816	6	3,079	3,085	-
Occupancy and equipment expenses	1,134	1,086	4	575	559	3
Information technology services expenses	1,485	1,292	15	733	752	(3)
Other expenses	1,646	1,799	(9)	826	820	1
Operating expenses - "cash basis"	10,429	9,993	4	5,213	5,216	-
Operating expenses to total operating income (%)	42.4	42.8	(40)bpts	42.6	42.2	40 bpts
Banking expense to operating income (%)	38.2	39.1	(90)bpts	38.0	38.6	(60)bpts

Year Ended June 2016 versus June 2015

Operating expenses increased 4% on the prior year to \$10,429 million. The key drivers were:

Staff expenses increased 6% to \$6,164 million, driven by a 1% impact from the lower Australian dollar, salary increases and investment in frontline;

Occupancy and equipment expenses increased 4% to \$1,134 million, primarily due to rental reviews and an increase in depreciation;

Information technology services expenses increased 15% to \$1,485 million, due to higher software amortisation, increased investment spend, and volume-driven maintenance and data processing costs;

Other expenses decreased 9% to \$1,646 million, due to lower professional fees, lower remediation costs and reduced marketing spend; and

Group expense to income ratio improved 40 basis points on the prior year to 42.4%, reflecting income growth and productivity initiatives. The banking expense to income ratio improved 90 basis points on the prior year to 38.2%.

Half Year Ended June 2016 versus December 2015

Operating expenses were flat on the prior half at \$5,213 million. The key drivers were:

Staff expenses were flat at \$3,079 million with benefits from productivity initiatives, offset by the timing of provisions for employee entitlements;

Occupancy and equipment expenses increased 3% to \$575 million, primarily due to rental reviews and an increase in depreciation;

Information technology services expenses decreased 3% to \$733 million, driven by benefits from productivity initiatives, partly offset by higher software amortisation and increased investment spend;

Other expenses increased 1% to \$826 million, due to higher professional fees and an increase in non-lending losses, partly offset by reduced marketing spend; and

Group expense to income ratio increased 40 basis points on the prior half to 42.6% reflecting lower relative income growth, partly offset by productivity initiatives. The banking expense to income ratio improved 60 basis points on the prior half to 38.0%.

Group Performance Analysis

Operating Expenses (continued)

Investment Spend

	Full Year Ended			Half Year Ended		
	30 Jun 16 \$M	30 Jun 15 \$M	Jun 16 vs Jun 15 %	30 Jun 16 \$M	31 Dec 15 \$M	Jun 16 vs Dec 15 %
Expensed investment spend ⁽¹⁾	604	539	12	305	299	2
Capitalised investment spend	769	707	9	387	382	1
Investment spend	1,373	1,246	10	692	681	2
Comprising:						
Productivity and growth	701	728	(4)	346	355	(3)
Risk and compliance	505	378	34	262	243	8
Branch refurbishment and other	167	140	19	84	83	1
Investment spend	1,373	1,246	10	692	681	2

(1) Included within the Operating Expenses disclosure on page 17.

Year Ended June 2016 versus June 2015

The Group continued to invest strongly to deliver on the strategic priorities of the business with \$1,373 million incurred in the full year to 30 June 2016, an increase of 10% on the prior year.

The increase is due to higher spend on risk and compliance and branch refurbishment.

Significant spend on risk and compliance projects continued as systems are implemented to assist in satisfying new regulatory obligations, including Anti-Money Laundering, Stronger Super and Future of Financial Advice (FOFA) reforms. In addition, the Group further invested in safeguarding information security to mitigate risks and provide greater stability for customers.

Spend on branch refurbishment and other costs increased on the prior year, largely driven by increased spend on commercial office space and the refreshing of branches.

Spend on productivity and growth continued to focus on delivering further enhancements to the Group's sales management capabilities, product systems across retail, business and institutional segments, digital channels and customer data insights.

Ongoing investment in the Group's One Commbank strategy, continued to focus on better understanding customer needs and developing deeper customer relationships.

Loan Impairment Expense

	Full Year Ended			Half Year Ended		
	30 Jun 16 \$M	30 Jun 15 \$M	Jun 16 vs Jun 15 %	30 Jun 16 \$M	31 Dec 15 \$M	Jun 16 vs Dec 15 %
Retail Banking Services	660	626	5	355	305	16
Business and Private Banking	179	152	18	108	71	52
Institutional Banking and Markets	252	167	51	112	140	(20)
New Zealand	120	83	45	83	37	large
Bankwest	(10)	(50)	(80)	6	(16)	large
IFS and Other	55	10	large	28	27	4
Loan impairment expense "cash basis"	1,256	988	27	692	564	23

Year Ended June 2016 versus June 2015

Loan impairment expense increased 27% on the prior year to \$1,256 million. The increase was driven by:

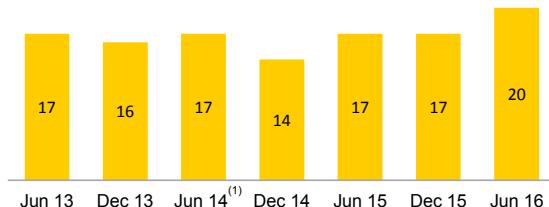
- An increase in Retail Banking Services as a result of higher home loan arrears and losses, predominantly from deterioration in mining towns, and higher personal loan arrears;
- A lower level of write-backs in Business and Private Banking;
- An increase in Institutional Banking and Markets due to a small number of large individual provisions, a lower level of write-backs and higher collective provisions;

- Higher rural lending provisioning within the New Zealand dairy sector, and higher unsecured retail provisioning, partly offset by improved home loan arrears;
- Continued albeit slower run-off of the troublesome and impaired book in Bankwest; and
- An increase in IFS as a result of provisions in the commercial lending portfolio.

Group Performance Analysis

Loan Impairment Expense (continued)

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



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

Half Year Ended June 2016 versus December 2015

Loan impairment expense increased 23% on the prior half to \$692 million mainly driven by:

- An increase in home loan and personal loan arrears due to expected seasonal trends and deterioration in Western Australia and Queensland, in Retail Banking Services;
- A lower level of write-backs and higher collective provisions in Business and Private Banking;
- An increase in New Zealand rural lending provisioning and higher unsecured retail expense due to seasonal trends; and
- Seasonally higher consumer arrears, and slower run off of the troublesome and impaired book in Bankwest; partly offset by
- Lower collective provision charges and higher write-backs in Institutional Banking and Markets, partly offset by increased individual provisions.

Taxation Expense

	Full Year Ended			Half Year Ended		
	30 Jun 16 \$M	30 Jun 15 \$M	Jun 16 vs Jun 15 %	30 Jun 16 \$M	31 Dec 15 \$M	Jun 16 vs Dec 15 %
Corporate tax expense (\$M)	3,592	3,439	4	1,767	1,825	(3)
Effective tax rate (%)	27.5	27.3	20 bpts	27.5	27.5	-

Year Ended June 2016 versus June 2015

Corporate tax expense for the year ended 30 June 2016 increased 4% on the prior year representing a 27.5% effective tax rate.

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

Half Year Ended June 2016 versus December 2015

Corporate tax expense for the half year ended 30 June 2016 decreased 3% on the prior half representing a 27.5% effective tax rate.

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

Group Performance Analysis

Non-Cash Items Included in Statutory Profit

	Full Year Ended			Half Year Ended		
	30 Jun 16 \$M	30 Jun 15 \$M	Jun 16 vs Jun 15 %	30 Jun 16 \$M	31 Dec 15 \$M	Jun 16 vs Dec 15 %
Hedging and IFRS volatility	(200)	6	large	(49)	(151)	(68)
Bankwest non-cash items	(27)	(52)	(48)	(1)	(26)	(96)
Treasury shares valuation adjustment	4	(28)	large	13	(9)	large
Other non-cash items	(23)	(80)	(71)	12	(35)	large
Total non-cash items (after tax)	(223)	(74)	large	(37)	(186)	(80)

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

Hedging and IFRS volatility

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

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

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

Fair value gains or losses on all of these economic hedges are excluded from cash profit, since the asymmetric recognition of the gains or losses does not affect the Group's performance over the life of the hedge. A \$200 million after tax loss was recognised in statutory profit for the year ended 30 June 2016 (30 June 2015: \$6 million after tax gain).

Bankwest non-cash items

The acquisition of Bankwest resulted in the recognition of assets at fair value, representing certain financial instruments, core deposits, customer lists and brand name totalling \$463 million. The core deposits and customer lists have been amortising over their useful life, resulting in amortisation charges of \$27 million after tax in the year ended 30 June 2016 (30 June 2015: \$52 million). The core deposits have now been fully amortised.

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

Treasury shares valuation adjustment

Under IFRS, Commonwealth Bank of Australia shares held by the Group in the managed funds and life insurance businesses are defined as treasury shares and are held at cost. Distributions, realised and unrealised gains and losses were recognised in cash profit representing the underlying performance of the asset portfolio attributable to the wealth and life insurance businesses. These distributions, gains and losses are reversed as non-cash items for statutory reporting purposes. A \$4 million after tax gain was included in statutory profit in the year ended 30 June 2016 (30 June 2015: \$28 million after tax loss).

Policyholder tax

Policyholder tax is included in the Wealth Management business results for statutory reporting purposes. In the year ended 30 June 2016, tax expense of \$101 million (30 June 2015: \$99 million), funds management income refund of \$8 million (30 June 2015: \$21 million income) and insurance income of \$109 million (30 June 2015: \$78 million) were recognised. The gross up of these items is excluded from cash profit, as they do not reflect the underlying performance of the business, which is measured on a net of policyholder tax basis.

Investment experience

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

Group Performance Analysis

Review of Group Assets and Liabilities

	As at				
	30 Jun 16 \$M	31 Dec 15 \$M	30 Jun 15 \$M	Jun 16 vs Dec 15 %	Jun 16 vs Jun 15 %
Total Group Assets and Liabilities					
Interest earning assets					
Home loans	456,074	437,176	422,851	4	8
Consumer finance	23,862	24,012	23,497	(1)	2
Business and corporate loans	220,611	213,278	198,476	3	11
Loans, bills discounted and other receivables ⁽¹⁾	700,547	674,466	644,824	4	9
Non-lending interest earning assets ⁽²⁾	137,838	138,499	138,166	-	-
Total interest earning assets	838,385	812,965	782,990	3	7
Other assets ⁽¹⁾⁽²⁾	94,693	90,110	90,456	5	5
Total assets	933,078	903,075	873,446	3	7
Interest bearing liabilities					
Transaction deposits ⁽²⁾⁽³⁾	89,780	97,327	89,360	(8)	-
Savings deposits	191,313	189,560	176,497	1	8
Investment deposits	197,085	195,814	195,065	1	1
Other demand deposits	71,293	60,861	67,074	17	6
Total interest bearing deposits	549,471	543,562	527,996	1	4
Debt issues	162,716	162,438	156,372	-	4
Other interest bearing liabilities	54,101	58,147	57,523	(7)	(6)
Total interest bearing liabilities	766,288	764,147	741,891	-	3
Non-interest bearing transaction deposits ⁽²⁾⁽³⁾	37,000	15,652	14,168	large	large
Other non-interest bearing liabilities	69,034	63,429	64,394	9	7
Total liabilities	872,322	843,228	820,453	3	6

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

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

(3) During the period, following a change in terms, Interest bearing transaction deposits of \$18,314 million became Non-interest bearing and have been disclosed accordingly.

Year Ended June 2016 versus June 2015

Asset growth of \$60 billion or 7% on the prior year was driven by increased home lending and business and corporate lending.

The Group continued to satisfy a significant portion of lending growth from customer deposits. Customer deposits represent 66% of total funding (30 June 2015: 65%).

Home loans

Home loan balances increased \$33 billion to \$456 billion, reflecting an 8% increase on the prior year, driven by growth in Retail Banking Services, New Zealand and Bankwest.

Consumer finance

Personal loans, including credit cards and margin lending increased 2% on the prior year to \$24 billion, reflecting growth in credit cards within a competitive market environment.

Business and corporate loans

Business and corporate loans increased \$22 billion to \$221 billion, an 11% increase on the prior year. This was driven by strong growth in institutional lending, particularly in the strategic focus industries of Financial Institutions and Infrastructure, and business lending in Business and Private Banking and New Zealand.

Non-lending interest earning assets

Non-lending interest earning assets were flat on the prior year.

Other assets

Other assets, including derivative assets, insurance assets and intangibles, increased \$4 billion to \$95 billion, a 5% increase on the prior year, reflecting higher trading and derivative asset balances.

Interest bearing deposits

Interest bearing deposits increased \$21 billion to \$549 billion, a 4% increase on the prior year. This was driven by strong growth of \$15 billion in savings deposits and a \$4 billion increase in other demand deposits.

Debt issues

Debt issues increased \$6 billion to \$163 billion, a 4% increase on the prior year. While deposits satisfied the majority of the Group's funding requirements, strong access was maintained to both domestic and international wholesale debt markets.

Refer to page 32 for further information on debt programs and issuance for the year ended 30 June 2016.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through income statement and amounts due to other financial institutions, decreased \$3 billion to \$54 billion, a 6% decrease on the prior year.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits, including business and personal transaction accounts, increased \$23 billion to \$37 billion. This includes an \$18 billion increase in non-interest bearing transaction deposits following a change in terms, with underlying growth remaining strong.

Other non-interest bearing liabilities

Other non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, increased \$5 billion to \$69 billion, a 7% increase on the prior year, reflecting higher derivative liability balances driven by foreign exchange volatility.

Group Performance Analysis

Review of Group Assets and Liabilities (continued)

Half Year Ended June 2016 versus December 2015

Asset growth of \$30 billion or 3% on the prior half was driven by increased home lending and business and corporate lending.

Continued deposit growth allowed the Group to continue to satisfy a significant portion of its funding requirements through customer deposits. Customer deposits made up 66% of total funding (31 December 2015: 66%).

Total assets and total liabilities include a 1% decrease due to the higher Australian dollar.

Home loans

Home loan balances increased \$19 billion, a 4% increase on the prior half, reflecting growth in Retail Banking Services, New Zealand and Bankwest.

Consumer finance

Personal loans, including credit cards and margin lending decreased 1% on the prior half, due to seasonally lower credit card balances.

Business and corporate loans

Business and corporate loans increased \$7 billion, a 3% increase on the prior half. This includes a 1% decrease due to the higher Australian dollar, and solid growth in commercial and lending balances.

Non-lending interest earning assets

Non-lending interest earning assets were flat on the prior half.

Other assets

Other assets, including derivative assets, insurance assets and intangibles increased \$5 billion, a 5% increase on the prior half, reflecting higher trading and derivative asset balances.

Interest bearing deposits

Interest bearing deposits increased \$6 billion, a 1% increase on the prior half, reflecting growth in other demand deposits, partly offset by an \$18 billion decrease in transaction deposits following a change in terms.

Debt issues

Debt issues were flat on the prior half.

Refer to page 32 for further information on debt programs and issuance for the half year ended 30 June 2016.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through income statement and amounts due to other financial institutions, decreased \$4 billion, a 7% decrease on the prior half.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits, including business and personal transaction accounts, increased \$21 billion to \$37 billion. This was primarily due to an \$18 billion increase in non-interest bearing transaction deposits following a change in terms, with underlying growth remaining strong.

Other non-interest bearing liabilities

Other non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, increased \$6 billion, a 9% increase on the prior half, reflecting higher derivative liability balances driven by foreign exchange volatility.

Group Operations and Business Settings

Loan Impairment Provisions and Credit Quality

Provisions for Impairment

	As at				
	30 Jun 16 \$M	31 Dec 15 \$M	30 Jun 15 \$M	Jun 16 vs Dec 15 %	Jun 16 vs Jun 15 %
Provisions for impairment losses					
Collective provision	2,818	2,801	2,762	1	2
Individually assessed provisions	944	909	887	4	6
Total provisions for impairment losses	3,762	3,710	3,649	1	3
Less: Provision for Off Balance Sheet exposures	(44)	(47)	(31)	(6)	42
Total provisions for loan impairment	3,718	3,663	3,618	2	3

Year Ended June 2016 versus June 2015

Total provisions for impairment losses increased 3% on the prior year to \$3,762 million. The movement in the level of provisioning reflects:

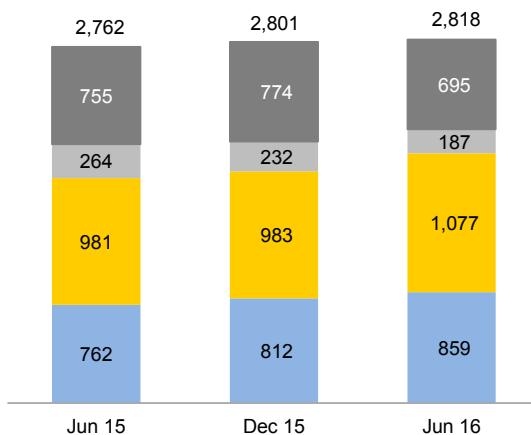
- A small number of large individually assessed provisions in Institutional Banking and Markets;
- An increase in commercial collective provisions from the annual review of provisioning factors and an increase in Institutional Banking and Markets collective provisions; and
- An increase in consumer collective provisioning, mainly due to higher home loan and personal loan arrears; partly offset by
- A reduction in Bankwest collective and individually assessed provisions from run-off of the troublesome and impaired book; and
- Reduced management overlays, mainly due to model factor updates. Economic overlays remain unchanged on the prior year.

Half Year Ended June 2016 versus December 2015

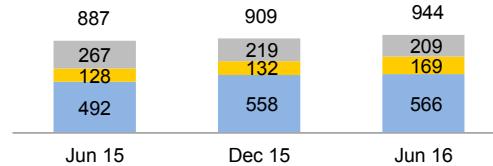
Total provisions for impairment losses increased 1% on the prior half. The movement in the level of provisioning reflects:

- An increase in consumer collective provisions in home loans and personal loans;
- Higher commercial collective provisions, mainly due to the annual review of provisioning factors; and
- An increase in consumer individually assessed provisions due to home loan impairments in Western Australia and Queensland; partly offset by
- A reduction in Bankwest collective provisions from run-off of the troublesome book and stabilising credit quality in the business portfolio; and
- Reduction in management overlays, mainly due to model factor updates. Economic overlays remain unchanged.

Collective Provisions (\$M)



Individually Assessed Provisions (\$M)



■ Overlay

■ Bankwest

■ Consumer

■ Commercial

Group Operations and Business Settings

Loan Impairment Provisions and Credit Quality (continued)

Credit Quality

Credit Quality Metrics	Full Year Ended			Half Year Ended		
	Jun 16 vs		Jun 15 %	Jun 16 vs		Jun 15 %
	30 Jun 16	30 Jun 15		30 Jun 16	31 Dec 15	
Gross loans and acceptances (GLAA) (\$M)	701,730	646,172	9	701,730	675,728	4
Risk weighted assets (RWA) (\$M) - Basel III	394,667	368,721	7	394,667	392,662	1
Credit RWA (\$M) - Basel III	344,030	319,174	8	344,030	334,957	3
Gross impaired assets (\$M)	3,116	2,855	9	3,116	2,788	12
Net impaired assets (\$M)	1,989	1,829	9	1,989	1,756	13
Provision Ratios						
Collective provision as a % of credit RWA - Basel III	0.82	0.87	(5)bpts	0.82	0.84	(2)bpts
Total provisions as a % of credit RWA - Basel III	1.09	1.14	(5)bpts	1.09	1.11	(2)bpts
Total provisions for impaired assets as a % of gross impaired assets	36.17	35.94	23 bpts	36.17	37.02	(85)bpts
Total provisions for impairment losses as a % of GLAAs	0.54	0.56	(2)bpts	0.54	0.55	(1)bpt
Asset Quality Ratios						
Gross impaired assets as a % of GLAAs	0.44	0.44	-	0.44	0.41	3 bpts
Loans 90+ days past due but not impaired as a % of GLAAs	0.33	0.36	(3)bpts	0.33	0.30	3 bpts
Loan impairment expense ("cash basis") annualised as a % of average GLAAs	0.19	0.16	3 bpts	0.20	0.17	3 bpts

Provision Ratios

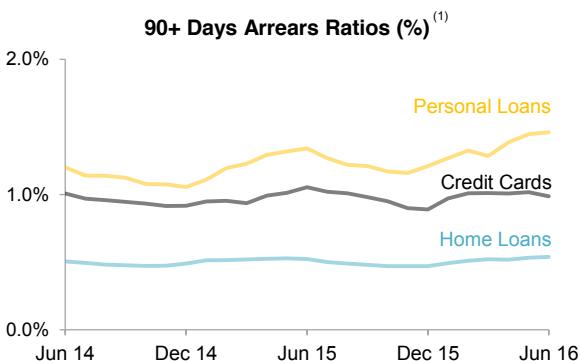
Provision coverage ratios remain prudent. The impaired asset portfolio remains well provisioned with provision coverage of 36.17%.

Asset Quality

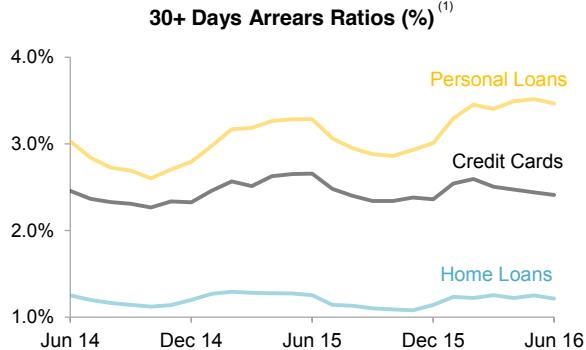
Troublesome and impaired assets have increased over the year reflecting increased stress in the commodity and commodity related sectors. The arrears for the home loan and credit card portfolios are relatively low, however personal loan arrears continues to be elevated, primarily in Western Australia and Queensland.

Retail Portfolios – Arrears Rates

Home loan arrears were mixed over the year, with 30+ day arrears decreasing from 1.25% to 1.21% and 90+ day arrears increasing from 0.52% to 0.54%. Credit card arrears improved over the year with 30+ day arrears falling from 2.66% to 2.41% and 90+ day arrears reducing from 1.05% to 0.99%. Personal loan arrears deteriorated with 30+ day arrears increasing from 3.28% to 3.46%, and 90+ day arrears increasing from 1.34% to 1.46%.



30+ Days Arrears Ratios (%)⁽¹⁾

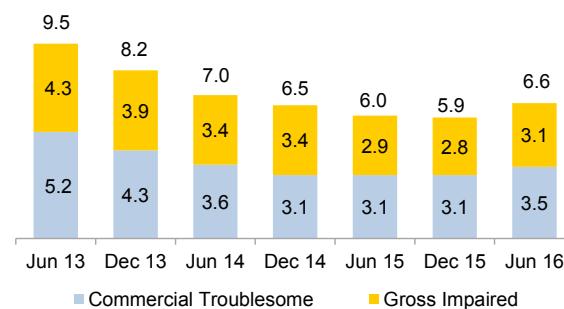


Troublesome and Impaired Assets

Commercial troublesome assets increased 14% during the year to \$3,476 million.

Gross impaired assets increased 9% on the prior year to \$3,116 million. Gross impaired assets as a proportion of GLAAs of 0.44% was unchanged on the prior year.

Troublesome and Impaired Assets (\$B)



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

Group Operations and Business Settings

Capital

Basel Regulatory Framework

Background

The Basel Committee on Banking Supervision (BCBS) has implemented a set of capital, liquidity and funding reforms known as "Basel III". The objectives of the reforms are to increase the quality, consistency and transparency of capital, to enhance the risk coverage framework, and to reduce systemic and pro-cyclical risk. The major reforms are being implemented on a phased approach to 1 January 2019.

The reforms were implemented in Australia on 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 APRA prudential standards require a minimum CET1 ratio of 4.5% effective from 1 January 2013. An additional CET1 capital conservation buffer of 3.5%, inclusive of a Domestic Systemically Important Bank (DSIB) requirement of 1% and a countercyclical capital buffer (CCyB)⁽¹⁾ of 0%, was effective from 1 January 2016, bringing the CET1 requirement to at least 8%.

Financial System Inquiry

In December 2014, the Government released the final report of the Financial System Inquiry (FSI).

In July 2015, in connection with the FSI recommendations, APRA released the following:

- Information paper: "International capital comparison study" (APRA study), which endorsed the FSI recommendation that the capital of Australian ADIs should be unquestionably strong; and
- An announcement in relation to increases in the capital requirements under the IRB approach for Australian residential mortgages, effective from 1 July 2016, with the change aimed at increasing mortgage competition between the major banks and non-major banks.

In September 2015, the Group completed a \$5.1 billion institutional and retail entitlement offer, ahead of the implementation of the increased capital requirements for Australian residential mortgages.

APRA is expected to consult further with the industry on the FSI recommendations during 2017.

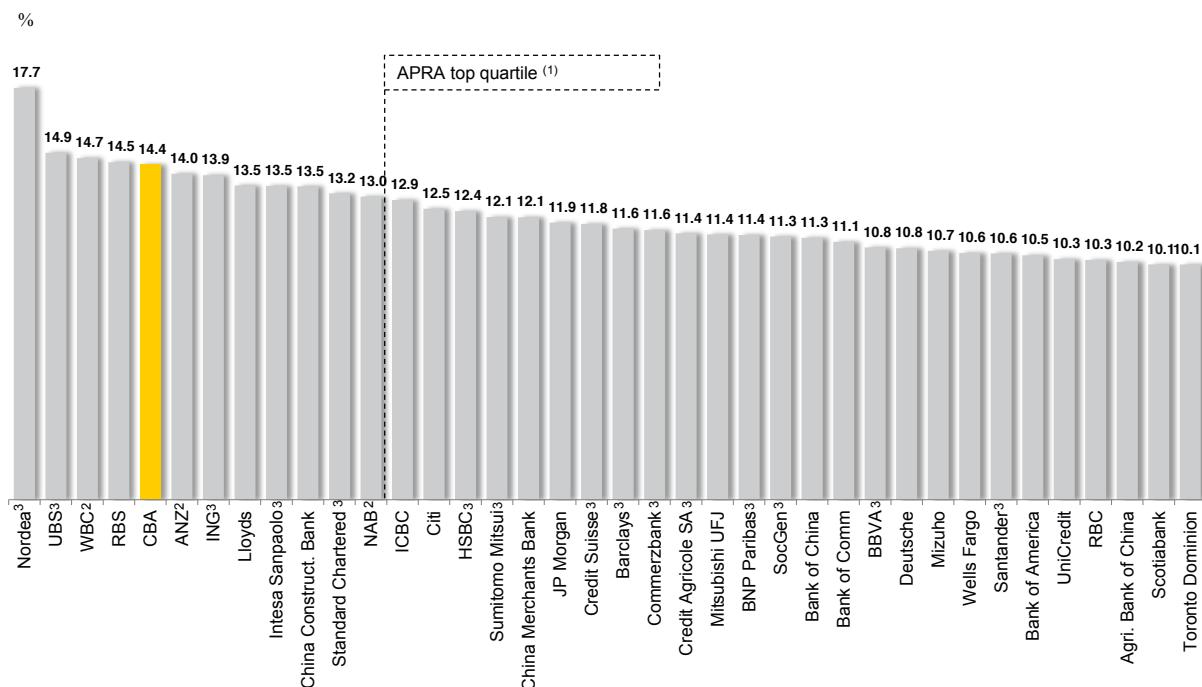
Internationally Comparable Capital Position

The Group's CET1 as measured on an internationally comparable basis was 14.4% as at 30 June 2016, placing it amongst the top quartile of international peer banks.

In July 2016, APRA updated their analysis of the international capital comparison and confirmed that the major Australian banks all hold capital at levels which place them in the top quartile of international peer banks.

- (1) In December 2015, APRA announced that the CCyB for Australian exposures has been set at 0%, and the Group has limited exposures to those offshore jurisdictions in which a CCyB in excess of 0% has been imposed.

International Peer Basel III CET1



Source: Morgan Stanley and CBA. Based on last reported CET1 ratios up to 5 August 2016 assuming Basel III capital reforms fully implemented. Peer group comprises listed commercial banks with total assets in excess of AUD750 billion and which have disclosed fully implemented Basel III ratios or provided sufficient disclosure for a Morgan Stanley estimate.

(1) APRA Insight Issue Two "International capital comparison update" (4 July 2016).

(2) Domestic peer figures as at 31 March 2016. NAB included in peer bank top quartile in accordance with APRA update (see 1 above).

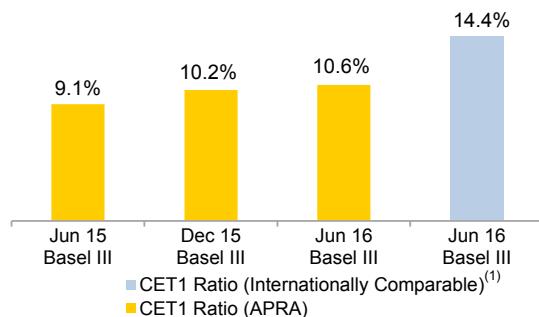
(3) Deduction for accrued expected future dividends added back for comparability.

Group Operations and Business Settings

Capital (continued)

Capital Position

The Group strengthened its capital position during the year with its CET1 ratio as measured on an APRA basis of 10.6% at 30 June 2016, compared with 10.2% at 31 December 2015 and 9.1% at 30 June 2015. The capital ratios were maintained well in excess of regulatory minimum capital adequacy requirements at all times throughout the year.



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

The increase in the Group's CET1 ratio across the June 2016 half year reflects the impact of the capital generated from earnings, partly offset by the December 2015 interim dividend (net of issuance of shares in respect of the impact of the Dividend Reinvestment Plan (DRP)). The movement in Total Risk Weighted Assets (RWA) over the half year was minimal with growth in credit, operational and market RWA, offset by a decrease in interest rate risk in the banking book (IRRBB) RWA.

The increase in the Group's CET1 ratio across the June 2016 full year incorporates the benefit of the issuance of shares as part of the entitlement offer completed in September 2015.

Capital Initiatives

The following significant CET1 capital initiatives were undertaken during the year:

- \$5.1 billion institutional and retail entitlement offer;
- The DRP in respect of the 2015 final dividend was satisfied by the issuance of \$657 million of ordinary shares, representing a participation rate of 18.1%; and
- The DRP in respect of the 2016 interim dividend was satisfied by the issuance of \$552 million of ordinary shares, representing a participation rate of 16.3%.

Pillar 3 Disclosures

Details on the market disclosures required under Pillar 3, per prudential standard APS 330 "Public Disclosure", are provided on the Group's website at:

www.commbank.com.au/about-us/investors/shareholders.

Other Regulatory Changes

Basel Committee on Banking Supervision

The BCBS has issued a number of consultation documents, associated with:

- Design of a framework for the application of capital floors based on standardised approaches;
- Revisions to the standardised approach for credit risk;
- Implementation of constraints on the use of internal credit risk models;
- Fundamental review of the trading book;
- Revisions to operational risk; and
- Interest rate risk in the banking book.

Finalisation of the review of the trading book requirements was completed in January 2016 with an effective implementation date of 1 January 2019. The review of IRRBB was completed in April 2016 with the BCBS concluding that there will be no requirement to include this risk in the capital ratio calculation. However additional disclosure requirements will be implemented from 1 January 2018.

Finalisation with respect to the remaining proposals is expected to be completed by the BCBS by the end of 2016. APRA is expected to consult on the domestic application of the above changes in 2017.

Composition of Level 2 ADI Groups

In May 2014, APRA provided more clarity on the definition of the Level 2 Banking Group. Subsidiary intermediate holding companies are considered part of the Level 2 Group, regardless of the nature of any activity undertaken by their operating subsidiaries. As a result, capital benefits arising from the debt issued by the Colonial Group are being phased out. APRA granted transition arrangements on these changes, in line with the maturity profile of the debt.

Conglomerate Groups

APRA is extending its prudential supervision framework to Conglomerate Groups that have material operations in more than one APRA regulated industry and/or have one or more material unregulated entities. In March 2016 APRA advised that it was deferring finalisation of the capital requirements with respect to conglomerates until after the completion of other domestic and international policy initiatives. APRA does not anticipate that consultation on the capital requirements will commence earlier than mid-2017 and implementation will be no earlier than 2019. Non capital related requirements, which include such items as governance, risk exposures and intra group exposures, will become effective on 1 July 2017.

Group Operations and Business Settings

Capital (continued)

The tables below show the APRA Basel III capital adequacy calculation at 30 June 2016 together with prior period comparatives.

	30 Jun 16	31 Dec 15	30 Jun 15
	%	%	%
Risk Weighted Capital Ratios			
Common Equity Tier 1	10.6	10.2	9.1
Tier 1	12.3	12.2	11.2
Tier 2	2.0	1.9	1.5
Total Capital	14.3	14.1	12.7
	30 Jun 16	31 Dec 15	30 Jun 15
	\$M	\$M	\$M
Ordinary Share Capital and Treasury Shares			
Ordinary Share Capital	33,845	33,252	27,619
Treasury Shares ⁽¹⁾	284	325	279
Ordinary Share Capital and Treasury Shares	34,129	33,577	27,898
Reserves			
Reserves	2,734	2,554	2,345
Reserves related to non-consolidated subsidiaries ⁽²⁾	(143)	(181)	(93)
Total Reserves	2,591	2,373	2,252
Retained Earnings and Current Period Profits			
Retained earnings and current period profits	23,627	22,548	21,528
Retained earnings adjustment from non-consolidated subsidiaries ⁽³⁾	(451)	(481)	(529)
Net Retained Earnings	23,176	22,067	20,999
Non-controlling interest			
Non-controlling interest ⁽⁴⁾	550	554	562
Less ASB perpetual preference shares	(505)	(505)	(505)
Less other non-controlling interests not eligible for inclusion in regulatory capital	(45)	(49)	(57)
Minority Interest	-	-	-
Common Equity Tier 1 Capital before regulatory adjustments	59,896	58,017	51,149

(1) Represents shares held by the Group's life insurance operations (\$104 million) and employee share scheme trusts (\$180 million).

(2) Represents foreign currency translation reserve and available-for-sale investments reserve balances associated with the insurance and funds management entities and those entities through which securitisation of the Group's assets are conducted. These entities are classified as non-consolidated subsidiaries by APRA and are excluded from the Level 2 Regulatory Consolidated Banking Group.

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

(4) Non-controlling interests predominantly comprise ASB Perpetual Preference Shares of NZD550 million issued by a New Zealand subsidiary entity. These are non-redeemable and carry limited voting rights. These are classified as additional Tier 1 Capital.

Group Operations and Business Settings

Capital (continued)

	30 Jun 16 \$M	31 Dec 15 \$M	30 Jun 15 \$M
Common Equity Tier 1 regulatory adjustments			
Goodwill ⁽¹⁾	(7,603)	(7,597)	(7,599)
Other intangibles (including software) ⁽²⁾	(2,313)	(2,294)	(2,253)
Capitalised costs and deferred fees	(535)	(498)	(559)
Defined benefit superannuation plan surplus ⁽³⁾	(183)	(307)	(193)
General reserve for credit losses ⁽⁴⁾	(386)	(270)	(242)
Deferred tax asset	(1,443)	(1,078)	(1,164)
Cash flow hedge reserve	(473)	(137)	(263)
Employee compensation reserve	(132)	(85)	(122)
Equity investments ⁽⁵⁾	(3,120)	(3,263)	(3,179)
Equity investments in non-consolidated subsidiaries ^{(1) (6)}	(1,458)	(1,688)	(1,705)
Shortfall of provisions to expected losses ⁽⁷⁾	(314)	(245)	(134)
Gain due to changes in own credit risk on fair valued liabilities	(161)	(132)	(144)
Other	(112)	(207)	(194)
Common Equity Tier 1 regulatory adjustments	(18,233)	(17,801)	(17,751)
Common Equity Tier 1	41,663	40,216	33,398
Additional Tier 1 Capital			
Basel III complying instruments ⁽⁸⁾	6,450	5,000	5,000
Basel III non-complying instruments net of transitional amortisation ⁽⁹⁾	640	2,756	2,749
Holding of Additional Tier 1 Capital ⁽¹⁰⁾	(200)	-	-
Additional Tier 1 Capital	6,890	7,756	7,749
Tier 1 Capital	48,553	47,972	41,147
Tier 2 Capital			
Basel III complying instruments ⁽¹¹⁾	5,834	5,033	3,268
Basel III non-complying instruments net of transitional amortisation ⁽¹²⁾	1,934	2,141	2,257
Holding of Tier 2 Capital	(25)	(19)	(20)
Prudential general reserve for credit losses ⁽¹³⁾	181	178	156
Total Tier 2 Capital	7,924	7,333	5,661
Total Capital	56,477	55,305	46,808

(1) Goodwill excludes \$322 million which is included in equity investments in non-controlled subsidiaries.

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

(3) In accordance with APRA regulations, the surplus in the Group's defined benefit superannuation fund, net of any deferred tax liability, must be deducted from Common Equity Tier 1.

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

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

(6) Non-consolidated subsidiaries primarily represents the insurance and funds management companies operating within the Colonial Group. The adjustment at 30 June 2016 is net of \$900 million in non-recourse debt (31 December 2015: \$900 million, 30 June 2015: \$900 million) and \$1,000 million in Colonial Group Subordinated Notes (31 December 2015: \$1,000 million, 30 June 2015: \$1,000 million). The Group's insurance and fund management companies held \$1,215 million of capital in excess of minimum regulatory capital requirements at 30 June 2016.

(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 2016, comprises PERLS VIII \$1,450 million issued in March 2016, PERLS VII \$3,000 million issued in October 2014 and PERLS VI \$2,000 million issued in October 2012.

(9) Represents APRA Basel III non-compliant Additional Tier 1 Capital Instruments that are eligible for Basel III transitional relief. In the June 2016 half year the Group redeemed USD700 million in Trust Preferred Securities 2006 and bought back and cancelled AUD1,166 million of PERLS III.

(10) Represents holdings of Additional Tier 1 capital instruments issued by the Colonial Mutual Life Assurance Society Limited.

(11) In the June half year, the Group issued AUD750 million Tier 2 subordinated notes (December half year issued USD1,250 million Tier 2 subordinated notes).

(12) Includes both perpetual and term instruments subordinated to depositors and general creditors, having an original maturity of at least five years. APRA require these to be included as if they were unhedged. Term instruments are amortised 20% of the original amount during each of the last five years to maturity. These instruments are eligible for Basel III transitional relief.

(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.

Group Operations and Business Settings

Capital (continued)

	30 Jun 16 \$M	31 Dec 15 \$M	30 Jun 15 \$M
Risk Weighted Assets			
Credit Risk			
Subject to Advanced IRB approach			
Corporate	67,624	69,392	60,879
SME Corporate	28,261	25,066	25,289
SME Retail	4,673	5,328	5,068
SME Retail secured by residential mortgage	2,654	2,670	2,949
Sovereign	6,247	6,147	5,163
Bank	12,357	12,581	12,024
Residential mortgage	79,017	75,010	74,382
Qualifying revolving retail	9,337	9,306	8,861
Other retail	14,247	14,249	13,942
Impact of the regulatory scaling factor ⁽¹⁾	13,465	13,185	12,513
Total Risk Weighted Assets subject to Advanced IRB approach	237,882	232,934	221,070
Specialised lending exposures subject to slotting criteria	56,795	54,885	51,081
Subject to Standardised approach			
Corporate	10,982	10,284	10,357
SME Corporate	4,133	4,571	5,921
SME Retail	6,122	6,093	5,843
Sovereign	268	206	209
Bank	224	236	244
Residential mortgage	7,428	7,044	6,728
Other retail	2,750	2,744	2,679
Other assets	5,360	5,811	4,982
Total Risk Weighted Assets subject to Standardised approach	37,267	36,989	36,963
Securitisation	1,511	1,567	1,653
Credit valuation adjustment	8,273	7,686	7,712
Central counterparties	2,302	896	695
Total Risk Weighted Assets for Credit Risk Exposures	344,030	334,957	319,174
Traded market risk	9,439	7,451	6,335
Interest rate risk in the banking book	7,448	17,511	10,847
Operational risk	33,750	32,743	32,365
Total Risk Weighted Assets	394,667	392,662	368,721

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

Group Operations and Business Settings

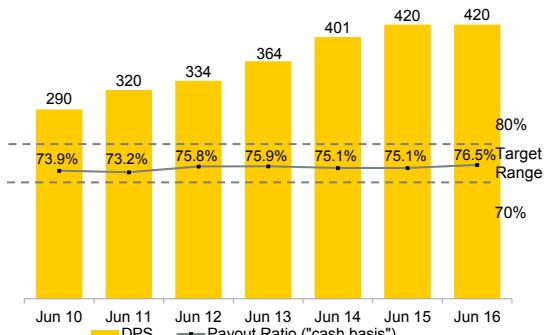
Dividends

Final Dividend for the Year Ended 30 June 2016

The final dividend declared was \$2.22 per share, bringing the total dividend for the year ended 30 June 2016 to \$4.20 per share, in line with the prior full year dividend. This represents a dividend payout ratio ("cash basis") of 76.5%.

The final dividend will be fully franked and will be paid on 29 September 2016 to owners of ordinary shares at the close of business on 18 August 2016 (record date). Shares will be quoted ex-dividend on 17 August 2016.

Full Year Dividend History (cents per share)



Dividend Reinvestment Plan (DRP)

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

Dividend Policy

The Group will seek to:

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

Leverage Ratio

	As at	
	30 Jun 16	31 Dec 15
Summary Group Leverage Ratio		
Tier 1 Capital (\$M)	48,553	47,972
Total Exposures (\$M) ⁽¹⁾	980,846	952,969
Leverage Ratio (APRA) (%)	5.0	5.0
Leverage Ratio (Internationally Comparable) (%)⁽²⁾	5.6	5.6

(1) Total exposures is the sum of on Balance Sheet exposures, derivatives, Securities Financing Transactions (SFTs), and off Balance Sheet exposures, net of any Tier 1 regulatory deductions, as outlined in APS 110 "Capital Adequacy".

(2) The Tier 1 Capital included in the calculation of the internationally comparable leverage ratio aligns with the 13 July 2015 APRA study titled "International capital comparison study", and includes Basel III non-compliant Tier 1 instruments that are currently subject to transitional rules.

The Group's leverage ratio, defined as Tier 1 Capital as a percentage of total exposures, was 5.0% at 30 June 2016 on an APRA basis and 5.6% on an internationally comparable basis.

The ratio remained stable across the June 2016 half year with an increase in capital levels offset by growth in exposures.

The Group commenced disclosure of its leverage ratio from 30 September 2015, thus no prior year comparatives have been presented.

The BCBS has advised that the leverage ratio will migrate to a Pillar 1 minimum capital requirement of 3% from 1 January 2018. The BCBS will confirm the final calibration in 2017.

Group Operations and Business Settings

Liquidity

	As at				
	30 Jun 16 \$M	31 Dec 15 \$M	30 Jun 15 \$M	Jun 16 vs Dec 15 %	Jun 16 vs Jun 15 %
Level 2					
Liquidity Coverage Ratio (LCR) Liquid Assets					
High Quality Liquid Assets (HQLA) ⁽¹⁾	75,147	73,657	65,940	2	14
Committed Liquidity Facility (CLF)	58,500	66,000	66,000	(11)	(11)
Total LCR liquid assets	133,647	139,657	131,940	(4)	1
Net Cash Outflows (NCO)					
Customer deposits	70,139	67,137	65,832	4	7
Wholesale funding ⁽²⁾	19,406	25,316	30,753	(23)	(37)
Other net cash outflows ⁽³⁾	21,854	20,754	13,819	5	58
Total NCO	111,399	113,207	110,404	(2)	1
Liquidity Coverage Ratio (%)	120	123	120	(300)bpts	-
LCR surplus	22,248	26,450	21,536	(16)	3

- (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 all interbank deposits that are included as short-term wholesale funding on page 32.
(3) Includes cash inflows.

June 2016 versus June 2015

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 2016, the Group's LCR was 120%, which remained flat on the prior year.

High Quality Liquid Assets (HQLA) in the form of cash, deposits with central banks, Australian Commonwealth Government and Semi-Government securities increased \$9 billion to \$75 billion, as the group managed its liquidity position ahead of a reduction in the RBA's Committed Liquidity Facility (CLF) effective 1 January 2016.

Liquid assets surplus to regulatory requirements remained stable at \$22 billion, with total liquid assets as at 30 June 2016 of \$134 billion, including the CLF.

Projected Net Cash Outflows (NCOs) increased \$1 billion on the prior year to \$111 billion. Projected customer deposit cash outflows increased \$4 billion to \$70 billion. Wholesale funding projected cash outflows decreased \$11 billion to \$19 billion as a result of lower debt maturities in the next 30 days. Other projected cash outflows increased \$8 billion to \$22 billion due to an increase in collateral requirements and growth in credit facilities.

June 2016 versus December 2015

At 30 June 2016, the Group's LCR was 120%, down from 123% on the prior half. LCR liquid assets of \$134 billion, decreased \$6 billion on the prior half, primarily due to a decrease in the CLF.

Projected NCOs decreased \$2 billion on the prior half. Projected customer deposit cash outflows increased \$3 billion while wholesale funding projected cash outflows decreased \$6 billion due to lower debt maturities in the next 30 days.

For further information on the Group's liquidity management please see Note 34 of the Annual Report.

Group Operations and Business Settings

Funding

Group Funding ⁽²⁾	As at ⁽¹⁾				
	30 Jun 16	31 Dec 15	30 Jun 15	Jun 16 vs	Jun 16 vs
	\$M	\$M	\$M	Dec 15 %	Jun 15 %
Customer deposits	517,974	500,356	477,811	4	8
Short-term wholesale funding	110,714	108,783	106,763	2	4
Long-term wholesale funding - less than or equal to one year residual maturity	29,297	28,075	28,392	4	3
Long-term wholesale funding - more than one year residual maturity ⁽³⁾	118,121	113,332	111,429	4	6
IFRS MTM and derivative FX revaluations	4,149	2,488	2,346	67	77
Total wholesale funding	262,281	252,678	248,930	4	5
Short-term collateral deposits ⁽⁴⁾	8,323	9,942	11,729	(16)	(29)
Total funding	788,578	762,976	738,470	3	7

(1) Total funding has been restated to better align with peers and international best practice.

(2) Shareholders' equity is excluded from this view of funding sources, other than the USD Trust Preferred Securities (redeemed March 2016), which are classified as other equity instruments in the statutory Balance Sheet.

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

(4) Short-term collateral deposits includes net collateral received and the amount of internal RMBS pledged with the Reserve Bank to facilitate intra-day cash flows in the Exchange Settlement Account.

June 2016 versus June 2015

Customer Deposits

Customer deposits accounted for 66% of total funding at 30 June 2016, an increase of 1% on the prior year. Strong deposit growth has seen the Group satisfy a significant proportion of its funding requirements from retail, business and institutional customer deposits.

Short-Term Wholesale Funding

Short-term wholesale funding⁽¹⁾ accounted for 42% of total wholesale funding at 30 June 2016, a decrease of 1% on the prior year. The increase in short-term wholesale funding of \$4 billion was driven largely by the impact of the lower Australian dollar.

Long-Term Wholesale Funding

The cost of new long-term wholesale funding⁽²⁾ increased compared to the prior year. During the period, the Group raised \$38 billion of long-term wholesale funding in multiple currencies including AUD, USD, EUR, and GBP.

Most issuance was in senior unsecured format, although the Group used its covered bond and RMBS programs to provide cost, tenor and diversification benefits. The Group also issued Basel III compliant Tier 2 capital deals in the Australian and US dollar markets.

The Weighted Average Maturity (WAM) of new long-term wholesale debt issued in the year to June 2016 was 5.2 years. The WAM of outstanding long-term wholesale debt with a residual maturity greater than 12 months was 4.1 years at 30 June 2016.

Long-term wholesale funding (including an adjustment for IFRS MTM and derivative FX revaluations) accounted for 58% of total wholesale funding at 30 June 2016, compared to 57% in the prior year.

Short-Term Collateral Deposits

Short-term collateral deposits accounted for 1% of total funding at 30 June 2016, a decrease of 1% on the prior year. Net Collateral received decreased \$3 billion driven by restructure of swaps and lower interest yields, partly offset by the impact of the lower Australian dollar.

June 2016 versus December 2015

Customer Deposits

Customer deposits accounted for 66% of total funding at 30 June 2016, in line with the prior half. Strong deposit growth has seen the Group satisfy a significant proportion of its funding requirements from retail, business and institutional customer deposits.

Short-Term Wholesale Funding

Short-term wholesale funding accounted for 42% of total wholesale funding at 30 June 2016, a decrease of 1% on the prior half.

Long-Term Wholesale Funding

The cost of new long-term wholesale funding increased on the prior half as ongoing macroeconomic uncertainty, particularly in commodity markets and emerging economies, weighed on markets. During the half, the Group raised \$21 billion of long-term wholesale funding.

The WAM of new long-term wholesale debt issued in the six months to June 2016 was 5.2 years.

Long-term funding (including an adjustment for IFRS MTM and derivative FX revaluations) accounted for 58% of total wholesale funding at 30 June 2016, compared to 57% in the prior half.

Short-Term Collateral Deposits

Short-term collateral deposits accounted for 1% of total funding at 30 June 2016, which was in line with the prior half. Net Collateral received decreased \$2 billion, largely due to the impact of the higher Australian dollar.

For further information on Funding risk, please refer to Note 34 to the Financial Statements.

(1) Short term wholesale funding includes debt with an original maturity or call date of less than or equal to 12 months, and consists of certificates of deposit and bank acceptances, debt issued under the EMTN program and the domestic, Euro and US commercial paper programs of Commonwealth Bank of Australia and ASB. Short-term wholesale funding also includes deposits from banks and central banks as well as net repurchase agreements.

(2) Long-term wholesale funding includes debt with an original maturity or call date of greater than 12 months.

Corporate Responsibility

Introduction

Corporate Responsibility takes many forms in the Group as we look to deliver long-term value through our role in society, our people and the way we do business. Guided by the Group's vision we actively consider the environmental, social and economic impacts of our activities and look for ways to make a positive contribution beyond our core business.

Creating Long-Term Value for Stakeholders

Examples of the value created for the stakeholders of the Group during the 2016 financial year (2016) include:

- With more than 51,000 people, the Group's annual payroll expenditure was more than \$6.1 billion;
- The Group returned more than 75 per cent of its profits to more than 800,000 Australians who hold CBA shares directly, and millions more who hold them through superannuation funds;
- The Group's tax expense was more than \$3.5 billion, making it Australia's largest taxpayer;
- The Group directly helped 229 grassroots community organisations make a positive impact on the health and wellbeing of Australian youth; and
- The Group made voluntary community contributions of \$262 million in the form of cash, time, foregone revenue and program implementation costs. This represents more than 2.0 per cent of pre-tax profits.

Our Approach to Corporate Responsibility

The Group's Corporate Responsibility 2016 - 2018 Strategy has two pillars: Our Role in Society and The Way We Do Business, with key priorities under each pillar to address the Group's material Environmental, Social and Governance (ESG) issues. It guides the Group's approach to the effective management of those issues and associated risks and opportunities and complies with the ASX Corporate Governance Principles and Recommendations.

In 2016 the Group further mapped out its priorities and as a result, identified the need to specifically call out programs of work related to its people and their contribution to communities.

Strengthening our Approach to Reporting

Progress and performance against the Group's Corporate Responsibility Strategy 2016 - 2018 is publicly available in the standalone Corporate Responsibility Report, released alongside the Annual Report.

The Group's non-financial reporting is organised and presented in accordance with the Global Reporting Initiative (GRI) G4 Framework using the 'Core' option.

The Group is a signatory to the United Nations Global Compact (UNGC) and committed to working with local and international peers, as well as the United Nations Environment Programme for Finance Initiative (UNEPFI) to establish consistent measures and methodologies across the industry. In addition, the Group continues to benchmark its progress against a number of leading global sustainability indices and surveys including:

- Global 100 Index (G100). In 2016, the Group ranked fourth in the world, making it the number one Australian company and number one bank in the world in the G100.

- Dow Jones Sustainability Indices (DJSI). In 2016, the Group was again included in the World Index.
- CDP (formerly the Carbon Disclosure Project). In 2016 and for the seventh consecutive year, the Group was included in the CDP ASX 200 Climate Disclosure Leadership Index.
- FTSE4Good Index. The Group continues to be included in the Index, which measures the performance of companies demonstrating strong ESG practices.

Our Role in Society

Invest in Education and Skills for the Workforce of the Future

As the Australian economy transitions to more knowledge-based industries, the Group continues to focus its community investment to support the skills needed for a new economy. In 2015 the Group made a \$50 million investment in education, to be delivered over the following three years.

Teaching Students Financial Skills to Participate in the Economy of the Future

The Group continues to demonstrate its commitment to education through the Start Smart Program with more than 1.9 million students booked since the program started in 2009 and the School Banking Program, with more than 330,000 students actively participating in 2016.



550,000+

students booked into Start Smart in FY16

Supporting Evidence for Learning and Education Excellence

As part of its commitment to education, the Group launched Evidence for Learning, a new social enterprise set up by Social Ventures Australia, incubated with Commonwealth Bank funding. A new Learning Impact Fund evaluates education programs in Australia to raise the academic achievement of children and young adults.

Develop Innovative Products and Services to Support our Customers in the Economy of the Future

For the Group, innovation is about providing customers with technologies and services that fundamentally change the way they access and manage their finances, for the better.

Drive Digital Innovation for Improved Products and Services

During 2016, the Group delivered the following innovations:

- Instant Banking - New to bank customers are able to download the CommBank app and open a transaction account within a couple of minutes without needing to go into a branch or make a phone call when required identification is provided.
- New property app - The updated CommBank Property app, available on Android and iOS uses multiple data sources to provide customers with informative data, estimated market prices and allow them to apply for conditional eligibility.
- Launch of the Hong Kong Innovation Lab in January 2016, which enables customers, employees and start-up communities to access the latest FinTech developments.



#1

Australian Company on the G100 Global Index

Corporate Responsibility

In addition, the Group has invested in cybersecurity and quantum computing projects in partnership with the University of New South Wales, providing \$1.6 million to develop a centre of expertise for cybersecurity education and boost the nation's reserve of quality security engineering professionals. The Group also committed in-principle \$10 million to support efforts to build the world's first silicon-based quantum computer in Sydney.

Develop Products and Services that Consider Economic, Environmental and Social Issues

Internationally, the Group is investing in innovation to support emerging markets and provide underserved communities with banking services. For example in Indonesia, as part of the WISE (Women Investment Series) initiative the Group launched a mobile app built as a platform for women to receive and exchange information with other women, with a focus on financial education.

Within Australia, the Group provides specialised banking services to the not-for-profit sector, with reduced fees and tailored products. The Women in Focus online community supports women-led businesses, while the Group's Community Business Finance team offers affordable banking solutions to groups such as Indigenous Australians, the disadvantaged and migrants.

Our People

Treat all People with Respect and Fairness

The Group has a range of strategies and programs to ensure that employees, other stakeholders and the wider community are valued and respected.

Implement 2015-2017 Diversity and Inclusion Strategy

The 2015-2017 Diversity and Inclusion Strategy provides a roadmap for the Group to enhance its culture so that all people feel included and connected. The strategy comprises five strategic goals – Inclusive Leadership; Diversity in Leadership; You Can Be You; Flexibility; and Reputation and Engagement.

The Group was named the second most inclusive employer in the 2016 Australian Workplace Equality Index (AWEI) Awards, which recognises workplace support for LGBTI people. Its employee network Unity was also named the 2016 LGBTI Employee Network of the Year.

In 2015 the Group made a further commitment to women in senior leadership roles by announcing a 40 per cent target for women in Executive Manager and above positions by 2020. Women currently make up 58 per cent of the Group's workforce. 43.6 per cent are in management roles, with 35.2 per cent in Executive Manager or above roles. The Group is a signatory to the United Nations Women's Empowerment Principles. In May 2016, in accordance with the requirements of the Workplace Gender Equality (WGE) Act 2012, the Group's annual WGE Compliance report was lodged with the WGE Agency and can be viewed at www.commbank.com.au/diversitycommitment.

Commonwealth Bank has also been awarded the Workplace Gender Equity Agency Employer of Choice for Gender Equality citation.



In late 2015, the Group's Executive Committee and Board endorsed a cultural diversity target for its Executive Manager and above positions to match the cultural diversity of the Australian population by 2020.

Implement Accessibility and Inclusion Programs

In 2016, the Group continued to roll out a number of initiatives to deliver more accessible services and better employment access for people with disability, as well as training and awareness campaigns to build disability confidence in its leaders and employees. The Group also embedded this into the Group's operating systems and processes with the establishment of an internal Digital Accessibility Guild, to share better practice and knowledge internally.

Launch Elevate Reconciliation Action Plan including Commitment to Indigenous Employment Parity

In June 2016 the Group launched an Elevate level Reconciliation Action Plan (RAP), building on its previous RAPs, and announced it would significantly raise the number of Indigenous Australians it employs, with an aim of achieving Indigenous employment parity within 10 years.

The parity announcement is the latest stage in Commonwealth Bank's Indigenous Careers Program, which launched in 2002. Key developments in the program include:

- Ran a school-based traineeship program for Indigenous teens (more than 400 trainees have progressed through the program since 2002).
- Established partnerships with the Australian Indigenous Education Foundation (AIEF) in 2008 and the Australian Indigenous Mentoring Experience (AIME) in 2010 to support their important work providing young Indigenous with the right foundations for a prosperous career.
- Committed to provide at least 25 Indigenous university students with internship placements each year until 2025.
- Recruited three additional Indigenous university graduates into the 2016 Graduate Program.

Contribute to Disaster Relief

In 2016, the Group and its employees supported a number of communities including those affected by bushfires in Victoria, South Australia and Western Australia and flooding in Eastern New South Wales through various grants and recovery programs. In addition, the Group has provided support to its agribusiness customers, including a range of measures to help dairy producers struggling with the recent fall in milk prices.

Create Opportunities for our People to Contribute to their Communities

Facilitate Employee Participation in Volunteering and Skilled Secondment Activities Strategy

The Group encourages its employees to give time and expertise to registered charities and not-for-profit organisations. During 2016, more than 5,000 employees volunteered in 264 domestic and international community organisations representing more than 31,000 volunteer hours. Since 2011, 83 of the Group's people have participated in the six-week Jawun Indigenous Secondment Program to Indigenous communities.

Support Local Communities with Targeted Activities

The Staff Community Fund has been running since 1917, making it Australia's longest-running workplace-giving program. The Group matches staff contributions dollar for dollar and covers all administrative costs to ensure 100 per cent of the money raised is distributed directly to not-for-profit organisations. The Group has the highest participation rate of employees for an organisation its size, with more than 13,200 members at June 2016.

A total of \$2 million was granted in 2016 to 229 grassroots programs focused on improving the health and wellbeing of Australian youth.

The Way We Do Business

Make Transparent and Balanced Decisions

During 2016, the Group continued to see an increase in engagement with ESG issues.

The Group is committed to maintaining an honest and transparent dialogue with all stakeholders including non-governmental organisations (NGOs).

Support and Embed a Culture of 'Doing the Right Thing'

The values of integrity, accountability, collaboration, excellence and service are integral to the Group's culture and to the way we do business. The Group has a range of policies, frameworks, compliance measures and education programs to ensure its people maintain the highest professional standards. The Group is also committed to making things right for customers who may have received inappropriate advice.

The Group has taken recent allegations about CommInsure seriously. We aspire to get every claim right the first time, however if we make mistakes we will apologise and act to fix things, as CommInsure did after learning of the poor experience of some of its insurance customers. A number of additional measures have been taken to provide a greater level of assurance for new claims and investigate the concerns raised in recent media reports, including appointing an independent expert in May 2016 to oversee a review of past declined life insurance claims.

A long-term program is underway to embed the values in the day to day work of all of the Group's people and further integrate the values in the Group's policies and performance management systems. As part of its focus on values, the Group is committed to having a culture of 'speaking up'. A SpeakUp hotline, run by an independent provider, is available 24/7 to all employees who wish to raise a concern anonymously.

Along with other major banks and through the Australian Banking Association, the Group is committed to addressing community concerns about poor conduct in the industry, the handling of customer complaints, the treatment of whistleblowers and how staff are paid. Commitments include reviewing product sales commissions, making it easier for customers when things go wrong, reaffirming support for employees who 'blow the whistle' on inappropriate conduct, removing individuals from the industry for poor conduct, strengthening commitment to customers in the Code of Banking Practice and supporting ASIC in its regulatory role.



Strengthen the Management of ESG impacts in our Lending and Investing Practices

In 2016, the Group has continued to strengthen the management of ESG in its lending and investing practices. The following new and updated policies and practices were announced in November 2015:

- An updated Group Environment Policy that expresses the Group's commitment to support the transition to a low carbon economy and builds on the Group's existing commitments to reduce its direct environmental impacts; carefully consider its loan and investment book; and actively support businesses and technologies that reduce dependence on fossil fuels and mitigate the effects of climate change.
- A new Wealth Management Responsible Investing Framework to integrate ESG factors across investment processes, consistent with the pursuit of sustainable long-term investment outcomes for the Group's customers. A tailored training module has been rolled out to the Group's Wealth Management Professionals.
- A new Human Rights Position Statement to publicly affirm the Group's responsibility and commitment to respect human rights across all of its operations. The Position Statement complements, guides and informs the application of a number of existing policies and procedures.
- A report on progress made in embedding responsible lending across the Group's business lending operations with the development of an ESG Risk Assessment Tool and the training of more than 1,600 lending professionals.
- Further disclosures on the carbon emissions arising from the Group's business lending portfolio to enhance existing reporting of the carbon emissions arising from the bank's business lending to the energy sector, its total credit exposure to the resources sector, and its direct carbon footprint.

As part of building a balanced portfolio, the Group continues to strongly support the growth of the renewable energy sector whilst recognising the importance of the resources sector to the Australian economy and way of life.

Advocate for Public Policies that Secure and Enhance the Financial Wellbeing of People, Businesses and Communities

As Australia's largest financial institution, the Group has a responsibility to speak up on matters of importance to the nation, its people and its customers. Adding the Group's economic and policy knowledge to the national public policy debate increases the likelihood of good policy outcomes, helping to secure and enhance the financial wellbeing of people, businesses and communities.

For this reason, the Group recently joined 10 other community and industry organisations in making a Statement of Commitment to a national Financial Inclusion Action Plan (FIAP). The FIAP is an extension of many initiatives the Group already has in place to help more Australians become active participants in the financial system.

The Group continues to engage with Government in a constructive dialogue on issues covering the financial services industry and economic and social issues generally. In October 2015 the Federal Government announced its response to the Financial System Inquiry (FSI), accepting largely all of the Inquiry's recommendations across the areas

Corporate Responsibility

of strength and resilience; superannuation; innovation; consumer outcomes and regulatory capability. The Government found that Australia's financial system was strong, stable and well-regulated and that an efficient financial system is central to delivering prosperity. The Government then initiated processes to implement the resulting reforms in consultation with industry. The Group welcomed the strong focus on innovation in the Government's response, with the Treasurer establishing an advisory group on developments in innovation in the financial sector, to which CBA Group Executive Institutional Banking and Markets Kelly Bayer Rosmarin was appointed.

Improve the Environmental Efficiency of our Operations

The Group has a longstanding commitment to reducing the environmental impact of its operations and is in the process of implementing a three year Property Sustainability Strategy. During 2016, CBA and Bankwest reduced their combined domestic Scope 1 and 2 carbon emissions by 7,213 tCO₂-e. Since 2009, CBA and Bankwest have reduced scope 1 and scope 2 carbon emissions by 42.4 per cent.

Further Information

Visit <https://www.commbank.com.au/cr-report2016> microsite for more information on the Group's approach to corporate responsibility including insights on key initiatives, achievements and independently assured metrics.

The microsite covers the activities of companies wholly owned by the Group for the financial year ending 30 June 2016.

Corporate Responsibility

Corporate Responsibility Scorecard

Our Role in Society	Units	2016	2015	2014
Community and Education Investment				
School Banking Students (active)		330,874	310,474	273,034
Start Smart Students (booked)		557,475	298,505	288,728
Total Community Investment ⁽¹⁾	\$M	262	243	-
Our People				
Engagement				
Employee Engagement Index	%	77	81	81
Employee Turnover (Voluntary) ⁽²⁾	%	11.3	10.2	10.2
Diversity				
Women in Manager and above roles	%	43.6	43.2	42.9
Women in Executive Manager and above roles ⁽²⁾	%	35.2	33.9	31.8
Safety and Wellbeing				
Lost Time Injury Frequency Rate (LTIFR) ⁽²⁾	Rate	1.2	1.9	1.5
Absenteeism	Rate	6.0	6.0	6.1
Training				
Total training per employee	Hours	36.8	31.1	24.6
The Way We Do Business				
Environmental, Social and Governance (ESG)				
Employees completing ESG Training ⁽³⁾		1,786	-	-
Customer Satisfaction				
Roy Morgan Research Main Financial Institution	%	82.8	84.2	83.2
Rank		1st	1 st	1 st
DBM Business Financial Services Monitor (score out of 10)		7.2	7.5	7.4
Rank		Equal 1st	Equal 1 st	Equal 1 st
Wealth Insights Platform Service Level Survey (score out of 10)		8.07	7.75	7.94
Rank		1st	2 nd	1 st
Supply Chain				
Operating expenses at significant locations of operation ⁽⁴⁾				
Australia	\$M	3,537	3,516	-
New Zealand	\$M	355	333	-
Other Overseas	\$M	328	269	-
Greenhouse Gas Emissions CBA				
Scope 1 emissions	tCO ₂ -e	6,847	7,249	7,936
Scope 2 emissions	tCO ₂ -e	81,307	86,264	91,275
Scope 3 emissions	tCO ₂ -e	33,854	39,361	44,826
Emissions per FTE	tCO ₂ -e	2.7	2.9	3.1

(1) As the Group began disclosing total Community Investment data in 2015, no 2014 data has been presented.

(2) Comparatives have been restated to conform to presentation in the current year.

(3) As the Group began disclosing ESG training hours in 2016, no comparatives have been presented.

(4) The Group began disclosing operating expenses at significant locations in 2016, 2015 balances have been included for comparative purposes only.

For definition and notes, please see the online version of this table available in the Download section of the Corporate Responsibility report <https://www.commbank.com.au/cr-report2016>

Directors' Report

The Directors of the Commonwealth Bank of Australia submit their report, together with the financial report of the Commonwealth Bank of Australia (the Bank) and of the Group, being the Bank and its controlled entities, for the year ended 30 June 2016.

The names of the Directors holding office during the financial year are set out below, together with details of Directors' experience, qualifications and special responsibilities.

David Turner, Chairman

Director of the Bank since August 2006.

David Turner was appointed Chairman of the Bank in February 2010.

He is Chairman of the Board Performance and Renewal Committee, and a member of the Risk Committee and the Remuneration Committee.

Mr Turner has extensive experience in finance, international business and governance.

He was Chairman of Cobham plc from May 2008 until May 2010. He has held a number of directorships including Whitbread plc and the Iron Trades Insurance Group and has been a member of the Quotations Committee of the London Stock Exchange.

He was Chief Executive Officer of Brambles Limited from October 2003 until his retirement in June 2007, and formerly Chief Financial Officer from 2001 until 2003. He was also Finance Director of GKN plc and Finance Director of Booker plc, and spent six years with Mobil Oil.

Other Directorships and Interests: Ashurst, O'Connell Street Associates Pty Ltd and Great Barrier Reef Foundation.

Qualifications: Fellow of the Australian Institute of Company Directors and Fellow of the Institute of Chartered Accountants in England and Wales.

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

Ian Narev, Managing Director and Chief Executive Officer

Director of the Bank since December 2011.

Ian Narev was appointed Managing Director and Chief Executive Officer on 1 December 2011.

Mr Narev joined the Group in May 2007. From then until January 2009, he was Group Head of Strategy, with responsibility for corporate strategy development, mergers and acquisitions and major cross business strategic initiatives.

From January 2009 until September 2011, Mr Narev was Group Executive, Business and Private Banking, one of the Group's six operating divisions.

Prior to joining CBA, Mr Narev was a partner of McKinsey's New York, Sydney and Auckland offices (1998 to 2007). He became a global partner in 2003, and from 2005 until his departure in 2007 was head of McKinsey's New Zealand office. Prior to joining McKinsey, Mr. Narev was a lawyer specialising in mergers and acquisitions.

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

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

Mr Narev is a resident of New South Wales. Age 49.

Sir John Anderson, KBE

Director of the Bank since March 2007.

Sir John Anderson is a member of the Risk Committee, the Board Performance and Renewal Committee and the Audit Committee.

He has held many senior positions in the New Zealand finance industry, including Chief Executive Officer and Director of ANZ National Bank Limited from 2003 until 2005 and the National Bank of New Zealand Limited from 1989 until 2003.

In 1994, he was awarded Knight Commander of the Civil Division of the Order of the British Empire, and in 2005 received the inaugural Blake Medal for "Outstanding Leadership Contributions to New Zealand". In 2012, he was awarded an Honorary Doctorate of Commerce by Victoria University, Wellington.

Other Directorships and Interests: APN News & Media Ltd, NPT Ltd (Chairman), Steel & Tube Holdings Ltd (Chairman) and T&G Global Ltd (Deputy Chairman).

Qualifications: Fellow of Chartered Accountants Australia and New Zealand, Fellow of the Institute of Financial Professionals New Zealand, Fellow of the Institute of Directors and Life Member of the Australian Institute of Banking and Finance.

Sir John is a resident of Wellington, New Zealand. Age 71.

Shirish Apte

Director of the Bank since June 2014.

Shirish Apte is a member of the Audit Committee. He is also a member of the Risk Committee and from the end of September 2016 will assume the role of Chairman of that Committee.

He was Co-Chairman of Citi Asia Pacific Banking from January 2012 until January 2014. Previously he was Chief Executive Officer of Citi Asia Pacific (2009 to 2011), with responsibility for South Asia, including Australia, New Zealand, India and ASEAN countries.

He has more than 32 years' experience with Citi, including as CEO of Central & Eastern Europe, Middle East & Africa and, before that, as Country Manager and Deputy President of Citibank Handlowy, Poland, where he is now Vice Chairman of the Supervisory Board.

Sir David Higgins

Director of the Bank since September 2014.

Sir David Higgins is the Chairman of the Remuneration Committee and a member of the Risk Committee.

Sir David is the Chairman of High Speed Two (HS2) Ltd, the company responsible for developing and promoting the UK's new high speed rail network. He is a senior advisor to Global Infrastructure Partners (US) and to Lone Star Funds. Prior to that, he was Chief Executive Officer of Network Rail Infrastructure Ltd which is involved in the maintenance and development of railway infrastructure throughout the UK.

From 2006 until 2011, he was Chief Executive Officer of the Olympic Delivery Authority where he oversaw the creation of the London 2012 Olympic Games venues, the Olympic Village and transport projects.

For the three years prior to 2005, he was Chief Executive Officer of English Partnerships, the UK Government's national housing and regeneration agency. In 1985, he joined Lend Lease, and was Managing Director and Chief Executive Officer of Lend Lease from 1995 until 2002.

Launa Inman

Director of the Bank since March 2011.

Launa Inman is a member of the Audit Committee and the Remuneration Committee.

She was Managing Director and Chief Executive Officer of Billabong International Limited from May 2012 until August 2013. Prior to this, she was Managing Director of Target Australia Pty Limited (2005 to 2011), and Managing Director of Officeworks (2004 to 2005).

She has significant international and Australian experience in retailing, wholesale, property and logistics, as well as extensive marketing experience in traditional, digital and social media channels.

Other Directorships and Interests: IHH Healthcare Bhd, Crompton Greaves Ltd, Citibank Japan, AIG Asia Pacific Pte Ltd, Clifford Capital Pte Ltd, Pierfront Capital Mezzanine Fund Pte Ltd (Chairman), Parkway Hospitals Singapore, Acibadem Hospital Group, Turkey and Supervisory Board of Citibank Handlowy, Poland.

Qualifications: Chartered Accountant, Institute of Chartered Accountants in England and Wales and Bachelor of Commerce (Calcutta), MBA (London Business School).

Mr Apte is a resident of Singapore. Age 63.

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

Qualifications: Bachelor of Engineering (Civil), USyd, and Diploma, Securities Institute of Australia.

Sir David is a resident of London, United Kingdom. Age 61.

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

Qualifications: MCom, University of South Africa (UNISA), BCom (Hons) (UNISA), BCom (Economics and Accounting) (UNISA) and Australian Institute of Company Directors (Member).

Ms Inman is a resident of Victoria. Age 60.

Directors' Report

Catherine Livingstone (Appointed 1 March 2016)

Director of the Bank since March 2016.

Catherine Livingstone is a member of the Audit Committee.

Ms Livingstone is a highly respected company director with extensive business and finance experience across a broad range of industries and organisations. She is also a Chartered Accountant.

Her executive career spanned more than 22 years in which she held general management and finance leadership roles, primarily in the medical devices sector and including six years as the Chief Executive Officer of Cochlear Limited.

Ms Livingstone was the former Chairman of Telstra Corporation Limited and of the CSIRO. She has served on the Boards of Macquarie Group Limited, Goodman Fielder Limited and Rural Press Limited and has contributed to the work of the Innovation and Productivity Council for the New South Wales Government. In 2008, Catherine was awarded Officer of the Order of Australia.

Brian Long

Director of the Bank since September 2010.

Brian Long is Chairman of the Audit Committee, a member of the Risk Committee and the Board Performance and Renewal Committee.

He retired as a partner of EY in 30 June 2010. Until that time he was the Chairman of both the EY Global Advisory Council and the Oceania Area Advisory Council. He was one of the firm's most experienced audit partners with over 30 years' experience in serving as audit signing partner on major Australian public companies including those in the financial services, property, insurance and media sectors.

Mr Long is currently a member of the NSW Court Consultation Committee as an appointee of the NSW Attorney General.

Andrew Mohl

Director of the Bank since July 2008.

Andrew Mohl is a member of the Risk Committee and the Remuneration Committee.

He has over 35 years' financial services experience. He was Managing Director and Chief Executive Officer of AMP Limited from October 2002 until December 2007.

His previous roles at AMP included Managing Director, AMP Financial Services and Managing Director and Chief Investment Officer, AMP Asset Management.

He was a former Group Chief Economist, Chief Manager, Retail Banking and Managing Director, ANZ Funds Management at ANZ Banking Group. Mr. Mohl commenced his career at the Reserve Bank of Australia where his roles included Senior Economist and Deputy Head of Research.

Other Directorships and Interests: WorleyParsons Ltd, The George Institute for Global Health, Saluda Medical Pty Ltd, Business Council of Australia (President) and Australian Museum Trust (President).

Qualifications: BA (Accounting) (Hons), Fellow of Chartered Accountants Australia and New Zealand, Fellow of Australian Academy of Technological Sciences and Engineering, Fellow of the Australian Institute of Company Directors and Fellow of the Australian Academy of Science.

Ms Livingstone is a resident of New South Wales. Age 60.

Other Directorships and Interests: Brambles Ltd, Ten Network Holdings Limited (Ceased 25 July 2016), Cantarella Bros Pty Ltd and a Member of the Council of the University of NSW.

Qualifications: Fellow of Chartered Accountants Australia and New Zealand.

Mr Long is a resident of New South Wales. Age 70.

Other Directorships and Interests: Nil.

Qualifications: BEc (Hons), Monash.

Mr Mohl is a resident of New South Wales. Age 60.

Mary Padbury (Appointed 14 June 2016)

Director of the Bank since June 2016.

Mary Padbury is a member of the Remuneration Committee. Ms Padbury is a pre-eminent intellectual property lawyer with an Australian and international legal career spanning over 30 years. She is a partner and the Vice Chairman of Ashurst, having been the Chairman of Ashurst Australia for eight years prior to the firm's full merger with Ashurst LLP into an integrated global firm in 2013.

Earlier in her career, Ms Padbury spent a number of years in the United Kingdom 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.

Wendy Stops

Director of the Bank since March 2015.

Wendy Stops is a member of the Remuneration Committee. Ms Stops was Senior Managing Director, Technology – Asia Pacific for Accenture Limited from 2012 until her retirement in June 2014. In this role she had responsibility for over 11,000 professional personnel spanning all industry groups and technology disciplines across 13 countries in Asia Pacific.

Other most recent senior leadership positions held prior to this time included Global Managing Director, Technology Quality & Risk Management (2009 to 2012), Global Managing Director, Outsourcing Quality & Risk Management (2008 to 2009) and Director of Operations, Asia Pacific (2006 to 2008). She also served on Accenture's Global Leadership Council from 2008 until her retirement. Ms Stops career at Accenture spanned some 32 years.

Harrison Young

Director of the Bank since February 2007.

Harrison Young is Chairman of the Risk Committee and a member of the Audit Committee and the Board Performance and Renewal Committee. At the end of September the Chairmanship of the Risk Committee will transition from Harrison Young to Shirish Apte. Mr Young will remain a member of the Risk Committee.

He was Chairman of NBN Co Limited from March 2010 until March 2013. Previously he was a Director and Member of the Financial Stability Committee of the Bank of England (2009 to 2012), Chairman of Morgan Stanley Australia (2003 to 2007) and Vice Chairman of Morgan Stanley Asia (1998 to 2003).

Prior to that, Mr Young spent two years in Beijing as Chief Executive Officer of China International Capital Corporation. From 1991 until 1994, he was a senior officer of the Federal Deposit Insurance Corporation in Washington.

Other Directorships and Interests: Ashurst (Vice Chairman), the Macfarlane Burnet Institute for Medical Research and Public Health Ltd, Australasian Gastro-Intestinal Trials Group, Chief Executive Women, Melbourne University Law School Foundation, Professional Standards Board for Patent and Trade Marks Attorneys and Victorian Legal Admissions Board.

Qualifications: Bachelor of Laws (Hons) and Bachelor of Arts, University of Melbourne.

Ms Padbury is a resident of Victoria. Age 57.

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

Qualifications: Bachelor of Applied Science (Information Technology) and Graduate Member of the Australian Institute of Company Directors.

Ms Stops is a resident of Victoria. Age 55.

Other Directorships and Interests: Nil.

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

Mr Young is a resident of Victoria. Age 71.

Directors' Report

Jane Hemstritch (Retired 31 March 2016)

Director of the Bank from October 2006 until her retirement in March 2016.

Jane Hemstritch was Chairman of the Remuneration Committee and a member of the Risk Committee.

She was Managing Director Asia Pacific for Accenture Limited from 2004 until her retirement in February 2007. In this role, she was a member of Accenture's global executive leadership team and oversaw the management of Accenture's business portfolio in Asia Pacific. Ms Hemstritch had a 24 year career with Accenture, preceded by seven years in the accounting profession.

She holds a Bachelor of Science Degree in Biochemistry and Physiology and has professional expertise in technology, communications, change management and accounting.

She also has experience across the financial services, telecommunications, government, energy and manufacturing sectors and in business expansion in Asia.

Other Directorships and Interests: Herbert Smith Freehills (Member of Global Council), Lend Lease Corporation Ltd, National Library of Australia (Member of Council), Tabcorp Holdings Ltd, Victorian Opera Company Ltd (Chairman) and Walter and Eliza Hall Institute of Medical Research.

Qualifications: Fellow of the Institute of Chartered Accountants in England and Wales, Fellow of the Institute of Chartered Accountants in Australia, BSc (Hons) London University and Fellow of the Australian Institute of Company Directors.

Ms Hemstritch is a resident of Victoria. Age 61.

Further to the Directors' individual details above, the following table summarises the collective key skills and experience of the Board:

Skills and Experience	No. of Directors
Retail and Corporate Banking/ Financial Institutions	5
Financial Acumen	12
New Media/Technology	5
Experience as a non-executive director of at least two other listed entities	7
General management exposure to international operations	12
Held CEO or similar position in non-financial organisation	7
Expert experience in financial regulation or legal expertise	7

Directors' Report

Other Directorships

The Directors held the following directorships in other listed companies in the three years prior to the end of the 2016 financial year:

Director	Company	Date Appointed	Date of Ceasing (if applicable)
Sir John Anderson	APN News & Media Limited	26/03/2015	
Jane Hemstritch	Tabcorp Holdings Limited	13/11/2008	
	Santos Limited	16/02/2010	04/05/2016
	Lend Lease Corporation Limited	01/09/2011	
	Billabong International Limited	14/05/2012	02/08/2013
Launa Inman	Bellamy's Australia Limited	18/02/2015	
	Super Retail Group Limited	21/10/2015	
	WorleyParsons Limited	01/07/2007	
Catherine Livingstone	Telstra Corporation Limited	17/11/2000	27/04/2016
	Macquarie Bank Limited	19/11/2003	25/07/2013
	Macquarie Group Limited	30/08/2007	25/07/2013
Brian Long	Ten Network Holdings Limited	01/07/2010	25/07/2016
	Brambles Limited	01/07/2014	

Directors' Meetings

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

Director	No. of Meetings Held⁽¹⁾	No. of Meetings Attended
David Turner	11	11
Ian Narev	11	11
John Anderson	11	9
Shirish Apte	11	11
Jane Hemstritch ⁽²⁾	9	9
David Higgins	11	11
Launa Inman	11	10
Catherine Livingstone ⁽³⁾	3	2
Brian Long	11	11
Andrew Mohl	11	11
Mary Padbury ⁽⁴⁾	1	1
Wendy Stops	11	11
Harrison Young	11	11

(1) The number of meetings held during the time the Director was a member of the Board and was eligible to attend.

(2) Jane Hemstritch retired effective 31 March 2016.

(3) Catherine Livingstone commenced effective 1 March 2016.

(4) Mary Padbury commenced effective 14 June 2016.

Directors' Report

Committee Meetings

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

(1) The number of meetings held during the time the Director was a member of the relevant committee.

(2) Ian Narev attends Committee Meetings in an ex-officio capacity.

(3) Jane Hemstritch retired effective 31 March 2016.

(4) David Higgins ceased as a member of the Audit Committee effective 1 April 2016 and commenced as a member of the Risk Committee effective 1 April 2016.

(5) Catherine Livingstone commenced effective 1 March 2016.

(6) Brian Long commenced as a member of the Board Performance and Renewal Committee effective 12 August 2015.

(7) Mary Padbury commenced effective 14 June 2016.

Principal Activities

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

The Group conducts its operations primarily in Australia, New Zealand and the Asia Pacific region. It also operates in a number of other countries including the United Kingdom and the United States.

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

Consolidated Profit

The Group's net profit after income tax and non-controlling interests for the year ended 30 June 2016 was \$9,227 million (2015: \$9,063 million).

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

Operating income growth was solid, relative to the prior year.

Operating expenses increased due to higher staff costs, the impact of foreign exchange and increased investment spend, partly offset by the incremental benefit generated from productivity initiatives.

Loan impairment expense increased due to higher provisioning levels in Institutional Banking and Markets, New Zealand and IFS. Provisioning levels remain prudent and there has been no change to the economic overlay.

Dividends

The Directors have determined a fully franked (at 30%) final dividend of 222 cents per share amounting to \$3,808 million. The dividend will be payable on 29 September 2016 to shareholders on the register at 5pm EST on 18 August 2016.

Dividends paid in the year ended 30 June 2016 were as follows:

- In respect of the year to 30 June 2015, a fully franked final dividend of 222 cents per share amounting to \$3,613 million was paid on 1 October 2015. The payment comprised direct cash disbursements. The Dividend Reinvestment Plan (DRP) in respect of the final dividend was satisfied in full by the on market purchase of shares; and
- In respect of the year to 30 June 2016, a fully franked interim dividend of 198 cents per share amounting to \$3,381 million was paid on 31 March 2016. The payment comprised direct cash disbursements of \$2,829 million with \$552 million being reinvested by participants through the DRP.

Review of Operations

An analysis of operations for the financial year is set out in the Highlights and Group Performance Analysis sections.

Changes in State of Affairs

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

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

Events Subsequent to Balance Sheet Date

The Bank expects the DRP for the final dividend for the year ended 30 June 2016 will be satisfied by the issue of shares of approximately \$628 million.

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

Business Strategies and Future Developments

The Group's Strategy

Anchored firmly to the Group's vision to 'excel at securing and enhancing the financial wellbeing of people, businesses and communities', the Group's strategy is focussed on creating long-term value for its customers, shareholders and people. The Group's overarching priority is customer focus supported by four market-leading capabilities: people, productivity, technology and strength.

Since 2012, the Group has sustained strong performance across key metrics, including customer satisfaction, total shareholder returns, productivity and people engagement. With an ongoing focus on execution, the strategy is appropriate to deliver future growth for the Group and will continue to underpin the Group's performance.

The strategy is split into three elements:

- Underpinning the Group's vision, an overarching objective of Customer Focus is to continuously improve the value and experiences provided to customers. Customers remain the Group's foremost priority with the goal to be number one in customer satisfaction across all segments;
- Four capabilities that the Group invests in and leverages, to reinforce and enhance its competitive advantage, namely People, Productivity, Technology and Strength; and
- Three growth opportunities that define the most significant opportunities for the Group to create shareholder value, namely One CommBank where the Group aims to meet more of its customers' financial needs; continued growth in business and institutional banking; and disciplined capability-led growth outside Australia.

There are a number of material business risks that could adversely affect the Group and the achievement of the Group's performance objectives. Those risks and how they are managed are described in Notes 31 to 34 of the Financial Statements on pages 137 to 160.

Environmental Reporting

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

The Group is not subject to any other particular or significant environmental regulation under any law of the Commonwealth or of a State or Territory, but can incur environmental liabilities as a lender. The Group Environment

Policy is updated to ensure risk is managed appropriately. For further details, please see:

<https://www.commbank.com.au/content/dam/commbank/about-us/docs/sustainability-20151103-group-environment-policy.pdf>

Directors' Shareholdings and Options

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

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

Options and Share Rights Outstanding

As at the date of this Report there are no employee options and 2,475,157 share rights outstanding in relation to Commonwealth Bank ordinary shares.

Directors' Interests in Contracts

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

Directors' and Officers' Indemnity

The Directors, as named on pages 38 to 42 of this report, and the Secretaries of the Bank, being named on page 46 of this Report, are indemnified under the Constitution of Commonwealth Bank of Australia (the Constitution), as are all senior managers of the Bank.

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

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

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

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

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

In the case of a partly-owned subsidiary of the Bank, where a director, secretary or senior manager of that entity is a nominee of a third party body corporate which is not a related

Directors' Report

body corporate of the Bank, the Indemnity Deed Poll will not apply to that person unless the Bank's CEO has certified that the indemnity will apply to that person.

Directors' and Officers' Insurance

The Bank has, during the financial year, paid an insurance premium in respect of an insurance policy for the benefit of the Bank and those named and referred to above including the directors, secretaries, officers and certain employees of the Bank and related bodies corporate as defined in the insurance policy. The insurance is appropriate pursuant to section 199B of the Corporations Act 2001 (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.

Corporate Governance Statement

The Bank is committed to ensuring that its policies and practices reflect a high standard of corporate governance. The Board has adopted a comprehensive framework of

Corporate Governance Guidelines, designed to balance performance and conformance.

Throughout the 2016 financial year, the Bank's governance arrangements were consistent with the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The Group's Corporate Governance Statement can be viewed at:

www.commbank.com.au/about-us/shareholders/corporate-profile/corporate-governance.

Company Secretaries

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

Taryn Morton was appointed Group Company Secretary of the Bank in October 2015. She has over 17 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.

David Cohen was a Company Secretary of the Bank from February 2015 until June 2016. David joined the Bank in 2008 and was appointed to the position of Group Chief Risk Officer with effect from 1 July 2016. Prior to his current role, David held the position of Group General Counsel and Group Executive Corporate Affairs with responsibility for advising the CEO and the Board on legal matters and for the Group's external and internal affairs, communications, sustainability and corporate governance. Previously he was General Counsel of AMP and a partner with Allens Arthur Robinson for 12 years.

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

Directors' Report – Remuneration Report

Message from the Remuneration Committee Chairman

Dear Shareholder,

I am pleased to present my first CBA Group Remuneration Report in 2016.

The CBA remuneration framework is designed to create sustainable value for shareholders, customers, our people and communities.

The report reflects the Board's assessment of the Group's performance for the year ended 30 June 2016 and includes consideration of any material risk incidents and conduct.

This year, the Committee also looked forward and made changes to both short-term and long-term incentive arrangements to ensure financial and reputational performance are appropriately balanced.

Remuneration Outcomes

In relation to the 2016 financial year, in aggregate, Group Executives received on-target short-term incentive (STI) awards reflecting the Group's achievement of solid overall performance in challenging circumstances. In determining STI outcomes, the Committee assessed individual performance and gave consideration to the impact of Commlnsure issues on the Group's performance. As a result, the Committee applied some discretionary reductions, resulting in STI outcomes overall being lower than last year.

The Committee also commissioned an independent review of performance measures for roles within Commlnsure. The review did not identify any issues that would drive undesirable outcomes for customers. There are separate reviews underway into declined claims over the past five years and the ethical concerns raised in the media in March and April 2016. The reviews are ongoing, and to date we have not found evidence to substantiate any of the claims of widespread problems or willful misconduct. As with any issue, if any material risk items are identified over the coming year, the Committee will again consider impacts on Executive remuneration outcomes as part of next year's review.

In section 3.4, you will note that the CEO's total remuneration received during the 2016 financial year increased significantly from last year. This was due to equity awards granted through the Group Leadership Reward Plan (GLRP) in 2011 which covered the four year period to mid-2015. These awards vested during the year ended 30 June 2016, reflecting total returns to shareholders of 110% and top quartile performance by the CBA Group over the four year period.

Next year's report will show significantly lower GLRP vesting, which relates to the 2012 award. There was no vesting of the Total Shareholder Return (TSR) performance component for the 2012 GLRP award, while Customer Satisfaction performance, which counted for 25% of the award, was strong. As a result the award vested to Executives at 20.31% of the maximum. Consistent with previous commitments, no upward discretion was exercised by the Committee in relation to the outcome of the 2012 award. This award will be reflected in the CEO's and Group Executives' total remuneration during the 2017 financial year.

During the period Group Executives received modest fixed remuneration increases, less than 1% on average. The CEO did not receive an increase and there was no increase to Board and Committee fees during 2016.

Remuneration Changes

During the 2016 financial year, the Committee undertook a review of remuneration arrangements for the CEO and Group Executives. The objective of the review was to ensure our executive remuneration approach drives a strong focus on achieving long-term superior performance for the Group's key stakeholder groups being shareholders, customers, our people and the community in line with our vision and values. On the basis of the review the Board has approved the following changes for the 2017 financial year:

- Executive STI balanced performance scorecards, which largely determine individual outcomes, will include an assessment of exemplary leadership and exceptional personal demonstration of the Group's vision and values; and
- The 2016 GLRP will incorporate a new focus on our people and the community, weighted at 25%, measuring long-term progress and achievement in the areas of diversity and inclusion, sustainability, and culture. TSR and customer satisfaction performance components, weighted 50% and 25% respectively, remain to continue our strong focus on delivering long-term value for shareholders and better customer outcomes. Changes to the GLRP are explained in more detail in the report.

I invite you to review the full report, and thank you for your interest.



Sir David Higgins
Committee Chairman
9 August 2016

Directors' Report – Remuneration Report

2016 Remuneration Report

This Remuneration Report details the approach to remuneration frameworks, outcomes and performance, for the Commonwealth Bank of Australia (CBA) and its Key Management Personnel (KMP) for the year ended 30 June 2016.

In the 2016 financial year, KMP included the Non-Executive Directors, CEO and Group Executives listed in the table below.

Name	Position	Term as KMP
Non-Executive Directors		
David Turner	Chairman	Full Year
John Anderson	Director	Full Year
Shirish Apte	Director	Full Year
David Higgins	Director	Full Year
Launa Inman	Director	Full Year
Catherine Livingstone	Director (from 1 March 2016)	Part Year
Brian Long	Director	Full Year
Andrew Mohl	Director	Full Year
Mary Padbury	Director (from 14 June 2016)	Part Year
Wendy Stops	Director	Full Year
Harrison Young	Director	Full Year
Former Non-Executive Director		
Jane Hemstritch	Director (until 31 March 2016)	Part Year
Managing Director and CEO		
Ian Narev	Managing Director and CEO	Full Year
Group Executives		
Kelly Bayer Rosmarin	Group Executive, Institutional Banking and Markets	Full Year
Adam Bennett	Group Executive, Business and Private Banking	Full Year
David Cohen ⁽¹⁾	Group General Counsel and Group Executive, Group Corporate Affairs	Full Year
Matthew Comyn	Group Executive, Retail Banking Services	Full Year
David Craig	Group Executive, Financial Services and Chief Financial Officer	Full Year
Robert Jesudason	Group Executive, International Financial Services	Full Year
Melanie Laing	Group Executive, Human Resources	Full Year
Vittoria Shortt	Group Executive, Marketing and Strategy	Full Year
Annabel Spring	Group Executive, Wealth Management	Full Year
Alden Toevs ⁽²⁾	Group Chief Risk Officer	Full Year
David Whiteing	Group Executive, Enterprise Services and Chief Information Officer	Full Year

(1) David Cohen commenced in the Chief Risk Officer role from 1 July 2016.

(2) Alden Toevs ceased as a KMP on 30 June 2016. Alden Toevs will continue to work with the Group for a period of two years in the role of Chief Risk Officer, Emeritus and Board Risk Adviser with a particular focus on balance sheet management and quantitative analysis.

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

Directors' Report – Remuneration Report

1. Remuneration Governance

1.1 Remuneration Committee

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

As at 30 June 2016, the Committee is made up of independent Non-Executive Directors and consists of the following members:

- David Higgins (Chairman);
- Launa Inman;
- Andrew Mohl;
- Mary Padbury;
- Wendy Stops; and
- David Turner.

The responsibilities of the Committee are outlined in its Charter, which is reviewed annually by the Board. The Charter is available on the Group's website at www.commbank.com.au/about-us/shareholders/corporate-profile/corporate-governance.html.

In summary, the Committee is responsible for recommending to the Board approval of:

- Remuneration arrangements and all reward outcomes for the CEO, senior direct reports to the CEO and other individuals whose roles may affect the financial soundness of the Group;
- Remuneration arrangements for finance, risk and internal control employees;
- Remuneration arrangements for employees who have a significant portion of their total remuneration based on performance; and
- Significant changes in remuneration policy and structure, including superannuation and employee equity plans.

This year, the Committee's key areas of focus were:

- A review of long-term incentive arrangements for the CEO and Group Executives to ensure they continue to deliver long-term value to shareholders, align with the Group's vision and reflect dynamic business strategies;
- A review of sales incentive plan governance across the Group to ensure the model is appropriate in the future;
- The retirement of Alden Toevs from the Group Chief Risk Officer role, effective 30 June 2016. Alden Toevs will continue to work with the Group for a period of two years in the role of Chief Risk Officer, Emeritus and Board Risk Adviser (not a KMP role), with a particular focus on balance sheet management and quantitative analysis;
- The appointment of David Cohen to the role of Group Chief Risk Officer, effective 1 July 2016, following the retirement of Alden Toevs;
- The appointment of Anna Lenahan to the role of Group General Counsel and Group Executive, Group Corporate Affairs. Anna will commence with the Group in late 2016;
- The annual review of the Group Remuneration Policy;
- An independent review of performance measures for roles within CommInsure to confirm they were not driving poor customer outcomes;

- Ongoing monitoring of regulatory and legislative changes, both locally and offshore, ensuring that the Group's policies and practices remain compliant; and
- Continued focus on embedding a remuneration framework that is appropriate for the Group's different businesses with transparency in design, strong governance and risk oversight.

Independent Remuneration Consultant

The Committee obtains remuneration information directly from its external independent remuneration consultant EY.

Throughout the 2016 financial year, the main information received from the Committee's remuneration consultant related to:

- Regulatory reforms;
- Key performance indicators for individual roles within CommInsure;
- Current market practices; and
- Long-term incentive arrangements for the CEO and Group Executives.

EY provides information to assist the Committee in making remuneration decisions. EY has not made any remuneration recommendations during the 2016 financial year. The Committee is responsible for making decisions within the terms of its Charter.

1.2 Remuneration Philosophy

The Group's remuneration philosophy is the backbone of its remuneration framework, policies and processes. In summary, the remuneration philosophy for the CEO and Group Executives is to:

- Provide target remuneration which is market competitive, without putting upward pressure on the market;
- Align remuneration with shareholder interests and our business strategy;
- Articulate clearly to Executives the link between individual and Group performance, and individual remuneration;
- Reward superior performance, while managing risks associated with delivering and measuring that performance;
- Provide flexibility to meet changing needs and emerging market practice; and
- Provide appropriate benefits on termination that do not deliver any windfall payments not related to performance.

1.3 Remuneration and Risk Management

The Committee has a robust framework for the systematic review of risk and compliance issues impacting remuneration. The Committee:

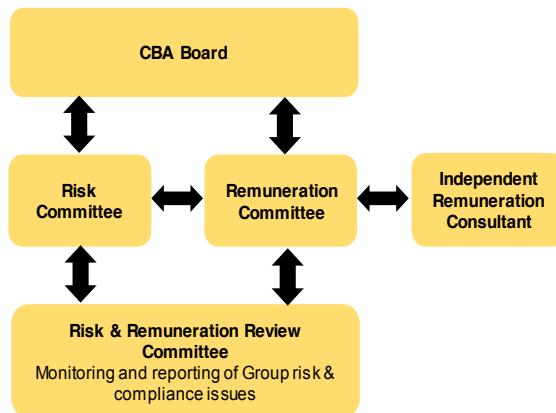
- Takes note of any material risk issues impacting remuneration, with issues raised by the Committee provided to the Board's Risk Committee for noting;
- Considers issues and recommendations raised by the Risk and Remuneration Review Committee, a management committee that monitors material risk and compliance issues throughout the year;

Directors' Report – Remuneration Report

1.3 Remuneration and Risk Management (continued)

- May impose adjustments to remuneration outcomes of Executives before or after awards are made, subject to Board approval; and
- Works closely with the Board's Risk Committee to ensure that any risks associated with remuneration arrangements are managed within the Group's Risk Management Framework.

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



1.4 Non-Executive Directors Remuneration

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

The Board Performance and Renewal Committee reviews the Non-Executive Directors fee schedule regularly and examines fee levels against the market.

Non-Executive Directors fees include statutory superannuation contributions and were last increased on 1 January 2015.

The following table outlines the Non-Executive Directors fees for the main Board and the Committees as at 30 June 2016:

	Position	Fees ⁽¹⁾ (\$)
Board	Chairman	870,000
	Non-Executive Director	242,000
Audit Committee	Chairman	65,000
	Member	32,500
Risk Committee	Chairman	65,000
	Member	32,500
Remuneration Committee	Chairman	60,000
	Member	30,000
Board Performance & Renewal Committee	Chairman	11,600
	Member	11,600

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

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

Non-Executive Directors are required to hold 5,000 or more CBA shares. For those Non-Executive Directors who have

holdings below this threshold, 20% of their after-tax base fees are used to purchase CBA shares until a holding of 5,000 shares has been reached.

The statutory table on page 62 provides the individual remuneration expense for each Non-Executive Director in relation to the 2016 financial year.

2. Remuneration Framework

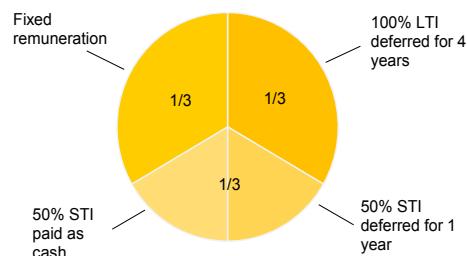
The remuneration arrangements for the CEO and Group Executives are made up of both fixed and at risk remuneration. This is composed of the following three elements:

- Fixed remuneration;
- Short-Term Incentive (STI) at risk; and
- Long-Term Incentive (LTI) at risk.

The at risk components are based on performance against key financial and non-financial measures. More detail on executive remuneration and the link to performance is included in section 3 of this report.

2.1 Total Target Remuneration

The following diagram illustrates the total target mix of the three remuneration elements:



The three remuneration elements are broken down into equal portions of total target remuneration.

In setting target remuneration levels the Group aims to remain competitive by attracting and retaining highly talented Executives. This is done by considering the experience of the Executive, the size and scope of role responsibilities, and level of market competitive remuneration sourced from remuneration market surveys and disclosed data.

Each component of remuneration has a specific purpose and direct link to our business strategy as detailed below.

2.2 Fixed Remuneration

- Fixed remuneration is made up of base remuneration and superannuation. Base remuneration includes cash salary and any salary sacrifice items;
- The Board, with recommendations from the Committee, determines an appropriate level of fixed remuneration for the CEO and Group Executives with consideration of incumbent, role and market factors; and
- Fixed remuneration is reviewed annually, following the end of the 30 June performance year. For the 2016 financial year the average fixed remuneration increase for Executives who did not change roles was 0.9%.

2.3 Short-Term Incentive

- The CEO and Group Executives have an STI target equal to 100% of their fixed remuneration. STI outcomes reflect the Executive's performance against a balanced scorecard and CBA's overall performance;

Directors' Report – Remuneration Report

2.3 Short-Term Incentive (continued)

- STI outcomes for the CEO and Group Executives may be awarded between zero and 150% of their STI target depending on performance;
- Executives receive 50% of their STI payment as cash following the Group's year-end results. The remaining 50% of the STI payment is deferred for one year and earns interest at the CBA one year term deposit rate;
- The CEO and Group Executives will forfeit the deferred portion of their STI if they resign or are dismissed from the Group before the end of the deferral period, unless the Board determines otherwise;
- The deferral assists in managing the risk of losing key Executive talent. It also allows the Board to reduce or cancel the deferred component of the STI where business outcomes are materially lower than expected or with consideration of other circumstances; and
- STI payments are made within a funding cap which is determined by the Board after consideration of Group performance in the year. The Board retains discretion to adjust remuneration outcomes up or down to ensure consistency with the Group's remuneration philosophy and to prevent any inappropriate reward outcomes.

See section 3.1 for more detail on STI outcomes and the link to performance.

2.4 Long-Term Incentive

- The CEO and each Group Executive has an LTI target that is equal to 100% of their fixed remuneration, based on the expected values at the end of the performance period, in today's dollars;
- The LTI award has a four year vesting period and is measured against relative Total Shareholder Return (TSR) and relative Customer Satisfaction performance hurdles;
- The performance hurdles are aligned to our key business priorities of Customer Focus and long-term shareholder value creation;
- Executives only receive value if performance hurdles are met at the end of the four years, subject to final Board review;
- Executives receive one CBA share (or cash equivalent) for each right that vests; and
- No dividends are paid while LTI awards are unvested.

See section 3.2 for more detail on how the LTI award operates and its direct link to performance outcomes.

2.5 Mandatory Shareholding Policy

The CEO and each Group Executive are required to accumulate CBA shares over a five year period to the value of 300% of fixed remuneration for the CEO and 200% of fixed remuneration for Group Executives.

2.6 Sign-on and Retention Awards

- Sign-on awards may be offered to new Executives to compensate for existing incentive arrangements that they will forgo due to the termination of their non-CBA employment before the end of the vesting period.
- Retention awards are pre-determined future payments that may be awarded to Executives at a defined future date to encourage retention.

- No sign-on or retention awards were made to Executives during the 2016 performance year.

3. Linking Remuneration to Performance

The remuneration framework is designed to attract and retain high calibre Executives by rewarding them for achieving goals that are aligned to the Group's business strategy and shareholder interests. All our incentives are directly linked to both short-term and long-term performance goals.

3.1 Short-Term Performance 2016

Overall Group performance, together with an assessment of individual Executive performance through a balanced scorecard approach, determines the individual STI outcomes of Executives. Financial and non-financial objectives and weightings vary by role. The CEO has a 40% weighting on financial outcomes, Executives managing business units typically have a 45% weighting on financial outcomes and Executives managing support functions have a typical weighting of 25% on financial outcomes.

Risk is an important factor in accounting for short-term performance. The Group uses Profit After Capital Charge (PACC), a risk-adjusted measure, as one of our key measures of financial performance. It not only takes into account the profit achieved, but also reflects the risk to capital that was taken to achieve it. Moreover, Executives are required to comply with the Group and relevant Business Unit Risk Appetite Statements and provide leadership of strong risk culture.

The following table provides the Board's assessment of the Group's overall performance for the year ended 30 June 2016 and highlights key financial and non-financial performance outcomes. Performance categories have been assessed as above, on, or below target.

Directors' Report – Remuneration Report

3.1 Short-Term Performance 2016 (continued)

Strategic Pillar	2016 Performance Measures	Outcome	Commentary
Strength	<ul style="list-style-type: none"> ▪ Group Cash Net Profit After Tax (Cash NPAT) (\$m) ▪ Group Underlying PACC (\$m) ▪ Risk 	On-Target	<ul style="list-style-type: none"> ▪ The Group reported solid performance with a 3% increase in cash NPAT to \$9,450 million. ▪ The Group enhanced the Common Equity Tier 1 capital ratio to 10.6%, primarily through the \$5.1bn institutional and retail entitlement offer. ▪ The above factors contributed to a solid risk adjusted underlying PACC performance for the period in a changing regulatory environment.
Customer	<p>Customer Satisfaction</p> <ul style="list-style-type: none"> ▪ Retail ▪ Business ▪ Institutional ▪ Wealth 	Above-Target	<p>The Group continued its commitment to a customer focused culture and maintained the number one ranking among the major banks for customer satisfaction across retail and business customers. Specifically:</p> <ul style="list-style-type: none"> ▪ For Retail Banking, CBA finished the financial year ranked number one in Main Financial Institution (MFI) customer satisfaction⁽¹⁾. During this time, CBA attained the highest score ever recorded by a major bank at 84.5%. ▪ In Business Banking, CBA ended the financial year equal first in MFI customer satisfaction⁽¹⁾ among the major banks across most key business segments. ▪ In Institutional Banking, CBA continues to perform strongly and ended the financial year ranked number one in MFI customer satisfaction⁽¹⁾ among the major banks. ▪ Wealth Management's platforms were ranked number one for adviser satisfaction among the four major banks and other key competitors.
Technology	Strategy Execution	On-Target	<p>The Group continued its leadership in financial technology, providing market leading solutions for our customers and our people, while investing now for the future.</p> <p>For consumers, the Group provided:</p> <ul style="list-style-type: none"> ▪ The ability for non-Commonwealth Bank customers to download and use the CommBank app to become a customer within minutes; ▪ Photo-a-Bill functionality allowing customers to automatically populate biller payment details by photographing their bills; and ▪ New international share trading through CommSec. <p>For businesses, the Group:</p> <ul style="list-style-type: none"> ▪ Placed over 37,000 additional Albert terminals (the Group's next generation EFTPOS tablet) in the market place; ▪ Introduced instant credit decisioning for online asset finance applications; and ▪ Provided a new Simple Business Overdraft product.

Directors' Report – Remuneration Report

			<ul style="list-style-type: none"> ▪ In addition, the Group launched and strengthened multiple research and development partnerships and initiatives, covering cyber security, blockchain technology, quantum computing and farming peer to peer platforms.
People	<ul style="list-style-type: none"> ▪ Talent & Leadership ▪ Safety ▪ Diversity ▪ Engagement ▪ Culture 	On-Target	<ul style="list-style-type: none"> ▪ Over 2,000 leaders attended targeted leadership development programs during the 2016 financial year. ▪ Continual improvement of health, safety and wellbeing systems, processes and programs, saw the Group achieve a 30% reduction in lost time injury frequency over the past 12 months. ▪ Having achieved the initial gender diversity target of 35% women in senior leadership positions, the Group set a new target of 40% women in senior leadership by 2020 and established a target for more diverse cultural representation in senior leadership. ▪ The Group's engagement score of 77% indicates that culture and people engagement remain strong, with an increase in the survey completion rate. ▪ Significant investment was made in embedding the Group's vision and values across policies and processes, including recruitment, talent, and performance. ▪ Successfully implemented a global human resource management system across offshore locations.
Productivity	Productivity Execution	On-Target	<ul style="list-style-type: none"> ▪ The Group's productivity focus remains on simplifying and standardising processes to support the execution of its process centricity and digitisation efforts. ▪ Productivity initiatives, including expense benefit targets, have been embedded in business and support unit plans, delivering significant process efficiencies. ▪ Productivity initiatives supported sound cost management in the 2016 financial year, with the Group's cost-to-income ratio improving 40 basis points from prior year to 42.4%. ▪ Group-wide, there were demonstrated on-going improvements in turnaround times, error rates and unit costs of processes. Examples ranged from a 97% improvement in Bankwest's small business credit card turnaround time, to an 85% advancement in Colonial customer request response times. ▪ Productivity savings allow the Group to invest for the future. More than \$600 million was reinvested in the 2016 financial year to support future productivity and growth initiatives, including growing productivity capability through leadership focused courses and embedded productivity resources. ▪ Future initiatives will help to ensure our continuous improvement culture is fully embedded and cascades from people leaders to all employees of the Group, with progress tracked through accreditation and benefits measurement.

(1) Customer satisfaction is measured by three separate surveys. For the Retail Bank, this is measured by Roy Morgan Research. Roy Morgan Research Main Financial Institution (MFI) Retail Customer Satisfaction measures percentage of the Australian population 14+, % "Very Satisfied" or "Fairly Satisfied" with their relationship with that MFI, based on a 6-month rolling average to June 2016. CBA excludes Bankwest. Rank refers to CBA's outright position relative to NAB, ANZ and Westpac. For Business Banking and Institutional Banking, MFI customer satisfaction is measured by DBM Business Financial Services Monitor which takes the average satisfaction rating of business customers' MFI, using an 11 point scale where 0 is Extremely Dissatisfied and 10 is Extremely Satisfied based on a 6 month rolling average to June 2016. Institutional Banking includes businesses with turnover of \$100 million and above. For Wealth Management, customer satisfaction is measured by the Wealth Insights 2016 Service Level Report, Platforms. This survey measures satisfaction with the service of master trusts/wraps in Australia, by financial advisers. It includes Colonial First State's FirstChoice and FirstWrap platforms.

Directors' Report – Remuneration Report

2016 STI outcomes

Overall, 2016 financial and non-financial performance was solid. Against this background, the average STI payment for the CEO and Group Executives was 112% of their STI targets.

3.2 Long-Term Performance

The executive remuneration structure also focuses on driving performance and creating shareholder alignment in the longer term, by providing Executives with LTI awards in the form of Reward Rights with a four year vesting period. CEO and Group Executives' current LTI awards are issued under the Group Leadership Reward Plan (GLRP). Vesting is subject to performance against relative TSR and relative Customer Satisfaction hurdles.

2012 GLRP Award

The 2012 GLRP award reached the end of its four year performance period on 30 June 2016. The 2012 GLRP award was weighted against two performance hurdles, relative TSR (75% of the award) and relative Customer Satisfaction (25% of the award). At the end of the performance period, the results against these measures were:

- 0% vesting against the TSR hurdle;
- 89.5% vesting against the Customer Satisfaction hurdle;
- In line with the plan rules for this award, 20.31% of the total award vested; and
- The Board reviewed the measurement outcomes of this award and concluded that the above vesting appropriately reflects performance over the four year performance period.

Overview of Unvested LTI Awards

Equity Plan ⁽¹⁾	Performance Period –		Performance Hurdles
	Start Date	End Date	
2013 GLRP ⁽²⁾	1 July 2013	30 June 2017	Each award is split and tested:
2014 GLRP ⁽³⁾	1 July 2014	30 June 2018	<ul style="list-style-type: none">▪ 75% TSR ranking relative to peer group
2015 GLRP ⁽⁴⁾	1 July 2015	30 June 2019	<ul style="list-style-type: none">▪ 25% Customer Satisfaction average ranking relative to peer group

(1) Naming convention updated to align with the start of the performance period.

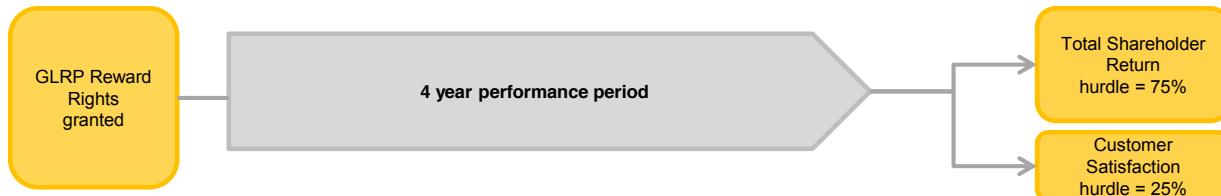
(2) For Ian Narev, the grant date was 11 November 2013. For Kelly Bayer Rosmarin the grant date was 13 February 2014. For all other Executives the grant date was 23 September 2013.

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

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

2015 GLRP Award

The CEO and Group Executives were granted LTI awards during the 2016 financial year under the 2015 GLRP. The awards granted may deliver value to Executives at the end of the four year performance period, subject to meeting performance hurdles as set out in the diagram below:



The following table provides the key features of the 2015 GLRP award:

Feature	Description
Instrument	Reward Rights. Each Reward Right entitles the Executive to receive one CBA share in the future, subject to meeting the performance hurdles set out below. The number of rights that vest will not be known until the end of the performance period.
Determining the number of Reward Rights	The number of Reward Rights allocated depends on each Executive's LTI Target (see diagram on page 50 for explanation of target remuneration). The number of Reward Rights allocated aligns the Executive's LTI Target to the expected value at the end of the performance period, in today's dollars.
Performance Period	The performance period commences at the beginning of the financial year in which the award is granted. For the GLRP award granted in the 2016 financial year, the performance period started on 1 July 2015 and ends after four years on 30 June 2019.

Directors' Report – Remuneration Report

Performance Hurdles	<ul style="list-style-type: none"> ▪ 75% of each award is subject to a performance hurdle that measures the Group's TSR performance relative to a set peer group⁽¹⁾. This is made up of the 20 largest companies on the Australian Securities Exchange (ASX) by market capitalisation at the beginning of the performance period, excluding resources companies and Commonwealth Bank of Australia. The next five largest companies listed on the ASX by market capitalisation will form a reserve bench of companies. 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; and ▪ 25% of each award is subject to a performance hurdle that measures the Group's Customer Satisfaction outcomes relative to a peer group of Australia & New Zealand Banking Group Limited (ANZ), National Australia Bank Limited (NAB), Westpac Banking Corporation (WBC), and other key competitors for the wealth business.
Vesting Framework	<p>TSR (75% of the award)</p> <ul style="list-style-type: none"> ▪ 100% vesting is achieved if the Group's TSR is ranked in the top quarter of the peer group (i.e. 75th percentile or higher)⁽¹⁾; ▪ If the Group is ranked at the median, 50% of the Reward Rights will vest; ▪ Vesting occurs on a sliding scale if the Group is ranked between the median and the 75th percentile; and ▪ No Reward Rights in this part of the award will vest if the Group's TSR is ranked below the median of the peer group. <p>Customer Satisfaction (25% of the award)</p> <ul style="list-style-type: none"> ▪ 100% vesting applies if the weighted average ranking for the Group over the performance period is 1st; ▪ 50% will vest if the Group's weighted average ranking is 2nd; ▪ Vesting of between 50% and 100% will occur on a pro-rata straight line basis if the Group's weighted average ranking is between 2nd and 1st; and ▪ No Reward Rights in this part of the award will vest if the Group's weighted average ranking is less than 2nd.
Calculation of the Performance Results	<ul style="list-style-type: none"> ▪ TSR is calculated independently by Orient Capital. ▪ Customer Satisfaction is measured with reference to the three independent surveys below: <ul style="list-style-type: none"> – Roy Morgan Research (measuring customer satisfaction across Retail Banking); – DBM, Business Financial Services Monitor (measuring customer satisfaction across Business Banking); and – Wealth Insights Service Level Report, Platforms (measuring customer satisfaction across Wealth Management).
Board Discretion	The award is subject to a risk and compliance review. The Board also retains sole discretion to determine the amount and form of any award that may vest (if any) to prevent any unintended outcomes, or in the event of a corporate restructuring or capital event.
Expiry	At the end of the applicable performance period, any Reward Rights that have not vested will expire.

(1) The peer group (at the beginning of the performance period) for the TSR performance hurdle (at the time of grant) comprised Amcor Limited, AMP Limited, Australia and New Zealand Banking Group Limited, Brambles Limited, CSL Limited, Insurance Australia Group Limited, Macquarie Group Limited, National Australia Bank Limited, QBE Insurance Group Limited, Ramsey Health Care Limited, Scentre Group, Suncorp Group Limited, Sydney Airport, Telstra Corporation Limited, Transurban Group, Vicinity Centres, Wesfarmers Limited, Westfield Corporation, Westpac Banking Corporation and Woolworths Limited. The reserve bench comprised AGL Energy Limited, APA Group, Aurizon Holdings Limited, Goodman Group and Stockland.

Retail Entitlement Offer

During the 2016 financial year, additional Reward Rights were granted to all existing rights holders as part of the Retail Entitlement Offer, including the CEO and Group Executives. The grant of additional Reward Rights for Ian Narev in respect of 2012, 2013 and 2014 GLRP awards was approved by shareholders at the AGM on 17 November 2015. Additional Reward Rights will vest only if the original performance hurdles in respect of each award are met.

Directors' Report – Remuneration Report

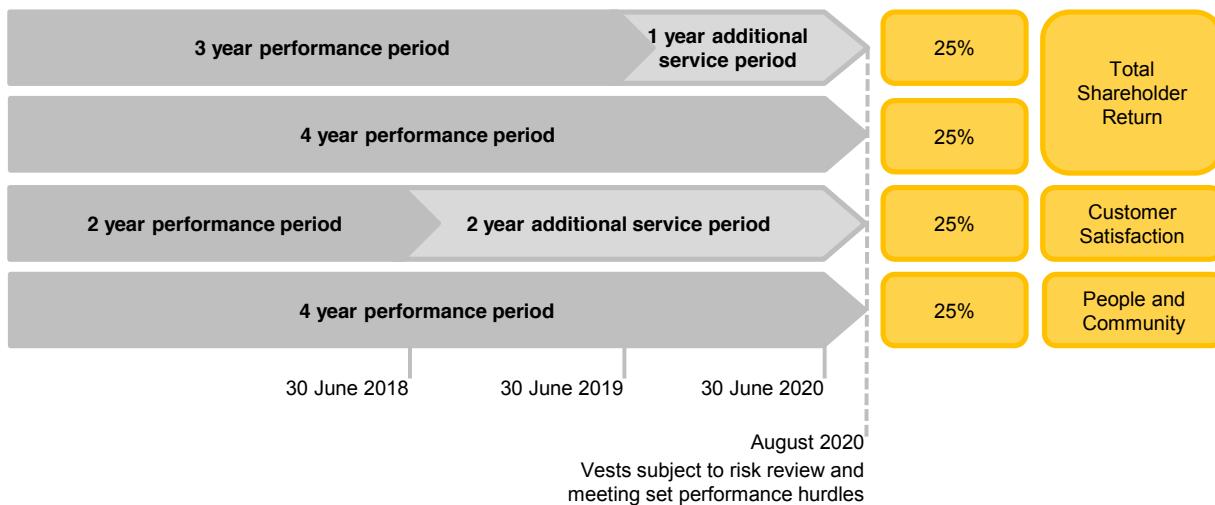
3.2 Long-Term Performance (continued)

Changes to the 2016 GLRP award

Following a review of our LTI framework the Board has introduced changes to the GLRP award for the 2017 financial year. The 2016 GLRP award changes reflect the Group's unique strategy and vision, support the delivery of long-term value in a dynamic environment and focus on sustainable performance for the Group's key stakeholder groups, shareholders, customers, people and the community.

2016 GLRP award changes	Rationale for change
An additional performance hurdle – People and Community (25% weighting).	A third performance hurdle will be introduced, focused on People and Community, measuring long-term progress in the areas of diversity and inclusion, sustainability and culture. This new hurdle aims to strengthen the Group's culture by further aligning the executive reward framework with the Group's vision and values. The TSR and Customer Satisfaction performance components, weighted 50% and 25% respectively, remain to continue to support a focus on long-term value creation for shareholders and better customer outcomes.
Executive performance assessed over a two, three and four year period, with vesting occurring after four years.	The GLRP retains a four year vesting period to maintain a strong focus on sustainable long-term value creation. Different performance hurdles will be assessed over either two, three or four years to allow a more dynamic approach to ensuring hurdles are meaningful in the changing environment the Group operates in, and aligned to the Group's strategic time horizons. The change to the Customer Satisfaction performance period will better enable the Group's commitment to a customer focused culture while providing agility to progressively build on our customer satisfaction performance as the market evolves. Together with the three and four year TSR performance periods, the GLRP changes enhance the focus on long-term sustainable performance by requiring consistent performance throughout the entire period.

The following diagram sets out the 2016 GLRP award.



Hedging of Unvested Equity Awards

Employees are prohibited from hedging their unvested CBA equity awards, including shares or rights. Executives controlling their exposure to risk in relation to their unvested awards is prohibited. Executives are also prohibited from using instruments or arrangements for margin borrowing, short selling or stock lending of any Bank securities or the securities of any other member of the Group. All hedging restrictions are included in CBA's Group Securities Trading Policy.

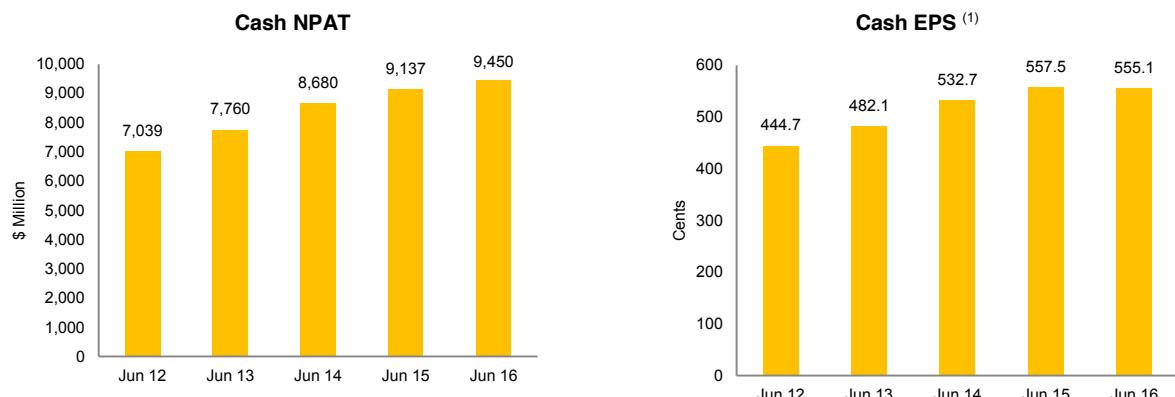
Directors' Report – Remuneration Report

Long-Term Performance against Key Measures

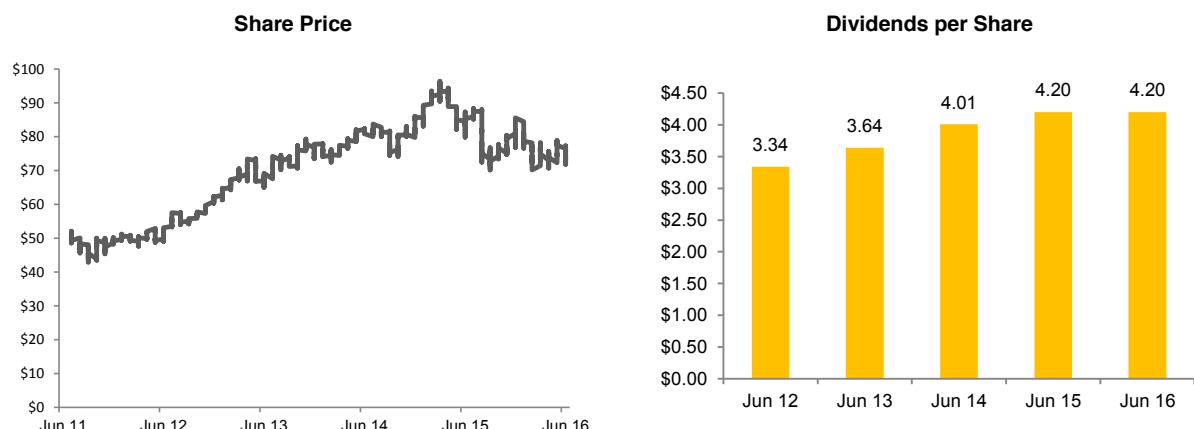
As detailed above, long-term incentive arrangements are designed to align Executives with the Group's long-term strategy and shareholder interests. The remainder of this section illustrates performance against key related metrics over time.

Financial Performance

The following graphs show the Group's cash NPAT, cash Earnings per Share (cash EPS), share price movement and full-year dividend results over the past five financial years (including 2016). The solid performance has delivered sound returns to shareholders.



(1) Comparative information has been restated to incorporate the bonus element of the rights issue in the weighted number of ordinary shares for June 15 and June 14 only in line with comparatives presented in the Financial Statements.

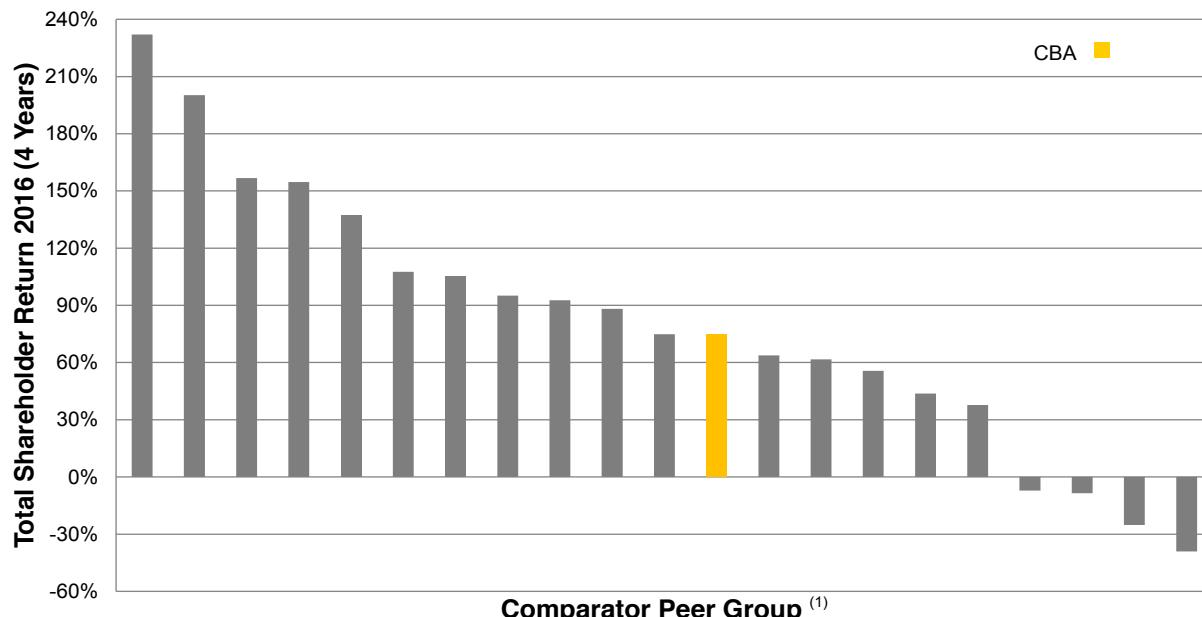


Directors' Report – Remuneration Report

Long-Term Performance against Key Measures (continued)

Relative TSR Performance against the Group's Peers

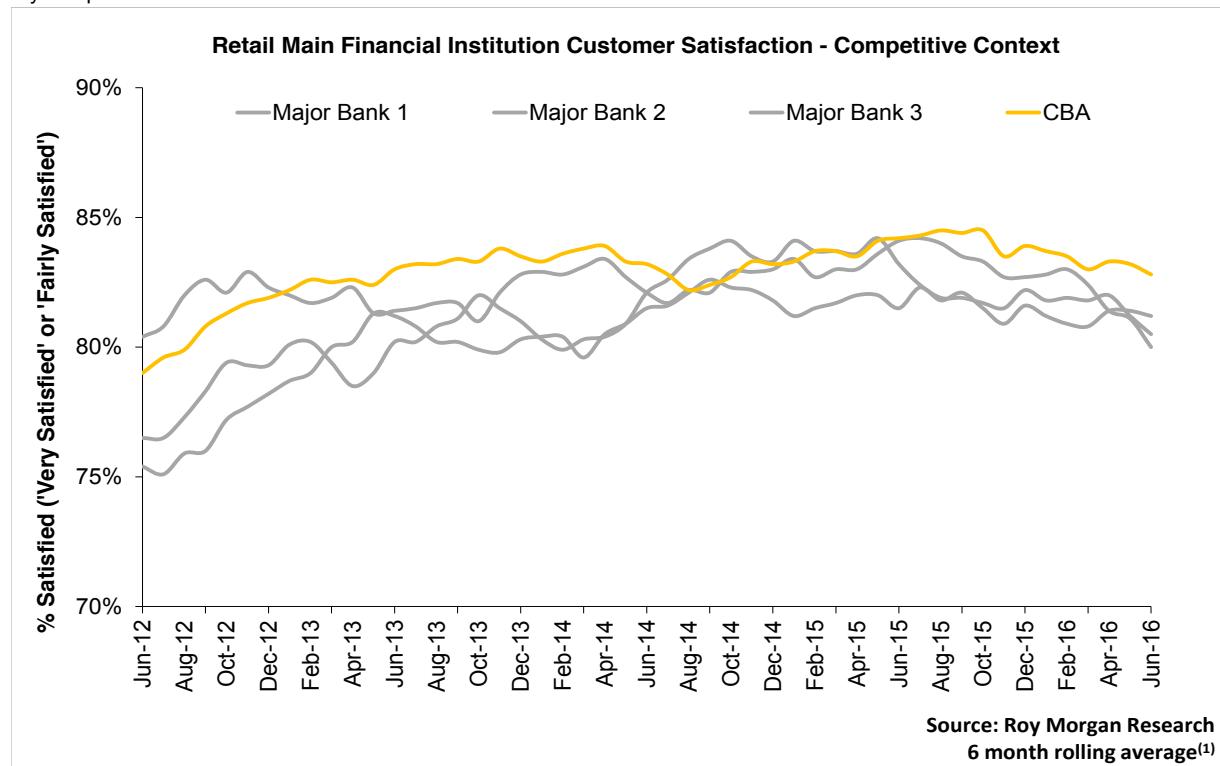
The graph below represents CBA's TSR performance against the comparator peer group for the period 1 July 2012 to 30 June 2016. The Group was ranked at the 45th percentile of the peer group⁽¹⁾ at the end of the period. TSR is calculated by Orient Capital.



(1) For the 2012 GLRP, the peer group (at the end of the performance period) for the TSR performance hurdle comprised AGL Energy Limited, Amcor Limited, AMP Limited, Australia and New Zealand Banking Group Limited, Brambles Limited, Coca-Cola Amatil Limited, CSL Limited, GPT Group, Insurance Australia Group Limited, Macquarie Group Limited, National Australia Bank Limited, Orica Limited, QBE Insurance Group Limited, Stockland, Suncorp Group Limited, Telstra Corporation Limited, Transurban Group, Wesfarmers Limited, Westpac Banking Corporation and Woolworths Limited.

Performance against Customer Satisfaction

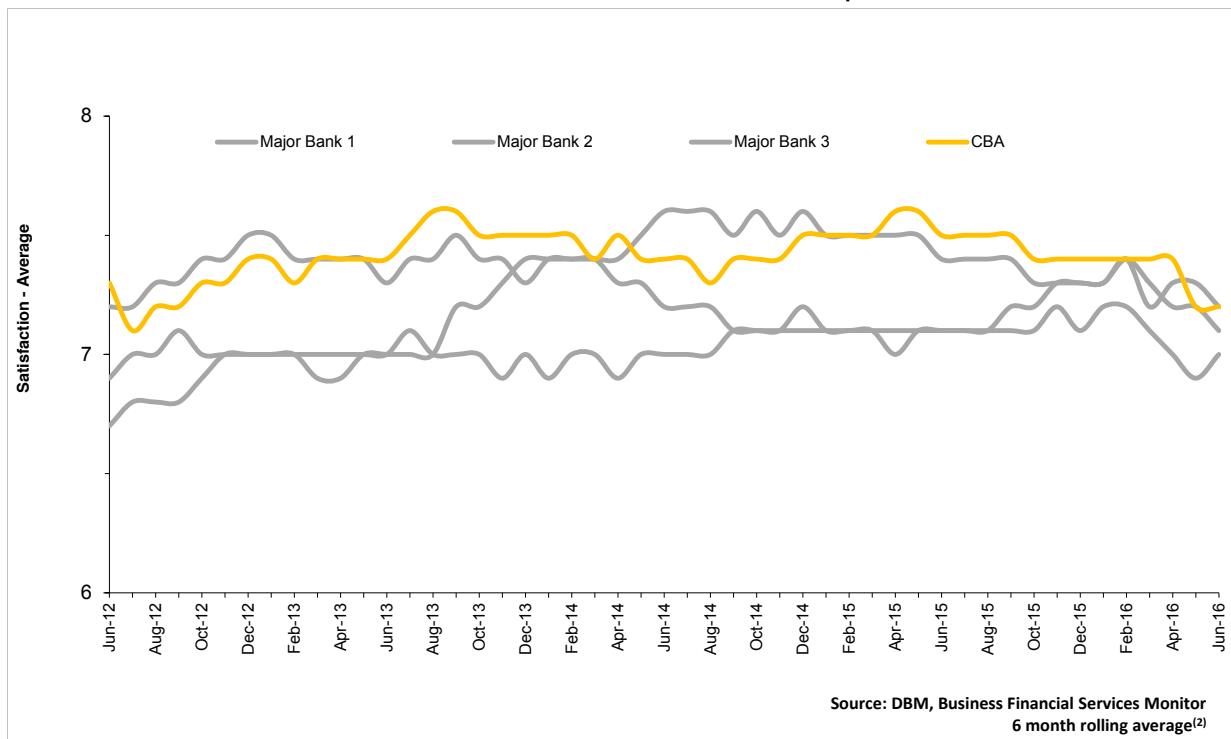
The following graphs show CBA's customer satisfaction performance across Retail, Business and Wealth Management. During the 2016 financial year, CBA maintained the number one ranking among the major banks in Retail MFI customer satisfaction and has been ranked equal or outright first position in MFI customer satisfaction among the major banks in most key business segments. The Wealth Management results ranked the Group first for adviser satisfaction among the four major banks and other key competitors.



(1) Roy Morgan Research Main Financial Institution (MFI) Retail Customer Satisfaction. Australian population 14+, % "Very Satisfied" or "Fairly Satisfied" with relationship with that MFI. 6 month rolling average to June 2016. CBA excludes Bankwest. Rank refers to CBA's position relative to NAB, ANZ and Westpac.

Directors' Report – Remuneration Report

Business Main Financial Institution Customer Satisfaction - Competitive Context⁽¹⁾



(1) CBA and Major Bank 1 and Major Bank 2 are ranked equal 1st (DBM Business Financial Services Monitor, June 2016) as the difference in average satisfaction rating is not considered to be statistically significant.

(2) DBM Business Financial Services Monitor (June 2016), average satisfaction rating of each financial institution's MFI business customers across all Australian businesses, 6 month rolling average.

Wealth Management Customer Satisfaction

	30-Jun-16	30-Jun-15	30-Jun-14	30-Jun-13	30-Jun-12 ⁽¹⁾
Score ⁽²⁾	8.07	7.75	7.94	8.32	7.86
CBA Rank	1st	2nd	1st	1st	1st

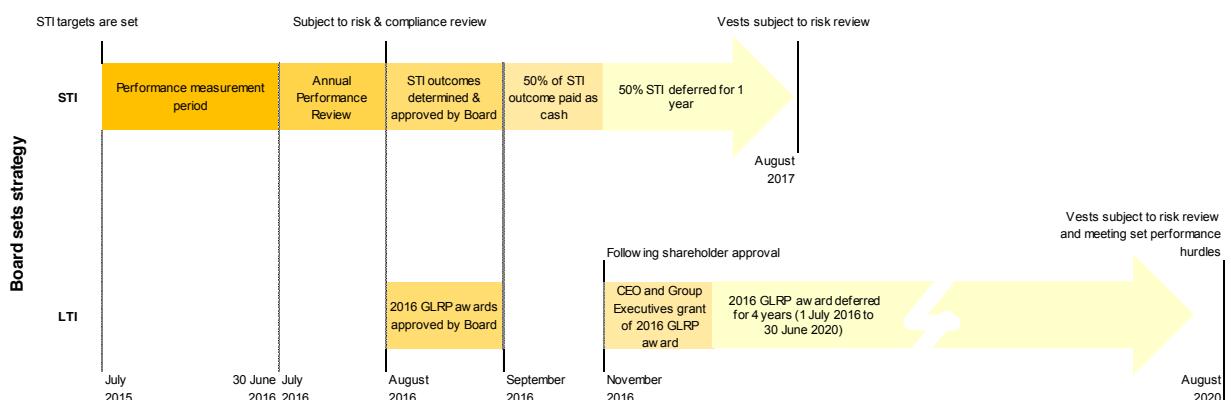
(1) In the 2012 year, the satisfaction score was calculated on a straight average of FirstChoice and FirstWrap. Due to the change in calculation of the satisfaction score in 2013, historical results have been restated. As a result, the score and ranking for 2012 has changed from 7.69 (2nd) to 7.86 (1st). For remuneration purposes the ranking of 2nd has been applied.

(2) For Wealth Management, customer satisfaction is measured by the Wealth Insights 2016 Service Level Report, Platforms.

3.3 Performance Timeline of At Risk Remuneration Outcomes

The performance management framework supports decisions in awarding appropriate annual STI outcomes for Executives. The balanced scorecard performance objectives are communicated to Executives at the beginning of the financial year. Executive annual performance evaluations are conducted following the end of the financial year. For the 2016 financial year, the evaluations were conducted in July 2016.

The following diagram outlines the timing of the 2016 STI award and the 2016 GLRP award made to the Executives over the relevant performance periods. All awards are subject to risk and compliance reviews.



Directors' Report – Remuneration Report

3.4 CEO and Group Executive Remuneration Received in the year ended 30 June 2016

The incentives awarded to the CEO and Group Executives are linked to the Group's and individual financial and non-financial performance.

Total statutory remuneration recognised for the CEO and Group Executives for the 2016 financial year was \$44.8 million and is the total of the values for each Executive shown in the statutory remuneration table on page 63. Statutory remuneration disclosures are prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards. Total cash remuneration received by the CEO and Group Executives in relation to the 2016 performance year was \$22.4 million. The total cash remuneration received is used to present a clear view of the Group's remuneration payments made to the CEO and Group Executives during the performance year.

Table (a) below shows remuneration received in relation to the 2016 financial year. The total cash payments received are made up of base remuneration and superannuation (fixed remuneration), and the portion of the 2016 STI award which is not deferred. These amounts are consistent with that disclosed in section 4.2 for the same items. This table also includes the value of previous years' deferred STI and LTI awards which vested during 2016. This differs to the table in section 4.2, which presents the accounting expense for both vested and unvested awards.

(a) Remuneration in relation to the 2016 Financial Year

	Previous years' awards that vested during 2016							Total Previous years' awards forfeited/lapsed during 2016 \$
	Fixed Remuneration ⁽¹⁾		Total cash in relation to 2016		Deferred cash awards ⁽³⁾		Deferred equity awards ⁽⁴⁾	
	Fixed Remuneration ⁽¹⁾ \$	Cash STI ⁽²⁾ \$	Total cash in relation to 2016 \$	Deferred cash awards ⁽³⁾ \$	Deferred equity awards ⁽⁴⁾ \$	remuneration received during 2016 \$		
Managing Director and CEO								
Ian Narev	2,650,000	1,431,000	4,081,000	1,625,834	6,597,473	12,304,307		(925,991)
Current Executives ⁽⁶⁾								
Kelly Bayer Rosmarin	1,050,600	586,235	1,636,835	626,771	466,671	2,730,277		-
Adam Bennett	980,000	554,239	1,534,239	259,295	393,185	2,186,719		-
David Cohen	900,000	529,594	1,429,594	595,883	2,178,446	4,203,923		(305,721)
Matthew Comyn	1,055,750	653,193	1,708,943	632,915	549,041	2,890,899		-
David Craig	1,380,000	812,044	2,192,044	871,355	3,340,159	6,403,558		(468,772)
Robert Jesudason	1,193,421	712,174	1,905,595	630,361	385,378	2,921,334		-
Melanie Laing	845,000	483,499	1,328,499	506,546	1,936,282	3,771,327		(271,724)
Vittoria Shortt	845,000	501,455	1,346,455	170,430	263,529	1,780,414		-
Annabel Spring	1,055,750	501,481	1,557,231	677,005	2,371,784	4,606,020		(332,868)
Alden Toevs	1,430,000	752,091	2,182,091	864,542	3,461,148	6,507,781		(485,770)
David Whiteing	980,000	510,519	1,490,519	563,418	-	2,053,937		-

(1) Fixed Remuneration includes base remuneration and superannuation.

(2) This is the 50% of the 2016 STI for performance during the 12 months to 30 June 2016 (payable September 2016). The remaining 50% is deferred until 1 July 2017. Deferred STI awards are subject to Board review at the time of payment.

(3) The value of all deferred cash awards that vested during the 2016 financial year plus any interest accrued during the vesting period. For Rob Jesudason, a portion of his 2015 deferred STI award that vested during the 2016 financial year was paid in Australian dollars and a portion was paid in Hong Kong dollars. For the purpose of disclosure, the portion paid in Hong Kong dollars has been converted to Australian dollars using the average year-to-date exchange rate as at 30 June 2016.

(4) The value of deferred equity awards that vested during the 2016 financial year plus any dividends accrued during the vesting period. For Ian Narev, David Cohen, David Craig, Melanie Laing, Annabel Spring and Alden Toevs this reflects the portion of the 2011 GLRP award that vested during the 2016 financial year. For Kelly Bayer Rosmarin, Adam Bennett, Matthew Comyn, Robert Jesudason and Vittoria Shortt this amount reflects the 2012 deferred STI awarded prior to their appointment as Group Executive under Executive General Manager arrangements that vested during the 2016 financial year. A portion of Ian Narev's deferred 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 current year.

(5) The value of any deferred cash and/or equity awards that were forfeited/lapsed during the 2016 financial year.

(6) Group Executives as at 30 June 2016.

Directors' Report – Remuneration Report

(b) CEO Reconciliation Table of Cash Payments from Table (a) and Statutory Remuneration Table on Page 63

	Year 2016	Award Vests \$	Year (1)
Cash remuneration received in relation to 2016 - refer to table (a) above	4,081,000	n/a	
2016 STI deferred for 12 months at risk	1,431,000	2017	
Annual leave and long service leave accruals	137,247	n/a	
Other Payments	50,886	n/a	
Share-based payments: accounting expense for 2016 for LTI awards made over the past 4 years. ⁽²⁾⁽³⁾			
2012 GLRP: ⁽⁴⁾ Expense for 1 award that may vest subject to customer satisfaction performance	506,401	2016	
2012 GLRP: Expense for 1 award that may vest subject to relative TSR performance	516,251	2016	
2013 GLRP: Expense for 1 award that may vest subject to customer satisfaction performance	287,158	2017	
2013 GLRP: Expense for 1 award that may vest subject to relative TSR performance	647,543	2017	
2014 GLRP: Expense for 1 award that may vest subject to customer satisfaction performance	226,631	2018	
2014 GLRP: Expense for 1 award that may vest subject to relative TSR performance	530,831	2018	
2015 GLRP: Expense for 1 award that may vest subject to customer satisfaction performance	107,695	2019	
2015 GLRP: Expense for 1 award that may vest subject to relative TSR performance	245,709	2019	
Total Statutory Remuneration as per page 63	8,768,352		

(1) Awards vest in August each year subject to Board Risk Review and meeting set performance hurdles.

(2) Naming convention updated to align with the start of the performance period.

(3) Includes the accounting expense for additional Reward Rights granted as part of the Retail Entitlement Offer.

(4) Includes true up for prior year award.

Directors' Report – Remuneration Report

4. KMP Disclosure Tables

4.1 Non-Executive Directors Statutory Remuneration

The statutory table below details individual statutory remuneration for the Non-Executive Directors for the year ended 30 June 2016 and the previous financial year.

	Short-Term Benefits	Post Employment Benefits	Share-Based payments		Total Statutory Remuneration
			Non-Executive Directors'		
			Cash ⁽¹⁾	Super- annuation ⁽²⁾	Share Plan ⁽³⁾
	\$	\$	\$	\$	\$
Chairman					
David Turner					
2016	854,887	19,308	-		874,195
2015	841,034	18,783	-		859,817
Non-Executive Directors					
John Anderson					
2016	300,768	19,308	-		320,076
2015	289,173	18,783	-		307,956
Shirish Apte					
2016	299,140	7,860	-		307,000
2015	296,395	4,753	-		301,148
David Higgins ⁽⁴⁾					
2016	294,078	19,308	-		313,386
2015	217,848	15,593	-		233,441
Launa Inman					
2016	257,222	19,308	29,233		305,763
2015	251,185	18,783	28,533		298,501
Catherine Livingstone ⁽⁵⁾					
2016	84,890	6,436	-		91,326
Brian Long					
2016	332,094	19,308	-		351,402
2015	311,290	18,783	-		330,073
Andrew Mohl					
2016	286,599	19,308	-		305,907
2015	279,718	18,783	-		298,501
Mary Padbury ⁽⁵⁾					
2016	12,386	1,177	-		13,563
Wendy Stops ⁽⁴⁾					
2016	253,938	19,308	-		273,246
2015	79,087	5,867	-		84,954
Harrison Young					
2016	333,428	19,308	-		352,736
2015	322,739	18,783	-		341,522
Former Non-Executive Director					
Jane Hemstritch ⁽⁶⁾					
2016	238,164	14,507	-		252,671
2015	308,810	18,783	-		327,593

(1) Cash includes Board and Committee fees received as cash. For Shirish Apte this also includes payments made on his behalf in relation to tax advice in the prior year.

(2) Superannuation contributions are capped at the superannuation maximum contributions base as prescribed under the Superannuation Guarantee legislation. For Shirish Apte, superannuation is paid on the Australian portion of his fees and includes minor adjustments made in relation to the prior year.

(3) The values shown in the table represent the post-tax portion of fees received as shares. Catherine Livingstone met the Non-Executive Director shareholding requirement at the time of her appointment and is not required to purchase any additional shares. To comply with the Non-Executive Director shareholding requirement, post-tax deductions for Mary Padbury will commence in the 2017 financial year.

(4) For 2015 comparison, David Higgins was appointed as a Non-Executive Director on 1 September 2014 and Wendy Stops was appointed as a Non-Executive Director on 9 March 2015. Their remuneration was prorated accordingly in 2015.

(5) Catherine Livingstone was appointed as a Non-Executive Director on 1 March 2016 and Mary Padbury was appointed as a Non-Executive Director on 14 June 2016. Their remuneration has been prorated accordingly.

(6) Jane Hemstritch retired from the Group on 31 March 2016 and her remuneration has been prorated accordingly.

Directors' Report – Remuneration Report

4.2 Executive Statutory Remuneration

The following statutory tables detail the statutory accounting expense of all remuneration related items for the CEO and all Group Executives. This includes remuneration costs in relation to both the 2015 and 2016 performance years. The tables are different to the cash table on page 60, which shows the remuneration received in the 2016 financial year rather than the accrual amounts on the statutory accounting basis, as outlined in these statutory tables. The tables have been developed and audited against the relevant accounting standards. Refer to the footnotes below each table for more detail on each remuneration component.

	Fixed Remuneration ⁽¹⁾		Other Short-Term Benefits				Long-Term Benefits		Share-Based Payments		Total Statutory Remuneration ⁽⁹⁾ \$	
	Base Remuner- ation ⁽²⁾ \$	Superan- nuation \$	Non Monetary ⁽³⁾ \$	Deferred Cash STI (at risk) ⁽⁴⁾ \$		STI (at risk) ⁽⁵⁾ \$	Other ⁽⁶⁾ \$	Long- Term ⁽⁷⁾ \$	Reward Rights (at risk) ⁽⁸⁾ \$			
				Cash	STI							
Managing Director and CEO												
Ian Narev												
2016	2,625,000	25,000	15,052	1,431,000	1,431,000	35,870	137,211	3,068,219		8,768,352		
2015	2,625,000	25,000	14,756	1,590,000	1,590,000	59,021	123,040	2,291,471		8,318,288		
Group Executives												
Kelly Bayer Rosmarin												
2016	1,025,600	25,000	15,052	586,235	586,235	3,760	279,193	555,203		3,076,278		
2015	995,000	25,000	14,756	612,957	612,957	5,228	354,416	329,371		2,949,685		
Adam Bennett ⁽¹⁰⁾												
2016	955,000	25,000	15,052	554,239	554,239	9,385	234,469	283,329		2,630,713		
2015	444,794	11,644	7,041	253,580	253,580	33,624	250,647	56,549		1,311,459		
David Cohen												
2016	875,000	25,000	15,052	529,594	529,594	60,308	35,088	964,254		3,033,890		
2015	875,000	25,000	14,756	582,750	582,750	32,072	34,785	737,041		2,884,154		
Matthew Comyn												
2016	1,030,750	25,000	13,846	653,193	653,193	6,656	36,150	982,736		3,401,524		
2015	1,005,000	25,000	13,652	618,966	618,966	48,121	132,653	703,776		3,166,134		
David Craig												
2016	1,355,000	25,000	15,052	812,044	812,044	57,916	60,057	1,478,428		4,615,541		
2015	1,355,000	25,000	14,756	852,150	852,150	86,446	55,686	1,129,795		4,370,983		
Robert Jesudason ⁽¹¹⁾												
2016	1,190,237	3,184	-	712,174	712,174	627,302	24,014	853,286		4,122,371		
2015	930,552	17,215	6,050	575,295	575,295	230,592	164,243	594,821		3,094,063		
Melanie Laing												
2016	820,000	25,000	15,052	483,499	483,499	(4,412)	17,412	885,233		2,725,283		
2015	820,000	25,000	14,756	495,382	495,382	50,875	16,155	705,309		2,622,859		
Vittoria Shortt ⁽¹⁰⁾												
2016	820,000	25,000	15,052	501,455	501,455	(19,300)	151,532	185,175		2,180,369		
2015	271,835	8,288	5,025	166,674	166,674	8,272	108,772	10,885		746,425		
Annabel Spring												
2016	1,030,750	25,000	13,846	501,481	501,481	16,215	43,865	1,080,090		3,212,728		
2015	1,005,000	25,000	13,652	662,084	662,084	38,164	28,352	838,730		3,273,066		
Alden Toevs												
2016	1,405,000	25,000	15,052	752,091	752,091	46,676	48,074	1,531,900		4,575,884		
2015	1,405,000	25,000	14,756	845,488	845,488	(7,527)	60,989	1,170,640		4,359,834		
David Whiteing ⁽¹⁰⁾												
2016	960,692	19,308	13,846	510,519	510,519	8,810	67,110	346,102		2,436,906		
2015	898,049	18,115	13,167	531,375	531,375	16,211	61,424	158,131		2,227,847		

- (1) Fixed Remuneration comprises Base Remuneration and Superannuation (post-employment benefit). Superannuation contributions for Robert Jesudason are made in line with Hong Kong Mandatory Provident Fund regulations.
- (2) Base Remuneration is the total cost of salary including cash salary, short-term compensated absences and any salary sacrificed benefits.
- (3) Non-Monetary represents the cost of car parking (including associated fringe benefits tax).
- (4) This is 50% of the 2016 STI for performance during the 12 months to 30 June 2016 (payable September 2016).
- (5) Deferred STI represents 50% of the 2016 STI award that is deferred until 1 July 2017. Deferred STI awards are subject to Board review at the time of payment.
- (6) Other short-term benefits relate to company funded benefits (including associated fringe benefits tax where applicable). This item also includes interest accrued in relation to the 2015 STI deferred award, which vested on 1 July 2016, and the net change in accrued annual leave. For Robert Jesudason, includes costs in relation to his Hong Kong assignment.
- (7) Includes 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. For Kelly Bayer Rosmarin, Adam Bennett, Vittoria Shortt and David Whiteing this also includes amounts relating to deferred STI payments awarded under Executive General Manager arrangements and/or equity sign-on awards. These equity awards are subject to forfeiture if the Executive ceases to be employed by the Group due to his or her resignation in any circumstances.
- (8) This includes the 2016 expense for the 2012, 2013, 2014 and 2015 GLRP awards (including true up for previous year award). It also includes the accounting expense for additional Reward Rights granted as part of the Retail Entitlement Offer.

Directors' Report – Remuneration Report

- (9) The percentage of 2016 remuneration related to performance was: Ian Narev 68%, Kelly Bayer Rosmarin 56%, Adam Bennett 53%, David Cohen 67%, Matthew Comyn 67%, David Craig 67%, Robert Jesudason 55%, Melanie Laing 68%, Vittoria Shortt 54%, Annabel Spring 65%, Alden Toeves 66%, and David Whiteing 56%.
- (10) For 2015 comparative, David Whiteing commenced in the KMP role on 14 July 2014, Adam Bennett commenced in the KMP role on 12 January 2015 and Vittoria Shortt commenced in the KMP role on 2 March 2015. Their remuneration reflects time in the KMP role.
- (11) For Robert Jesudason remuneration is paid in Hong Kong dollars and was impacted by movements in exchange rates.

4.3 Executive STI Allocations for 2016

	STI Target	Maximum STI ⁽¹⁾	Cash STI ⁽²⁾	Deferred STI ⁽³⁾		
	\$	%	%	\$	%	\$
Managing Director and CEO						
Ian Narev	2,650,000	150%	50%	1,431,000	50%	1,431,000
Group Executives						
Kelly Bayer Rosmarin	1,050,600	150%	50%	586,235	50%	586,235
Adam Bennett	980,000	150%	50%	554,239	50%	554,239
David Cohen	900,000	150%	50%	529,594	50%	529,594
Matthew Comyn	1,055,750	150%	50%	653,193	50%	653,193
David Craig	1,380,000	150%	50%	812,044	50%	812,044
Robert Jesudason	1,193,421	150%	50%	712,174	50%	712,174
Melanie Laing	845,000	150%	50%	483,499	50%	483,499
Vittoria Shortt	845,000	150%	50%	501,455	50%	501,455
Annabel Spring	1,055,750	150%	50%	501,481	50%	501,481
Alden Toeves	1,430,000	150%	50%	752,091	50%	752,091
David Whiteing	980,000	150%	50%	510,519	50%	510,519

(1) The maximum STI is represented as a percentage of fixed remuneration. The minimum STI is zero.

(2) Includes 50% of the annual STI award payable as cash in recognition of performance for the year ended 30 June 2016.

(3) This represents 50% of the STI award that is deferred until 1 July 2017. Deferred STI awards are subject to Board review at the time of payment.

4.4 Equity Awards Received as Remuneration

The table below details the value and number of all equity awards that were granted or forfeited/lapsed to Executives during their time in a KMP role in 2016. It also shows the number of previous year's awards that vested during the 2016 performance year (some of which relate to past non-KMP roles).

Name	Class	Granted during 2016 ⁽¹⁾⁽²⁾⁽³⁾		Previous Years' Awards Vested during 2016 ⁽⁴⁾		Forfeited or Lapsed during 2016 ⁽⁵⁾	
		Units	\$	Units	\$	Units	\$
Managing Director and CEO							
Ian Narev	GLRP Reward Rights	54,493	2,480,651	70,398	(11,222)	(925,991)	
Group Executives							
Kelly Bayer Rosmarin	GLRP Reward Rights	21,507	921,888	-	-	-	
	Deferred Rights	19	1,359	5,201	-	-	
Adam Bennett	GLRP Reward Rights	20,010	857,673	-	-	-	
	Deferred Rights	2,073	157,101	4,382	-	-	
David Cohen	GLRP Reward Rights	18,512	794,437	23,245	(3,705)	(305,721)	
Matthew Comyn	GLRP Reward Rights	21,707	931,534	-	-	-	
	Deferred Rights	-	-	6,119	-	-	
David Craig	GLRP Reward Rights	28,385	1,218,155	35,641	(5,681)	(468,772)	
Robert Jesudason	GLRP Reward Rights	20,544	881,456	-	-	-	
	Deferred Rights	-	-	4,295	-	-	
Melanie Laing	GLRP Reward Rights	17,377	745,713	20,661	(3,293)	(271,724)	
Vittoria Shortt	GLRP Reward Rights	17,249	739,341	-	-	-	
	Deferred Rights	2,264	171,609	2,937	-	-	
Annabel Spring	GLRP Reward Rights	21,707	931,534	25,308	(4,034)	(332,868)	
Alden Toeves	GLRP Reward Rights	29,413	1,262,286	36,932	(5,887)	(485,770)	
David Whiteing	GLRP Reward Rights	20,034	858,552	-	-	-	
	Deferred Rights	5	358	-	-	-	

(1) Represents the maximum number of GLRP Reward Rights and Deferred Rights that may vest to each Executive. For GLRP Reward Rights the value represents the fair value at grant date. For Ian Narev, the grant date for his GLRP Reward Rights was 17 November 2015. For all other Executives the grant date for GLRP Reward Rights was 10 November 2015. The grant date for additional GLRP Reward Rights granted as part of the Retail Entitlement Offer was 17 November 2015. Deferred Rights represent the deferred STI awarded under Executive General Manager arrangements, sign-on and retention awards received as restricted rights. For Deferred Rights the value reflects the face value at grant date. The minimum potential outcome for GLRP Reward Rights and Deferred Rights is zero.

(2) Includes the following additional rights granted as part of the Retail Entitlement Offer: Ian Narev 444 rights, Kelly Bayer Rosmarin 97 rights, Adam Bennett 39 rights, David Cohen 155 rights, Matthew Comyn 173 rights, David Craig 239 rights, Robert Jesudason 147 rights, Melanie Laing 142 rights, Vittoria Shortt 25 rights, Annabel Spring 173 rights, Alden Toeves 246 rights and David Whiteing 51 rights.

(3) As at 1 July 2015, the maximum value of GLRP Reward Rights granted during 2016 (excluding additional rights granted as part of the Retail Entitlement Offer in relation to unvested 2012, 2013 and 2014 GLRP awards), based on the volume weighted average price of the Group's ordinary shares over the five trading days up to and including 1 July 2015 was: Ian Narev \$4,639,026, Kelly Bayer Rosmarin \$1,839,251, Adam Bennett \$1,715,570, David Cohen

Directors' Report – Remuneration Report

\$1,575,581, Matthew Comyn \$1,848,263, David Craig \$2,415,771, Robert Jesudason \$1,750,675, Melanie Laing \$1,479,280, Vittoria Shortt \$1,479,280, Annabel Spring \$1,848,263, Alden Toeves \$2,503,404 and David Whiteing \$1,715,570.

- (4) Previous years' awards that vested include the 2011 GLRP award and other deferred equity awards. A portion of Ian Narev's vested equity award was delivered in the form of cash, which was paid to registered charities pursuant to an option that the Board made available in the current year.
- (5) This includes the portion of the 2011 GLRP award that vested during 2016 that did not meet the performance hurdle and was forfeited. The value of the lapsed award is calculated using the Volume Weighted Average Closing Price for the five days preceding the transaction date.

4.5 Fair Value Assumptions for Unvested Equity Awards

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

Equity Plan	Grant Date	Fair Value \$	Assumptions ⁽¹⁾			
			Performance Period End	Expected Life (Years)	Expected Volatility %	Risk Free Rate %
2015 GLRP Reward Rights ⁽²⁾	17/11/2015	35.15	30/06/2019	3.62	20	2.35
2015 GLRP Reward Rights ⁽³⁾	17/11/2015	77.07	30/06/2019	n/a	n/a	n/a
2015 GLRP Reward Rights ⁽²⁾	10/11/2015	32.41	30/06/2019	3.64	20	2.29
2015 GLRP Reward Rights ⁽³⁾	10/11/2015	74.76	30/06/2019	n/a	n/a	n/a
2015 GLRP Reward Rights ⁽²⁾⁽⁴⁾	17/11/2015	35.15	30/06/2019	3.62	20	2.35
2015 GLRP Reward Rights ⁽³⁾⁽⁴⁾	17/11/2015	77.07	30/06/2019	n/a	n/a	n/a
2014 GLRP Reward Rights ⁽²⁾⁽⁴⁾	17/11/2015	23.17	30/06/2018	2.62	20	2.18
2014 GLRP Reward Rights ⁽³⁾⁽⁴⁾	17/11/2015	77.07	30/06/2018	n/a	n/a	n/a
2013 GLRP Reward Rights ⁽²⁾⁽⁴⁾	17/11/2015	42.59	30/06/2017	1.62	20	2.14
2013 GLRP Reward Rights ⁽³⁾⁽⁴⁾	17/11/2015	77.07	30/06/2017	n/a	n/a	n/a
2012 GLRP Reward Rights ⁽²⁾⁽⁴⁾	17/11/2015	48.96	30/06/2016	0.62	20	2.14
2012 GLRP Reward Rights ⁽³⁾⁽⁴⁾	17/11/2015	77.07	30/06/2016	n/a	n/a	n/a

- (1) For the TSR component of the GLRP awards, a zero dividend yield has been assumed given that dividends are incorporated into the fair value of the rights.
- (2) The performance hurdle for this portion of the GLRP award is TSR relative to the Group's peers.
- (3) The performance hurdle for this portion of the GLRP award is Customer Satisfaction relative to the Group's peers.
- (4) Additional Reward Rights granted as part of the Retail Entitlement Offer as outlined in section 3.2.

4.6 Termination Arrangements

The table below provides the termination arrangements included in all Executive contracts for current KMP.

	Contract Type ⁽¹⁾	Notice	Severance ⁽²⁾
Managing Director & CEO			
Ian Narev	Permanent	12 months	n/a
Group Executives			
Kelly Bayer Rosmarin	Permanent	6 months	6 months
Adam Bennett	Permanent	6 months	6 months
David Cohen	Permanent	6 months	6 months
Matthew Comyn	Permanent	6 months	6 months
David Craig	Permanent	6 months	6 months
Robert Jesudason	Permanent	6 months	6 months
Melanie Laing	Permanent	6 months	6 months
Vittoria Shortt	Permanent	6 months	6 months
Annabel Spring	Permanent	6 months	6 months
Alden Toeves	Permanent	6 months	n/a
David Whiteing	Permanent	6 months	6 months

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

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

The termination entitlements are appropriate and do not deliver windfall payments on termination that are not related to performance. As part of these arrangements, Executives who resign or are dismissed will forfeit all their unvested deferred awards (including cash and equity awards), unless the Board determines otherwise, and will generally not be entitled to a STI payment for that year. At the Board's discretion, where an Executive's exit is related to retrenchment, retirement or death, the Executive may be entitled to an STI payment and any outstanding LTI awards continue unchanged with performance measured at the end of the performance period related to each award. The Board has ultimate discretion over the amount of awards that may vest.

Directors' Report – Remuneration Report

4.7 Security Holdings of KMP

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

(a) Shares and other securities held by Directors

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

Directors	Class	Balance		Net Change Other ⁽²⁾	Balance 30 June 2016
		1 July 2015	Acquired ⁽¹⁾		
Non-Executive Directors					
David Turner	Ordinary	11,840	428	-	12,268
	PERLS ⁽⁵⁾	380	1,000	-	1,380
John Anderson	Ordinary	18,186	792	-	18,978
Shirish Apte	Ordinary	7,500	-	-	7,500
David Higgins	Ordinary	5,023	5,323	-	10,346
Launa Inman	Ordinary	3,580	641	-	4,221
Catherine Livingstone ⁽³⁾	Ordinary	n/a	-	5,146	5,146
Brian Long	Ordinary	12,470	2,184	-	14,654
	PERLS ⁽⁵⁾	800	6,050	-	6,850
Andrew Mohl	Ordinary	67,230	20,316	(5,312)	82,234
Mary Padbury ⁽³⁾	PERLS ⁽⁵⁾	n/a	-	1,600	1,600
Wendy Stops	Ordinary	13,000	2,218	-	15,218
Harrison Young	Ordinary	26,764	3,236	-	30,000
Former Non-Executive Director					
Jane Hemstritch ⁽⁴⁾	Ordinary	25,775	1,122	-	n/a
	PERLS ⁽⁵⁾	11,800	2,500	(2,500)	n/a
	Other securities ⁽⁶⁾	5,000	-	-	n/a

(1) Incorporates shares and other securities purchased during the year. Non-Executive Directors who hold less than 5,000 Commonwealth Bank shares are required to receive 20% of their total post-tax annual fees as Commonwealth Bank shares. These shares are subject to a 10 year trading restriction (the shares will be released earlier if the director leaves the Board).

(2) Net Change Other incorporates changes resulting from sales of securities and appointment of Non-Executive Directors during the year.

(3) Catherine Livingstone was appointed as a Non-Executive Director on 1 March 2016 and Mary Padbury was appointed as a Non-Executive Director on 14 June 2016. Their shareholdings have not been included in the opening balance as at 1 July 2015.

(4) Jane Hemstritch retired from the Group on 31 March 2016 and her shareholdings are not included in the balance as at 30 June 2016.

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

(6) As at 31 March 2016 Jane Hemstritch held Colonial Sub notes (2015: Colonial Sub notes).

Directors' Report – Remuneration Report

(b) Shares held by the CEO and Group Executives

	Class ⁽¹⁾	Balance 1 July 2015	Acquired/ Granted as Remuneration ⁽²⁾	Previous Years' Awards Vested during 2016 ⁽³⁾	Net Change Other ⁽⁴⁾	Balance 30 June 2016
Managing Director and CEO						
Ian Narev	Ordinary	93,721	-	-	36,248	129,969
	GLRP Reward Rights	281,398	54,493	(70,398)	(11,222)	254,271
Group Executives						
Kelly Bayer Rosmarin	Ordinary	14,018	-	-	1,224	15,242
	GLRP Reward Rights	35,311	21,507	-	-	56,818
	Deferred Rights	13,534	19	(5,201)	-	8,352
Adam Bennett	Ordinary	8,303	-	-	4,382	12,685
	GLRP Reward Rights	10,013	20,010	-	-	30,023
	Deferred Rights	11,505	2,073	(4,382)	-	9,196
David Cohen	Ordinary	26,137	-	-	24,993	51,130
	GLRP Reward Rights	97,029	18,512	(23,245)	(3,705)	88,591
Matthew Comyn	Ordinary	23,380	-	-	7,136	30,516
	GLRP Reward Rights	77,892	21,707	-	-	99,599
	Deferred Rights	6,119	-	(6,119)	-	-
David Craig ⁽⁵⁾	Ordinary	134,621	-	-	36,179	170,800
	GLRP Reward Rights	148,772	28,385	(35,641)	(5,681)	135,835
Robert Jesudason	Ordinary	23,323	-	-	4,295	27,618
	GLRP Reward Rights	66,146	20,544	-	-	86,690
	Deferred Rights	4,295	-	(4,295)	-	-
Melanie Laing	Ordinary	11,936	-	-	21,531	33,467
	GLRP Reward Rights	87,845	17,377	(20,661)	(3,293)	81,268
Vittoria Shortt	Ordinary	3,561	-	-	2,937	6,498
	GLRP Reward Rights	6,146	17,249	-	-	23,395
	Deferred Rights	7,812	2,264	(2,937)	-	7,139
Annabel Spring	Ordinary	15,506	-	-	12,385	27,891
	GLRP Reward Rights	107,234	21,707	(25,308)	(4,034)	99,599
Alden Toeves	Ordinary	88,012	-	-	36,932	124,944
	GLRP Reward Rights	154,161	29,413	(36,932)	(5,887)	140,755
David Whiteing	Ordinary	-	-	-	-	-
	GLRP Reward Rights	20,840	20,034	-	-	40,874
	Deferred Rights	1,941	5	-	-	1,946

(1) Reward Rights represent rights granted under the GLRP which are subject to performance hurdles. Deferred Rights represent the deferred STI awarded under Executive General Manager arrangements, sign-on and retention awards received as restricted rights.

(2) Includes the following additional rights granted as part of the Retail Entitlement Offer: Ian Narev 444 rights, Kelly Bayer Rosmarin 97 rights, Adam Bennett 39 rights, David Cohen 155 rights, Matthew Comyn 173 rights, David Craig 239 rights, Robert Jesudason 147 rights, Melanie Laing 142 rights, Vittoria Shortt 25 rights, Annabel Spring 173 rights, Alden Toeves 246 rights and David Whiteing 51 rights.

(3) GLRP 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 current year.

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

(5) David Craig holds 20,600 PERLS and 7,550 Colonial Sub Notes.

Directors' Report – Remuneration Report

4.8 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 the aforementioned 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.

4.9 Total Loans to KMP

	2016	\$
Opening Balance		10,130,233
Closing Balance		11,354,745
Interest Charged		<u>456,842</u>

4.10 Loans to KMP Exceeding \$100,000 in Aggregate

	Balance 1 July 2015	Interest Charged	Interest Not Charged	Write-off	Balance 30 June 2016	Highest Balance in Period ⁽¹⁾
	\$	\$	\$	\$	\$	\$
Kelly Bayer Rosmarin	2,744,784	80,923	-	-	2,196,663	2,744,784
David Cohen	522,505	24,501	-	-	509,980	544,940
Matthew Comyn	2,131,212	93,390	-	-	2,324,854	2,604,951
Melanie Laing	429,061	10,897	-	-	279,955	573,780
Mary Padbury ⁽²⁾	N/A	1,162	-	-	786,881	792,512
Vittoria Shortt	2,261,178	161,604	-	-	3,668,455	3,904,563
Annabel Spring	8,324	7,078	-	-	3,911	9,533,534
David Whiteing	1,917,959	77,265	-	-	1,425,731	1,956,882
Total	10,015,023	456,820	-	-	11,196,430	22,655,946

(1) Represents the highest balance per individual of loans outstanding at any point during the year ended 30 June 2016.

(2) Mary Padbury was appointed as a Director on 14 June 2016. As interest is paid in arrears no interest was disclosed for the year ended 30 June 2016.

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

Directors' Report – Remuneration Report

Glossary of Key Terms

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

Term	Definition
Base Remuneration	Cash and non-cash remuneration, including any salary sacrifice items, paid regularly with no performance conditions.
Board	The Board of Directors of the Group.
Deferred Rights	Rights subject to forfeiture on resignation. These are used for deferred STI awarded under Executive General Manager arrangements, sign-on and retention awards.
Executives	The CEO and Group Executives are collectively referenced as 'Executives'.
Fixed Remuneration	Consists of Base Remuneration plus employer contributions to superannuation.
Group	Commonwealth Bank of Australia and its subsidiaries.
Group Executive	Key Management Personnel who are also members of the Group's Executive Committee.
Group Leadership Reward Plan (GLRP)	The Group's long-term incentive plan for the CEO and Group Executives.
Key Management Personnel (KMP)	Persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.
Long-Term Incentive (LTI)	A remuneration arrangement which grants benefits to participating Executives that may vest over a period of four years if, and to the extent that, performance hurdles are met. The Group's long-term incentive plan is the GLRP.
NPAT	Net profit after tax.
Remuneration Received	Represents all forms of consideration paid by the Group or on behalf of the Group during the current performance year ending 30 June 2016, in exchange for services previously rendered to the Group.
Retail Entitlement Offer	During the period the Group undertook a capital raising through a rights issue to all share holders. An accelerated institutional offer closed on 13 August 2015, while the retail entitlement offer closed on 8 September 2015.
Reward Rights	Rights to ordinary shares in CBA granted under the GLRP and subject to performance hurdles.
Salary Sacrifice	An arrangement where an employee agrees to forgo part of his or her cash component of Base Remuneration in return for non-cash benefits of a similar value.
Short-Term Incentive (STI)	Remuneration paid with direct reference to the Group's and the individual's performance over one financial year.
Statutory Remuneration	All forms of consideration paid, payable or provided by the Group, or on behalf of the Group, in exchange for services rendered to the Group. In reading this report, the term "remuneration" means the same as the term "compensation" for the purposes of the Corporations Act 2001 and the accounting standard AASB124.
Total Shareholder Return (TSR)	TSR measures a company's share price movement, dividend yield and any return of capital over a specific period.

Directors' Report

Non-Audit Services

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

	2016
	\$'000
Project assurance services	131
Taxation services	2,680
Risk management, compliance and controls related work	3,708
Other	1,025
Total non-audit services ⁽¹⁾	7,544
Total audit and related services	32,725

(1) An additional amount of \$2,150,171 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 Chairman's and Chief Executive Officer's Statements (pages 2 to 8), Highlights (pages 9 to 12), Group Performance Analysis (pages 13 to 22), Group Operations and Business Settings (pages 23 to 32) and Shareholding Information (pages 185 to 188) sections of this Annual Report.

Signed in accordance with a resolution of the Directors.



David Turner
Chairman
9 August 2016



Ian Narev
Managing Director and Chief Executive Officer
9 August 2016



Auditor's Independence Declaration

As lead auditor for the audit of Commonwealth Bank of Australia for the year ended 30 June 2016, 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.

A rectangular box containing a handwritten signature in black ink that appears to read "M. Laithwaite".

Marcus Laithwaite
Partner
PricewaterhouseCoopers

Sydney
9 August 2016

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

Liability limited by a scheme approved under Professional Standards Legislation.

Five Year Financial Summary

	2016 \$M	2015 ⁽¹⁾ \$M	2014 ⁽¹⁾ \$M	2013 \$M	2012 \$M
Net interest income	16,935	15,827	15,131	13,944	13,157
Other operating income ⁽²⁾	7,812	7,751	7,270	6,877	6,319
Total operating income	24,747	23,578	22,401	20,821	19,476
Operating expenses	(10,429)	(9,993)	(9,499)	(9,010)	(8,627)
Impairment expense	(1,256)	(988)	(953)	(1,082)	(1,089)
Net profit before tax	13,062	12,597	11,949	10,729	9,760
Corporate tax expense	(3,592)	(3,439)	(3,250)	(2,953)	(2,705)
Non-controlling interests	(20)	(21)	(19)	(16)	(16)
Net profit after tax "cash basis"	9,450	9,137	8,680	7,760	7,039
Treasury shares valuation adjustment	4	(28)	(41)	(53)	(15)
Hedging and IFRS volatility	(200)	6	6	27	124
Gain/(loss) on disposal of controlled entities/investments	-	-	17	-	-
Bankwest non-cash items	(27)	(52)	(56)	(71)	(89)
Count Financial acquisition costs	-	-	-	-	(43)
Bell Group litigation	-	-	25	(45)	-
Net profit after income tax attributable to Equity holders of the Bank "statutory basis"	9,227	9,063	8,631	7,618	7,016
Contributions to profit (after tax)					
Retail Banking Services	4,436	3,994	3,678	3,089	2,703
Business and Private Banking	1,567	1,495	1,321	1,474	1,513
Institutional Banking and Markets	1,164	1,285	1,252	1,195	1,098
Wealth Management	617	653	789	679	629
New Zealand	877	882	742	621	541
Bankwest	763	795	675	561	527
IFS and Other	26	33	223	141	28
Net profit after tax "cash basis"	9,450	9,137	8,680	7,760	7,039
Investment experience after tax	(100)	(150)	(197)	(105)	(89)
Net profit after tax "underlying basis"	9,350	8,987	8,483	7,655	6,950
Balance Sheet					
Loans, bills discounted and other receivables	695,398	639,262	597,781	556,648	525,682
Total assets	933,078	873,446	791,451	753,857	718,839
Deposits and other public borrowings	588,045	543,231	498,352	459,429	437,655
Total liabilities	872,322	820,453	742,103	708,320	677,219
Shareholders' Equity	60,756	52,993	49,348	45,537	41,620
Net tangible assets	49,822	41,522	38,080	33,638	29,869
Risk weighted assets - Basel III (APRA)	394,667	368,721	337,715	329,158	n/a
Risk weighted assets - Basel II (APRA)	n/a	n/a	n/a	n/a	302,787
Average interest earning assets	817,457	755,872	705,862	653,637	629,685
Average interest bearing liabilities	760,615	713,084	660,847	609,557	590,654
Assets (on Balance Sheet) - Australia	783,170	741,249	669,293	644,043	621,965
Assets (on Balance Sheet) - New Zealand	83,832	72,299	69,110	61,578	55,499
Assets (on Balance Sheet) - Other	66,076	59,898	53,048	48,236	41,375

(1) Comparative information has been restated to reflect the changes in presentation disclosed in the prior half, and reclassification of fixed rate prepayment recoveries from Other banking income to Net interest income to align with the associated hedge costs.

(2) Includes investment experience.

Five Year Financial Summary

	2016	2015	2014	2013	2012
Shareholder summary					
Dividends per share - fully franked (cents)	420	420	401	364	334
Dividend cover - statutory (times)	1.3	1.3	1.3	1.3	1.3
Dividend cover - cash (times)	1.3	1.3	1.3	1.3	1.3
Earnings per share (cents) ⁽¹⁾					
Basic					
Statutory	542.5	553.7	530.6	474.2	444.2
Cash basis	555.1	557.5	532.7	482.1	444.7
Fully diluted					
Statutory	529.5	539.6	518.9	461.0	428.5
Cash basis	541.5	543.2	521.0	468.6	429.0
Dividend payout ratio (%)					
Statutory	78.3	75.7	75.5	77.4	76.0
Cash basis	76.5	75.1	75.1	75.9	75.8
Net tangible assets per share (\$)	29.1	25.5	23.5	20.9	18.8
Weighted average number of shares (statutory basic) (M) ⁽¹⁾	1,692	1,627	1,618	1,598	1,570
Weighted average number of shares (statutory fully diluted) (M) ⁽¹⁾	1,771	1,711	1,691	1,686	1,674
Weighted average number of shares (cash basic) (M) ⁽¹⁾	1,693	1,630	1,621	1,601	1,573
Weighted average number of shares (cash fully diluted) (M) ⁽¹⁾	1,772	1,714	1,694	1,689	1,677
Number of shareholders	820,968	787,969	791,564	786,437	792,906
Share prices for the year (\$)					
Trading high	88.88	96.69	82.68	74.18	53.80
Trading low	69.79	73.57	67.49	53.18	42.30
End (closing price)	74.37	85.13	80.88	69.18	53.10
Performance ratios (%)					
Return on average Shareholders' equity					
Statutory	16.2	18.2	18.7	18.0	18.5
Cash basis	16.5	18.2	18.7	18.2	18.4
Return on average total assets					
Statutory	1.0	1.1	1.1	1.0	1.0
Cash basis	1.0	1.1	1.1	1.1	1.0
Capital adequacy - Common Equity Tier 1 - Basel III (APRA)	10.6	9.1	9.3	8.2	n/a
Capital adequacy - Tier 1 - Basel III (APRA)	12.3	11.2	11.1	10.3	n/a
Capital adequacy - Tier 2 - Basel III (APRA)	2.0	1.5	0.9	0.9	n/a
Capital adequacy - Total - Basel III (APRA)	14.3	12.7	12.0	11.2	n/a
Capital adequacy - Tier One - Basel II	n/a	n/a	n/a	n/a	10.0
Capital adequacy - Tier Two - Basel II	n/a	n/a	n/a	n/a	1.0
Capital adequacy - Total - Basel II	n/a	n/a	n/a	n/a	11.0
Leverage Ratio Basel III (APRA) (%) ⁽²⁾	5.0	n/a	n/a	n/a	n/a
Liquidity Coverage Ratio (%)	120.0	120.0	n/a	n/a	n/a
Net interest margin ⁽³⁾	2.07	2.09	2.14	2.13	2.09
Other information (numbers)					
Full-time equivalent employees	45,129	45,948	44,329	44,969	44,844
Branches/services centres (Australia)	1,131	1,147	1,150	1,166	1,167
Agencies (Australia)	3,654	3,670	3,717	3,764	3,818
ATMs	4,381	4,440	4,340	4,304	4,213
EFTPOS terminals (active)	217,981	208,202	200,733	181,227	175,436
Productivity⁽⁴⁾					
Total operating income per full-time (equivalent) employee (\$)	545,237	508,578	500,034	459,583	430,983
Employee expense/Total operating income (%)	25.1	24.9	25.0	25.3	26.1
Total operating expenses/Total income (%)	42.4	42.8	42.9	43.6	44.6

(1) Comparative information has been restated to incorporate the bonus element of the rights issue in the weighted average number of ordinary shares.

(2) As the Group commenced disclosure of its leverage ratio at 30 September 2015, no comparatives have been presented.

(3) Comparative information has been restated for 2015 and 2014 to align to presentation in the current period.

(4) The productivity metrics have been calculated on a cash basis.

Financial Statements

Income Statements	75
Statements of Comprehensive Income	76
Balance Sheets	77
Statements of Changes in Equity	78
Statements of Cash Flows	80
Note 1 Accounting Policies	82
Note 2 Profit	93
Note 3 Average Balances and Related Interest	95
Note 4 Income Tax	98
Note 5 Dividends	101
Note 6 Earnings Per Share	102
Note 7 Cash and Liquid Assets	102
Note 8 Receivables Due from Other Financial Institutions	102
Note 9 Assets at Fair Value through Income Statement	103
Note 10 Derivative Financial Instruments	103
Note 11 Available-for-Sale Investments	107
Note 12 Loans, Bills Discounted and Other Receivables	108
Note 13 Provisions for Impairment	111
Note 14 Property, Plant and Equipment	113
Note 15 Intangible Assets	115
Note 16 Other Assets	117
Note 17 Deposits and Other Public Borrowings	117
Note 18 Liabilities at Fair Value through Income Statement	118
Note 19 Other Provisions	118
Note 20 Debt Issues	120
Note 21 Bills Payable and Other Liabilities	121
Note 22 Loan Capital	122
Note 23 Shareholders' Equity	123
Note 24 Share-Based Payments	126
Note 25 Capital Adequacy	128
Note 26 Financial Reporting by Segments	129
Note 27 Life Insurance	132
Note 28 Remuneration of Auditors	134
Note 29 Lease Commitments	134
Note 30 Contingent Liabilities, Contingent Assets and Commitments	135
Note 31 Risk Management	137
Note 32 Credit Risk	141
Note 33 Market Risk	155
Note 34 Liquidity and Funding Risk	157
Note 35 Retirement Benefit Obligations	160
Note 36 Investments in Subsidiaries and Other Entities	163
Note 37 Key Management Personnel	168
Note 38 Related Party Disclosures	169
Note 39 Notes to the Statements of Cash Flows	170
Note 40 Disclosures about Fair Values	171
Note 41 Securitisation, Covered Bonds and Transferred Assets	177
Note 42 Collateral Arrangements	178
Note 43 Offsetting Financial Assets and Financial Liabilities	179
Note 44 Subsequent Events	181

Income Statements

For the year ended 30 June 2016

	Note	2016 \$M	2015 \$M	2014 \$M	Group ⁽¹⁾ 2016 \$M	Bank ⁽¹⁾ 2015 \$M
Interest income	2	33,817	34,145	33,691	34,660	34,975
Interest expense	2	(16,882)	(18,322)	(18,550)	(19,545)	(20,988)
Net interest income		16,935	15,823	15,141	15,115	13,987
Other banking income		4,576	4,828	4,280	6,035	6,791
Net banking operating income		21,511	20,651	19,421	21,150	20,778
Funds management income		2,315	2,396	2,356	-	-
Investment revenue		283	618	840	-	-
Claims, policyholder liability and commission expense		(537)	(1,011)	(1,162)	-	-
Net funds management operating income	2	2,061	2,003	2,034	-	-
Premiums from insurance contracts		2,921	2,797	2,604	-	-
Investment revenue		467	543	547	-	-
Claims, policyholder liability and commission expense from insurance contracts		(2,382)	(2,326)	(2,118)	-	-
Net insurance operating income	2	1,006	1,014	1,033	-	-
Total net operating income before impairment and operating expenses	2	24,578	23,668	22,488	21,150	20,778
Loan impairment expense	2,13	(1,256)	(988)	(918)	(1,153)	(837)
Operating expenses	2	(10,468)	(10,068)	(9,573)	(8,538)	(8,271)
Net profit before income tax	2	12,854	12,612	11,997	11,459	11,670
Corporate income tax expense	4	(3,506)	(3,429)	(3,221)	(2,820)	(2,694)
Policyholder tax expense	4	(101)	(99)	(126)	-	-
Net profit after income tax		9,247	9,084	8,650	8,639	8,976
Non-controlling interests		(20)	(21)	(19)	-	-
Net profit attributable to Equity holders of the Bank		9,227	9,063	8,631	8,639	8,976

The above Income Statements should be read in conjunction with the accompanying notes.

	Note	2016 Cents per share	2015 Cents per share	2014 Cents per share	Group ⁽²⁾
Earnings per share:					
Basic	6	542.5	553.7	530.6	
Fully diluted	6	529.5	539.6	518.9	

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

(2) Comparative information has been restated to incorporate the bonus element of the rights issue in the weighted average number of ordinary shares.

Financial Statements

Statements of Comprehensive Income

For the year ended 30 June 2016

	Group		Bank	
	2016 \$M	2015 \$M	2014 \$M	2016 \$M
Net profit after income tax for the financial year	9,247	9,084	8,650	8,639
Other comprehensive income/(expense):				8,976
Items that may be reclassified subsequently to profit/(loss):				
Foreign currency translation reserve net of tax	383	398	385	53
Gains and (losses) on cash flow hedging instruments net of tax	210	39	(144)	202
Gains and (losses) on available-for-sale investments net of tax	(316)	(45)	338	(331)
Total of items that may be reclassified	277	392	579	(76)
Items that will not be reclassified to profit/(loss):				
Actuarial gains and (losses) from defined benefit superannuation plans net of tax	10	311	42	10
Gains and (losses) on liabilities at fair value due to changes in own credit risk net of tax	(1)	(3)	6	(1)
Revaluation of properties net of tax	1	15	26	1
Total of items that will not be reclassified	10	323	74	10
Other comprehensive income/(expense) net of income tax	287	715	653	(66)
Total comprehensive income for the financial year	9,534	9,799	9,303	8,573
Total comprehensive income for the financial year is attributable to:				
Equity holders of the Bank	9,514	9,778	9,284	8,573
Non-controlling interests	20	21	19	-
Total comprehensive income net of income tax	9,534	9,799	9,303	8,573
				9,488

The above Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

	Group			
	Note	2016	2015	2014
Dividends per share attributable to shareholders of the Bank:				
Ordinary shares	5	420	420	401
Trust preferred securities		7,994	7,387	6,498

Financial Statements

Balance Sheets

As at 30 June 2016

		Group		Bank
	Note	2016 \$M	2015 \$M	2016 \$M
Assets				
Cash and liquid assets	7	23,372	33,116	21,582
Receivables due from other financial institutions ⁽¹⁾	8	11,591	13,063	10,182
Assets at fair value through Income Statement:	9			
Trading		34,067	26,424	32,985
Insurance		13,547	14,088	-
Other		1,480	1,278	1,187
Derivative assets	10	46,567	46,154	46,525
Available-for-sale investments	11	80,898	74,684	76,361
Loans, bills discounted and other receivables	12	695,398	639,262	617,919
Bank acceptances of customers		1,431	1,944	1,413
Shares in and loans to controlled entities	38	-	-	145,953
Property, plant and equipment	14	3,940	2,833	1,503
Investment in associates and joint ventures	36	2,776	2,637	1,231
Intangible assets	15	10,384	9,970	4,778
Deferred tax assets	4	345	455	793
Other assets ⁽¹⁾	16	7,282	7,538	5,997
Total assets		933,078	873,446	968,409
				920,167
Liabilities				
Deposits and other public borrowings	17	588,045	543,231	536,086
Payables due to other financial institutions		28,771	36,416	28,328
Liabilities at fair value through Income Statement	18	10,292	8,493	7,441
Derivative liabilities	10	39,921	35,213	43,884
Bank acceptances		1,431	1,944	1,413
Due to controlled entities		-	-	130,046
Current tax liabilities		1,022	661	892
Deferred tax liabilities	4	340	351	-
Other provisions	19	1,656	1,726	1,249
Insurance policy liabilities	27	12,636	12,911	-
Debt issues	20	161,284	154,429	134,214
Managed funds units on issue		1,606	1,149	-
Bills payable and other liabilities	21	9,774	11,105	11,642
		856,778	807,629	895,195
Loan capital	22	15,544	12,824	15,138
Total liabilities		872,322	820,453	910,333
Net assets		60,756	52,993	58,076
				51,747
Shareholders' Equity				
Share capital:				
Ordinary share capital	23	33,845	27,619	34,125
Other equity instruments	23	-	939	406
Reserves	23	2,734	2,345	3,115
Retained profits	23	23,627	21,528	20,430
Shareholders' Equity attributable to Equity holders of the Bank		60,206	52,431	58,076
Non-controlling interests	36	550	562	-
Total Shareholders' Equity		60,756	52,993	58,076
				51,747

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

The above Balance Sheets should be read in conjunction with the accompanying notes.

Financial Statements

Statements of Changes in Equity

For the year ended 30 June 2016

	Group						
				Shareholders'			
	Ordinary share capital	Other equity instruments	Reserves	Retained profits	to Equity holders of the Bank	Non-controlling interests	Total Shareholders' Equity
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
As at 30 June 2014	27,036	939	2,009	18,827	48,811	537	49,348
Net profit after income tax	-	-	-	9,063	9,063	21	9,084
Net other comprehensive income	-	-	407	308	715	-	715
Total comprehensive income for the financial year	-	-	407	9,371	9,778	21	9,799
Transactions with Equity holders in their capacity as Equity holders:							
Dividends paid on ordinary shares	-	-	-	(6,744)	(6,744)	-	(6,744)
Dividends paid on other equity instruments	-	-	-	(36)	(36)	-	(36)
Dividend reinvestment plan (net of issue costs)	571	-	-	-	571	-	571
Issue of shares (net of issue costs)	-	-	-	-	-	-	-
Share-based payments	-	-	(3)	-	(3)	-	(3)
Purchase of treasury shares	(790)	-	-	-	(790)	-	(790)
Sale and vesting of treasury shares	802	-	-	-	802	-	802
Redemptions	-	-	-	-	-	-	-
Other changes	-	-	(68)	110	42	4	46
As at 30 June 2015	27,619	939	2,345	21,528	52,431	562	52,993
Net profit after income tax	-	-	-	9,227	9,227	20	9,247
Net other comprehensive income	-	-	278	9	287	-	287
Total comprehensive income for the financial year	-	-	278	9,236	9,514	20	9,534
Transactions with Equity holders in their capacity as Equity holders:							
Dividends paid on ordinary shares	-	-	-	(6,994)	(6,994)	-	(6,994)
Dividends paid on other equity instruments	-	-	-	(50)	(50)	-	(50)
Dividend reinvestment plan (net of issue costs)	1,209	-	-	-	1,209	-	1,209
Issue of shares (net of issue costs)	5,022	-	-	-	5,022	-	5,022
Share-based payments	-	-	10	-	10	-	10
Purchase of treasury shares	(108)	-	-	-	(108)	-	(108)
Sale and vesting of treasury shares	103	-	-	-	103	-	103
Redemptions	-	(939)	-	-	(939)	-	(939)
Other changes	-	-	101	(93)	8	(32)	(24)
As at 30 June 2016	33,845	-	2,734	23,627	60,206	550	60,756

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 2016

	Ordinary share capital \$M	Other equity instruments \$M	Reserves \$M	Retained profits \$M	Bank Shareholders' Equity attributable to Equity holders \$M
As at 30 June 2014	27,323	1,895	3,011	16,206	48,435
Net profit after income tax	-	-	-	8,976	8,976
Net other comprehensive income	-	-	204	308	512
Total comprehensive income for the financial year	-	-	204	9,284	9,488
Transactions with equity holders in their capacity as equity holders:					
Dividends paid on ordinary shares	-	-	-	(6,744)	(6,744)
Dividend reinvestment plan (net of issue costs)	571	-	-	-	571
Issue of shares (net of issue costs)	-	-	-	-	-
Share-based payments	-	-	(3)	-	(3)
Redemptions	-	-	-	-	-
Other changes	-	-	(17)	17	-
As at 30 June 2015	27,894	1,895	3,195	18,763	51,747
Net profit after income tax	-	-	-	8,639	8,639
Net other comprehensive income	-	-	(75)	9	(66)
Total comprehensive income for the financial year	-	-	(75)	8,648	8,573
Transactions with Equity holders in their capacity as Equity holders:					
Dividends paid on ordinary shares	-	-	-	(6,994)	(6,994)
Dividend reinvestment plan (net of issue costs)	1,209	-	-	-	1,209
Issue of shares (net of issue costs)	5,022	-	-	-	5,022
Share-based payments	-	-	10	-	10
Redemptions	-	(1,489)	-	-	(1,489)
Other changes	-	-	(15)	13	(2)
As at 30 June 2016	34,125	406	3,115	20,430	58,076

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Financial Statements

Statements of Cash Flows ⁽¹⁾

For the year ended 30 June 2016

	Note	Group		Bank	
		2016 \$M	2015 \$M	2014 \$M	2015 \$M
Cash flows from operating activities					
Interest received ⁽²⁾		34,047	34,112	33,669	34,908
Interest paid ⁽²⁾		(16,285)	(17,442)	(18,166)	(18,935)
Other operating income received ⁽²⁾		5,688	5,439	5,098	3,674
Expenses paid		(9,981)	(8,740)	(8,377)	(7,961)
Income taxes paid		(3,071)	(3,444)	(3,763)	(2,661)
Net (outflows)/inflows from assets at fair value through Income Statement (excluding life insurance)		(2,642)	1,457	5,188	(3,367)
Net inflows/(outflows) from liabilities at fair value through Income Statement:					
Insurance:					
Investment income		(362)	118	394	-
Premiums received ⁽³⁾		3,114	2,910	2,899	-
Policy payments and commission expense ⁽³⁾		(3,301)	(3,307)	(3,080)	-
Other liabilities at fair value through Income Statement		1,872	738	(1,619)	246
Cash flows from operating activities before changes in operating assets and liabilities		9,079	11,841	12,243	5,904
Changes in operating assets and liabilities arising from cash flow movements					
Movement in available-for-sale investments:					
Purchases		(50,233)	(60,967)	(49,468)	(48,759)
Proceeds		46,150	53,569	44,130	46,541
Net increase in loans, bills discounted and other receivables		(52,825)	(41,768)	(36,795)	(45,917)
Net decrease/(increase) in receivables due from other financial institutions and regulatory authorities ⁽²⁾		803	(3,799)	(207)	238
Net decrease/(increase) in securities purchased under agreements to resell		4,574	(6,174)	1,119	4,467
Insurance business:					
Purchase of insurance assets at fair value through Income Statement		(2,020)	(2,741)	(3,156)	-
Proceeds from sale/maturity of insurance assets at fair value through Income Statement		4,276	4,789	3,804	-
Net (increase)/decrease in other assets ⁽²⁾		(108)	39	260	(157)
Net increase in deposits and other public borrowings		37,783	41,229	29,419	35,054
Net (decrease)/increase in payables due to other financial institutions		(6,323)	8,598	(1,812)	(5,511)
Net increase in securities sold under agreements to repurchase		4,148	3,015	4,389	4,257
Net increase/(decrease) in other liabilities		135	(448)	37	(1,580)
Changes in operating assets and liabilities arising from cash flow movements		(13,640)	(4,658)	(8,280)	(11,367)
Net cash (used in)/provided by operating activities	39 (a)	(4,561)	7,183	3,963	(5,463)
Cash flows from investing activities					
Net proceeds from disposal of controlled entities	39 (d)	-	-	531	-
Payments for acquisition of controlled entities	39 (e)	(857)	(29)	-	(29)
Net proceeds from disposal of entities and businesses (net of cash disposals)		110	72	481	110
Dividends received		78	71	70	1,462
Net amounts received from controlled entities ⁽⁴⁾		-	-	-	2,564
Proceeds from sale of property, plant and equipment		405	69	68	122
Purchases of property, plant and equipment		(1,259)	(578)	(513)	(426)
Payments for acquisitions of investments in associates/joint ventures		-	(270)	(36)	-
Net purchase of intangible assets		(509)	(550)	(400)	(450)
Net cash (used in)/provided by investing activities		(2,032)	(1,215)	201	2,125
					3,480

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

(3) Represents gross premiums and policy payments before splitting between policyholders and shareholders.

(4) Amounts received from and paid to controlled entities are presented in line with how they are managed and settled.

Statements of Cash Flows ⁽¹⁾ (continued)

For the year ended 30 June 2016

	Note	Group			Bank
		2016 \$M	2015 \$M	2014 \$M	2016 \$M
Cash flows from financing activities					
Dividends paid (excluding Dividend Reinvestment Plan)		(5,827)	(6,200)	(5,491)	(5,777)
Redemption of other equity instruments (net of costs)		(939)	-	-	(1,483)
Proceeds from issuance of debt securities		98,958	68,655	87,554	88,920
Redemption of issued debt securities		(97,740)	(73,377)	(79,776)	(90,149)
Purchase of treasury shares		(108)	(790)	(813)	-
Sale of treasury shares		50	744	760	-
Issue of loan capital		3,949	6,184	358	3,943
Redemption of loan capital		(1,678)	(2,971)	(500)	(2,645)
Proceeds from issuance of shares (net of issue costs)		5,022	-	-	5,022
Other		(67)	(120)	(157)	179
Net cash provided by/(used in) financing activities		1,620	(7,875)	1,935	(1,990)
Net (decrease)/increase in cash and cash equivalents		(4,973)	(1,907)	6,099	(5,328)
Effect of foreign exchange rates on cash and cash equivalents		150	2,049	411	72
Cash and cash equivalents at beginning of year		19,270	19,128	12,618	18,165
Cash and cash equivalents at end of year	39 (b)	14,447	19,270	19,128	12,909
					18,165

(1) It should be noted that the Group does not use these accounting Statements of Cash Flows in the internal management of its liquidity positions.

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

Note 1 Accounting Policies

The Financial Statements of the Commonwealth Bank of Australia (the Bank) and the Bank and its subsidiaries (the Group) for the year ended 30 June 2016, were approved and authorised for issue by the Board of Directors on 9 August 2016. The Directors have the power to amend and reissue the Financial Statements.

The Bank is a for-profit entity incorporated and domiciled in Australia. It is a company limited by shares that are publicly traded on the Australian Securities Exchange. The registered office is Ground Floor, Tower 1, 201 Sussex Street, Sydney, NSW 2000, Australia.

The principal accounting policies adopted in the preparation of this financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial report is presented in Australian dollars. The assets and liabilities are presented in order of liquidity on the Balance Sheet.

Basis of Preparation

(a) Basis of Accounting

This General Purpose Financial Report has been prepared in accordance with Australian Accounting Standards (the standards), Australian Interpretations, and the Corporations Act 2001.

The Financial Statements comply with International Financial Reporting Standards (IFRS) and Interpretations as issued by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC) respectively.

(b) Historical Cost Convention

This financial report has been prepared under the historical cost convention, except for certain assets and liabilities (including derivative instruments) measured at fair value.

(c) Rounding of Amounts

The amounts in this financial report have been rounded in accordance with ASIC Corporations Instrument 2016/191 to the nearest million dollars, unless otherwise indicated.

(d) Segment Reporting

Operating segments are reported based on the Group's organisational and management structures. Senior management review the Group's internal reporting based around these segments, in order to assess performance and allocate resources.

All transactions between segments are conducted on an arm's length basis, with inter-segment revenue and costs being eliminated in "Other".

(e) Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year.

Comparatives

Where necessary, comparative information has been restated to conform to changes in presentation in the current year. All comparative changes made have been footnoted throughout the financial statements. Other than changes to the presentation of segment information, as disclosed in Note 26, the restatements are not considered to have a material impact on the financial statements.

(f) Principles of Consolidation

Subsidiaries

The consolidated financial report comprises the financial report of the Bank and its subsidiaries. Subsidiaries are entities (including structured entities) over which the Bank has control. The Bank controls another entity when it has:

- power over the relevant activities of the entity, for example through voting or other rights;
- exposure to, or rights to, variable returns from the Bank's involvement with the entity; and
- the ability to use its power over the entity to affect the Bank's returns from the entity.

Transactions between subsidiaries in the Group are eliminated. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, and Balance Sheet.

Subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated when control ceases.

Subsidiaries are accounted for at cost less accumulated impairments at the Bank level.

Business Combinations

Business combinations are accounted for using the acquisition method. Cost is measured as the aggregate of the fair values of assets given, equity instruments issued, or liabilities incurred or assumed at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at fair value on the acquisition date. Goodwill is recorded as the excess of the total consideration transferred, the carrying amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the net identifiable assets acquired. If there is a deficit instead, this discount on acquisition is recognised directly in the consolidated Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Investment in Associates and Joint Ventures

Associates and joint ventures are entities over which the Group has significant influence or joint control, but not control. In the consolidated financial report, they are equity accounted. They are initially recorded at cost and adjusted for the Group's share of the associates' and joint ventures' post-acquisition profits or losses and other comprehensive income (OCI), less any dividends received. At the Bank level, they are accounted for at cost less accumulated impairments.

The Group assesses, at each Balance Sheet date, whether there is any objective evidence of impairment. The main indicators of impairment are as for equity securities classified as available-for-sale (Note 1(t)). If there is an indication that an investment may be impaired, then the entire carrying amount of the investment in associate or joint venture is tested for impairment by comparing the recoverable amount (higher of value in use and fair value less disposal costs) with its carrying amount. Impairment losses recognised in the Income Statement are subsequently reversed through the Income Statement if there has been a change in the estimates used to determine recoverable amount since the impairment loss was recognised.

Note 1 Accounting Policies (continued)

(g) Foreign Currency Translation

Functional and Presentation Currency

The consolidated financial statements are presented in Australian dollars, which is the Bank's functional and presentation currency. The functional currency of the Group's foreign operations (including subsidiaries, branches, associates, and joint ventures) will vary based on the currency of the main economy to which it is exposed.

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the date of each transaction.

Monetary assets and liabilities resulting from foreign currency transactions are subsequently translated at the spot rate at reporting date. Exchange differences arising upon settling or translating monetary items at different rates to those at which they were initially recognised or previously reported, are recognised in the Income Statement.

Foreign Operations

Where the Group's foreign operations do not have an Australian dollar functional currency:

- assets and liabilities are translated at the prevailing exchange rate at Balance Sheet date;
- revenue and expenses are translated at the average exchange rate for the period (or the prevailing rate at the transaction date where the average is not a reasonable approximation); and
- all resulting exchange differences are recognised in the foreign currency translation reserve.

When a foreign operation is disposed of, exchange differences are recognised in the Income Statement as part of the gain or loss on disposal. No Group entities have a functional currency of a hyperinflationary economy.

(h) Offsetting

Income and expenses are only offset in the Income Statement if permitted under the relevant accounting standard. Examples of offsetting include gains and losses from foreign exchange exposures and trading operations.

Financial assets and liabilities are offset and the net amount is presented in the Balance Sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Fair Value Measurement

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities at fair value through Income Statement, available-for-sale investments and all derivative instruments are initially recognised and subsequently measured at fair value.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. Assets and long positions are measured at a quoted bid price; liabilities and short positions are measured at a quoted asking price. Where the Group has positions with offsetting market risks, mid-market prices are used to measure the offsetting risk positions and a quoted bid or

asking price adjustment is applied only to the net open position as appropriate.

Non-market quoted financial instruments are mostly valued using valuation techniques based on observable inputs, except for a limited number of instances where observable market data is unavailable. In this instance, the financial instrument is initially recognised at the transaction price, which is generally the best indicator of fair value. This may differ from the value obtained from the valuation model. The timing of the recognition in the Income Statement of this initial difference in fair value depends on the individual facts and circumstances of each transaction, but is never later than when the market data becomes observable. The difference may be either amortised over the life of the transaction, recognised when the inputs become observable or on derecognition of the instrument, as appropriate.

Income Statement

(j) Interest Income

Interest income is brought to account using the effective interest method. The effective interest method calculates the amortised cost of a financial instrument and allocates the interest income or interest expense over the relevant period.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. Fees and transaction costs associated with loans are capitalised and included in the effective interest rate and recognised in the Income Statement, over the expected life of the instrument. Interest income on finance leases is brought to account progressively over the life of the lease, consistent with the outstanding investment and unearned income balance.

(k) Fee and Commission Income

Fees and commissions that relate to the execution of a significant act (for example, advisory or arrangement services, placement fees and underwriting fees) are recognised when the significant act has been completed.

Fees charged for providing ongoing services (for example, managing and administering existing facilities and funds) are recognised as income over the service period.

Fees and commissions, which include commitment fees to originate a loan that is unlikely to be drawn down, are recognised as fee income as the facility is provided.

(l) Other Income

Trading income represents both realised and unrealised gains and losses from changes in the fair value of trading assets, liabilities and derivatives.

Translation differences on non-monetary items, such as derivatives measured at fair value through the Income Statement, are reported as part of the fair value gain or loss on these items. Translation differences on non-monetary items measured at fair value through equity, such as equities classified as available-for-sale financial assets, are recognised in equity through OCI.

Insurance income recognition is outlined in Note 1(dd).

Notes to the Financial Statements

Note 1 Accounting Policies (continued)

(m) Interest Expense

Interest expense on financial liabilities measured at amortised cost is recognised in the Income Statement using the effective interest method.

Interest expense includes issue costs that are initially recognised as part of the carrying value of the liability and amortised over the expected life using the effective interest method. These include fees and commissions payable to advisers and other expenses such as external legal costs, provided these are incremental costs that are directly related to the issue of a financial liability. It also includes payments made under a liquidity facility arrangement with the Reserve Bank of Australia and other financing charges.

(n) Operating Expenses

Operating expenses are recognised as the relevant service is rendered or once a liability is incurred.

Staff expenses are recognised over the period the employee renders the service to receive the benefit.

Staff expenses include share based payments which may be cash or equity settled. The fair value of equity settled remuneration is calculated at grant date and amortised to the Income Statement over the vesting period, with a corresponding increase in the employee compensation reserve. Market vesting conditions, such as share price performance conditions, are taken into account when estimating the fair value. Non-market vesting conditions, such as service conditions, are taken into account by adjusting the number of the equity instruments included in the measurement of the expense.

Cash settled share-based remuneration is recognised as a liability and remeasured to fair value until settled, with changes in the fair value recognised as an expense.

Occupancy and equipment expenses include the depreciation and lease rentals that are outlined in Note 1(w) and Note 1(u) respectively.

IT expenses are recognised as incurred unless they qualify for capitalisation as an asset due to the related service generating probable future economic benefits. If capitalised the asset is subsequently amortised per Note 1(x).

Taxation

(o) Income Tax Expense

Income tax is recognised in the Income Statement, except to the extent that it relates to items recognised directly in OCI, in which case it is recognised in the Statement of Comprehensive Income. Income tax on the profit or loss for the period comprises current and deferred tax.

(p) Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

(q) Deferred Tax

Deferred tax is calculated using the Balance Sheet method where temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base are recognised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying

amount of assets and liabilities (i.e. through use or through sale), using tax rates which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available for it to be used against. Deferred tax assets and liabilities are set off where they relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities within the same taxable group.

(r) The Tax Consolidated Group

Tax consolidation legislation allows Australian resident entities to elect to consolidate and be treated as a single entity for Australian tax purposes. The Bank, as the head of the tax consolidated group, and its wholly-owned Australian subsidiaries, elected to be taxed as a single entity under this regime with effect from 1 July 2002.

The members of the tax consolidated group have entered into tax funding and tax sharing agreements, which set out the funding obligations of members of the tax consolidated group in respect of tax amounts.

Any current tax liabilities/assets and deferred tax assets arising from unused tax losses from subsidiaries are recognised in conjunction with any tax funding arrangement amounts by the Bank legal entity (as the head of the tax consolidated group).

The measurement and disclosure of deferred tax assets and liabilities have been performed in accordance with the principles in AASB 112 'Income Taxes', and on a modified standalone basis under UIG 1052 'Tax Consolidation Accounting'.

Assets

(s) Cash and Liquid Assets

Cash and liquid assets include cash at branches, cash at banks, nostro balances, money at short call with an original maturity of three months or less and securities held under reverse repurchase agreements. They are measured at face value, or the gross value of the outstanding balance. Interest is recognised in the Income Statement using the effective interest method.

For the purposes of the Statements of Cash Flows, cash and cash equivalents include cash and money at short call.

(t) Financial Assets

The Group classifies its financial assets in the following categories:

- financial assets at fair value through the Income Statement;
- derivative assets;
- loans and receivables; and
- available-for-sale investments.

The classification of financial instruments at initial recognition depends on their purpose, characteristics and management's intention when acquiring them.

Financial instruments, except for loans and receivables, are initially recognised by the Group on the trade date, i.e. the date that the Group becomes a party to the contractual provisions of the instruments.

Note 1 Accounting Policies (continued)

This applies to trades transacted in a regular way, i.e. purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and receivables are recognised on settlement date, when funding is advanced to the borrowers.

Financial assets are initially recognised at their fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through Income Statement. Directly attributable transaction costs on these assets are expensed on subsequent fair value measurement. The Group has not classified any of its financial assets as held to maturity investments.

Financial Assets at Fair Value through the Income Statement

Assets classified at fair value through the Income Statement are further classified into three sub-categories: trading, insurance and other.

Trading assets are those acquired or incurred principally for the purpose of selling or repurchasing in the near term, or if they are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Discounted bills that the Group intends to sell into the market immediately or in the near term also meet the definition of assets held for trading. Due to their nature, such assets are included in loans, bills discounted and other receivables in the Balance Sheet, while being measured at fair value.

Insurance assets are investments that back life insurance contracts and life investment contracts. Refer to Note 1(ff).

Other investments include financial assets, which the Group has designated at fair value through Income Statement at inception to: eliminate an accounting mismatch; reflect they are managed on a fair value basis; or where the asset is a contract which contains an embedded derivative.

Subsequent to initial recognition, financial assets are measured at fair value with changes in fair value recognised in other operating income. Dividends earned are recorded in other operating income. Interest earned is recorded within net interest income using the effective interest method.

Derivative Financial Instruments

Derivative financial instruments are contracts whose value is derived from one or more underlying price, index or other variable. They include forward rate agreements, futures, options and interest rate, currency, equity and credit swaps. Derivatives are entered into for trading or hedging purposes.

Subsequent to initial recognition, gains or losses on derivatives are recognised in the Income Statement, unless they are entered into for hedging purposes and designated into a cash flow hedge.

The Group uses derivatives to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions.

Where derivatives are held for risk management purposes and when transactions meet the required criteria, the Group applies one of three hedge accounting models; fair value hedge accounting, cash flow hedge accounting, or hedging of a net investment in a foreign operation as appropriate to the risks being hedged.

(i) Fair Value Hedges

Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in the Income Statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The changes in the fair value of the hedged asset or liability shall be adjusted against their carrying value.

If the hedge relationship no longer meets the criteria for hedge accounting, it is discontinued. For fair value hedges of interest rate risk, the fair value adjustment to the hedged item is amortised to the Income Statement over the period to maturity of the previously designated hedge relationship using the effective interest method. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the Income Statement.

(ii) Cash Flow Hedges

Changes in fair value associated with the effective portion of a derivative designated as a cash flow hedge are recognised through OCI in the Cash Flow Hedge Reserve within equity. Ineffective portions are recognised immediately in the Income Statement. Amounts deferred in equity are transferred to the Income Statement in the period in which the hedged forecast transaction takes place.

When a hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is reclassified to profit or loss in the period in which the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is recycled immediately to the Income Statement.

(iii) Net Investment Hedges

Gains and losses on derivative contracts relating to the effective portion of the net investment hedge are recognised in the foreign currency translation reserve in equity.

Ineffective portions are recognised immediately in the Income Statement. Gains and losses accumulated in equity are included in the Income Statement when the foreign subsidiary or branch is disposed of.

(iv) Embedded Derivatives

In certain instances, a derivative may be embedded within a host contract. It is accounted for separately as a stand-alone derivative at fair value, where:

- the host contract is not carried at fair value through the Income Statement; and
- the economic characteristics and risks of the embedded derivative are not closely related to the host contract.

Available-for-Sale Investments

Available-for-sale (AFS) investments are non-derivative financial assets that are not classified at fair value through the Income Statement or as loans and receivables. They primarily include public debt securities held as part of the Group's liquidity holdings.

Subsequent to initial recognition, AFS investments are measured at fair value with unrealised gains and losses arising from changes in fair value recognised in the AFS investment reserve within equity, net of applicable income taxes until such investments are sold, collected, otherwise disposed of, or become impaired.

Notes to the Financial Statements

Note 1 Accounting Policies (continued)

Interest, premiums and dividends are recognised in the Income Statement when earned. Foreign exchange gains and losses on AFS equity instruments are recognised directly in equity.

The Group assesses at each Balance Sheet date, whether there is any objective evidence of impairment as a result of one or more events which have an impact on the estimated future cash flows of the AFS investments that can be reliably estimated. For equity securities classified as an AFS investment, the main indicators of impairment are significant changes in the market, economic or legal environment and a significant or prolonged decline in fair value below cost.

If any such evidence exists for AFS investments, cumulative losses are removed from equity and recognised in the Income Statement. If, in a subsequent period, the fair value of an AFS debt security increases and the increase can be linked objectively to an event occurring after the impairment event, the impairment is reversed through the Income Statement. Impairment losses on AFS equity securities are not reversed.

Upon disposal, the accumulated change in fair value within the AFS investments reserve is transferred to the Income Statement and reported within other operating income.

Financial assets initially designated as AFS investments, that would have otherwise met the definition of loans and other receivables, can be reclassified if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as at the date of reclassification. Fair value becomes the new amortised cost and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Loans, Bills Discounted and Other Receivables

Loans, bills discounted and other receivables are non-derivative financial assets, with fixed and determinable payments that are not quoted in an active market.

Loans, bills discounted and other receivables include overdrafts, home loans, credit card and other personal lending, term loans, bill financing, redeemable preference shares, securities, finance leases, and receivables due from other financial institutions (including loans, deposits with regulatory authorities and settlement account balances due from other banks). Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method and are presented net of provisions for impairment.

Discounted bills included in this category due to their nature meet the definition of trading asset. They are measured at fair value through Income Statement in line with the accounting policy for assets held for trading.

The Group assesses at each Balance Sheet date whether there is any objective evidence of impairment. If there is objective evidence that an impairment loss on loans and other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short-term balances are not discounted.

Loans and other receivables are presented net of provisions for loan impairment. The Group has individually and collectively assessed provisions. Individually assessed

provisions are made against financial assets that are individually significant, or which have been individually assessed as impaired.

Individual provisions for impairment are recognised to reduce the carrying amount of non-performing facilities to the present value of their expected future cash flows. Individually significant provisions are calculated based on discounted cash flows.

The unwinding of the discount, from initial recognition of impairment through to recovery of the written down amount, is recognised as interest income.

In subsequent periods, interest in arrears/due on non-performing facilities is recognised in the Income Statement using the original effective interest rate.

All loans and other receivables that do not have an individually assessed provision are assessed collectively for impairment. Collective provisions are maintained to reduce the carrying amount of portfolios of similar loans and advances to the present value of their expected future cash flows at the Balance Sheet date.

The expected future cash flows for portfolios of assets with similar credit risk characteristics are estimated on the basis of historical loss experience. Loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the loss experience is based and to remove the effects of conditions in the period that do not currently exist. Increases or decreases in the provision amount are recognised in the Income Statement.

Derecognition of Financial Assets and Financial Liabilities

The Group derecognises financial assets when the rights to receive cash flows from the asset have expired or when the Group transfers its rights to receive cash flows from the asset together with substantially all the risks and rewards of the asset. The Group enters into certain transactions where it transfers financial assets recognised on its Balance Sheet but retains either all or a majority of the risks and rewards of the transferred financial assets. If all or substantially all risks and rewards are retained, the transferred financial assets are not derecognised from the Balance Sheet. Transactions where transfers of financial assets result in the Group retaining all or substantially all risks and rewards include reverse repurchase transactions, and some of the Group's securitisation and covered bonds programs.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Income Statement.

Notes to the Financial Statements

Note 1 Accounting Policies (continued)

Repurchase and Reverse Repurchase Agreements

Securities sold under repurchase agreements are retained in the financial statements where substantially all the risks and rewards of ownership remain with the Group.

A counterparty liability is recognised within deposits and public borrowings. The difference between the sale price and the repurchase price is accrued over the life of the repurchase agreement and charged to interest expense in the Income Statement.

Securities purchased under agreements to resell, where the Group does not acquire the risks and rewards of ownership, are recorded as receivables in cash and liquid assets. The security is not included in the Balance Sheet as the Group is not exposed to substantially all its risks and rewards. Interest income is accrued on the underlying receivable amount.

Provision for Off Balance Sheet Items

Guarantees and other contingent liabilities are accounted for as off Balance Sheet items. Provisioning for these exposures is calculated under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'.

Loan assets under committed lending facilities are not recognised until the facilities are drawn upon.

The Group has determined that it is appropriate to establish provisions in relation to such facilities where a customer has been downgraded. These provisions are disclosed as other liabilities in the Balance Sheet.

(u) Lease Receivables

Leases are classified as either finance or operating leases. Under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred to the lessee. Under an operating lease, these risks remain with the lessor.

As a lessor, the assets the Group has leased out under finance leases are recognised as lease receivables on the Balance Sheet at an amount equal to the net investment in the lease. Finance lease income reflects a constant periodic return on this net investment and is recognised within interest income in the Income Statement.

The assets the Group has leased out under operating leases continue to be recognised on the Balance Sheet as property, plant and equipment and are depreciated accordingly. Operating lease revenue is recognised in the Income Statement on a straight line basis over the lease term.

As a lessee, rental expense is recognised on a straight line basis over the lease term.

(v) Shares in and Loans to Controlled Entities

Investments in controlled entities are initially recorded at cost and subsequently held at the lower of cost and recoverable amount. Loans to controlled entities are subsequently recorded at amortised cost less impairment.

(w) Property, Plant and Equipment

The Group measures its property assets (land and buildings) at fair value, based on annual independent market valuations.

Revaluation adjustments are reflected in the asset revaluation reserve, except to the extent they reverse a revaluation decrease of the same asset previously recognised in the Income Statement. Upon disposal, realised amounts in the asset revaluation reserve are transferred to retained profits.

Other property, plant and equipment assets are stated at cost, including direct and incremental acquisition costs less

accumulated depreciation and impairment if required. Subsequent costs are capitalised where it enhances the asset. Depreciation is calculated using the straight line method over the asset's estimated useful economic life.

The useful lives of major depreciable asset categories are as follows:

Land	Indefinite (not depreciated)
Buildings	Up to 30 years
Equipment	3 – 8 years
Leasehold improvements	Lesser of unexpired lease term or lives as above
Assets under lease	
▪ Aircraft	25 years
▪ Rail	35 – 40 years
▪ Ships	25 – 40 years
Other property, plant and equipment	
▪ Infrastructure assets	50 – 100 years

The Group assesses at each Balance Sheet date useful lives and residual values and whether there is any objective evidence of impairment. If an asset's carrying value is greater than its recoverable amount, the carrying amount is written down immediately to its recoverable amount.

(x) Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance. They are recognised only if it is probable the asset will generate future benefits for the Group. Those assets with an indefinite useful life are tested for impairment annually. All intangible assets must be tested for impairment when there is an indication that its carrying amount may be greater than its recoverable amount.

Goodwill

Goodwill arising from business combinations is included in intangible assets on the Balance Sheet and has an indefinite useful life. Goodwill is tested for impairment annually through allocation to a group of Cash Generating Units (CGUs). The CGUs' recoverable amount is then compared to its carrying amount and an impairment is recognised for any excess carrying value. The CGUs and how their recoverable amount is calculated are listed in Note 15.

Computer Software Costs

Certain internal and external costs directly incurred in acquiring and developing software, net of specific project related grants, are capitalised and amortised over the estimated useful life. The majority of software projects are amortised over two to five years. The Core Banking Modernisation software project is amortised over ten years.

Software maintenance is expensed as incurred.

Core Deposits

Core deposits were initially recognised at fair value following the acquisition of Bankwest and represent the value of the deposit base acquired. Core deposits are amortised over their estimated useful life of seven years.

Notes to the Financial Statements

Note 1 Accounting Policies (continued)

Brand Names

Brand names are initially recognised at fair value when acquired in a business combination. Brand names are amortised over their useful life, which is considered to be similar to the period of the brand name's existence at the time of purchase. Where the brand name is assessed to have an indefinite useful life, it is carried at cost less accumulated impairment. An indefinite useful life is considered appropriate when there is no foreseeable limit to the period over which the brand name is expected to generate cash flows.

Other Intangibles

Other intangibles predominantly comprise customer lists. Customer relationships acquired as part of a business combination are initially measured at fair value. They are subsequently measured at cost less accumulated amortisation and any impairment losses. Amortisation is calculated based on the timing of projected cash flows of the relationships over their estimated useful lives.

Liabilities

(y) Financial Liabilities

The Group classifies its financial liabilities in the following categories:

- liabilities at fair value through Income Statement;
- liabilities at amortised cost; and
- derivative liabilities (refer to Note 1(t)).

Financial liabilities are initially recognised at their fair value less directly attributable transaction costs, except in the case of financial liabilities recorded at fair value through Income Statement. Directly attributable transaction costs on these liabilities are expensed on subsequent fair value measurement.

Liabilities at Fair Value through Income Statement

The Group designates certain liabilities at fair value through Income Statement on origination where those liabilities are managed on a fair value basis, where the liabilities eliminate an accounting mismatch, or where they contain embedded derivatives.

Subsequent to initial recognition, these liabilities are measured at fair value. Changes in fair value relating to the Group's own credit risk are recognised in other comprehensive income, with the remaining fair value movement recognised in other operating income. Interest incurred is recorded within net interest income using the effective interest method.

Liabilities at Amortised Cost

(i) Deposits From Customers

Deposits from customers include certificates of deposit, term deposits, savings deposits, other demand deposits and debentures. Subsequent to initial recognition, they are measured at amortised cost. Interest and yield related fees are recognised on an effective interest basis.

(ii) Payables Due to Other Financial Institutions

Payables due to other financial institutions include deposits, vostro balances and settlement account balances due to other banks. Subsequent to initial recognition, they are measured at amortised cost. Interest and yield related fees are recognised using the effective interest method.

(iii) Debt Issues

Debt issues are short and long-term debt issues of the Group, including commercial paper, notes, term loans and medium term notes. Commercial paper, floating, fixed and structured debt issues are recorded at amortised cost using the effective interest method.

Premiums, discounts and associated issue expenses are recognised in the Income Statement using the effective interest method from the date of issue, to ensure that securities attain their redemption values by maturity date.

Interest is recognised in the Income Statement using the effective interest method. Any profits or losses arising from redemption prior to maturity are taken to the Income Statement in the period in which they are realised.

The Group hedges interest rate and foreign currency risk on certain debt issues. When fair value hedge accounting is applied to fixed rate debt issues, the carrying values are adjusted for changes in fair value related to the hedged risks, rather than carried at amortised cost.

(iv) Loan Capital

Loan capital is debt issued by the Group with terms and conditions that qualify for inclusion as capital, under APRA Prudential Standards. It is initially recorded at fair value, plus directly attributable transaction costs and thereafter at amortised cost using the effective interest method.

(v) Bank Acceptances of Customers - Liability

These are bills of exchange initially accepted and discounted by the Group and subsequently sold into the market. They are recognised at amortised cost. The market exposure is recognised as a liability. An asset of equal value is recognised to reflect the offsetting claim against the drawer of the bill.

Bank acceptances generate interest and fee income that is recognised in the Income Statement when earned.

(vi) Financial Guarantees and Credit Commitments

In the ordinary course of business, the Group gives financial guarantees consisting of letters of credit, guarantees and acceptances. Financial guarantees are recognised within other liabilities initially at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Income Statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is recorded in the Income Statement. The premium received is recognised in the Income Statement in other operating income on a straight line basis over the life of the guarantee.

Loan commitments are defined amounts (unutilised credit lines or undrawn portions of credit lines) against which clients can borrow money under defined terms and conditions. Loan commitments that are cancellable by the Group are not recognised on the Balance Sheet. Upon a loan drawdown by the counterparty, the amount of the loan is accounted for in accordance with accounting policies for loans and receivables. Irrevocable loan commitments are not recorded in the Balance Sheet, but a provision is recognised if it is probable that a loss has been incurred and a reliable estimate of the amount can be made.

Notes to the Financial Statements

Note 1 Accounting Policies (continued)

(z) Employee Benefits

Annual Leave

The provision for annual leave represents the current outstanding liability to employees for annual leave entitlements at Balance Sheet date.

Long Service Leave

The provision for long service leave is discounted to present value and is set based on actuarial assumptions. The assumptions and provision balance are subject to periodic review.

Other Employee Benefits

Other employee entitlements comprises liabilities to a registered health fund for subsidies with respect to retired and current employees, and employee incentives under employee share plans and bonus schemes.

Defined Benefit Superannuation Plans

The Group currently sponsors two defined benefit superannuation plans for its employees.

The net defined benefit liability or asset recognised in the Balance Sheet is the present value of the defined benefit obligation as at the Balance Sheet date less the fair value of plan assets. The defined benefit obligation is calculated by independent fund actuaries.

In each reporting period, the movement in the net defined benefit liability or asset is recognised as follows:

- The net movement relating to the current period service cost, net interest cost (income), past service and other costs (such as the effects of any curtailments and settlements) is recognised as an employee expense in the Income Statement;
- Remeasurements relating to actuarial gains and losses and the difference between interest income and the return on plan assets are recognised directly in retained profits through OCI;
- Contributions made by the Group are recognised directly against the net defined benefit liability or asset; and
- Net interest cost (income) is determined by multiplying the rate of high quality corporate bonds by the net defined benefit obligation (asset) at the beginning of the reporting period and adjusted for changes in the net defined benefit liability (asset) due to contributions and benefit payments.

Defined Contribution Superannuation Plans

The Group sponsors a number of defined contribution superannuation plans. The Group recognises contributions due in respect of the accounting period in the Income Statement. Any contributions unpaid at the Balance Sheet date are included as a liability.

(aa) Provisions

Provisions are recognised when a probable obligation has arisen as a result of a past event that can be reliably measured. Note 19 Other Provisions contains a description of provisions held.

Equity

(bb) Shareholders' Equity

Ordinary shares are recognised at the amount paid up per ordinary share, net of directly attributable issue costs.

Where the Bank or other members of the Group purchase shares in the Bank, the consideration paid is deducted from total Shareholders' Equity and the shares are treated as treasury shares until they are subsequently sold, reissued or cancelled. Where such shares are sold or reissued, any consideration received is included in Shareholders' Equity.

(cc) Reserves

General Reserve

The general reserve is derived from revenue profits and is available for dividend payments except for undistributable profits in respect of the Group's life insurance businesses.

Capital Reserve

The capital reserve held by the Bank relates to historic internal Group restructuring performed at fair value. The capital reserve is eliminated on consolidation.

Asset Revaluation Reserve

The asset revaluation reserve is used to record revaluation adjustments on the Group's property assets. Where an asset is sold or disposed of, any balance in the reserve in relation to the asset is transferred directly to retained profits.

Foreign Currency Translation Reserve

Exchange differences arising on translation of the Group's foreign operations are accumulated in the foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the foreign investment is disposed of or wound up.

Cash Flow Hedge Reserve

The cash flow hedge reserve is used to record fair value gains or losses associated with the effective portion of designated cash flow hedging instruments. Amounts are reclassified to profit or loss when the hedged transaction impacts profit or loss.

Employee Compensation Reserve

The employee compensation reserve is used to recognise the fair value of shares and other equity instruments issued to employees under the employee share plans and bonus schemes.

Available-for-Sale Investment Reserve

The available-for-sale investment reserve includes changes in the fair value of available-for-sale financial assets. These changes are transferred to profit or loss when the asset is derecognised or impaired.

Life and General Insurance Business

The Group's consolidated financial statements include the assets, liabilities, income and expenses of the life and general insurance businesses conducted by various subsidiaries of the Bank.

Insurance contracts involve the acceptance of significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The insured benefit is either not linked or only partly linked to the market value of the investments held, and the financial risks are substantially borne by the insurer.

General insurance contracts are insurance contracts that are not life insurance contracts.

Notes to the Financial Statements

Note 1 Accounting Policies (continued)

Life investment contracts involve the origination of one or more financial instruments and may involve the provision of management services. Life investment contracts do not meet the definition of insurance contracts as they do not involve an acceptance of significant insurance risk by the Group's life insurers. The financial risks are substantially borne by the policyholder. Shareholders can only receive a distribution when the capital adequacy requirements of the Life Insurance Act 1995 (Life Act) are met.

(dd) Revenue

Life insurance premiums received for providing services and bearing risks are recognised as revenue. Premiums with a regular due date are recognised as revenue on a due and receivable basis. Premiums with no due date are recognised on a cash received basis.

Life investment premiums comprise a management fee, which is recognised as revenue over the service period, and a deposit portion that increases investment contract liabilities. Premiums with no due date are recognised on a cash received basis.

General insurance premium comprises amounts charged to policyholders, including fire service levies, but excludes taxes collected on behalf of third parties. The earned portion of premiums received and receivable is recognised as revenue. Premium revenue is earned from the date of attachment of risk and over the term of the policies written, based on actuarial assessment of the likely pattern in which risk will emerge. The portion not yet earned based on the pattern assessment is recognised as unearned premium liability.

Returns on all investments controlled by life and general insurance businesses are recognised as revenue.

(ee) Expenses

Life and general insurance contract claims are recognised as an expense when a liability has been established.

Acquisition costs (which include commission costs) are the costs associated with obtaining and recording insurance contracts. Acquisition costs are deferred when they relate to the acquisition of new business. These costs are amortised on the same basis as the earning pattern of the premium, over the life of the contract. The amount deferred is limited to the extent that they are deemed recoverable from the expected future profits.

(ff) Investment Assets

Assets backing insurance liabilities are carried at fair value through Income Statement.

Investments held in the life insurance funds are subject to the restrictions imposed under the Life Act.

(gg) Policy Liabilities

Life insurance contract liabilities are measured at the net present value of future receipts from and payments to policyholders using a risk free discount rate (or expected fund earning rate where benefits are contractually linked to the asset performance), and are calculated in accordance with the principles of Margin on Services profit reporting as set out in Prudential Standard LPS 340 'Valuation of Policy Liabilities' issued by APRA.

Life investment contract liabilities are measured at fair value. The balance is no less than the contract surrender value.

General insurance policy liabilities comprise two components: unearned premium liability and outstanding claims liability.

The unearned premium liability is subject to a liability adequacy test.

Any deficiency will be recognised as an expense in the Income Statement by first writing down any related deferred acquisition costs, with any excess being recorded on the Balance Sheet as an unexpired risk liability.

The provision for outstanding claims is measured as the central estimate of the present value of expected future claims payments plus a risk margin. The expected future payments include those in relation to claims reported but not yet paid; claims incurred but not reported; claims incurred but not enough reported; and estimated claims handling costs.

Other

(hh) Managed Funds Units on Issue

When a controlled unit trust is consolidated, any amounts due to external unit-holders remain as managed funds units on issue liabilities in the Group's consolidated Balance Sheet. In the Income Statement, the net profit or loss of the controlled entities relating to external unit-holders is excluded from the Group's net profit or loss.

(ii) Asset Securitisation

The Group packages and sells asset backed securities to investors through an asset securitisation program.

The Group is entitled to any residual income of the program after all payments due to investors and costs of the program have been met. The Group also directs any decisions over relevant activities of the program and therefore controls the entities through which asset securitisation is conducted and so it consolidates these entities.

Liabilities associated with asset securitisation entities and related issue costs are accounted for on an amortised cost basis using the effective interest method. Interest rate swaps and liquidity facilities are provided at arm's length to the program by the Group in accordance with APRA Prudential Guidelines.

Derivatives return the risks and rewards of ownership of the securitised assets to the Group, resulting in their continued recognition by the Group. An imputed borrowing is recognised by the Bank inclusive of the derivative and any related fees.

(jj) Fiduciary Activities

Certain controlled entities within the Group act as Responsible Entity, Trustee and/or Manager for a number of wholesale, superannuation and investment funds, trusts and approved deposit funds.

The assets and liabilities of these trusts and funds are not included in the consolidated Financial Statements as the Group does not have direct or indirect control of the trusts and funds. Commissions and fees earned in respect of the activities are included in the Income Statement of the Group.

Note 1 Accounting Policies (continued)

Critical Judgements and Estimates

The application of the Group's accounting policies requires the use of judgement, estimates and assumptions. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, and are reviewed on an ongoing basis. Actual results may differ from these estimates, which could impact the Group's net assets and profit.

(kk) Provisions for Impairment of Financial Assets

Provisions for impairment of financial assets are raised where there is objective evidence of impairment (where the Group does not expect to receive all of the cashflows contractually due) at an amount adequate to cover assessed credit related losses. Financial assets are either individually or collectively assessed.

Credit losses arise primarily from loans, but also from other credit instruments such as bank acceptances, contingent liabilities, guarantees and other financial instruments.

Individually Assessed Provisions

Individually assessed provisions are made against financial assets that are individually significant, or which have been individually assessed as impaired. The provisions are established based primarily on estimates of the realisable (fair) value of collateral taken and are measured as the difference between a financial asset's carrying amount and the present value of the expected future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short-term balances are not discounted.

Collective Provisions

Loans and receivables that do not have an individually assessed provision are assessed collectively for impairment.

The collective provision is maintained to reduce the carrying amount of portfolios of similar loans and receivables to their estimated recoverable amounts at the Balance Sheet date.

The evaluation process is subject to a series of estimates and judgements. In the risk rated segment, the risk rating system, including the frequency of default and loss given default rates, loss history, and the size, structure and diversity of individual borrowers are considered. Current developments in portfolios (industry, geographic and term) are reviewed.

In the statistically managed (retail) segment, the history of defaults and losses, and the size, structure and diversity of portfolios are considered.

Management also considers overall indicators of portfolio performance, quality and economic conditions.

Changes in these estimates could have a direct impact on the level of provision determined.

(ll) Provisions (Other than Loan Impairment)

Provisions are held in respect of a range of future obligations as outlined in Note 19. Some of the provisions involve significant judgement about the likely outcome of various events and estimated future cash flows.

The measurement of these obligations involves the exercise of management judgements about the ultimate outcomes of the transactions. Payments which are expected to be incurred later than one year are discounted at a rate which reflects both current interest rates and the risks specific to that provision.

(mm) Life Insurance Policyholder Liabilities

The determination of life insurance policyholder liabilities involves the following key actuarial assumptions:

- Business assumptions including amount, timing and duration of claims/policy payments, policy lapse rates and acquisition and maintenance expense levels;
- Long-term economic assumptions for discount, interest, inflation and market earnings rates; and
- Determining whether the projection or accumulation method is appropriate. The selection of the method is generally governed by the product type.

The determination of assumptions relies on making judgements on variances from long-term assumptions. Where experience differs from long-term assumptions:

- Recent results may be a statistical aberration; or
- There may be a commencement of a new paradigm requiring a change in long-term assumptions.

The Group's actuaries arrive at conclusions regarding the statistical analysis using their experience and judgement. Further detail on the financial position on performance of the Group's Life Insurance operations is set out in Note 27.

(nn) Consolidation of Structured Entities

The Group exercises judgement at inception and periodically thereafter, to assess whether that structured entity should be consolidated based on the Bank's power over the relevant activities of the entity and the significance of its exposure to variable returns of the structured entity. Such assessments are predominantly required for the Group's securitisation program, structured transactions and involvement with investment funds.

(oo) Financial Instruments at Fair Value

A significant portion of financial instruments are carried at fair value on the Balance Sheet.

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Valuation techniques include using recent arm's length market transactions between knowledgeable willing parties (if available), reference to the current fair value of substantially similar instruments' discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity specific inputs. It incorporates all factors that the Group believes market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Data inputs that the Group relies upon when valuing financial instruments relate to counterparty credit risk, volatility, correlation and extrapolation.

Notes to the Financial Statements

Note 1 Accounting Policies (continued)

Periodically, the Group calibrates its valuation techniques and tests them for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) and any other available observable market data. Note 40 includes details of non-observable inputs used to fair value financial instruments.

(pp) Goodwill

Goodwill is allocated to CGUs whose recoverable amount is calculated for the purpose of impairment testing. The recoverable amount calculation relies primarily on publicly available earnings multiples. Note 15 includes the details of the inputs used in recoverable amount calculations.

(qq) Taxation

Provisions for taxation require significant judgement with respect to outcomes that are uncertain. For such uncertainties, the Group has estimated its tax provisions based on its expected outcomes.

(rr) Superannuation Obligations

The Group's defined benefit plans are described in Note 35. Actuarial valuations of the plan's obligations and fair value of the plan's assets are performed semi-annually.

The actuarial valuation of plan obligations is dependent upon a series of assumptions, including price inflation, discount rates, salary growth, mortality, morbidity and investment returns assumptions. Different assumptions could significantly alter the difference between plan assets and obligations, and the superannuation cost charged.

Future Accounting Developments

AASB 9 'Financial Instruments' introduces changes in three areas:

- Financial assets will be categorised according to a cash flow and business model test. The outcome of these tests will drive the measurement of financial assets at either amortised cost, fair value through profit or loss or fair value through other comprehensive income;
- Impairment of financial assets will be based on an expected loss rather than incurred loss model; and
- Simplifications to hedge accounting.

AASB 9 is not mandatory until 1 July 2018 for the Group. Other than the own credit requirements of the standard, which were early adopted from 1 January 2014, the Group does not intend to early adopt the standard. The Group has commenced an implementation program.

AASB 15 'Revenue from Contracts with Customers' introduces a single model for the recognition of revenue based on when control of goods and services transfers to a customer. It does not apply to financial instruments. AASB 15 is not mandatory until 1 July 2018 for the Group.

AASB 16 'Leases' amends the accounting for leases. Lessees will be required to bring all leases on Balance Sheet as the distinction between operating and finance leases has been eliminated. Lessor accounting remains largely unchanged. AASB 16 is not mandatory until 1 July 2019 for the Group.

The potential financial impacts of the above to the Group have not yet been determined. The Group does not intend to early adopt these standards.

Other amendments to existing standards that are not yet effective are not expected to result in significant changes to the Group's accounting policies.

Notes to the Financial Statements

Note 2 Profit

Profit before income tax has been determined as follows:

	Group ⁽¹⁾			Bank ⁽¹⁾	
	2016 \$M	2015 \$M	2014 \$M	2016 \$M	2015 \$M
Interest Income					
Loans and bills discounted	30,966	31,476	31,200	27,576	27,705
Other financial institutions	137	73	69	122	60
Cash and liquid assets	291	268	251	246	206
Assets at fair value through Income Statement	576	518	447	553	468
Available-for-sale investments	1,847	1,810	1,724	1,740	1,694
Controlled entities	-	-	-	4,423	4,842
Total interest income ⁽²⁾	33,817	34,145	33,691	34,660	34,975
Interest Expense					
Deposits	11,685	12,936	13,320	10,176	11,397
Other financial institutions	277	220	228	246	186
Liabilities at fair value through Income Statement	211	222	230	110	113
Debt issues	4,125	4,372	4,343	3,361	3,458
Loan capital	584	572	429	563	547
Controlled entities	-	-	-	5,089	5,287
Total interest expense ⁽³⁾	16,882	18,322	18,550	19,545	20,988
Net interest income	16,935	15,823	15,141	15,115	13,987
Other Operating Income					
Lending fees	1,010	1,005	1,037	927	935
Commissions	2,215	2,209	2,112	1,838	1,842
Trading income	1,087	1,039	946	975	940
Net gain/(loss) on non-trading financial instruments ⁽⁴⁾	(27)	251	(49)	(90)	254
Net gain/(loss) on sale of property, plant and equipment	(21)	(8)	(12)	(15)	(4)
Net hedging ineffectiveness	(72)	(95)	(21)	(35)	(67)
Dividends - Controlled entities	-	-	-	1,407	1,919
Dividends - Other	12	16	12	55	53
Net funds management operating income	2,061	2,003	2,034	-	-
Insurance contracts income	1,006	1,014	1,033	-	-
Share of profit from associates and joint ventures net of impairment	289	285	150	21	-
Other ⁽⁵⁾	83	126	105	952	919
Total other operating income	7,643	7,845	7,347	6,035	6,791
Total net operating income before impairment and operating expenses	24,578	23,668	22,488	21,150	20,778
Impairment Expense					
Loan impairment expense	1,256	988	918	1,153	837
Total impairment expense (Note 13)	1,256	988	918	1,153	837

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

(2) Total interest income for financial assets that are not at fair value through profit or loss is \$33,002 million (2015: \$33,208 million, 2014: \$33,127 million) for the Group and \$33,868 million (2015: \$34,088 million) for the Bank.

(3) Total interest expense for financial liabilities that are not at fair value through profit or loss is \$16,713 million (2015: \$18,100 million, 2014: \$18,320 million) for the Group and \$19,435 million (2015: \$20,875 million) for the Bank.

(4) Inclusive of non-trading derivatives that are held for risk management purposes.

(5) Includes depreciation of \$107 million (30 June 2015: \$80 million, 30 June 2014 \$77 million) and impairment of \$69 million (30 June 2015: \$nil, 30 June 2014: \$nil) in relation to assets held for lease by the Group. Includes depreciation of \$26 million (30 June 2015: \$18 million) in relation to assets held for lease by the Bank.

Notes to the Financial Statements

Note 2 Profit (continued)

	2016 \$M	2015 \$M	2014 \$M	Group 2016 \$M	Bank 2015 \$M
Staff Expenses					
Salaries and related on-costs	5,652	5,321	5,089	4,128	3,918
Share-based compensation	102	96	99	99	92
Superannuation	410	399	354	316	311
Total staff expenses	6,164	5,816	5,542	4,543	4,321
Occupancy and Equipment Expenses					
Operating lease rentals	650	620	607	564	535
Depreciation of property, plant and equipment	266	253	244	221	208
Other occupancy expenses	218	213	202	171	172
Total occupancy and equipment expenses	1,134	1,086	1,053	956	915
Information Technology Services					
Application maintenance and development	511	430	412	450	390
Data processing	197	183	175	197	182
Desktop	143	110	101	132	96
Communications	203	190	189	180	169
Amortisation of software assets	379	308	328	333	264
Software write-offs	1	11	70	-	10
IT equipment depreciation	51	60	62	47	56
Total information technology services	1,485	1,292	1,337	1,339	1,167
Other Expenses					
Postage and stationery	192	195	188	171	170
Transaction processing and market data	179	153	156	129	116
Fees and commissions:					
Professional fees	247	390	257	209	358
Other	93	97	99	353	360
Advertising, marketing and loyalty	491	522	477	392	407
Amortisation of intangible assets (excluding software and merger related amortisation)	14	16	19	-	-
Non-lending losses	103	118	97	74	108
Other	327	308	274	333	274
Total other expenses	1,646	1,799	1,567	1,661	1,793
Total expenses	10,429	9,993	9,499	8,499	8,196
Investment and Restructuring					
Merger related amortisation ⁽¹⁾	39	75	74	39	75
Total investment and restructuring	39	75	74	39	75
Total operating expenses	10,468	10,068	9,573	8,538	8,271
Profit before income tax	12,854	12,612	11,997	11,459	11,670
Net hedging ineffectiveness comprises:					
Gain/(loss) on fair value hedges:					
Hedging instruments	(709)	(568)	59	(1,409)	(731)
Hedged items	642	493	(71)	1,369	660
Cash flow and net investment hedge ineffectiveness	(5)	(20)	(9)	5	4
Net hedging ineffectiveness	(72)	(95)	(21)	(35)	(67)

(1) Merger related amortisation relates to Bankwest core deposits and customer lists.

Notes to the Financial Statements

Note 3 Average Balances and Related Interest

The following tables have been produced using statutory Balance Sheet and Income Statement categories. The tables list the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate (predominantly daily averages). Interest is accounted for based on product yield.

Where assets or liabilities are hedged, the amounts are shown net of the hedge, however individual items not separately hedged may be affected by movements in exchange rates. The overseas component comprises overseas branches of the Bank and overseas domiciled controlled entities. Non-accrual loans are included in interest earning assets under Loans, bills discounted and other receivables. The official cash rate in Australia decreased by 25 basis points, while rates in New Zealand decreased 100 basis points during the year which is reflected in Overseas.

Interest earning assets ⁽¹⁾	2016			2015			Group 2014		
	Average Balance	Average Interest	Average Rate %	Average Balance	Average Interest	Average Rate %	Average Balance	Average Interest	Average Rate %
	\$M	\$M		\$M	\$M	%	\$M	\$M	%
Cash and liquid assets									
Australia	11,536	186	1. 6	8,951	174	1. 9	8,179	169	2. 1
Overseas	20,183	105	0. 5	21,500	94	0. 4	17,840	82	0. 5
Receivables due from other financial institutions									
Australia	3,387	26	0. 8	3,418	20	0. 6	5,070	29	0. 6
Overseas ⁽¹⁾	8,986	111	1. 2	7,262	53	0. 7	4,825	40	0. 8
Assets at fair value through Income Statement - Trading and Other									
Australia	19,354	500	2. 6	17,367	396	2. 3	16,259	352	2. 2
Overseas	3,090	76	2. 5	4,618	122	2. 6	6,053	95	1. 6
Available-for-sale investments									
Australia	66,543	1,662	2. 5	58,338	1,656	2. 8	54,026	1,635	3. 0
Overseas	12,770	185	1. 4	10,094	154	1. 5	7,702	89	1. 2
Loans, bills discounted and other receivables ⁽²⁾									
Australia	581,067	26,620	4. 6	542,138	27,117	5. 0	512,894	27,417	5. 3
Overseas	90,541	4,346	4. 8	82,186	4,359	5. 3	73,014	3,783	5. 2
Total interest earning assets and interest income	817,457	33,817	4. 1	755,872	34,145	4. 5	705,862	33,691	4. 8

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

(2) Loans, bills discounted and other receivables includes bank acceptances.

Non-interest earning assets	2016			2015			2014		
	Average Balance								
	\$M								
Assets at fair value through Income Statement - Insurance									
Australia				11,819			12,531		12,141
Overseas				2,502			2,574		2,413
Property, plant and equipment									
Australia				2,827			2,531		2,506
Overseas				266			249		237
Other assets									
Australia				70,207			61,855		51,448
Overseas ⁽¹⁾				14,939			11,580		10,333
Provisions for impairment									
Australia				(3,272)			(3,524)		(4,027)
Overseas				(375)			(288)		(269)
Total non-interest earning assets	98,913				87,508			74,782	
Total assets	916,370				843,380			780,644	
Percentage of total assets applicable to overseas operations (%)	16.7				16.6			15.6	

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

Notes to the Financial Statements

Note 3 Average Balances and Related Interest (continued)

Interest bearing liabilities ⁽¹⁾	2016			2015			Group 2014		
	Average		Average	Average		Average	Average		Average
	Balance	Interest	Rate %	Balance	Interest	Rate %	Balance	Interest	Rate %
Time deposits									
Australia	200,352	5,847	2.9	209,820	7,063	3.4	211,571	8,014	3.8
Overseas	41,541	1,417	3.4	38,706	1,097	2.8	36,516	931	2.5
Savings deposits									
Australia ⁽²⁾	180,040	2,844	1.6	158,232	3,076	1.9	135,276	2,905	2.1
Overseas	16,688	293	1.8	14,821	439	3.0	12,897	395	3.1
Other demand deposits									
Australia	94,904	1,156	1.2	81,534	1,123	1.4	71,016	980	1.4
Overseas	7,288	128	1.8	5,916	138	2.3	5,024	95	1.9
Payables due to other financial institutions									
Australia	14,367	154	1.1	11,661	139	1.2	9,520	116	1.2
Overseas	22,664	123	0.5	20,030	81	0.4	16,829	112	0.7
Liabilities at fair value through Income Statement									
Australia	4,516	95	2.1	4,398	108	2.5	4,306	102	2.4
Overseas	2,349	116	4.9	2,696	114	4.2	4,105	128	3.1
Debt issues ⁽³⁾									
Australia	136,453	3,469	2.5	132,766	3,823	2.9	129,101	4,000	3.1
Overseas	25,564	656	2.6	21,023	549	2.6	15,183	343	2.3
Loan capital									
Australia	9,442	388	4.1	6,715	301	4.5	5,959	259	4.3
Overseas	4,447	196	4.4	4,766	271	5.7	3,544	170	4.8
Total interest bearing liabilities and interest expense	760,615	16,882	2.2	713,084	18,322	2.6	660,847	18,550	2.8

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

(2) During the period, following a change in terms, Interest bearing transaction deposits of \$18,314 million became Non-interest bearing and have been disclosed accordingly.

(3) Debt issues includes bank acceptances.

Non-interest bearing liabilities	2016			2015			Group 2014		
	Average		Balance	Average		Balance	Average		Balance
	Balance	\$M	\$M	Balance	\$M	\$M	Balance	\$M	\$M
Deposits not bearing interest									
Australia ⁽¹⁾⁽²⁾				20,321			11,248		9,764
Overseas				3,035			2,589		2,328
Insurance policy liabilities									
Australia				11,482			11,811		11,648
Overseas				1,406			1,471		1,389
Other liabilities									
Australia				48,604			40,077		37,386
Overseas				13,042			11,929		9,975
Total non-interest bearing liabilities		97,890		79,125			72,490		
Total liabilities				858,505			792,209		733,337
Shareholders' Equity				57,865			51,171		47,307
Total liabilities and Shareholders' Equity				916,370			843,380		780,644
Total liabilities applicable to overseas operations (%)				16.1			15.6		14.7

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

(2) During the period, following a change in terms, Interest bearing transaction deposits of \$18,314 million became Non-interest bearing and have been disclosed accordingly.

Notes to the Financial Statements

Note 3 Average Balances and Related Interest (continued)

Changes in Net Interest Income: Volume and Rate Analysis

The following tables show the movement in interest income and expense due to changes in volume and interest rates. Volume variances reflect the change in interest from the prior year due to movement in the average balance. Rate variances reflect the change in interest from the prior year due to changes in interest rates.

Volume and rate variance for total interest earning assets and interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

Changes in net interest income:	June 2016 vs June 2015			June 2015 vs June 2014		
	Volume	Rate	Total	Volume	Rate	Total
	\$M	\$M	\$M	\$M	\$M	\$M
Volume and rate analysis						
Interest Earning Assets ⁽¹⁾						
Cash and liquid assets						
Australia	46	(34)	12	15	(10)	5
Overseas	(6)	17	11	16	(4)	12
Receivables due from other financial institutions						
Australia	-	6	6	(10)	1	(9)
Overseas	17	41	58	19	(6)	13
Assets at fair value through Income Statement - Trading and Other						
Australia	48	56	104	25	19	44
Overseas	(39)	(7)	(46)	(30)	57	27
Available-for-sale investments						
Australia	219	(213)	6	126	(105)	21
Overseas	40	(9)	31	32	33	65
Loans, bills discounted and other receivables						
Australia	1,865	(2,362)	(497)	1,513	(1,813)	(300)
Overseas	422	(435)	(13)	481	95	576
Changes in interest income	2,665	(2,993)	(328)	2,323	(1,869)	454
Interest Bearing Liabilities and Loan Capital ⁽¹⁾						
Time deposits						
Australia	(298)	(918)	(1,216)	(63)	(888)	(951)
Overseas	89	231	320	59	107	166
Savings deposits						
Australia	384	(616)	(232)	470	(299)	171
Overseas	44	(190)	(146)	58	(14)	44
Other demand deposits						
Australia	174	(141)	33	145	(2)	143
Overseas	28	(38)	(10)	19	24	43
Payables due to other financial institutions						
Australia	31	(16)	15	26	(3)	23
Overseas	12	30	42	17	(48)	(31)
Liabilities at fair value through Income Statement						
Australia	3	(16)	(13)	2	4	6
Overseas	(16)	18	2	(52)	38	(14)
Debt issues						
Australia	100	(454)	(354)	110	(287)	(177)
Overseas	118	(11)	107	142	64	206
Loan capital						
Australia	117	(30)	87	33	9	42
Overseas	(16)	(59)	(75)	64	37	101
Changes in interest expense	1,138	(2,578)	(1,440)	1,404	(1,632)	(228)
Changes in net interest income	1,283	(171)	1,112	1,060	(378)	682

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

Notes to the Financial Statements

Note 4 Income Tax

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

	Group			Bank	
	2016 \$M	2015 \$M	2014 \$M	2016 \$M	2015 \$M
Profit before Income Tax	12,854	12,612	11,997	11,459	11,670
Prima facie income tax at 30%	3,856	3,784	3,599	3,438	3,501
Effect of amounts which are non-deductible/ (assessable) in calculating taxable income:					
Taxation offsets and other dividend adjustments	(4)	(6)	(6)	(426)	(582)
Tax adjustment referable to policyholder income	71	69	89	-	-
Tax losses not previously brought to account	(5)	(9)	(21)	(5)	(6)
Offshore tax rate differential	(79)	(116)	(99)	(32)	(35)
Offshore banking unit	(33)	(39)	(30)	(27)	(39)
Effect of changes in tax rates	1	2	3	1	1
Income tax (over) provided in previous years	(177)	(163)	(121)	(171)	(151)
Other	(23)	6	(67)	42	5
Total income tax expense	3,607	3,528	3,347	2,820	2,694
Corporate tax expense	3,506	3,429	3,221	2,820	2,694
Policyholder tax expense	101	99	126	-	-
Total income tax expense	3,607	3,528	3,347	2,820	2,694
Effective tax rate (%)⁽¹⁾	27.5	27.4	27.1	24.6	23.1

(1) Policyholder tax is excluded from both profit before income tax and tax expense for the purpose of calculating the Group's effective tax rate as it is not incurred directly by the Group.

	Group			Bank	
	2016 \$M	2015 \$M	2014 \$M	2016 \$M	2015 \$M
Income tax expense attributable to profit from ordinary activities					
Australia					
Current tax expense	2,971	2,865	2,433	2,708	2,591
Deferred tax expense	84	124	389	28	9
Total Australia	3,055	2,989	2,822	2,736	2,600
Overseas					
Current tax expense	507	547	670	103	78
Deferred tax expense/(benefit)	45	(8)	(145)	(19)	16
Total overseas	552	539	525	84	94
Income Tax Expense attributable to profit from ordinary activities	3,607	3,528	3,347	2,820	2,694

Notes to the Financial Statements

Note 4 Income Tax (continued)

	Group			Bank	
	2016 \$M	2015 \$M	2014 \$M	2016 \$M	2015 \$M
Deferred tax asset balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement:					
Provision for employee benefits	457	453	437	385	369
Provisions for impairment on loans, bills discounted and other receivables	1,051	1,008	1,044	961	944
Other provisions not tax deductible until expense incurred	216	283	160	125	234
Financial instruments	56	36	9	10	1
Defined benefit superannuation plan	310	293	265	310	293
Other	227	207	233	182	184
Total amount recognised in the Income Statement	2,317	2,280	2,148	1,973	2,025
Amounts recognised directly in Other Comprehensive Income:					
Cash flow hedge reserve	161	155	99	9	7
Other reserves	16	6	2	11	3
Total amount recognised directly in Other Comprehensive Income	177	161	101	20	10
Total deferred tax assets (before set off) ⁽¹⁾	2,494	2,441	2,249	1,993	2,035
Set off to tax pursuant to set-off provisions in Note 1(q)	(2,149)	(1,986)	(1,663)	(1,200)	(1,264)
Net deferred tax assets	345	455	586	793	771
Deferred tax liability balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement:					
Lease financing	282	341	381	108	170
Intangible assets	149	123	45	146	118
Financial instruments	196	235	184	13	11
Insurance	510	425	406	-	-
Investments in associates	95	78	62	-	-
Other	233	97	156	49	61
Total amount recognised in the Income Statement	1,465	1,299	1,234	316	360
Amounts recognised directly in Other Comprehensive Income:					
Revaluation of properties	74	76	85	74	76
Foreign currency translation reserve	26	40	-	-	-
Cash flow hedge reserve	416	293	193	329	223
Defined benefit superannuation plan	376	365	229	376	365
Available-for-sale investments reserve	132	264	288	105	240
Total amount recognised directly in Other Comprehensive Income	1,024	1,038	795	884	904
Total deferred tax liabilities (before set off) ⁽²⁾	2,489	2,337	2,029	1,200	1,264
Set off to tax pursuant to set-off provisions in Note 1(q)	(2,149)	(1,986)	(1,663)	(1,200)	(1,264)
Net deferred tax liabilities	340	351	366	-	-
Deferred tax assets opening balance:	455	586	916	771	796
Movement in temporary differences during the year:					
Provisions for employee benefits	4	16	23	16	9
Provisions for impairment on loans, bills discounted and other receivables	43	(36)	(133)	17	(42)
Other provisions not tax deductible until expense incurred	(67)	123	(15)	(109)	100
Financial instruments	36	87	19	19	(1)
Defined benefit superannuation plan	17	28	66	17	28
Other	20	(26)	1	(2)	(21)
Set off to tax pursuant to set-off provisions in Note 1(q)	(163)	(323)	(291)	64	(98)
Deferred tax assets closing balance	345	455	586	793	771

(1) The following amounts are expected to be recovered within 12 months of the Balance Sheet date for the Group \$1,324 million (2015: \$1,220 million) and for the Bank \$1,132 million (2015: \$1,083 million).

(2) The following amounts are expected to be settled within 12 months of the Balance Sheet date for the Group \$438 million (2015: \$552 million) and for the Bank \$83 million (2015: \$139 million).

Notes to the Financial Statements

Note 4 Income Tax (continued)

	Group			Bank	
	2016 \$M	2015 \$M	2014 \$M	2016 \$M	2015 \$M
Deferred tax liabilities opening balance:	351	366	471	-	-
Movement in temporary differences during the year:					
Impact of TOFA adoption	-	-	(11)	-	-
Lease financing	(59)	(40)	11	(62)	(17)
Defined benefit superannuation plan	11	136	49	11	136
Intangible assets	26	78	(28)	28	81
Financial instruments	(62)	167	125	(27)	(4)
Insurance	85	19	57	-	-
Investments in associates	17	16	17	-	-
Other	134	(68)	(34)	(14)	(98)
Set off to tax pursuant to set-off provisions in Note 1(q)	(163)	(323)	(291)	64	(98)
Deferred tax liabilities closing balance	340	351	366	-	-

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	
	2016 \$M	2015 \$M	2014 \$M	2016 \$M	2015 \$M
Deferred tax assets not taken to account					
Tax losses and other temporary differences on revenue account:					
Expire under current legislation	124	83	50	117	62
Do not expire under current legislation	7	-	12	-	-
Total	131	83	62	117	62

Tax Consolidation

The Bank has recognised a tax consolidation contribution to the wholly-owned tax consolidated entity of \$99 million (2015: \$98 million).

The amount receivable by the Bank under the tax funding agreement was \$213 million as at 30 June 2016 (2015: \$200 million receivable). This balance is included in 'Other assets' in the Bank's separate Balance Sheet.

Taxation of Financial Arrangements (TOFA)

The tax regime for financial instruments TOFA began to apply to the Tax Consolidated Group from 1 July 2010. The regime allows a closer alignment of the tax and accounting recognition and measurement of financial arrangements and their related flows. Following adoption, deferred tax balances from financial arrangements progressively reverse over a four year period.

Notes to the Financial Statements

Note 5 Dividends

	Group			Bank	
	2016 \$M	2015 \$M	2014 \$M	2016 \$M	2015 \$M
Ordinary Shares					
Interim ordinary dividend (fully franked) (2016: 198 cents; 2015: 198 cents; 2014: 183 cents)					
Interim ordinary dividend paid - cash component only	2,829	2,636	2,243	2,829	2,636
Interim ordinary dividend paid - Dividend Reinvestment Plan	552	574	707	552	574
Total dividend paid	3,381	3,210	2,950	3,381	3,210
Other Equity Instruments					
Dividend paid	56	52	45	-	-
Total dividend provided for, reserved or paid	3,437	3,262	2,995	3,381	3,210
Other provision carried	90	82	73	90	82
Dividend proposed and not recognised as a liability (fully franked) (2016: 222 cents; 2015: 222 cents; 2014: 218 cents) ⁽¹⁾	3,808	3,613	3,534	3,808	3,613
Provision for dividends					
Opening balance	82	73	65	82	73
Provision made during the year	6,994	6,744	6,174	6,994	6,744
Provision used during the year	(6,986)	(6,735)	(6,166)	(6,986)	(6,735)
Closing balance (Note 19)	90	82	73	90	82

(1) The 2016 final dividend will be satisfied in full by cash disbursements with the Dividend Reinvestment Plan (DRP) anticipated to be satisfied by the issue of shares of approximately \$628 million. The 2015 final dividend was satisfied by cash disbursements of \$2,958 million and \$655 million being reinvested by the participants through the DRP. The 2014 final dividend was satisfied by cash disbursements of \$3,534 million with the DRP satisfied in full by an on market purchase of shares.

Final Dividend

The Directors have declared a franked final dividend of 222 cents per share amounting to \$3,808 million. The dividend will be payable on 29 September 2016 to shareholders on the register at 5pm AEST on 18 August 2016. The ex-dividend date is 17 August 2016.

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.

The Bank expects the DRP for the final dividend for the year 30 June 2016 will be satisfied by the issue of shares of approximately \$628 million.

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 2016 to frank dividends for subsequent financial years, is \$532 million (2015: \$569 million). This figure is based on the franking accounts of the Bank at 30 June 2016, 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 2016.

Dividend History

Half year ended	Cents Per		Half-year Payout Ratio⁽¹⁾	Full Year Payout Ratio⁽¹⁾	DRP Price	Participation Rate⁽²⁾
	Share	Payment Date	%	%	\$	%
31 December 2013	183	03/04/2014	70. 5	-	75. 26	24. 0
30 June 2014	218	02/10/2014	80. 3	75. 5	80. 39	19. 9
31 December 2014	198	02/04/2015	71. 2	-	91. 26	17. 9
30 June 2015	222	01/10/2015	80. 3	75. 7	74. 75	18. 1
31 December 2015	198	31/03/2016	73. 7	-	72. 68	16. 3
30 June 2016	222	29/09/2016	82. 9	78. 3	-	-

(1) Dividend Payout Ratio: dividends divided by statutory earnings (earnings are net of dividends on other equity instruments).

(2) DRP Participation Rate: the percentage of total issued share capital participating in the DRP.

Notes to the Financial Statements

Note 6 Earnings Per Share

	Group		
	2016	2015 ⁽²⁾	2014 ⁽²⁾
	Cents per Share		
Earnings per ordinary share ⁽¹⁾			
Basic	542.5	553.7	530.6
Fully diluted	529.5	539.6	518.9

(1) EPS calculations are based on actual amounts prior to rounding to the nearest million.

(2) Comparative information has been restated to incorporate the bonus element of the rights issue in the weighted average number of ordinary shares.

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares on issue during the year, adjusted for any bonus element included in ordinary shares issued and excluding treasury shares held.

Diluted earnings per share amounts are calculated by dividing net profit attributable to ordinary equity holders of the Bank (after deducting 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 options and dilutive convertible non-cumulative redeemable loan capital instruments).

	Group		
	2016	2015	2014
	\$M	\$M	\$M
Reconciliation of earnings used in calculation of earnings per share			
Profit after income tax	9,247	9,084	8,650
Less: Other equity instrument dividends	(50)	(52)	(45)
Less: Non-controlling interests	(20)	(21)	(19)
Earnings used in calculation of basic earnings per share	9,177	9,011	8,586
Add: Profit impact of assumed conversions of loan capital	195	225	190
Earnings used in calculation of fully diluted earnings per share	9,372	9,236	8,776

	Number of Shares		
	2016	2015 ⁽¹⁾	2014 ⁽¹⁾
	M	M	M
Weighted average number of ordinary shares used in the calculation of basic earnings per share			
of basic earnings per share	1,692	1,627	1,618
Effect of dilutive securities - executive share plans and convertible loan capital instruments	79	84	73
Weighted average number of ordinary shares used in the calculation of fully diluted earnings per share	1,771	1,711	1,691

(1) Comparative information has been restated to incorporate the bonus element of the rights issue in the weighted average number of ordinary shares.

Note 7 Cash and Liquid Assets

	Group		Bank	
	2016	2015	2016	2015
	\$M	\$M	\$M	\$M
Notes, coins and cash at banks	12,103	15,683	10,809	14,821
Money at short call	2,201	3,478	2,073	3,286
Securities purchased under agreements to resell	8,925	13,846	8,673	13,518
Bills received and remittances in transit	143	109	27	58
Total cash and liquid assets	23,372	33,116	21,582	31,683

Note 8 Receivables Due from Other Financial Institutions

	Group		Bank	
	2016	2015	2016	2015
	\$M	\$M	\$M	\$M
Placements with and loans to other financial institutions ⁽¹⁾	11,384	12,851	10,140	11,171
Deposits with regulatory authorities ⁽²⁾	207	212	42	33
Total receivables due from other financial institutions	11,591	13,063	10,182	11,204

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

(2) 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.

Notes to the Financial Statements

Note 9 Assets at Fair Value through Income Statement

	Group		Bank	
	2016 \$M	2015 \$M	2016 \$M	2015 \$M
Assets at Fair Value through Income Statement				
Trading				
Government bonds, notes and securities	17,653	11,486	17,440	11,042
Corporate/financial institution bonds, notes and securities	5,353	6,444	4,808	6,026
Shares and equity investments	2,484	2,623	2,160	2,196
Commodities	8,577	5,871	8,577	5,871
Total trading assets	34,067	26,424	32,985	25,135
Insurance ⁽¹⁾				
Investments backing life risk contracts				
Equity security investments	855	844	-	-
Debt security investments	3,563	3,135	-	-
Property investments	82	136	-	-
Other assets	703	555	-	-
Investments backing life investment contracts				
Equity security investments	4,356	4,670	-	-
Debt security investments	2,417	3,182	-	-
Property investments	123	297	-	-
Other assets	1,448	1,269	-	-
Total life insurance investment assets	13,547	14,088	-	-
Other ⁽²⁾				
Government securities	43	95	-	-
Receivables due from other corporate/financial institutions ⁽³⁾	250	293	-	99
Other lending ⁽³⁾	1,187	890	1,187	890
Total other assets at fair value through Income Statement	1,480	1,278	1,187	989
Total assets at fair value through Income Statement ⁽⁴⁾	49,094	41,790	34,172	26,124
Maturity Distribution of assets at fair value through income statement				
Less than twelve months	25,845	27,577	24,355	26,124
More than twelve months	23,249	14,213	9,817	-
Total assets at fair value through Income Statement	49,094	41,790	34,172	26,124

(1) Investments held in the Australian statutory funds may only be used within the restrictions imposed under the Life Insurance Act 1995.

(2) Designated at Fair Value through Income Statement at inception as they are managed by the Group on a fair value basis or to eliminate an accounting mismatch.

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

(4) In addition to the assets above, the Group also measures bills discounted that are intended to be sold into the market at fair value. These are classified within Loans, bills discounted and other receivables (refer to Note 12).

Note 10 Derivative Financial Instruments

Derivative Contracts

Derivatives are classified as "Held for Trading" or "Held for Hedging". Held for Trading derivatives are contracts entered into in order to meet customers' needs, to undertake market making and positioning activities, or for risk management purposes that do not qualify for hedge accounting. Held for Hedging derivatives are instruments held for risk management purposes, which meet the criteria for hedge accounting.

Derivatives Transacted for Hedging Purposes

There are three types of allowable hedging relationships: fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation. For details on the accounting treatment of each type of hedging relationship refer to Note 1(t).

Fair Value Hedges

Fair value hedges are used by the Group to manage exposure to changes in the fair value of an asset, liability or unrecognised firm commitment. Changes in fair values can arise from fluctuations in interest or foreign exchange rates. The Group principally uses interest rate swaps, cross currency swaps and futures to protect against such fluctuations.

All gains and losses associated with the ineffective portion of fair value hedge relationships are recognised immediately as 'Other operating income' in the Income Statement.

Cash Flow Hedges

Cash flow hedges are used by the Group to manage exposure to variability in future cash flows, which could affect profit or loss and may result from fluctuations in interest and exchange rates or in commodity prices on financial assets, liabilities or highly probable forecast transactions. The Group principally uses derivative instruments to protect against such fluctuations.

Notes to the Financial Statements

Note 10 Derivative Financial Instruments (continued)

Where it is appropriate, non-derivative financial assets and liabilities are also designated as hedging instruments in cash flow hedge relationships.

Amounts accumulated in Other Comprehensive Income in respect of cash flow hedges are recycled to the Income Statement when the forecast transaction occurs. Underlying cash flows from cash flow hedges are discounted to calculate deferred gains and losses which are expected to occur in the following periods:

	Group Total		Bank Total	
	2016 \$M	2015 \$M	2016 \$M	2015 \$M
Within 6 months	(46)	(39)	(9)	(8)
6 months - 1 year	8	(5)	80	28
1 - 2 years	108	97	153	174
2 - 5 years	846	591	969	690
After 5 years	(237)	(267)	(148)	(128)
Net deferred gains/(losses)	679	377	1,045	756

Net Investment Hedges

The Group uses foreign exchange forward transactions to minimise its exposure to the currency translation risk of certain net investments in foreign operations. In the current and prior year, there have been no material gains or losses as a result of ineffective net investment hedges.

The fair value of derivative financial instruments is set out in the following tables:

Derivatives assets and liabilities	Group 2015			
	2016		2015	
	Fair Value Asset \$M	Fair Value Liability \$M	Fair Value Asset \$M	Fair Value Liability \$M
Held for trading				
Exchange rate related contracts:				
Forward contracts	9,055	(8,656)	7,019	(6,472)
Swaps	6,646	(9,762)	7,299	(7,808)
Futures	1	-	7	-
Options purchased and sold	874	(897)	736	(773)
Total exchange rate related contracts	16,576	(19,315)	15,061	(15,053)
Interest rate related contracts:				
Forward contracts	-	-	1	(1)
Swaps	10,590	(7,266)	9,120	(7,226)
Futures	15	(42)	5	(2)
Options purchased and sold	1,120	(1,261)	824	(844)
Total interest rate related contracts	11,725	(8,569)	9,950	(8,073)
Credit related swaps	38	(50)	28	(33)
Equity related contracts:				
Swaps	38	(86)	165	(9)
Options purchased and sold	14	(27)	66	(62)
Total equity related contracts	52	(113)	231	(71)
Commodity related contracts:				
Swaps	593	(510)	291	(359)
Options purchased and sold	40	(43)	59	(55)
Total commodity related contracts	633	(553)	350	(414)
Identified embedded derivatives	338	(125)	193	(258)
Total derivative assets/(liabilities) held for trading	29,362	(28,725)	25,813	(23,902)

Notes to the Financial Statements

Note 10 Derivative Financial Instruments (continued)

	Group			
	2016		2015	
	Fair Value Asset \$M	Fair Value Liability \$M	Fair Value Asset \$M	Fair Value Liability \$M
Fair value hedges				
Exchange rate related contracts:				
Swaps	8,631	(4,612)	12,238	(5,393)
Total exchange rate related contracts	8,631	(4,612)	12,238	(5,393)
Interest rate related swaps	881	(2,930)	932	(3,182)
Total fair value hedges	9,512	(7,542)	13,170	(8,575)
Cash flow hedges				
Exchange rate related swaps	5,002	(2,150)	4,329	(1,080)
Interest rate related swaps	2,691	(1,495)	2,831	(1,656)
Total cash flow hedges	7,693	(3,645)	7,160	(2,736)
Net investment hedges				
Exchange rate related forward contracts	-	(9)	11	-
Total net investment hedges	-	(9)	11	-
Total derivative assets/(liabilities) held for hedging	17,205	(11,196)	20,341	(11,311)

Held for trading derivatives are expected to be recovered or due to be settled within 12 months of the Balance Sheet date. The majority of hedging derivatives are expected to be recovered or due to be settled more than 12 months after the Balance Sheet date.

	Bank			
	2016		2015	
	Fair Value Asset \$M	Fair Value Liability \$M	Fair Value Asset \$M	Fair Value Liability \$M
Derivatives assets and liabilities				
Held for trading				
Exchange rate related contracts:				
Forward contracts	9,010	(8,554)	6,900	(6,430)
Swaps	8,366	(10,691)	7,484	(7,800)
Futures	1	-	7	-
Options purchased and sold	873	(894)	730	(772)
Derivatives held with controlled entities	915	(3,083)	850	(3,647)
Total exchange rate related contracts	19,165	(23,222)	15,971	(18,649)
Interest rate related contracts:				
Forward contracts	-	-	1	(1)
Swaps	10,166	(6,868)	8,898	(6,896)
Futures	15	(37)	-	(1)
Options purchased and sold	1,119	(1,255)	823	(842)
Derivatives held with controlled entities	216	(261)	132	(241)
Total interest rate related contracts	11,516	(8,421)	9,854	(7,981)
Credit related swaps	38	(50)	28	(33)
Equity related contracts:				
Swaps	38	(86)	165	(9)
Options purchased and sold	14	(27)	66	(62)
Total equity related contracts	52	(113)	231	(71)
Commodity related contracts:				
Swaps	593	(510)	291	(359)
Options purchased and sold	40	(43)	59	(55)
Total commodity related contracts	633	(553)	350	(414)
Identified embedded derivatives	338	(125)	193	(258)
Total derivative assets/(liabilities) held for trading	31,742	(32,484)	26,627	(27,406)

Notes to the Financial Statements

Note 10 Derivative Financial Instruments (continued)

	2016		Bank 2015	
	Fair Value Asset \$M	Fair Value Liability \$M	Fair Value Asset \$M	Fair Value Liability \$M
Fair value hedges				
Exchange rate related contracts:				
Swaps	6,856	(3,815)	11,717	(5,210)
Derivatives held with controlled entities	52	(1,934)	47	(1,367)
Total exchange rate related contracts	6,908	(5,749)	11,764	(6,577)
Interest rate related contracts:				
Swaps	738	(2,673)	823	(3,002)
Derivatives held with controlled entities	-	(194)	-	(177)
Total interest rate related contracts	738	(2,867)	823	(3,179)
Total fair value hedges	7,646	(8,616)	12,587	(9,756)
Cash flow hedges ⁽¹⁾				
Exchange rate related contracts:				
Swaps	4,688	(1,613)	3,797	(1,059)
Derivatives held with controlled entities	13	(188)	1	(90)
Total exchange rate related contracts	4,701	(1,801)	3,798	(1,149)
Interest rate related contracts:				
Swaps	2,433	(969)	2,583	(1,320)
Derivatives held with controlled entities	3	(5)	1	(5)
Total interest rate related contracts	2,436	(974)	2,584	(1,325)
Total cash flow hedges	7,137	(2,775)	6,382	(2,474)
Net investment hedges ⁽¹⁾				
Exchange rate related forward contracts	-	(9)	11	-
Total net investment hedges	-	(9)	11	-
Total derivative assets/(liabilities) held for hedging	14,783	(11,400)	18,980	(12,230)

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

Held for trading derivatives are expected to be recovered or due to be settled within 12 months of the Balance Sheet date. The majority of hedging derivatives are expected to be recovered or due to be settled more than 12 months after the Balance Sheet date.

Notes to the Financial Statements

Note 11 Available-for-Sale Investments

	Group		Bank	
	2016 \$M	2015 \$M	2016 \$M	2015 \$M
Government bonds, notes and securities	47,190	36,100	45,754	35,708
Corporate/financial institution bonds, notes and securities	18,740	22,272	17,724	22,027
Shares and equity investments	959	1,155	486	726
Covered bonds, mortgage backed securities and SSA ⁽¹⁾⁽²⁾	14,009	15,157	12,397	13,843
Total available-for-sale investments	80,898	74,684	76,361	72,304

(1) Supranational, Sovereign and Agency Securities (SSA).

(2) On 31 March 2015 internal residential mortgage backed securities (internal RMBS) issued to the Bank by controlled entities of \$75,041 million were reclassified to Loans to controlled entities. They were reclassified prospectively at their fair value of \$75,041 million. As at the date of reclassification the available for sale reserve was nil. The fair value of the internal RMBS as at 30 June 2015 was \$74,959 million, as disclosed in Note 40.

The following amounts expected to be recovered within 12 months of the Balance Sheet date for the Group are \$16,324 million (2015: \$20,350 million) and for Bank \$15,660 million (2015: \$20,812 million).

Proceeds received from settlement at or close to maturity of Available-for-sale investments for the Group were \$39,011 million (2015: \$47,752 million) and for the Bank were \$39,430 million (2015: \$47,235 million).

Proceeds from the sale of available-for-sale investments for the Group were \$7,139 million (2015: \$5,817 million) and for the Bank were \$7,111 million (2015: \$5,817 million).

Maturity Distribution and Weighted Average Yield

	Group									
	Maturity Period at 30 June 2016									
	0 to 1 Year		1 to 5 Years		5 to 10 Years		more Years		Maturing	Total
	\$M	%	\$M	%	\$M	%	\$M	%	\$M	\$M
Government bonds, notes and securities	7,743	0.46	12,172	1.66	19,211	1.95	8,064	2.42	-	47,190
Corporate/financial institution bonds, notes and securities	6,109	2.21	12,596	2.98	25	4.00	10	3.00	-	18,740
Shares and equity investments	-	-	-	-	-	-	-	-	959	959
Covered bonds, mortgage backed securities and SSA	775	2.54	6,060	2.88	616	2.99	6,558	2.82	-	14,009
Total available-for-sale investments	14,627	-	30,828	-	19,852	-	14,632	-	959	80,898

The maturity table is based on contractual terms.

Notes to the Financial Statements

Note 12 Loans, Bills Discounted and Other Receivables

	Group		Bank	
	2016 \$M	2015 \$M	2016 \$M	2015 \$M
Australia				
Overdrafts	26,857	22,353	26,857	22,353
Home loans ⁽¹⁾	409,452	383,174	404,352	379,500
Credit card outstandings	12,122	11,887	12,122	11,887
Lease financing	4,412	4,485	3,073	3,053
Bills discounted ⁽²⁾	10,507	14,847	10,507	14,847
Term loans and other lending ⁽³⁾	140,784	124,312	140,700	124,186
Total Australia	604,134	561,058	597,611	555,826
Overseas				
Overdrafts	1,592	1,373	318	139
Home loans ⁽¹⁾	46,622	39,677	550	522
Credit card outstandings	912	816	-	-
Lease financing	72	335	28	49
Term loans and other lending ⁽³⁾	46,967	40,969	23,754	21,325
Total overseas	96,165	83,170	24,650	22,035
Gross loans, bills discounted and other receivables	700,299	644,228	622,261	577,861
Less				
Provisions for Loan Impairment (Note 13):				
Collective provision	(2,783)	(2,739)	(2,510)	(2,530)
Individually assessed provisions	(935)	(879)	(855)	(824)
Unearned income:				
Term loans	(701)	(756)	(699)	(753)
Lease financing	(482)	(592)	(278)	(319)
	(4,901)	(4,966)	(4,342)	(4,426)
Net loans, bills discounted and other receivables	695,398	639,262	617,919	573,435

(1) Home loans balance includes residential mortgages that have been assigned to securitisation vehicles and covered bond trusts. Further detail on these residential mortgages is disclosed in Note 41.

(2) The Group measures bills discounted intended to be sold into the market at fair value and includes these within loans, bills discounted and other receivables to reflect the nature of the lending arrangement.

(3) Comparatives have been aggregated to align to presentation in the current year.

The following amounts, based on behavioural terms and current market conditions, are expected to be recovered within 12 months of the Balance Sheet date for Group \$206,157 million (2015: \$187,536 million), and for Bank \$191,962 million (2015: \$159,429 million). The maturity tables below are based on contractual terms.

Finance Lease Receivables

The Group and the Bank provide finance leases to a broad range of clients to support financing needs in acquiring 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					
	2016			2015		
	Gross		Present Value	Gross		Present Value
	Investment in		of Minimum	Investment in		of Minimum
Finance Lease	Unearned	Lease Payment	Receivable	Finance Lease	Unearned	Lease Payment
Receivable	\$M	\$M	\$M	Receivable	\$M	\$M
Not later than one year	1,247	(161)	1,086	1,051	(147)	904
One year to five years	2,906	(287)	2,619	3,138	(353)	2,785
Over five years	331	(34)	297	631	(92)	539
	4,484	(482)	4,002	4,820	(592)	4,228

Notes to the Financial Statements

Note 12 Loans, Bills Discounted and Other Receivables (continued)

	2016				Bank 2015	
	Gross Investment in Finance Lease Receivable	Unearned Income	Present Value of Minimum Lease Payment Receivable	Gross Investment in Finance Lease Receivable	Unearned Income	Present Value of Minimum Lease Payment Receivable
	\$M	\$M	\$M	\$M	\$M	\$M
Not later than one year	1,008	(94)	914	759	(65)	694
One year to five years	1,856	(155)	1,701	1,948	(182)	1,766
Over five years	237	(29)	208	395	(72)	323
	3,101	(278)	2,823	3,102	(319)	2,783

Contractual Maturity Tables

Industry ⁽¹⁾	Group Maturity Period at 30 June 2016				
	Maturing 1 Year or Less	Maturing Between 1 and 5 Years	Maturing After 5 Years	Total	
	\$M	\$M	\$M	\$M	
Industry⁽¹⁾					
Australia					
Sovereign	4,814	340	226	5,380	
Agriculture	2,745	3,837	609	7,191	
Bank and other financial	8,386	6,085	323	14,794	
Home loans	14,808	40,454	354,190	409,452	
Construction	1,478	1,042	594	3,114	
Other personal	8,975	13,741	808	23,524	
Asset financing	3,140	5,238	165	8,543	
Other commercial and industrial	50,229	71,886	10,021	132,136	
Total Australia	94,575	142,623	366,936	604,134	
Overseas					
Sovereign	1,190	5,946	2,028	9,164	
Agriculture	1,741	3,401	3,602	8,744	
Bank and other financial	2,224	1,618	1,517	5,359	
Home loans	6,635	4,701	35,286	46,622	
Construction	160	89	103	352	
Other personal	1,676	42	1	1,719	
Asset financing	8	52	160	220	
Other commercial and industrial	14,244	8,466	1,275	23,985	
Total overseas	27,878	24,315	43,972	96,165	
Gross loans, bills discounted and other receivables	122,453	166,938	410,908	700,299	

(1) The industry split has been prepared on an industry exposure basis.

Interest rate	Maturing 1 Year or Less	Maturing Between 1 and 5 Years	Maturing After 5 Years	Total	
	\$M	\$M	\$M	\$M	
Interest rate					
Australia	72,158	113,467	313,702	499,327	
Overseas	17,832	14,576	20,005	52,413	
Total variable interest rates	89,990	128,043	333,707	551,740	
Australia	22,417	29,156	53,234	104,807	
Overseas	10,046	9,739	23,967	43,752	
Total fixed interest rates	32,463	38,895	77,201	148,559	
Gross loans, bills discounted and other receivables	122,453	166,938	410,908	700,299	

Notes to the Financial Statements

Note 12 Loans, Bills Discounted and Other Receivables (continued)

Industry ⁽¹⁾	Group Maturity Period at 30 June 2015			
	Maturing Year or Less	Maturing Between 1 and 5 Years	Maturing After 5 Years	Total
	\$M	\$M	\$M	\$M
Australia				
Sovereign	4,815	438	268	5,521
Agriculture	2,212	3,224	822	6,258
Bank and other financial	8,477	6,312	368	15,157
Home loans	18,070	36,111	328,993	383,174
Construction	1,186	1,116	420	2,722
Other personal	7,739	13,525	1,049	22,313
Asset financing	2,781	5,426	149	8,356
Other commercial and industrial	40,565	66,281	10,711	117,557
Total Australia	85,845	132,433	342,780	561,058
Overseas				
Sovereign	5,496	6,512	921	12,929
Agriculture	1,411	2,598	3,981	7,990
Bank and other financial	2,729	2,690	2,153	7,572
Home loans	6,382	4,134	29,161	39,677
Construction	174	113	120	407
Other personal	1,094	33	1	1,128
Asset financing	11	79	468	558
Other commercial and industrial	5,447	4,396	3,066	12,909
Total overseas	22,744	20,555	39,871	83,170
Gross loans, bills discounted and other receivables	108,589	152,988	382,651	644,228

(1) The industry split has been prepared on an industry exposure basis.

Interest rate	Maturing Year or Less	Maturing Between 1 and 5 Years	Maturing After 5 Years	Total
	or Less	Between 1 and 5 Years	After 5 Years	
	\$M	\$M	\$M	\$M
Australia	76,053	112,989	293,596	482,638
Overseas	15,082	13,277	17,649	46,008
Total variable interest rates	91,135	126,266	311,245	528,646
Australia	9,792	19,444	49,184	78,420
Overseas	7,662	7,278	22,222	37,162
Total fixed interest rates	17,454	26,722	71,406	115,582
Gross loans, bills discounted and other receivables	108,589	152,988	382,651	644,228

Notes to the Financial Statements

Note 13 Provisions for Impairment

	Group			Bank	
	2016	2015	2014	2016	2015
	\$M	\$M	\$M	\$M	\$M
Provisions for impairment losses					
Collective provision					
Opening balance	2,762	2,779	2,858	2,553	2,587
Net collective provision funding	664	589	497	566	528
Impairment losses written off	(846)	(770)	(753)	(782)	(718)
Impairment losses recovered	225	176	165	207	155
Other	13	(12)	12	1	1
Closing balance	2,818	2,762	2,779	2,545	2,553
Individually assessed provisions					
Opening balance	887	1,127	1,628	832	1,087
Net new and increased individual provisioning	788	659	726	760	550
Write-back of provisions no longer required	(196)	(260)	(305)	(173)	(241)
Discount unwind to interest income	(27)	(38)	(51)	(27)	(38)
Impairment losses written off	(571)	(709)	(1,060)	(590)	(639)
Other	63	108	189	62	113
Closing balance	944	887	1,127	864	832
Total provisions for impairment losses	3,762	3,649	3,906	3,409	3,385
Less: Provision for Off Balance Sheet exposures	(44)	(31)	(40)	(44)	(31)
Total provisions for loan impairment	3,718	3,618	3,866	3,365	3,354

	Group			Bank	
	2016	2015	2014	2016	2015
	%	%	%	%	%
Provision ratios					
Total provisions for impaired assets as a % of gross impaired assets	36. 17	35. 94	37. 60	39. 59	38. 85
Total provisions for impairment losses as a % of gross loans and acceptances	0. 54	0. 56	0. 64	0. 55	0. 58

	Group			Bank	
	2016	2015	2014	2016	2015
	\$M	\$M	\$M	\$M	\$M
Loan impairment expense					
Net collective provision funding	664	589	497	566	528
Net new and increased individual provisioning	788	659	726	760	550
Write-back of individually assessed provisions	(196)	(260)	(305)	(173)	(241)
Total loan impairment expense	1,256	988	918	1,153	837

Notes to the Financial Statements

Note 13 Provisions for Impairment (continued)

Individually assessed provisions by industry classification	Group				
	2016 \$M	2015 \$M	2014 \$M	2013 \$M	2012 \$M
Australia					
Sovereign	-	-	-	-	-
Agriculture	42	133	123	168	89
Bank and other financial	29	36	68	217	235
Home loans	193	148	151	182	256
Construction	25	20	29	89	152
Other personal	7	10	14	14	11
Asset financing	28	28	30	23	14
Other commercial and industrial	483	400	620	871	1,163
Total Australia	807	775	1,035	1,564	1,920
Overseas					
Sovereign	-	-	-	-	-
Agriculture	23	14	3	16	7
Bank and other financial	4	-	15	5	6
Home loans	6	10	11	17	28
Construction	8	1	1	-	-
Other personal	1	-	-	-	-
Asset financing	10	10	-	-	-
Other commercial and industrial	85	77	62	26	47
Total overseas	137	112	92	64	88
Total individually assessed provisions	944	887	1,127	1,628	2,008
Loans written off by industry classification	Group				
	2016 \$M	2015 \$M	2014 \$M	2013 \$M	2012 \$M
Australia					
Sovereign	-	-	-	-	-
Agriculture	84	65	138	30	32
Bank and other financial	10	36	122	79	51
Home loans	82	72	113	217	88
Construction	11	14	52	139	45
Other personal	747	686	677	622	657
Asset financing	54	45	37	25	38
Other commercial and industrial	249	404	568	686	884
Total Australia	1,237	1,322	1,707	1,798	1,795
Overseas					
Sovereign	-	-	-	-	-
Agriculture	7	3	3	4	5
Bank and other financial	-	69	-	10	1
Home loans	7	8	13	21	24
Construction	-	-	-	-	-
Other personal	54	42	30	25	19
Asset financing	-	-	-	-	-
Other commercial and industrial	112	35	60	31	33
Total overseas	180	157	106	91	82
Gross loans written off	1,417	1,479	1,813	1,889	1,877
Recovery of amounts previously written off					
Australia	211	165	148	144	216
Overseas	14	11	17	10	12
Total amounts recovered	225	176	165	154	228
Net loans written off	1,192	1,303	1,648	1,735	1,649

Notes to the Financial Statements

Note 13 Provisions for Impairment (continued)

	Group				
	2016 \$M	2015 \$M	2014 \$M	2013 \$M	2012 \$M
Loans recovered by industry classification					
Australia					
Sovereign	-	-	-	-	-
Agriculture	1	-	-	-	-
Bank and other financial	27	9	6	8	17
Home loans	3	3	4	4	5
Construction	1	-	-	-	-
Other personal	154	125	106	113	147
Asset financing	4	4	5	6	17
Other commercial and industrial	21	24	27	13	30
Total Australia	211	165	148	144	216
Overseas					
Sovereign	-	-	-	-	-
Agriculture	-	-	3	-	-
Bank and other financial	1	-	3	1	-
Home loans	1	1	1	1	-
Construction	-	-	-	-	-
Other personal	10	10	8	8	8
Asset financing	-	-	-	-	-
Other commercial and industrial	2	-	2	-	4
Total overseas	14	11	17	10	12
Total loans recovered	225	176	165	154	228

Note 14 Property, Plant and Equipment

	Group	Bank	2016 \$M	2015 \$M	2016 \$M	2015 \$M
Land and Buildings⁽¹⁾						
At 30 June valuation	496	463	446	416		
Total land and buildings	496	463	446	416		
Leasehold Improvements						
At cost	1,557	1,513	1,307	1,282		
Accumulated depreciation	(952)	(904)	(817)	(786)		
Closing balance	605	609	490	496		
Equipment						
At cost	1,891	1,691	1,502	1,336		
Accumulated depreciation	(1,406)	(1,313)	(1,106)	(1,032)		
Closing balance	485	378	396	304		
Total property, plant and equipment held for own use	1,586	1,450	1,332	1,216		
Assets Held for Lease						
At cost	1,558	1,662	247	373		
Accumulated depreciation	(271)	(279)	(76)	(80)		
Closing balance	1,287	1,383	171	293		
Other Property, Plant and Equipment⁽²⁾						
At cost	1,067	-	-	-		
Accumulated depreciation	-	-	-	-		
Closing balance	1,067	-	-	-		
Total property, plant and equipment	3,940	2,833	1,503	1,509		

(1) Had land and buildings been measured using the cost model rather than fair value, the carrying value would have been \$270 million (2015: \$210 million) for Group and \$249 million (2015: \$190 million) for Bank.

(2) Relates to property, plant and equipment held via a partly owned fund within the Group's life insurance business. The investment in the fund is used to back life insurance policy liabilities. As a result the underlying property, plant and equipment is not considered to be held for the use of the Bank.

The majority of the above amounts have expected useful lives longer than 12 months after the Balance Sheet date.

There are no significant items of property, plant and equipment that are currently under construction.

Notes to the Financial Statements

Note 14 Property, Plant and Equipment (continued)

Land and buildings are carried at fair value based on independent valuations performed during the year; refer to Note 1(w).

These fair values fall under the Level 3 category of the fair value hierarchy as defined in Note 40.

Reconciliation of the carrying amounts of Property, Plant and Equipment is set out below:

	Group		Bank	
	2016 \$M	2015 \$M	2016 \$M	2015 \$M
Land and Buildings				
Carrying amount at the beginning of the year	463	499	416	448
Additions	73	13	70	13
Disposals	(14)	(35)	(11)	(30)
Net revaluations	2	19	1	16
Depreciation	(31)	(32)	(30)	(31)
Foreign currency translation adjustment	3	(1)	-	-
Carrying amount at the end of the year	496	463	446	416
Leasehold Improvements				
Carrying amount at the beginning of the year	609	589	496	487
Additions	148	168	130	139
Disposals	(18)	(6)	(16)	(6)
Depreciation	(137)	(142)	(118)	(124)
Foreign currency translation adjustment	3	-	(2)	-
Carrying amount at the end of the year	605	609	490	496
Equipment				
Carrying amount at the beginning of the year	378	355	304	273
Additions	260	174	218	149
Disposals	(8)	(11)	(6)	(9)
Depreciation	(149)	(139)	(120)	(109)
Foreign currency translation adjustment	4	(1)	-	-
Carrying amount at the end of the year	485	378	396	304
Assets Held for Lease				
Carrying amount at the beginning of the year	1,383	1,373	293	259
Additions	448	223	8	80
Disposals	(385)	(179)	(104)	(28)
Impairment losses	(69)	-	-	-
Depreciation	(107)	(80)	(26)	(18)
Foreign currency translation adjustment	17	46	-	-
Carrying amount at the end of the year	1,287	1,383	171	293
Other Property, Plant and Equipment				
Carrying amount at the beginning of the year	-	-	-	-
Acquisitions attributed to business combinations	693	-	-	-
Additions	330	-	-	-
Depreciation	-	-	-	-
Foreign currency translation adjustment	44	-	-	-
Carrying amount at the end of the year	1,067	-	-	-

Notes to the Financial Statements

Note 15 Intangible Assets

	Group		Bank	
	2016 \$M	2015 \$M	2016 \$M	2015 \$M
Goodwill				
Purchased goodwill at cost	7,925	7,599	2,522	2,522
Closing balance	7,925	7,599	2,522	2,522
Computer Software Costs				
Cost	3,823	3,359	3,361	2,982
Accumulated amortisation	(1,595)	(1,270)	(1,300)	(1,038)
Closing balance	2,228	2,089	2,061	1,944
Core Deposits ⁽¹⁾				
Cost	495	495	495	495
Accumulated amortisation	(495)	(461)	(495)	(461)
Closing balance	-	34	-	34
Brand Names ⁽²⁾				
Cost	190	190	186	186
Accumulated amortisation	(1)	(1)	-	-
Closing balance	189	189	186	186
Other Intangibles ⁽³⁾				
Cost	156	162	38	38
Accumulated amortisation	(114)	(103)	(29)	(24)
Closing balance	42	59	9	14
Total Intangible assets	10,384	9,970	4,778	4,700

- (1) Core deposits represent the value of the Bankwest deposit base compared to the avoided cost of alternative funding sources such as securitisation and wholesale funding. This asset was acquired on 19 December 2008 with a useful life of seven years based on the weighted average attrition rates of the Bankwest deposit portfolio. It was fully amortised during the 2016 financial year.
- (2) Brand names predominantly represent the value of royalty costs foregone by the Group through acquiring the Bankwest brand name. The royalty costs that would have been incurred by an entity using the Bankwest brand name are based on an annual percentage of income generated by Bankwest. The Bankwest brand name has an indefinite useful life. It is not subject to amortisation, but is subject to annual impairment testing. No impairment was required as a result of this test. The balance also includes Count Financial Limited brand name (\$4 million) that is amortised over the estimated useful life of 20 years.
- (3) Other intangibles include the value of credit card relationships acquired from Bankwest and Count franchise relationships. This value represents future net income generated from the relationships that existed at Balance Sheet date. The assets have a useful life of 10 years based on the attrition rates of customers.

Impairment Tests for Goodwill and Intangible Assets with Indefinite Lives

To assess whether goodwill and other assets with indefinite useful lives are impaired, the carrying amount of a cash-generating unit or a group of cash-generating units are compared to the recoverable amount. The recoverable amount is determined based on fair value less cost to sell, using an earnings multiple applicable to that type of business. The category of this fair value is Level 3 as defined in Note 40.

Earnings multiples relating to the Group's Banking and Wealth Management cash-generating units are sourced from publicly available data associated with Australian businesses displaying similar characteristics to those cash-generating units, and are applied to current earnings. The key assumption is the Price-Earnings (P/E) multiple observed for these businesses, which for the Banking businesses (excluding IFS) were in the range of 10.4 – 12.4 (2015: 12.1 – 13.0), for the IFS businesses 6.2 – 16.4 (2015: 7.4 – 17.2) and for Wealth Management businesses were in the range of 11.6 – 15.1 (2015: 12.7 – 17.1).

Notes to the Financial Statements

Note 15 Intangible Assets (continued)

Goodwill Allocation to Cash-Generating Units

	Group	
	2016 \$M	2015 \$M
Retail Banking Services	4,149	4,149
Business and Private Banking	297	297
Wealth Management	2,732	2,410
New Zealand	698	679
IFS and Other	49	64
Total	7,925	7,599

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

	Group		Bank	
	2016 \$M	2015 \$M	2016 \$M	2015 \$M
Goodwill				
Opening balance	7,599	7,566	2,522	2,522
Additions	304	43	-	-
Transfers/disposals/other adjustments ⁽¹⁾	22	(10)	-	-
Closing balance	7,925	7,599	2,522	2,522
Computer Software Costs				
Opening balance	2,089	1,854	1,944	1,724
Additions:				
From purchases	16	7	-	-
From internal development	503	547	450	494
Amortisation and write-offs	(380)	(319)	(333)	(274)
Closing balance	2,228	2,089	2,061	1,944
Core Deposits				
Opening balance	34	105	34	106
Amortisation	(34)	(71)	(34)	(72)
Closing balance	-	34	-	34
Brand Names				
Opening balance	189	189	186	186
Amortisation	-	-	-	-
Closing balance	189	189	186	186
Other Intangibles				
Opening balance	59	78	14	17
Additions	2	2	-	-
Disposals	-	(1)	-	-
Amortisation	(19)	(20)	(5)	(3)
Closing balance	42	59	9	14

(1) Includes foreign currency revaluation.

Notes to the Financial Statements

Note 16 Other Assets

	Group		Bank	
	2016	2015	2016	2015
	\$M	\$M	\$M	\$M
Accrued interest receivable	2,312	2,164	3,118	2,988
Accrued fees/reimbursements receivable	1,110	1,247	157	147
Securities sold not delivered	2,177	2,483	1,726	1,874
Intragroup current tax receivable	-	-	213	200
Current tax assets	17	15	-	-
Prepayments ⁽¹⁾	381	206	200	164
Life insurance other assets	537	497	39	37
Defined benefit superannuation plan surplus	261	276	261	276
Other	487	650	283	235
Total other assets	7,282	7,538	5,997	5,921

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

Except for the defined benefits superannuation plan surplus, the above amounts are expected to be recovered within 12 months of the Balance Sheet date.

Note 17 Deposits and Other Public Borrowings

	Group		Bank	
	2016	2015	2016	2015
	\$M	\$M	\$M	\$M
Australia				
Certificates of deposit	43,762	46,083	45,639	47,802
Term deposits	138,443	143,285	138,664	143,481
On-demand and short-term deposits ^{(1) (2)}	281,648	265,620	281,059	265,798
Deposits not bearing interest ^{(1) (2)}	35,164	12,568	35,145	12,550
Securities sold under agreements to repurchase	17,124	12,964	17,305	13,036
Total Australia	516,141	480,520	517,812	482,667
Overseas				
Certificates of deposit	9,098	7,060	6,254	4,980
Term deposits	32,069	30,812	9,359	8,508
On-demand and short term deposits	27,327	22,159	2,597	1,382
Deposits not bearing interest	3,410	2,668	64	76
Securities sold under agreements to repurchase	-	12	-	12
Total overseas	71,904	62,711	18,274	14,958
Total external deposits and other public borrowings	588,045	543,231	536,086	497,625

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

(2) During the period, following a change in terms, Interest bearing transaction deposits of \$18,314 million became Non-interest bearing and have been disclosed accordingly.

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 2016				
	Maturing	Maturing	Maturing	Maturing	
	Three	Between	Between Six	after	
	Months or	Three and	and Twelve	Twelve	
	Less	Six Months	Months	Months	Total
	\$M	\$M	\$M	\$M	\$M
Australia					
Certificates of deposit ⁽¹⁾	21,571	11,370	653	10,168	43,762
Term deposits	84,848	20,852	26,012	6,731	138,443
Total Australia	106,419	32,222	26,665	16,899	182,205
Overseas					
Certificates of deposit ⁽¹⁾	6,906	1,452	532	208	9,098
Term deposits	16,534	7,815	4,851	2,869	32,069
Total overseas	23,440	9,267	5,383	3,077	41,167
Total certificates of deposits and term deposits	129,859	41,489	32,048	19,976	223,372

(1) All certificates of deposit issued by the Group are for amounts greater than \$100,000.

Notes to the Financial Statements

Note 17 Deposits and Other Public Borrowings (continued)

	Group At 30 June 2015				
	Maturing Three Months or Less	Maturing Between Three and Six Months	Maturing Between Six and Twelve Months	Maturing after Twelve Months	Total
	\$M	\$M	\$M	\$M	\$M
Australia					
Certificates of deposit ⁽¹⁾	22,797	11,920	-	11,366	46,083
Term deposits	64,920	31,183	38,903	8,279	143,285
Total Australia	87,717	43,103	38,903	19,645	189,368
Overseas					
Certificates of deposit ⁽¹⁾	4,494	688	1,679	199	7,060
Term deposits	16,829	6,650	4,473	2,860	30,812
Total overseas	21,323	7,338	6,152	3,059	37,872
Total certificates of deposits and term deposits	109,040	50,441	45,055	22,704	227,240

(1) All certificates of deposit issued by the Group are for amounts greater than \$100,000.

Note 18 Liabilities at Fair Value through Income Statement

	Group		Bank	
	2016	2015	2016	2015
	\$M	\$M	\$M	\$M
Deposits and other borrowings ⁽¹⁾	5,695	2,789	4,416	2,639
Debt instruments ⁽¹⁾	1,848	1,266	276	256
Trading liabilities	2,749	4,438	2,749	4,428
Total liabilities at fair value through Income Statement	10,292	8,493	7,441	7,323

(1) These liabilities have been initially designated at fair value through the Income Statement. Refer to Note 1(y).

Of the above amounts, trading liabilities are expected to be settled within 12 months of the Balance Sheet date for the Group and the Bank. For the Group, the majority of the other amounts are expected to be settled within 12 months of the Balance Sheet date. For the Bank, the majority of debt instruments are expected to be settled more than 12 months after the Balance Sheet date.

The amount that would be contractually required to be paid at maturity to the holders of the financial liabilities designated at fair value through Income Statement for the Group is \$10,094 million (2015: \$8,448 million) and for the Bank is \$7,250 million (2015: \$7,279 million).

Note 19 Other Provisions

	Note	Group		Bank	
		2016	2015	2016	2015
		\$M	\$M	\$M	\$M
Employee entitlements		823	750	730	660
General insurance claims		260	314	-	-
Self insurance and non-lending losses		196	198	162	181
Dividends	5	90	82	90	82
Compliance, programs and regulation		78	193	78	193
Restructuring costs		28	43	27	41
Other		181	146	162	97
Total other provisions		1,656	1,726	1,249	1,254

Maturity Distribution of Other Provisions

	Group		Bank	
	2016	2015	2016	2015
	\$M	\$M	\$M	\$M
Less than twelve months	1,320	1,159	968	711
More than twelve months	336	567	281	543
Total other provisions	1,656	1,726	1,249	1,254

Notes to the Financial Statements

Note 19 Other Provisions (continued)

	Group		Bank	
	2016 \$M	2015 \$M	2016 \$M	2015 \$M
Reconciliation				
General insurance claims:				
Opening balance	314	161	-	-
Additional provisions	502	615	-	-
Amounts utilised during the year	(556)	(462)	-	-
Closing balance	260	314	-	-
Self insurance and non-lending losses:				
Opening balance	198	112	181	109
Additional provisions	15	90	15	76
Amounts utilised during the year	(17)	(4)	(17)	(4)
Release of provision	-	-	(17)	-
Closing balance	196	198	162	181
Compliance, programs and regulation:				
Opening balance	193	49	193	49
Additional provisions	-	218	-	218
Amounts utilised during the year	(115)	(74)	(115)	(74)
Closing balance	78	193	78	193
Restructuring:				
Opening balance	43	60	41	57
Additional provisions	-	3	-	3
Amounts utilised during the year	(15)	(20)	(14)	(19)
Closing balance	28	43	27	41
Other:				
Opening balance	146	183	97	154
Additional provisions	60	22	85	2
Amounts utilised during the year	(11)	(21)	(6)	(21)
Release of provision	(14)	(38)	(14)	(38)
Closing balance	181	146	162	97

Provision Commentary

General Insurance Claims

This provision is to cover future claims on general insurance contracts that have been incurred but not reported. The provision will be realised upon settlement of claims whose maturities were uncertain at the reporting date.

Self Insurance and Non-Lending Losses

Self insurance provision relates to non-transferred insurance risks on lending products the Group originates. The self insurance provision is reassessed annually in accordance with actuarial advice.

This provision covers certain non-lending losses, including customer remediation, and represents losses that have not arisen as a consequence of an impaired credit decision.

Compliance, Programs and Regulation

This provision relates to project and other administrative costs associated with certain compliance and regulatory programs of the Group.

Restructuring

Provisions are recognised for restructuring activities when a detailed plan has been developed and a valid expectation that the plan will be carried out is held by those affected by it. The majority of the provision is expected to be used within 12 months of the Balance Sheet date.

Advice Review Programs

Certain remediation programs are being undertaken in the Group's advice business as follows:

- The Open Advice Review program for customers of Commonwealth Financial Planning Limited (CFPL) and Financial Wisdom Limited (FWL), who received advice between 1 September 2003 and 1 July 2012. Registrations for the program are now closed, with customer file assessments and remediation ongoing.
- Variations to CFPL's and FWL's licences has led to a review of six customer files from each of the 17 advisers identified by ASIC's compliance expert. The review will confirm if the advice provided before 2012 was appropriate and whether further reviews are required.

Notes to the Financial Statements

Note 19 Other Provisions (continued)

Advice Review Programs (continued)

- A review of service delivery against past adviser service package offerings has commenced. In instances where the Group does not have evidence of service delivery the affected customers will be refunded.

The Group has provided for the cost of running these programs, together with anticipated remediation costs. Key assumptions in determining the remediation and program cost provisions include customer registrations and responses, remediation rates and amounts, case complexity and program design. These have been developed considering historical evidence, current information available and the exercise of judgement. As the nature of these estimates and assumptions are uncertain, the provisions may change. The Group considers that provisions held are adequate and represent our best estimate of the anticipated future costs.

The Group will re-evaluate the assumptions underpinning the provisions at each reporting date as more information becomes available.

Note 20 Debt Issues

	Note	Group		Bank	
		2016 \$M	2015 \$M	2016 \$M	2015 \$M
Medium-term notes		88,343	76,039	79,246	68,329
Commercial paper		29,033	37,032	27,105	36,025
Securitisation notes	41	12,106	12,603	-	-
Covered bonds	41	31,802	28,755	27,863	26,005
Total debt issues		161,284	154,429	134,214	130,359
Short Term Debt Issues by currency					
USD		29,008	36,543	27,080	35,536
AUD		214	267	214	267
GBP		6,741	169	6,741	169
Other currencies		312	53	312	53
Total short term debt issues		36,275	37,032	34,347	36,025
Long Term Debt Issues by currency⁽¹⁾					
USD		43,479	43,049	43,013	42,897
EUR		28,329	26,247	24,210	23,795
AUD		27,223	21,167	13,164	6,827
GBP		5,604	9,195	4,283	7,295
NZD		4,839	3,670	1,119	1,008
JPY		6,547	6,448	6,453	6,395
Other currencies		8,464	7,169	7,101	5,665
Offshore loans (all JPY)		524	452	524	452
Total long term debt issues		125,009	117,397	99,867	94,334
Maturity Distribution of Debt Issues⁽²⁾					
Less than twelve months		64,459	59,532	57,901	54,644
Greater than twelve months		96,825	94,897	76,313	75,715
Total debt issues		161,284	154,429	134,214	130,359

(1) Long-term debt disclosed relates to debt issues which have a maturity at inception of greater than 12 months.

(2) Represents the remaining contractual maturity of the underlying instrument.

The Bank's long-term debt issues include notes issued under the: USD70 billion Euro Medium Term Note Program; the USD50 billion US Medium Term Note Program; the USD30 billion Covered Bond Program; the USD25 billion CBA New York Branch Medium Term Note Program; and other applicable debt documentation. Notes issued under debt programs are both fixed and variable rate. Interest rate risk associated with the notes is incorporated within the Bank's interest rate risk framework.

Notes to the Financial Statements

Note 20 Debt Issues (continued)

	Group	2016	2015	2014
	\$M (except where indicated)			
Short term borrowings by Commercial paper program ⁽¹⁾				
Total				
Outstanding at year-end ⁽²⁾	29,033	37,032	32,905	
Maximum amount outstanding at any month end	41,453	39,774	33,174	
Average amount outstanding	37,368	35,621	31,096	
US Commercial Paper Program				
Outstanding at year-end ⁽²⁾	27,117	35,754	31,158	
Maximum amount outstanding at any month end	38,528	38,147	32,405	
Average amount outstanding	35,208	34,018	29,667	
Weighted average interest rate on:				
Average amount outstanding	0.5%	0.3%	0.2%	
Outstanding at year end	0.8%	0.3%	0.2%	
Euro Commercial Paper Program				
Outstanding at year-end ⁽²⁾	1,916	1,278	1,747	
Maximum amount outstanding at any month end	2,925	2,327	1,983	
Average amount outstanding	2,160	1,603	1,429	
Weighted average interest rate on:				
Average amount outstanding	0.7%	0.7%	0.4%	
Outstanding at year end	0.9%	0.9%	0.4%	

(1) Short term borrowings include callable medium term notes of \$7,242 million which have been excluded from the table above.

(2) The amount outstanding at year end is measured at amortised cost.

	Currency	As At	As At
		30 June	30 June
Exchange rates utilised ⁽¹⁾			
AUD 1.00 =			
	USD	0.7431	0.7681
	EUR	0.6689	0.6880
	GBP	0.5534	0.4893
	NZD	1.0470	1.1283
	JPY	76.2441	94.0578

(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 and outstanding at 19 July 1999 remain guaranteed until maturity.

Note 21 Bills Payable and Other Liabilities

	Note	Group		Bank	
		2016	2015	2016	2015
Bills payable		948	917	891	870
Accrued interest payable		2,659	2,971	1,925	2,220
Accrued fees and other items payable		2,453	2,718	1,755	1,822
Defined benefit superannuation plan deficit	35	51	57	51	57
Securities purchased not delivered		1,438	2,357	964	1,707
Unearned income		1,018	913	599	531
Life insurance other liabilities and claims payable		214	236	81	24
Other		993	936	5,376	7,130
Total bills payable and other liabilities		9,774	11,105	11,642	14,361

Other than the defined benefit superannuation plan deficit, the majority of the amounts are expected to be settled within 12 months of the Balance Sheet date.

Notes to the Financial Statements

Note 22 Loan Capital

		Currency	2016	2015	Group	Bank
		Amount (M)	Footnotes	\$M	\$M	\$M
Tier 1 Loan Capital						
Undated	FRN	USD 100	(1)	135	130	135
Undated	PERLS III	AUD 1,166	(2)	-	1,164	-
Undated	PERLS VI	AUD 2,000	(3)	1,990	1,986	1,990
Undated	PERLS VII	AUD 3,000	(3)	2,978	2,961	2,978
Undated	PERLS VIII	AUD 1,450	(3)	1,437	-	1,437
Undated	TPS	USD 700	(4)	-	-	908
Total Tier 1 Loan Capital				6,540	6,241	6,540
Tier 2 Loan Capital						
AUD denominated			(5)	1,772	1,024	1,772
USD denominated			(6)	2,145	455	2,145
JPY denominated			(7)	262	627	262
GBP denominated			(8)	270	306	270
NZD denominated			(9)	378	349	-
EUR denominated			(10)	3,351	3,256	3,351
Other currencies denominated			(11)	202	209	202
Total Tier 2 Loan Capital				8,380	6,226	8,002
Fair value hedge adjustments				624	357	596
Total Loan Capital				15,544	12,824	15,138
						13,364

As at the reporting date, there are no securities of the Group or 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 current outstanding balance of 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 III

On 6 April 2006, a wholly owned entity of the Bank (Preferred Capital Limited or "PCL") issued \$1,166 million of Perpetual Exchangeable Repurchaseable Listed Shares (PERLS III). PERLS III are preference shares which were able to be exchanged for CBA ordinary shares or \$200 cash each (or a combination of both) on 6 April 2016. All PERLS III were exchanged for cash on 6 April 2016 and subsequently cancelled.

(3) PERLS VI, PERLS VII and PERLS VIII

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). PERLS VI, PERLS VII and PERLS VIII are subordinated, unsecured notes.

PERLS VI, PERLS VII and PERLS VIII 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.

(4) TPS 2006

On 15 March 2006, a wholly owned entity of the Bank (CBA Capital Trust II) issued USD700 million of Trust Preferred Securities (TPS 2006) which were able to be redeemed for cash, CBA Tier 1 Capital securities or CBA preference shares on 15 March 2016.

All TPS 2006 were redeemed for cash on 15 March 2016.

(5) 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.

(6) USD denominated Tier 2 Loan Capital issuances

- USD350 million subordinated fixed rate notes, issued June 2003, due June 2018; and
- USD1,250 million subordinated notes issued December 2015, due December 2025.

(7) JPY denominated Tier 2 Loan Capital issuances

- JPY20 billion perpetual subordinated EMTN (Euro Medium Term Notes), issued February 1999;
- JPY30 billion subordinated EMTN, issued October 1995, and redeemed in October 2015; and
- JPY9 billion perpetual subordinated notes, issued May 1996, and redeemed in May 2016.

Notes to the Financial Statements

Note 22 Loan Capital (continued)

(8) GBP denominated Tier 2 Loan Capital issuances

- GBP150 million subordinated EMTN, issued June 2003, due December 2023.

(9) 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.

ASB Notes 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.

(10) EUR denominated Tier 2 Loan Capital Issuances

- EUR1,000 million subordinated notes, issued August 2009, due August 2019; and
- EUR1,250 million subordinated notes issued April 2015, due April 2027.

(11) Other foreign currency denominated Tier 2 Loan Capital Issuances

- CNY1,000 million subordinated notes issued March 2015, due March 2025.

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.

Note 23 Shareholders' Equity

Ordinary Share Capital

	Group		Bank	
	2016 \$M	2015 \$M	2016 \$M	2015 \$M
Ordinary Share Capital				
Shares on issue:				
Opening balance	27,898	27,327	27,894	27,323
Issue of shares (net of issue costs) ⁽¹⁾	5,022	-	5,022	-
Dividend reinvestment plan (net of issue costs) ⁽²⁾⁽³⁾	1,209	571	1,209	571
	34,129	27,898	34,125	27,894
Less treasury shares:				
Opening balance	(279)	(291)	-	-
Purchase of treasury shares ⁽⁴⁾	(108)	(790)	-	-
Sale and vesting of treasury shares ⁽⁴⁾	103	802	-	-
	(284)	(279)	-	-
Closing balance	33,845	27,619	34,125	27,894

(1) During the year the Group undertook a capital raising through a rights issue to all shareholders. An accelerated institutional offer closed on 13 August 2015, while the retail entitlement offer closed on 8 September 2015, jointly raised \$5,022 million net of issue costs.

(2) The determined dividend includes an amount attributable to Dividend Reinvestment Plan (DRP) of \$552 million (interim 2015/2016), \$655 million (final 2014/2015) and \$574 million (interim 2014/2015) with \$552 million, \$657 million and \$571 million ordinary shares being issued under plan rules respectively which include the carry forward of DRP balance from previous dividends.

(3) The DRP in respect of 2013/2014 final dividend was satisfied in full through the on-market purchase and transfer of 8,749,607 shares to participating shareholders.

(4) The movement in treasury shares held within Life Insurance Statutory Funds, and 1,234,998 shares acquired at an average price of \$74.76 for the purpose of satisfying the Company's obligations under various equity settled share plans. Other than shares purchased as part of the Non-Executive Director fee sacrifice arrangements disclosed in Note 24, shares purchased were not on behalf of or initially allocated to a director.

Ordinary Share Capital (continued)

	Group		Bank	
	2016 Shares	2015 Shares	2016 Shares	2015 Shares
Number of shares on issue				
Opening balance (excluding treasury shares deduction)	1,627,592,713	1,621,319,194	1,627,592,713	1,621,319,194
Issue of shares ⁽¹⁾	71,161,207	-	71,161,207	-
Dividend reinvestment plan issues:				
2013/2014 Final dividend fully paid ordinary shares \$80.39 ⁽²⁾	-	-	-	-
2014/2015 Interim dividend fully paid ordinary shares \$91.26	-	6,273,519	-	6,273,519
2014/2015 Final dividend fully paid ordinary shares \$74.75	8,790,794	-	8,790,794	-
2015/2016 Interim dividend fully paid ordinary shares \$72.68	7,597,463	-	7,597,463	-
Closing balance (excluding treasury shares deduction)	1,715,142,177	1,627,592,713	1,715,142,177	1,627,592,713
Less: treasury shares ⁽³⁾	(4,080,435)	(4,654,277)	-	-
Closing balance	1,711,061,742	1,622,938,436	1,715,142,177	1,627,592,713

(1) During the period the Group undertook a capital raising through a rights issue to all shareholders. An accelerated institutional offer closed on 13 August 2015 resulting in the issue of 28,897,186 shares on 26 August 2015. The retail entitlement offer closed on 8 September 2015 resulting in the issue of 42,264,021 shares on 18 September 2015.

(2) The DRP in respect of 2013/2014 final dividend was satisfied in full through the on market purchase and transfer of 8,749,607 shares to participating shareholders.

(3) Relates to Treasury shares held within the Life Insurance statutory funds and the employees share scheme trust.

Notes to the Financial Statements

Note 23 Shareholders' Equity (continued)

Ordinary shares have no par value and the Company does not have a limited amount of share capital.

Ordinary shares entitle holders to receive dividends payable to ordinary shareholders and to participate in the proceeds available to ordinary shareholders on winding up of the Company in proportion to the number of fully paid ordinary shares held.

On a show of hands every holder of fully paid ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll one vote for each share held.

Other Equity Instruments

Other equity instruments	Group		Bank	
	2016	2015	2016	2015
	\$M	\$M	\$M	\$M
Issued and paid up	-	939	406	1,895
Number of shares	Shares	Shares	Shares	Shares
	-	700,000	300,000	1,400,000

On 15 March 2006, a wholly owned entity of the Bank (CBA Capital Trust II) issued USD700 million of Trust Preferred Securities (TPS 2006) into the US capital markets. All TPS 2006 were redeemed for cash on 15 March 2016. Shares issued by the Bank were partially redeemed on 15 March 2016.

Retained Profits and Reserves

Retained Profits	Note	Group		Bank	
		2016	2015	2016	2015
		\$M	\$M	\$M	\$M
Opening balance		21,528	18,827	18,763	16,206
Actuarial gains and (losses) from defined benefit superannuation plans		10	311	10	311
Gains and (losses) on liabilities at fair value due to changes in own credit risk		(1)	(3)	(1)	(3)
Realised gains and dividend income on treasury shares		20	42	-	-
Operating profit attributable to Equity holders of the Bank		9,227	9,063	8,639	8,976
Total available for appropriation		30,784	28,240	27,411	25,490
Transfer on sale/redemption of other equity ⁽¹⁾		(10)	-	-	-
Transfers (to)/from general reserve		(120)	47	(4)	(1)
Transfers from asset revaluation reserve		19	21	19	18
Transfers from employee compensation reserve		(2)	-	(2)	-
Interim dividend - cash component		(2,829)	(2,636)	(2,829)	(2,636)
Interim dividend - Dividend Reinvestment Plan		(552)	(574)	(552)	(574)
Final dividend - cash component		(2,958)	(3,534)	(2,958)	(3,534)
Final dividend - Dividend Reinvestment Plan		(655)	-	(655)	-
Other dividends ⁽²⁾		(50)	(36)	-	-
Closing balance		23,627	21,528	20,430	18,763

(1) Includes other equity instruments and non-controlling interests.

(2) Dividends relating to equity instruments on issue other than ordinary shares.

Notes to the Financial Statements

Note 23 Shareholders' Equity (continued)

Retained Profits and Reserves (continued)

	Group		Bank	
	2016 \$M	2015 \$M	2016 \$M	2015 \$M
Reserves				
General Reserve				
Opening balance	819	866	574	573
Appropriation from/(to) retained profits	120	(47)	4	1
Closing balance	939	819	578	574
Capital Reserve				
Opening balance	-	-	1,254	1,254
Closing balance	-	-	1,254	1,254
Asset Revaluation Reserve				
Opening balance	191	197	165	172
Revaluation of properties	2	19	1	16
Transfer to retained profits	(19)	(21)	(19)	(18)
Tax on revaluation of properties	(1)	(4)	-	(5)
Closing balance	173	191	147	165
Foreign Currency Translation Reserve				
Opening balance	356	(42)	(7)	(178)
Currency translation adjustments of foreign operations	389	439	62	176
Currency translation on net investment hedge	(12)	(3)	(9)	(5)
Tax on translation adjustments	6	(38)	-	-
Closing balance	739	356	46	(7)
Cash Flow Hedge Reserve				
Opening balance	263	224	530	424
Gains and losses on cash flow hedging instruments:				
Recognised in other comprehensive income	250	706	479	802
Transferred to Income Statement:				
Interest income	(968)	(1,135)	(916)	(1,125)
Interest expense	1,018	488	725	475
Tax on cash flow hedging instruments	(90)	(20)	(86)	(46)
Closing balance	473	263	732	530
Employee Compensation Reserve				
Opening balance	122	125	122	125
Current period movement	10	(3)	10	(3)
Closing balance	132	122	132	122
Available-for-Sale Investments Reserve				
Opening balance	594	639	557	641
Net gains and losses on revaluation of available-for-sale investments	(236)	140	(248)	82
Net gains and losses on available-for-sale investments transferred to Income Statement on disposal	(222)	(223)	(222)	(218)
Tax on available-for-sale investments	142	38	139	52
Closing balance	278	594	226	557
Total Reserves	2,734	2,345	3,115	3,195

Notes to the Financial Statements

Note 24 Share-Based Payments

The Group operates a number of cash and equity settled share plans as detailed below.

Group Leadership Reward Plan (GLRP)

The GLRP is the Group's long-term incentive plan for the CEO and Group Executives. The GLRP focuses on driving performance and shareholder alignment in the longer term.

Participants are awarded a maximum number of Reward Rights, which may convert into CBA shares on a 1-for-1 basis. The Board has discretion to apply a cash equivalent.

The Reward Rights may vest at the end of a performance period of up to four years subject to the satisfaction of performance hurdles as follows:

- 25% of the award is assessed against Customer Satisfaction compared to ANZ, NAB, Westpac and other key competitors for the Group's wealth management business by reference to independent external surveys; and
- 75% of the award is assessed against TSR compared to the 20 largest companies listed on the ASX (by market capitalisation) at the beginning of each respective performance period, excluding resource companies and CBA.

Each performance hurdle is independent, such that the total number of Reward Rights that vest will be the aggregate of rights that vest against the Customer Satisfaction and the TSR hurdles at the end of the performance period.

A scale is applied to each performance hurdle, to determine the portion of each award that vests as follows:

Hurdle	Scale
Customer satisfaction	<ul style="list-style-type: none">▪ 100% vests where the weighted average ranking for CBA over the performance period is 1st (i.e. 1.00), 50% where CBA's weighted average ranking is 2nd (i.e. 2.00). If CBA's weighted average ranking is between 1st and 2nd (i.e. between 1.00 and 2.00), vesting occurs on a sliding scale between 100% and 50% on a pro-rata straight line basis. If CBA's weighted average ranking is lower than 2nd (i.e. greater than 2.00), none of this portion will vest.
TSR	<ul style="list-style-type: none">▪ Full vesting applies where CBA is ranked in the top quartile of the peer group at the end of the performance period, 50% will vest if CBA is ranked at the median, with vesting on a sliding scale between the median and 75th percentile. If the Group's TSR is ranked below the median of the peer group, none of this portion will vest.

The 2012 financial year award reached the end of its performance period on 30 June 2015 and in line with the plan rules 86.25% of the awarded rights vested.

The following table provides details of outstanding awards of performance rights granted under the GLRP.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June	Expense (\$M)
2016	1,265,446	291,188	(263,969)	(42,076)	1,250,589	13
2015	1,423,773	283,410	(338,512)	(103,225)	1,265,446	10

The average fair value at the grant date for TSR and Customer satisfaction Reward Rights issued during the year was \$75.21 and \$32.96 respectively per right (2015: \$78.97 and \$37.90 respectively). The fair value of TSR hurdles Reward Rights granted during the period has been independently calculated at grant date using a Monte-Carlo pricing model. The assumptions included in the valuation of the 2016 financial year award include a risk-free interest rate ranging from 2.14% to 2.35%, a nil dividend yield on the Bank's ordinary shares and a volatility in the Bank share price of 20%. The fair value for customer satisfaction hurdles Reward Rights granted during the period is the closing price of CBA shares on the grant date.

Group Rights Plan (GRP)

The GRP facilitates mandatory short-term incentive deferral, sign-on incentives and retention awards. Participants are awarded rights to shares, that vest on a 1-for-1 basis, provided the participant remains in employment of the Group until vesting date. The Board has discretion to apply a cash equivalent.

The following table provides details of outstanding awards of shares granted under the GRP.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June	Expense (\$M)
2016	1,238,974	825,705	(181,138)	(87,813)	1,795,728	53
2015	654,116	708,577	(80,271)	(43,448)	1,238,974	40

The weighted average fair value at grant date of the awards issued during the year was \$74.11 (2015: \$81.44).

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.

Notes to the Financial Statements

Note 24 Share-Based Payments (continued)

The number of shares a participant receives is calculated by dividing the award amount by the average price paid for CBA shares purchased during the purchase period preceding the grant date. Shares granted are restricted from sale until the earlier of three years or until such time as the participant ceases employment with the Group. Participants receive full dividend entitlements and voting rights attached to those shares.

The Group achieved the performance target for 2015 resulting in shares being awarded to each eligible employee during the financial year ended 30 June 2016. The following table provides details of shares granted under the ESAP.

Period	Allocation date	Participants	Number of Shares Allocated by Participant	Total Number of Shares Allocated		Issue Price \$	Total Fair Value \$
2016	17 Sep 2015	32,336	13	420,368	74.88	31,477,156	
2015	19 Sep 2014	32,092	12	385,104	80.39	30,958,511	

It is estimated that approximately \$34 million of CBA shares will be purchased on market at the prevailing market price for the 2016 grant.

Other Employee Awards

A number of other plans are operated by the Group, including:

- The Employee Share (Performance Unit) Plan, which is the cash-based version of the GRP;
- The International Employee Share Acquisition Plan, which is the cash-based version of the ESAP; and
- The Employee Share Plan and Group Employee Rights Plan, which are predecessors to the GRP, and closed to new awards.

The following table provides a summary of the movement in awards during the year.

Period	Outstanding		Vested	Forfeited	Outstanding 30 June	Expense (\$M)
	1 July	Granted				
2016	677,708	209,170	(573,959)	(14,226)	298,693	10
2015	1,423,891	105,323	(811,721)	(39,785)	677,708	18

The average fair value at grant date of the awards issued during the year was \$74.86 (2015: \$81.46).

Salary Sacrifice Arrangements

The Group facilitates the purchase of CBA shares via salary sacrifice as follows:

Type	Arrangements
Australian-based employees (ESSSP)	<ul style="list-style-type: none"> ▪ Can elect to sacrifice between \$2,000 and \$5,000 p.a. of their fixed remuneration and/or annual STI ▪ Restricted from sale for a minimum of two years and a maximum of seven years or earlier, if the employee ceases employment with the Group.
Non-executive directors	<ul style="list-style-type: none"> ▪ 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 earlier.

Shares are purchased on market at the prevailing market price at that time and receive full dividend entitlements and voting rights. The following table provides details of shares granted under the ESSSP.

Period	Participants	Number of shares purchased	Average purchase price \$	Total purchase consideration \$
2016	775	36,264	75.66	2,743,646
2015	557	22,059	84.53	1,864,604

During the year, one (2015: one) Non-Executive Director applied \$28,994 in fees (2015: \$28,502) to purchase 382 shares (2015: 341 shares).

Notes to the Financial Statements

Note 25 Capital Adequacy

Capital Management

The Bank is an Authorised Deposit-taking Institution (ADI) and is subject to regulation by APRA under the authority of the Banking Act 1959. APRA has set minimum regulatory capital requirements for banks based on the Basel Committee on Banking Supervision (BCBS) guidelines.

The Basel III measurement and monitoring of capital has been effective from 1 January 2013. APRA has adopted a more conservative approach than the minimum standards published by the BCBS and a more accelerated timetable. The requirements define what is acceptable as capital and provide methods of measuring the risks incurred by the Bank.

The regulatory capital requirements are measured for the Extended Licence Entity Group (known as "Level One", comprising the Bank and APRA approved subsidiaries) and for the Bank and all of its banking subsidiaries, which includes ASB Bank (known as "Level Two" or the "Group").

All entities which are consolidated for accounting purposes are included within the Group capital adequacy calculations except for:

- The insurance and funds management operations; and
- The entities through which securitisation of Group assets are conducted.

Regulatory capital is divided into Common Equity Tier 1 (CET1), Tier 1 and Tier 2 Capital. CET1 primarily consists of Shareholders' Equity, less goodwill and other prescribed adjustments. Tier 1 Capital is comprised of CET1 plus other capital instruments acceptable to APRA. Tier 2 Capital is comprised primarily of hybrid and debt instruments acceptable to APRA. Total Capital is the aggregate of Tier 1 and Tier 2 Capital.

The tangible component of the investment in the insurance and funds management operations are deducted 100% from CET1.

Capital adequacy is measured by means of a risk based capital ratio. The capital ratios reflect capital (CET1, Tier 1, Tier 2 or Total Capital) as a percentage of total Risk Weighted Assets (RWA). RWA represents an allocation of risks associated with the Group's assets and other related exposures.

The Group has a range of instruments and methodologies available to effectively manage capital including share issues and buybacks, dividend and Dividend Reinvestment Plan 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 both the Executive Committee and the Asset and Liability Committee (ALCO). 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 2015 and 2016 financial years were in compliance with both APRA minimum capital adequacy requirements and the Board Approved minimums. The Bank is required to inform APRA immediately of any breach or potential breach of its minimum prudential capital adequacy requirements, including details of remedial action taken or planned to be taken.

Note 26 Financial Reporting by Segments

The principal activities of the Group are carried out in the business segments below. These segments are based on the distribution channels through which the customer relationship is being managed.

During the year, refinements have been made to the allocation of customer balances and associated revenue and expenses between business segments, including updated transfer pricing allocations and realignment between Institutional Banking and Markets and Group Treasury. Finally, ASB's interest expense disclosure was changed to include the impact of hedging offshore debt. These changes have not impacted the Group's net profit, but have resulted in changes to the presentation of the Income Statement and Balance Sheet of the Group and the affected segments. Comparative information has been restated to reflect these changes.

The primary sources of revenue are interest and fee income (Retail Banking Services, Institutional Banking and Markets, Business and Private Banking, Bankwest, New Zealand, IFS and Other Divisions) and insurance premium and funds management income (Wealth Management, New Zealand, IFS and Other Divisions).

Revenues and expenses occurring between segments are subject to transfer pricing arrangements. All intra-group profits are eliminated on consolidation.

Business segments are managed on the basis of net profit after income tax ("cash basis"). Management uses "cash basis" to assess performance and it provides the basis for the determination of the Bank's dividends. The "cash basis" presents a clear view of the Group's underlying operating results, excluding a number of items that introduce volatility and/or one-off distortions of the Group's current period performance. These items, such as hedging and IFRS volatility, are calculated consistently year on year and do not discriminate between positive and negative adjustments.

(i) Retail Banking Services

Retail Banking Services provides home loan, consumer finance and retail deposit products and servicing to all Retail bank customers and non-relationship managed small business customers. In addition, commission is received for the distribution of Wealth Management products through the retail distribution network.

(ii) Business and Private Banking

Business and Private Banking provides specialised banking services to relationship managed business and Agribusiness customers, private banking to high net worth individuals and margin lending and trading through CommSec.

(iii) Institutional Banking and Markets

Institutional Banking and Markets services the Group's major corporate, institutional and government clients using a relationship management model based on industry expertise and insights. The client offering includes debt raising, financial and commodities price risk management and transactional banking capabilities. The institutional equities business ceased operations during the year. Institutional Banking and Markets has international operations in London, New York, Houston, Japan, Singapore, Malta, Hong Kong, New Zealand, Beijing and Shanghai.

(iv) Wealth Management

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

(v) New Zealand

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

(vi) Bankwest

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

(vii) IFS and Other Divisions

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

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

Note 26 Financial Reporting by Segments (continued)

	2016							
	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Management	New Zealand	Bankwest	IFRS and Other	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Net interest income	8,599	3,049	1,565	-	1,575	1,638	509	16,935
Other banking income	1,762	859	1,288	-	288	217	446	4,860
Total banking income	10,361	3,908	2,853	-	1,863	1,855	955	21,795
Funds management income	-	-	-	1,891	80	-	45	2,016
Insurance income	-	-	-	502	242	-	51	795
Total operating income	10,361	3,908	2,853	2,393	2,185	1,855	1,051	24,606
Investment experience ⁽¹⁾	-	-	-	122	16	-	3	141
Total net operating income before impairment and operating expenses	10,361	3,908	2,853	2,515	2,201	1,855	1,054	24,747
Operating expenses	(3,373)	(1,489)	(1,081)	(1,676)	(889)	(773)	(1,148)	(10,429)
Loan impairment expense	(660)	(179)	(252)	-	(120)	10	(55)	(1,256)
Net profit before income tax	6,328	2,240	1,520	839	1,192	1,092	(149)	13,062
Corporate tax expense	(1,892)	(673)	(356)	(222)	(315)	(329)	195	(3,592)
Non-controlling interests	-	-	-	-	-	-	(20)	(20)
Net profit after tax - "cash basis" ⁽²⁾	4,436	1,567	1,164	617	877	763	26	9,450
Hedging and IFRS volatility	-	-	-	-	(139)	-	(61)	(200)
Other non-cash items	-	-	-	4	-	(27)	-	(23)
Net profit after tax - "statutory basis"	4,436	1,567	1,164	621	738	736	(35)	9,227
Additional information								
Amortisation and depreciation	(206)	(86)	(124)	(39)	(77)	(60)	(157)	(749)
Balance Sheet								
Total assets	331,818	104,211	182,199	21,080	80,386	82,880	130,504	933,078
Total liabilities	237,765	76,690	154,769	26,119	73,831	51,100	252,048	872,322

(1) Investment experience is presented on a pre-tax basis.

(2) This balance excludes non-cash items, including unrealised gains and losses relating to hedging and IFRS volatility (\$200 million expense), Bankwest non-cash items (\$27 million expense) and treasury shares valuation adjustment (\$4 million gain).

Notes to the Financial Statements

Note 26 Financial Reporting by Segments (continued)

	Retail Banking Services \$M	Business and Private Banking \$M	Institutional Banking and Markets \$M	Wealth Management \$M	New Zealand \$M	Bankwest \$M	IFC and Other \$M	2015 ⁽¹⁾ Total \$M
Net interest income	7,848	2,925	1,442	-	1,533	1,658	421	15,827
Other banking income	1,754	793	1,360	-	280	216	408	4,811
Total banking income	9,602	3,718	2,802	-	1,813	1,874	829	20,638
Funds management income	-	-	-	1,846	71	-	21	1,938
Insurance income	-	-	-	503	232	-	57	792
Total operating income	9,602	3,718	2,802	2,349	2,116	1,874	907	23,368
Investment experience ⁽²⁾	-	-	-	231	12	-	(33)	210
Total net operating income before impairment and operating expenses	9,602	3,718	2,802	2,580	2,128	1,874	874	23,578
Operating expenses	(3,276)	(1,428)	(970)	(1,726)	(861)	(787)	(945)	(9,993)
Loan impairment expense	(626)	(152)	(167)	-	(83)	50	(10)	(988)
Net profit before income tax	5,700	2,138	1,665	854	1,184	1,137	(81)	12,597
Corporate tax expense	(1,706)	(643)	(380)	(201)	(302)	(342)	135	(3,439)
Non-controlling interests	-	-	-	-	-	-	(21)	(21)
Net profit after tax - "cash basis"⁽³⁾	3,994	1,495	1,285	653	882	795	33	9,137
Hedging and IFRS volatility	-	-	-	-	43	-	(37)	6
Other non-cash items	-	-	-	(28)	-	(52)	-	(80)
Net profit after tax - "statutory basis"	3,994	1,495	1,285	625	925	743	(4)	9,063
Additional information								
Amortisation and depreciation	(185)	(84)	(65)	(33)	(78)	(112)	(155)	(712)
Balance Sheet								
Total assets	309,543	98,990	164,963	20,792	69,608	79,489	130,061	873,446
Total liabilities	221,950	71,106	143,161	24,655	62,488	49,499	247,594	820,453

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

(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 (\$6 million gain), Bankwest non-cash items (\$52 million expense) and treasury shares valuation adjustment (\$28 million expense).

Notes to the Financial Statements

Note 26 Financial Reporting by Segments (continued)

Products and Services Information

Revenue from external customers by product or service is disclosed in Note 2. No single customer amounted to greater than 10% of the Group's revenue.

Geographical Information

Financial performance and position	Group ⁽¹⁾ Year Ended 30 June					
	2016		2015		2014	
	\$M	%	\$M	%	\$M	%
Income						
Australia	36,721	82.7	37,656	83.1	37,585	84.8
New Zealand	5,015	11.3	5,215	11.5	4,657	10.5
Other locations ⁽²⁾	2,643	6.0	2,456	5.4	2,076	4.7
Total Income	44,379	100.0	45,327	100.0	44,318	100.0
Non-Current Assets						
Australia	15,687	91.7	14,149	91.7	13,199	91.3
New Zealand	1,087	6.4	994	6.4	1,057	7.3
Other locations ⁽²⁾	326	1.9	297	1.9	196	1.4
Total non-current assets ⁽³⁾	17,100	100.0	15,440	100.0	14,452	100.0

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

(2) Other locations include: United Kingdom, United States, Japan, Singapore, Malta, Hong Kong, Indonesia, China, India, 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.

Note 27 Life Insurance

Life Insurance

The following information is provided to disclose the statutory life insurance business transactions contained in the Group Financial Statements and the underlying methods and assumptions used in their calculations.

All financial assets within the life statutory funds have been determined to support either life insurance or life investment contracts. Refer to Note 1(dd) – (gg). The insurance segment result is prepared on a business segment basis.

Summarised Income Statement	Life Insurance Contracts		Life Investment Contracts		Group	
	2016 \$M	2015 \$M	2016 \$M	2015 \$M	2016 \$M	2015 \$M
Net premium income and related revenue	2,077	1,967	235	243	2,312	2,210
Outward reinsurance premiums expense	(291)	(296)	-	-	(291)	(296)
Claims expense	(1,437)	(1,421)	(82)	(73)	(1,519)	(1,494)
Reinsurance recoveries	244	256	-	-	244	256
Investment revenue (excluding investments in subsidiaries)	494	488	338	777	832	1,265
Increase in contract liabilities	(316)	(151)	(297)	(718)	(613)	(869)
Operating income	771	843	194	229	965	1,072
Acquisition expenses	(95)	(95)	(3)	(1)	(98)	(96)
Maintenance expenses	(239)	(204)	(54)	(57)	(293)	(261)
Management expenses	(11)	(10)	(13)	(11)	(24)	(21)
Net profit before income tax	426	534	124	160	550	694
Corporate tax expense	(72)	(103)	(32)	(36)	(104)	(139)
Policy holder tax expense	(99)	(83)	(2)	(16)	(101)	(99)
Net profit after income tax	255	348	90	108	345	456

Notes to the Financial Statements

Note 27 Life Insurance (continued)

	Life Insurance Contracts		Life Investment Contracts		Group	
	2016	2015	2016	2015	2016	2015
Sources of life insurance net profit						
The net profit after income tax is represented by:						
Emergence of planned profit margins	269	257	94	108	363	365
Difference between actual and planned experience	(43)	(20)	(3)	-	(46)	(20)
Effects of changes to underlying assumptions	(2)	1	-	-	(2)	1
Reversal of previously recognised losses or loss recognition on groups of related products	(60)	1	(2)	(1)	(62)	-
Investment earnings on assets in excess of policyholder liabilities	70	107	1	1	71	108
Other movements	21	2	-	-	21	2
Net profit after income tax	255	348	90	108	345	456
Life insurance premiums received and receivable	2,460	2,377	501	433	2,961	2,810
Life insurance claims paid and payable	1,480	1,478	1,243	1,296	2,723	2,774

The disclosure of the components of net profit after income tax is required to be separated between policyholders' and shareholders' interests. As policyholder profits are an expense of the Group and not attributable to shareholders, no such disclosure is required.

	Life Insurance Contracts		Life Investment Contracts		Group	
	2016	2015	2016	2015	2016	2015
Reconciliation of movements in policy liabilities						
Contract policy liabilities						
Gross policy liabilities opening balance	3,752	3,631	9,159	9,535	12,911	13,166
Movement in policy liabilities reflected in the Income Statement	344	183	297	718	641	901
Contract contributions recognised in policy liabilities	7	7	216	140	223	147
Contract withdrawals recognised in policy liabilities	(50)	(55)	(1,163)	(1,224)	(1,213)	(1,279)
Non-cash movements	(17)	(19)	-	-	(17)	(19)
FX translation adjustment	18	5	73	(10)	91	(5)
Gross policy liabilities closing balance	4,054	3,752	8,582	9,159	12,636	12,911
Liabilities ceded under reinsurance						
Opening balance	(357)	(325)	-	-	(357)	(325)
Increase in reinsurance assets	(28)	(32)	-	-	(28)	(32)
Closing balance	(385)	(357)	-	-	(385)	(357)
Net policy liabilities						
Expected to be realised within 12 months	479	574	1,872	1,538	2,351	2,112
Expected to be realised in more than 12 months	3,190	2,821	6,710	7,621	9,900	10,442
Total net insurance policy liabilities	3,669	3,395	8,582	9,159	12,251	12,554

Capital Adequacy of The Group's Life Insurance Company

Under the Life Insurance Act 1995, life insurers are required to hold reserves in excess of the amount of policy liabilities. These additional reserves are necessary to support the life insurer's capital requirements under its business plan and to provide a cushion against adverse experience in managing long-term risks. APRA has issued Life Prudential Standard (LPS) 110 'Capital Adequacy' for determining the level of capital reserves. LPS110 prescribes the minimum capital requirement for each statutory fund and the minimum level of assets required to be held in each statutory fund.

The table below shows the Capital Adequacy Multiple representing the ratio of assets available for capital over the capital reserve.

Capital Adequacy Multiple	2016	2015
	Times	Times
The Colonial Mutual Life Assurance Society Limited, Australia	1.44	1.68

Notes to the Financial Statements

Note 28 Remuneration of Auditors

During the financial year, the following fees were paid or payable for services provided by the auditor of the Group and the Bank, and its network firms:

	Group	Bank	
	2016	2015	2016
	\$'000	\$'000	\$'000
a) Audit and audit related services			
Audit services			
PricewaterhouseCoopers Australian firm	15,779	15,575	11,271
Network firms of PricewaterhouseCoopers Australian firm	4,886	5,154	703
Total remuneration for audit services	20,665	20,729	11,974
Audit related services			
PricewaterhouseCoopers Australian firm	3,433	3,403	2,564
Network firms of PricewaterhouseCoopers Australian firm	1,083	569	374
Total remuneration for audit related services	4,516	3,972	2,938
Total remuneration for audit and audit related services	25,181	24,701	14,912
b) Non-audit services			
Taxation services			
PricewaterhouseCoopers Australian firm	1,215	1,808	1,161
Network firms of PricewaterhouseCoopers Australian firm	1,465	1,363	598
Total remuneration for tax related services	2,680	3,171	1,759
Other Services			
PricewaterhouseCoopers Australian firm	4,741	6,443	4,394
Network firms of PricewaterhouseCoopers Australian firm	123	90	-
Total remuneration for other services	4,864	6,533	4,394
Total remuneration for non-audit services	7,544	9,704	6,153
Total remuneration for audit and non-audit services⁽¹⁾	32,725	34,405	21,065
			22,456

(1) An additional amount of \$9,429,368 (2015: \$8,254,111) was paid to PricewaterhouseCoopers by way of fees for entities not consolidated into the Financial Statements. Of this amount, \$7,279,197 (2015: \$6,295,642) relates to audit and audit-related services.

The Audit Committee has considered the non-audit services provided by PricewaterhouseCoopers and is satisfied that the services and the level of fees are compatible with maintaining auditors' independence. All such services were approved by the Audit Committee in accordance with pre-approved policies and procedures.

Audit related services principally includes assurance and attestation reviews of the Group's foreign disclosures for overseas investors, services in relation to regulatory requirements, acquisition accounting advice as well as reviews of internal control systems and financial or regulatory information.

Taxation services included assistance and training in relation to tax legislation and developments.

Other services include project assurance, reviews of compliance with legal and regulatory frameworks, review of governance, risk and control frameworks as well as benchmarking reviews.

Note 29 Lease Commitments

	Group	Bank	
	2016	2015	2016
	\$M	\$M	\$M
Lease Commitments - Property, Plant and Equipment			
Due within one year	606	573	550
Due after one year but not later than five years	1,847	1,570	1,672
Due after five years	2,436	881	2,212
Total lease commitments - property, plant and equipment	4,889	3,024	4,434
			2,578

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 \$110 million as at 30 June 2016 (2015: \$114 million).

Notes to the Financial Statements

Note 30 Contingent Liabilities, Contingent Assets and Commitments

Details of contingent liabilities and off Balance Sheet business are presented below. The face (contract) value represents the maximum potential amount that could be lost if the counterparty fails to meet its financial obligations. The credit commitments shown in the table below also constitute contingent assets. These commitments would be classified as loans and other assets in the Balance Sheet on the occurrence of the contingent event.

	Group			
	Face Value		Credit Equivalent	
	2016	2015	2016	2015
Credit risk related instruments				
Guarantees ⁽¹⁾	6,216	6,181	6,216	6,181
Documentary letters of credit ⁽²⁾	1,308	1,764	1,153	1,621
Performance related contingents ⁽³⁾	2,568	2,007	2,560	1,881
Commitments to provide credit ⁽⁴⁾	170,742	165,511	162,967	157,387
Other commitments ⁽⁵⁾	1,636	2,113	1,359	1,852
Total credit risk related instruments	182,470	177,576	174,255	168,922
 Credit risk related instruments				
Guarantees ⁽¹⁾	5,873	5,778	5,873	5,778
Documentary letters of credit ⁽²⁾	1,227	1,704	1,075	1,573
Performance related contingents ⁽³⁾	2,568	2,007	2,560	1,881
Commitments to provide credit ⁽⁴⁾	155,446	152,772	149,272	145,935
Other commitments ⁽⁵⁾	1,073	1,468	1,036	1,438
Total credit risk related instruments	166,187	163,729	159,816	156,605

- (1) Guarantees are unconditional undertakings given to support the obligations of a customer to third parties.
- (2) Documentary letters of credit are undertakings by the Group and Bank to pay or accept drafts drawn by a supplier of goods against presentation of documents in the event of payment default by a customer.
- (3) Performance related contingents are undertakings that oblige the Group and Bank to pay third parties should a customer fail to fulfil a contractual non-monetary obligation.
- (4) Commitments to provide credit include all obligations on the part of the Group and Bank to provide credit facilities. As facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.
- (5) Other commitments include underwriting facilities, commitments with certain drawdowns, standby letters of credit and bill endorsements.

Contingent Credit Liabilities

The Group and Bank is party to a range of financial instruments that give rise to contingent and/or future liabilities. These transactions are a consequence of the Group's normal course of business to meet the financing needs of its customers and in managing its own risk. These financial instruments include guarantees, letters of credit, bill endorsements and other commitments to provide credit.

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

Commitments to provide credit include both fixed and variable facilities. Fixed rate or fixed spread commitments extended to customers that allow net settlement of the change in the value of the commitment are written options and are recorded at fair value. Other commitments include the Group's and Bank's obligations under sale and repurchase agreements, outright forward purchases, forward deposits and underwriting facilities. Other commitments also include obligations not otherwise disclosed above to extend credit, which are irrevocable because they cannot be withdrawn at the discretion of the Group or Bank without the risk of incurring significant penalty or expense. In addition, commitments to purchase or sell loans are included in other commitments.

These transactions are categorised and credit equivalents calculated under APRA guidelines for the risk-based measurement of capital adequacy. The credit equivalent amounts are a measure of potential loss to the Group in the event of non-performance by the counterparty.

Under the Basel III advanced internal ratings based approach for credit risk, the credit equivalent amount is the face value of the transaction, on the basis that at default the exposure is the amount fully advanced. Only when approved by APRA may an exposure less than that fully-advanced amount be used as the credit equivalent exposure amount.

Notes to the Financial Statements

Note 30 Contingent Liabilities, Contingent Assets and Commitments (continued)

Contingent Credit Liabilities (continued)

As the potential loss depends on counterparty performance, the Group utilises the same credit policies in making commitments and conditional obligations as it does for on Balance Sheet instruments. The Group and Bank takes collateral where it is considered necessary to support off Balance Sheet financial instruments with credit risk. If an event has occurred that gives rise to a present obligation and it is probable a loss will eventuate, then provisions are raised.

Failure to Settle Risk

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

Litigation related Contingent Liabilities

The Group is not engaged in any litigation or claim which is likely to have a materially adverse effect on the business, financial condition or operating results of the Group. For all litigation exposure where some loss is probable and can be reliably estimated an appropriate provision has been made. Litigation related contingent liabilities at 30 June 2016 included:

Storm Financial

Class action proceedings were commenced in the Federal Court against the Group in relation to Storm Financial on 1 July 2010. The hearing of the proceedings concluded in November 2013 and judgment was reserved.

The parties exchanged a Deed of Settlement in an attempt to resolve the class action on 27 February 2015, and the Federal Court approved the proposed settlement on 7 July 2015. The settlement of the Class action proceedings has now been implemented in accordance with the Deed of Settlement dated 27 February 2015 and the orders of the Court.

Exception Fee Class Actions

In May 2011, Maurice Blackburn announced that it intended to sue various Australian banks with respect to exception fees. Proceedings were issued against Commonwealth Bank of Australia in December 2011 and against Bankwest in April 2012. Neither claim has been progressed and both have been stayed since issue, pending the outcome of similar proceedings against another bank where an appeal process to the High Court was commenced. On 27 July 2016 the High Court handed down its Judgment dismissing the appeal. The Proceedings against Commonwealth Bank of Australia and Bankwest are expected to be discontinued.

Other Contingent Liabilities

Services Agreements

The maximum contingent liability for termination benefits in respect of service agreements with the Chief Executive Officer and other Group Key Management Personnel at 30 June 2016 was \$5.0 million (2015: \$4.9 million).

Note 31 Risk Management

Risk Management Framework

The Group has an embedded Risk Management Framework (Framework) that enables the appropriate development and implementation of strategies, policies and procedures to manage its risks.

The Framework incorporates the requirements of APRA's prudential standard for risk management (CPS 220), and is supported by the three key documentary components:

- The Group's Risk Appetite Statement articulates the type and degree of risk the Board is prepared to accept (appetite) and the maximum level of risk that the institution must operate within (tolerances).
- The Group's Business Plan (Plan) summarises the Group's approach to the implementation of its strategic objectives. The Plan has a rolling three year duration which also takes into consideration material risks arising from its implementation.
- The Group's Risk Management Strategy describes each material risk, the approach taken to managing these risks and how this is operationalised through governance, policies and procedures.

This framework requires each business to plan and manage the outcome of its risk-taking activities including proactively managing its risk profile within risk appetite levels; using risk-adjusted outcomes and considerations as part of its day-to-day business decision-making processes; and establishing and maintaining appropriate risk controls.

These documents, together with the key operational elements described below, offer the Board the opportunity to direct management in its risk taking activities and facilitate dialogue between Board and management about risk management practices.

Risk Governance

The Group is committed to ensuring that its risk management practices reflect a high standard of governance. This enables Management to undertake, in an effective manner, prudent risk-taking activities.

The Board operates as the highest level of the Group's risk governance as specified in its Charter. In addition, an annual declaration is made by the chair of the Board and Risk Committee to APRA on Risk Management requirements as set out in the prudential standard (CPS220).

The Risk Committee oversees the Framework and helps formulate the Group's risk appetite for consideration by the Board. In particular it:

- Reviews regular reports from Management on the measurement of risk and the adequacy and effectiveness of the Group's risk management and internal controls systems;
- Monitors the health of the Group's risk culture (via both formal reports and through its dialogues with the risk leadership team and executive management) and reports any significant issues to the Board; and

- Forms a view on the independence of the risk function by meeting with the Group Chief Risk Officer (CRO) at the will of the Committee or the CRO.

The Group risk management structure is a Three Lines of Defence (3LoD) model which supports the Framework by:

- Reinforcing that risk is best owned and managed where it occurs – so the business (Line 1) is responsible for the management of risk;
- Having a separate group of experienced staff with specific risk management skills (Line 2) to facilitate the development of, and monitor / measure the effectiveness of the risk management process and systems used by Line 1; and
- Having an independent third group (Line 3) provide assurance to the Board, regulators and other stakeholders on the appropriateness and effectiveness of the activities of Lines 1 and 2.

Risk Culture

Risk Culture is the collection of values, ideas, skills and habits that equip Group employees and directors to see and talk about risks, and make sound judgments in the absence of definitive rules, regulations or market signals.

The Group regards risk culture as an aspect of overall culture. As such, the Group's risk culture flourishes within an organisational context that emphasises and rewards integrity, accountability, collaboration, service and excellence. This encourages employees at all levels to "speak up" if they believe the Group as a whole, their part of the organisation or specific colleagues are conspicuously failing to uphold those values, damaging risk culture or taking ill-considered risks.

APRA requires the Group Board to form a view regarding the effectiveness of the institution's risk culture in keeping risk-taking within appetite, and to take any corrective action that may be appropriate.

Risk Policies & Procedures

Risk Policies and Procedures provide guidance to the business on the management of each material risk. They support the Framework by:

- Summarising the principles and practices to be used by the Group in identifying and assessing its material risks;
- Outlining a process for monitoring, communicating and reporting risk issues, including escalation procedures for the reporting of material risks; and
- Quantifying the limits (risk tolerances) for major risks and stating risk actions to which the Group is intolerant.

Notes to the Financial Statements

Note 31 Risk Management (continued)

Risk Management Infrastructure

The Framework is supported by the following Group-wide processes:

- A Management Information System to measure and aggregate material risks across the Group;
- A Risk-Adjusted-Performance Measurement (RAPM) process which is a means of assessing the performance

of a business after adjustment for its risks and is used as a basis for executive incentives; and

- An Internal Capital Adequacy Assessment Process (ICAAP) used, in combination with other risk management practices (including Stress testing), to understand, manage and quantify the Group's risks; the outcomes of which are used to inform risk decisions, set capital buffers and assist strategic planning.

Material Risks

A description of the major risk classes and the Group's approach to managing them is summarised in the following table:

Risk Type	Description	Governing Policies and Key Management Committees	Key Limits, Standards and Measurement Approaches
Credit Risk (refer to Note 32)	Credit risk is the potential for loss arising from the failure of a customer or 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, industry sectors and products/portfolio types.	Governing Policies: <ul style="list-style-type: none"> ▪ Group Credit Risk Principles, Frameworks and Governance (incl. Risk Appetite, principles, and frameworks; and Credit Risk governance); and ▪ Credit Risk Policies (incl. Origination, Decisioning, Verification/Fulfilment, and Whole of Life Servicing). Key Management Committee: Executive Risk Committee	The following key credit risk policies set credit portfolio concentration limits and standards: <ul style="list-style-type: none"> ▪ Large Credit Exposure Policy; ▪ Country Risk Exposure Policy; ▪ Industry Sector Concentration Policy; and ▪ Exposure to consumer credit products are managed within limits and standards set in the Group Level RAS, BU Level RAS and Credit Portfolio & Product Standards. <p>The measurement of credit risk is primarily based on an APRA accredited Advanced Internal Ratings Based (AIRB) approach (albeit some exposures are subject to the standardised approach). The approach uses judgemental assessment on individuals or management, supported by analytical tools (including scorecards) to estimate expected and unexpected loss within the credit portfolio.</p>
Market Risk (including Equity Risk) (refer to Note 33)	Market risk is the risk that market rates and prices will change and that this may have an adverse effect on the profitability and/or net worth of the Group. This includes changes in interest rates, foreign exchange rates, equity and commodity prices, credit spreads, and the resale value of assets underlying operating leases at maturity (lease residual value risk).	Governing Policies: <ul style="list-style-type: none"> ▪ The Group Market Risk Manual (including the Group Market Risk Policy and Trading Book Policy Statement) Key Management Committee: Asset and Liability Committee	The Group Market Risk Policy sets limits and standards with respect to the following: <ul style="list-style-type: none"> ▪ Traded Market Risk; ▪ Interest Rates Risk in the Banking Book (IRRBB); ▪ Residual Value Risk; ▪ Non-traded Equity Risk; and ▪ Market Risk in Insurance Businesses. <p>The respective measurement approaches for the underlying market risks noted above include:</p> <ul style="list-style-type: none"> ▪ Value at Risk (VaR), Stress Testing; ▪ Market Value Sensitivity, Net Interest Earnings at Risk; ▪ Profit & Loss Adjustment Account Balance, Aggregate Residual Value Risk Weighted Exposure, Aggregate Residual Value Risk Margin; and ▪ Aggregate Portfolio Limit.
Liquidity and Funding Risk (refer to Note 34)	Liquidity risk is the combined risks of not being able to meet financial obligations as they fall due (funding liquidity risk), and that liquidity in financial markets, such as the market for debt securities, may reduce significantly (market liquidity risk).	Governing Policies: <ul style="list-style-type: none"> ▪ Group Liquidity Risk Management Policy and Strategy Key Management Committee: Asset and Liability Committee	The Group Liquidity Risk Management Policy and Strategy sets limits and standards with respect to the following: <ul style="list-style-type: none"> ▪ The Liquidity Coverage Ratio, which requires liquid assets exceed modelled 30 day stress outflows; ▪ Additional market and idiosyncratic stress test scenarios; and ▪ Limits that set tolerances for the sources and tenor of funding. <p>The measurement of liquidity risk uses scenario analysis, covering both:</p> <ul style="list-style-type: none"> ▪ "Stress" scenarios, which assess the behaviour of cash flows in adverse operating circumstances; and ▪ "Going concern" scenarios, which assess behaviour of cash flows in ordinary operating circumstances.

Notes to the Financial Statements

Note 31 Risk Management (continued)

Material Risks (continued)

Risk Type	Description	Governing Policies and Key Management Committees	Key Limits, Standards and Measurement Approaches
Operational Risk	Operational risk is risk of economic loss arising from inadequate or failed internal processes, people, systems or external events.	Governing Policies: <ul style="list-style-type: none">▪ Group Operational Risk Management Framework Key Management Committees: Executive Committee, Data Governance Committee	The Group Operational Risk Management Framework sets limits and standards with respect to the following: <ul style="list-style-type: none">▪ Investigation and reporting of loss, compliance and near miss incidents;▪ Comprehensive Risk and Control Self-Assessment, control assurance and issues management processes; and▪ Comprehensive Scenario Analysis assessment process (also called Quantitative Risk Assessments). The measurement of operational risk is based on an APRA accredited Advanced Measurement Approach (some exposures are subject to standardised). The approach combines internal and external loss experience and business judgements captured through Scenario Analysis.
Compliance Risk	Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that the Group may incur as a result of its failure to comply with its Compliance Obligations. Compliance Obligations are formal requirements that may arise from various sources including but not limited to; laws; regulations; legislation; industry standards; rules; codes or guidelines.	Governing Policies: <ul style="list-style-type: none">▪ Group Operational Risk Management Framework▪ Compliance Risk Management Framework▪ Compliance Incident Management Group Policy Key Management Committees: Executive Committee, Data Governance Committee	The key limits with respect to compliance risk are set via the Group Operational Risk Management Framework. The Group Compliance Risk Management Framework sets standards with respect to the understanding of obligations, establishing policies and procedures, managing non-compliance, monitoring and reporting. The measurement of compliance risk is undertaken within the operational risk approach.
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: <ul style="list-style-type: none">▪ Product Management Policy, Underwriting Policy, Claims Management Policy and Reinsurance Management Policy (end-to-end policies of insurance writing businesses). Key Management Committees: 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: <ul style="list-style-type: none">▪ 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.

Notes to the Financial Statements

Note 31 Risk Management (continued)

Material Risks (continued)

Risk Type	Description	Governing Policies and Key Management Committees	Key Limits, Standards and Measurement Approaches
Strategic Risk	Strategic Risk is the risk of economic loss arising from changes in the business environment (caused by macroeconomic conditions, competitive forces at work, technology, regulatory or social trends) or internal weaknesses, such as a poorly implemented or flawed strategy.	Governing Policies: <ul style="list-style-type: none"> ▪ Group Risk Management Strategy (RMS) Key Management Committee: Executive Committee	The key limits and standards with respect to strategic risk are set via the Board's consideration of Group and BU strategic plans and the most significant risks (current and emerging) arising from these. Strategic risk is measured using a combination of judgemental assessments captured through Scenario Analysis and an internal profit simulation model.
Reputational Risk	Reputational risk arises from negative perception on the part of customers, counterparties, shareholders, investors, debt holders, market analysts, regulators and other relevant stakeholders of the Group.	Governing Policies: <ul style="list-style-type: none"> ▪ Group RMS ▪ Group Risk Appetite Statement ▪ Statement of Professional Practice ▪ Environmental, Social and Governance Lending Policy Key Management Committee: Executive Committee	Potential adverse Reputational impacts are managed as an outcome of all other material risks. In addition, the Group: <ul style="list-style-type: none"> ▪ Sets clear behavioural standards (as set out in the Group's Risk Appetite Statement) and Group-wide requirements of leadership that support the Group's vision and values; and ▪ Has a Sustainability framework which supports the Group in managing its Environmental, Social and Governance (ESG) risks.

Note 32 Credit Risk

Credit Risk Management Principles and Portfolio Standards

The Group has clearly defined credit policies for the approval and management of credit risk. Formal credit standards 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 debtors and/or counterparties to meet their contracted financial obligations for repayment, acceptable forms of collateral and security and the frequency of credit reviews.

The principles and portfolio standards 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 policies, portfolio standards, 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 customers 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/or from the Group's existing knowledge of a customer's behaviour.

Loan applications that do not meet scorecard Auto-decisioning requirements may be referred to a Risk Management Officer with a Personal Credit Approval Authority (PCAA) for manual decisioning.

After loan origination, these portfolios are managed using behavioural scoring systems and on a delinquency band approach, e.g. actions taken when loan payments are greater than 30 days past due differ from actions when payments are greater than 60 days past due, and are reviewed by the relevant Risk Management or Business Unit Credit Support Team.

(ii) Risk-Rated Segment

This segment comprises commercial exposures, including bank and sovereign exposures. Each exposure is assigned an internal Credit Risk-Rating (CRR) based on Probability of Default (PD) and Loss Given Default (LGD).

For credit risk rated exposures either a PD Rating Tool or expert judgement is used to determine the PD. Expert judgement is used where the complexity of the transaction and/or the debtor is such that it is inappropriate to rely completely on a statistical model. External ratings may be used as inputs into the expert judgement assessment.

The CRR is designed to:

- Aid in assessing changes to the client quality of the Group's credit portfolio;
- Influence decisions on approval, management and pricing of individual credit facilities; and
- Provide the basis for reporting details of the Group's credit portfolio.

Credit risk-rated exposures are generally reviewed on an individual basis, at least annually, although small transactions

may be managed on a behavioural basis after their initial rating at origination. Credit risk-rated exposures fall within the following categories:

- "Pass" – 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 by maximising recovery prospects or to facilitate rehabilitation. Where a client is in default but the facility is well secured, the facility may be classed as troublesome but not impaired. Where a client's facility is not well secured and a loss is expected, the facility is classed as impaired. Restructured facilities, where the original contractual arrangements have been modified to provide concessions for the customer's financial difficulties, are rendered non-commercial to the Group and considered impaired.

Default is usually consistent with one or more of the following:

- The customer is 90 days or more overdue on a scheduled credit obligation repayment; or
- The customer is unlikely to repay their credit obligation to the Group in full without taking action, such as realising on available security.

Credit Risk Measurement

The measurement of credit risk uses analytical tools to calculate both: (i) Expected, and (ii) Unexpected Loss probabilities for the credit portfolio. The use of analytical tools is governed by a Credit Rating Governance Committee.

(i) Expected Loss

Expected Loss (EL) is the product of:

- PD;
- Exposure at Default (EAD); and
- LGD.

The PD, expressed as a percentage, is the estimate of the probability that a client will default within the next 12 months. It reflects a client's ability to generate sufficient cash flows into the future to meet the terms of all their credit obligations with the Group.

The dollar amount of EAD is the estimate of the amount of a facility that will be outstanding in the event of default. Estimates are based on downturn economic conditions. For defaulted facilities it is the actual amount outstanding at default.

For non-defaulted committed facilities it is based on the actual amount outstanding, plus the undrawn amount multiplied by a credit conversion factor which represents the potential rate of conversion from undrawn 12 months prior to default to drawn at default. For most committed facilities, the Group applies a credit conversion factor of 100% to the undrawn amount.

For uncommitted facilities the EAD will generally be the drawn balance only.

For retail exposures, a modelling approach can be used based on factors including limit usage, arrears and loan type to segment accounts into homogeneous pools for the calculation.

LGD expressed as a percentage, is the estimated proportion of a facility likely to be lost in the event of default. LGD is impacted by:

- Type and level of any collateral held;

Notes to the Financial Statements

Note 32 Credit Risk (continued)

Credit Risk Measurement (continued)

- Liquidity and volatility of collateral;
- Carrying costs (effectively the costs of providing a facility that is not generating an interest return); and
- Realisation costs.

Various factors are considered when calculating PD, EAD and LGD. Considerations include the potential for default by a borrower due to economic, management, industry and other risks, and the mitigating benefits of any collateral or security.

(ii) Unexpected Loss

In addition to EL, a more stressed loss amount is calculated. This Unexpected Loss estimate directly affects the calculation of regulatory and internal economic capital requirements. Refer to the Group Operations and Business Settings section and Note 25 for information relating to regulatory capital.

Credit Risk Mitigation, Collateral and Other Credit Enhancements

The Group has policies and procedures in place setting out the circumstances where acceptable and appropriate collateral is to be taken to mitigate credit risk, including valuation parameters, review frequency and independence of valuation.

The general nature of collateral that may be taken, and the balances held, are summarised below by financial asset classes.

Cash and Liquid Assets

Collateral is not usually sought on the majority of Cash and liquid asset balances as these types of exposures are generally considered low risk. However, securities purchased under agreement to resell are collateralised by highly liquid debt securities. The collateral related to agreements to resell has been legally transferred to the Group subject to an agreement to return them for a fixed price.

The Group's cash and liquid asset balance included \$11,629 million (2015: \$16,028 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 relatively low risk banks (Rated A+, AA- or better).

Trading Assets at Fair Value through Income Statement and Available-for-Sale (AFS) Investments

These assets are carried at fair value, which accounts for the credit risk. Collateral is not generally sought from the issuer or counterparty however collateral may be implicit in the terms of the instrument (e.g asset-backed security). Credit derivatives have been used to a limited extent to mitigate the exposure to credit risk.

Insurance Assets

These assets are carried at fair value, which accounts for the credit risk. Collateral is not generally sought or provided on these types of assets, other than a fixed charge over properties backing Australian mortgage investments.

In most cases the credit risk of insurance assets is borne by policyholders. However, on certain insurance contracts the Group retains exposure to credit risk.

Other Assets at Fair Value through Income Statement

These assets are carried at fair value, which accounts for the credit risk. Credit derivatives used to mitigate the exposure to credit risk are not significant.

Derivative Assets

The Group's use of derivative contracts is outlined in Note 10. The Group is exposed to credit risk on derivative contracts, which arises as a result of counterparty credit risk. The Group's exposure to counterparty credit risk is affected by the nature of the trades, the creditworthiness of the counterparty, netting, and collateral arrangements.

Credit risk from derivatives is mitigated where possible (typically for financial markets counterparties, but less frequently for corporate or government counterparties) through netting agreements, whereby derivative assets and liabilities with the same counterparty can be offset and clearing of trades with Central Counterparties (CCPs). Group policy requires all netting arrangements to be legally documented. The International Swaps and Derivatives Association (ISDA) Master Agreement (or other derivative agreements) are used by the Group as an agreement for documenting Over-the-Counter (OTC) derivatives.

Collateral is obtained against derivative assets, depending on the creditworthiness of the counterparty and/or nature of the transaction. The fair value of collateral held and the potential effect of offset obtained by applying master netting agreements are disclosed in Note 43.

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, \$96,111 million (2015: \$93,047 million) are secured.

Loans, Bills Discounted and Other Receivables

The principal collateral types for loans and receivable balances are:

- Mortgages over residential and commercial real estate;
- Charges over business assets such as cash, stock or scrip, inventory, fixed assets and accounts receivables; and
- Guarantees received from third parties.

Collateral security, in the form of real estate or a charge over income or assets, 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, is generally secured against real estate, while short term revolving consumer credit is generally not secured by formal collateral.

Specifically, 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.

Notes to the Financial Statements

Note 32 Credit Risk (continued)

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

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

	Group At 30 June 2016									
	Bank			Asset			Other			
Sovereign	Agri-culture	and Other Financial	Home Loans	Constr-uction	Other Personal	Financ-ing	Comm and 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	-	-	10,971	-	-	-	-	-	-	10,971
Receivables due from other financial institutions	-	-	2,930	-	-	-	-	-	-	2,930
Assets at fair value through Income Statement:										
Trading	16,763	-	1,552	-	-	-	-	12,900	-	31,215
Insurance	1,402	-	5,963	-	-	-	-	3,781	-	11,146
Other	43	-	532	-	-	-	-	905	-	1,480
Derivative assets	1,622	115	29,767	-	133	-	-	2,755	-	34,392
Available-for-sale investments	43,400	-	23,856	-	-	-	-	821	-	68,077
Loans, bills discounted and other receivables ⁽¹⁾	5,380	7,191	14,794	409,452	3,114	23,524	8,543	132,136	-	604,134
Bank acceptances	2	707	68	-	338	-	-	44	-	1,159
Other assets ⁽²⁾	1,531	4	3,845	708	3	8	-	363	15,703	22,165
Total on Balance Sheet Australia	70,143	8,017	94,278	410,160	3,588	23,532	8,543	153,705	15,703	787,669
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	63	18	345	58	542	6	-	4,815	-	5,847
Loan commitments	850	1,406	6,207	68,577	2,227	22,957	-	38,894	-	141,118
Other commitments	55	24	1,105	59	986	1	14	2,572	-	4,816
Total Australia	71,111	9,465	101,935	478,854	7,343	46,496	8,557	199,986	15,703	939,450
Overseas										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	-	-	12,401	-	-	-	-	-	-	12,401
Receivables due from other financial institutions	-	-	8,661	-	-	-	-	-	-	8,661
Assets at fair value through Income Statement:										
Trading	890	-	1,559	-	-	-	-	403	-	2,852
Insurance	-	-	2,401	-	-	-	-	-	-	2,401
Other	-	-	-	-	-	-	-	-	-	-
Derivative assets	908	33	4,620	-	-	-	-	6,614	-	12,175
Available-for-sale investments	9,507	-	3,166	-	-	-	-	148	-	12,821
Loans, bills discounted and other receivables ⁽¹⁾	9,164	8,744	5,359	46,622	352	1,719	220	23,985	-	96,165
Bank acceptances	-	-	-	-	-	-	-	272	-	272
Other assets ⁽²⁾	17	-	247	70	-	6	5	30	2,187	2,562
Total on Balance Sheet overseas	20,486	8,777	38,414	46,692	352	1,725	225	31,452	2,187	150,310
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	1	4	57	-	53	-	-	254	-	369
Loan commitments	313	827	2,768	7,309	194	1,940	5	16,268	-	29,624
Other commitments	43	-	-	-	1	-	-	652	-	696
Total overseas	20,843	9,608	41,239	54,001	600	3,665	230	48,626	2,187	180,999
Total gross credit risk	91,954	19,073	143,174	532,855	7,943	50,161	8,787	248,612	17,890	1,120,449

(1) Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income on lease receivables in line with Note 12.

(2) For the purpose of reconciling to the Balance Sheet, "Other assets" predominantly comprises assets which do not give rise to credit exposure, including Property, plant and equipment, Investment in Associates and Joint Ventures, Intangible assets, Deferred tax assets and Other assets.

Notes to the Financial Statements

Note 32 Credit Risk (continued)

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

	Group At 30 June 2015										
	Bank			Asset				Other			
	Sovereign	Agri-culture	and Other Financial	Home Loans	Constr-uction	Other Personal	Financ-ing	Comm Indust.	Other	Total	
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	
Australia											
Credit risk exposures relating to on Balance Sheet assets:											
Cash and liquid assets	-	-	15,939	-	-	-	-	-	-	15,939	
Receivables due from other financial institutions ⁽¹⁾	-	-	4,141	-	-	-	-	-	-	4,141	
Assets at fair value through Income Statement:											
Trading	10,477	-	2,087	-	-	-	-	10,267	-	22,831	
Insurance	696	-	7,269	-	-	-	-	3,885	-	11,850	
Other	95	-	470	-	-	-	-	615	-	1,180	
Derivative assets	1,282	115	29,319	-	48	-	-	6,898	-	37,662	
Available-for-sale investments	34,795	-	28,510	-	-	-	-	1,040	-	64,345	
Loans, bills discounted and other receivables ⁽²⁾	5,521	6,258	15,157	383,174	2,722	22,313	8,356	117,557	-	561,058	
Bank acceptances	2	1,299	61	-	353	-	-	-	-	1,715	
Other assets ^{(1) (3)}	786	37	5,455	608	70	51	4	959	12,838	20,808	
Total on Balance Sheet Australia	53,654	7,709	108,408	383,782	3,193	22,364	8,360	141,221	12,838	741,529	
Credit risk exposures relating to off Balance Sheet assets:											
Guarantees	109	14	149	45	679	7	-	4,759	-	5,762	
Loan commitments	577	1,595	3,845	66,437	3,253	22,605	-	40,482	-	138,794	
Other commitments	50	13	1,727	24	874	2	164	2,263	-	5,117	
Total Australia	54,390	9,331	114,129	450,288	7,999	44,978	8,524	188,725	12,838	891,202	
Overseas											
Credit risk exposures relating to on Balance Sheet assets:											
Cash and liquid assets	-	-	17,177	-	-	-	-	-	-	17,177	
Receivables due from other financial institutions ⁽¹⁾	-	-	8,922	-	-	-	-	-	-	8,922	
Assets at fair value through Income Statement:											
Trading	1,010	-	1,358	-	-	-	-	1,225	-	3,593	
Insurance	-	-	2,238	-	-	-	-	-	-	2,238	
Other	-	-	98	-	-	-	-	-	-	98	
Derivative assets	710	24	5,848	-	-	-	-	1,910	-	8,492	
Available-for-sale investments	7,092	-	3,133	-	-	-	-	114	-	10,339	
Loans, bills discounted and other receivables ⁽²⁾	12,929	7,990	7,572	39,677	407	1,128	558	12,909	-	83,170	
Bank acceptances	-	-	-	-	-	-	-	229	-	229	
Other assets ^{(1) (3)}	45	-	743	1	1	19	54	77	1,685	2,625	
Total on Balance Sheet overseas	21,786	8,014	47,089	39,678	408	1,147	612	16,464	1,685	136,883	
Credit risk exposures relating to off Balance Sheet assets:											
Guarantees	1	3	60	-	69	-	-	286	-	419	
Loan commitments	512	989	1,401	5,887	154	1,711	3	16,060	-	26,717	
Other commitments	71	-	-	-	5	-	-	691	-	767	
Total overseas	22,370	9,006	48,550	45,565	636	2,858	615	33,501	1,685	164,786	
Total gross credit risk	76,760	18,337	162,679	495,853	8,635	47,836	9,139	222,226	14,523	1,055,988	

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

(2) Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income on lease receivables in line with Note 12.

(3) For the purpose of reconciling to the Balance Sheet, "Other assets" predominantly comprises assets which do not give rise to credit exposure, including Property, plant and equipment, Investment in Associates and Joint Ventures, Intangible assets, Deferred tax assets and Other assets.

Notes to the Financial Statements

Note 32 Credit Risk (continued)

Large Exposures

Concentrations of exposure to any debtor or counterparty group are controlled by a large credit exposure policy, which defines a graduated limit framework that restricts credit limits based on the internally assessed risk of the client, the type of client, the security cover and facility tenor. All exposures outside the policy limits require approval by the Executive Risk Committee and are reported to the Risk Committee.

The following table shows the aggregated number of the Group's Corporate and Industrial aggregated counterparty exposures (including direct and contingent exposures), which individually were greater than 5% of the Group's capital resources (Tier 1 and Tier 2 capital):

	Group	
	2016	2015
	Number	Number
5% to less than 10% of the Group's capital resources	-	2
10% to less than 15% of the Group's capital resources	-	-

The Group has a high quality, well diversified credit portfolio, with 58% 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. The amount included as past due is the entire contractual balance, rather than the overdue portion.

The split in the tables below does not reflect the basis by which the Group manages credit risk.

	Group 2016					
	Neither Past Due nor Impaired	Past due but not Impaired	Impaired Assets	Total Provisions for Impairment		
	\$M	\$M	\$M	Gross \$M	Losses \$M	Net \$M
Cash and liquid assets	23,372	-	-	23,372	-	23,372
Receivables due from other financial institutions	11,591	-	-	11,591	-	11,591
Assets at fair value through Income Statement:						
Trading	34,067	-	-	34,067	-	34,067
Insurance	13,547	-	-	13,547	-	13,547
Other	1,480	-	-	1,480	-	1,480
Derivative assets	46,547	-	20	46,567	-	46,567
Available-for-sale investments	80,898	-	-	80,898	-	80,898
Loans, bills discounted and other receivables:						
Australia	588,634	13,104	2,396	604,134	(3,318)	600,816
Overseas	93,245	2,337	583	96,165	(400)	95,765
Bank acceptances	1,431	-	-	1,431	-	1,431
Credit related commitments	182,353	-	117	182,470	(44)	182,426
Total	1,077,165	15,441	3,116	1,095,722	(3,762)	1,091,960

Notes to the Financial Statements

Note 32 Credit Risk (continued)

	Group 2015					
	Neither Past Due nor Impaired \$M		Past Due but not Impaired \$M		Total Provisions for Impairment Gross \$M Losses \$M Net \$M	
Cash and liquid assets	33,116	-	-	-	33,116	-
Receivables due from other financial institutions ⁽¹⁾	13,063	-	-	-	13,063	-
Assets at fair value through Income Statement:						
Trading	26,424	-	-	-	26,424	-
Insurance	14,088	-	-	-	14,088	-
Other	1,278	-	-	-	1,278	-
Derivative assets	46,154	-	-	-	46,154	-
Available-for-sale investments	74,684	-	-	-	74,684	-
Loans, bills discounted and other receivables:						
Australia	545,448	13,402	2,208	561,058	(3,322)	557,736
Overseas	80,290	2,396	484	83,170	(296)	82,874
Bank acceptances	1,944	-	-	1,944	-	1,944
Credit related commitments	177,413	-	163	177,576	(31)	177,545
Total	1,013,902	15,798	2,855	1,032,555	(3,649)	1,028,906
	Bank 2016					
	Neither Past Due nor Impaired \$M		Past Due but not Impaired \$M		Total Provisions for Impairment Gross \$M Losses \$M Net \$M	
Cash and liquid assets	21,582	-	-	-	21,582	-
Receivables due from other financial institutions	10,182	-	-	-	10,182	-
Assets at fair value through Income Statement:						
Trading	32,985	-	-	-	32,985	-
Insurance	-	-	-	-	-	-
Other	1,187	-	-	-	1,187	-
Derivative assets	46,505	-	20	46,525	-	46,525
Available-for-sale investments	76,361	-	-	76,361	-	76,361
Loans, bills discounted and other receivables:						
Australia	582,155	13,098	2,358	597,611	(3,309)	594,302
Overseas	24,512	19	119	24,650	(56)	24,594
Bank acceptances	1,413	-	-	1,413	-	1,413
Shares in and loans to controlled entities	145,953	-	-	145,953	-	145,953
Credit related commitments	166,075	-	112	166,187	(44)	166,143
Total	1,108,910	13,117	2,609	1,124,636	(3,409)	1,121,227
	Bank 2015					
	Neither Past Due nor Impaired \$M		Past Due but not Impaired \$M		Total Provisions for Impairment Gross \$M Losses \$M Net \$M	
Cash and liquid assets	31,683	-	-	-	31,683	-
Receivables due from other financial institutions ⁽¹⁾	11,204	-	-	-	11,204	-
Assets at fair value through Income Statement:						
Trading	25,135	-	-	-	25,135	-
Insurance	-	-	-	-	-	-
Other	989	-	-	-	989	-
Derivative assets	45,607	-	-	-	45,607	-
Available-for-sale investments	72,304	-	-	-	72,304	-
Loans, bills discounted and other receivables:						
Australia	540,264	13,392	2,170	555,826	(3,298)	552,528
Overseas	21,876	11	148	22,035	(56)	21,979
Bank acceptances	1,908	-	-	1,908	-	1,908
Shares in and loans to controlled entities	143,756	-	-	143,756	-	143,756
Credit related commitments	163,571	-	158	163,729	(31)	163,698
Total	1,058,297	13,403	2,476	1,074,176	(3,385)	1,070,791

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

Notes to the Financial Statements

Note 32 Credit Risk (continued)

Credit Quality of Loans, Bills Discounted and Other Receivables which were Neither Past Due nor Impaired

For the analysis below, financial assets that are neither past due nor impaired have been segmented into investment, pass and weak classifications. This segmentation of loans in retail and risk-rated portfolios is based on the mapping of a customer's internally assessed PD to S&P Global ratings, reflecting a client's ability to meet their credit obligations. In particular, retail PD pools have been aligned to the Group's PD grades which are consistent with rating agency views of credit quality segmentation. Investment grade is representative of lower assessed default probabilities with other classifications reflecting progressively higher default risk. No consideration is given to LGD, the impact of any recoveries or the potential benefit of mortgage insurance.

	Group 2016				
	Other				
	Home Loans	Other Personal	Asset Financing	Commercial and Industrial	Total
Credit grading					
Australia					
Investment	275,186	4,454	760	101,136	381,536
Pass	112,840	14,237	7,286	57,976	192,339
Weak	9,861	3,669	257	972	14,759
Total Australia	397,887	22,360	8,303	160,084	588,634
Overseas ⁽¹⁾					
Investment	15,218	-	8	30,399	45,625
Pass	29,340	1,391	182	15,876	46,789
Weak	328	-	-	503	831
Total overseas	44,886	1,391	190	46,778	93,245
Total loans which were neither past due nor impaired	442,773	23,751	8,493	206,862	681,879
	Group 2015				
	Other				
	Home Loans	Other Personal	Asset Financing	Commercial and Industrial	Total
Credit grading					
Australia					
Investment	254,704	4,247	674	93,362	352,987
Pass	107,520	13,046	7,260	50,068	177,894
Weak	9,625	3,722	201	1,019	14,567
Total Australia	371,849	21,015	8,135	144,449	545,448
Overseas ⁽¹⁾					
Investment	9,501	-	273	28,327	38,101
Pass	28,011	836	243	12,643	41,733
Weak	337	-	-	119	456
Total overseas	37,849	836	516	41,089	80,290
Total loans which were neither past due nor impaired	409,698	21,851	8,651	185,538	625,738

(1) For New Zealand Housing Loans, PDs reflect Reserve Bank of New Zealand requirements resulting in higher PDs on average and lower grading.

Notes to the Financial Statements

Note 32 Credit Risk (continued)

Credit Quality of Loans, Bills Discounted and Other Financial Assets which were Neither Past Due nor Impaired
(continued)

	Bank 2016				
	Home Loans	Other Personal	Asset Financing	Commercial and Industrial	Other Total
Credit grading	\$M	\$M	\$M	\$M	\$M
Australia					
Investment	275,033	4,461	737	100,285	380,516
Pass	107,899	14,191	7,230	57,617	186,937
Weak	9,858	3,655	257	932	14,702
Total Australia	392,790	22,307	8,224	158,834	582,155
Overseas					
Investment	115	-	-	20,690	20,805
Pass	417	16	-	3,062	3,495
Weak	-	-	-	212	212
Total overseas	532	16	-	23,964	24,512
Total loans which were neither past due nor impaired	393,322	22,323	8,224	182,798	606,667

	Bank 2015				
	Home Loans	Other Personal	Asset Financing	Commercial and Industrial	Other Total
Credit grading	\$M	\$M	\$M	\$M	\$M
Australia					
Investment	256,784	4,443	638	89,964	351,829
Pass	101,794	13,717	7,210	50,890	173,611
Weak	9,606	3,942	201	1,075	14,824
Total Australia	368,184	22,102	8,049	141,929	540,264
Overseas					
Investment	128	-	258	18,659	19,045
Pass	378	19	-	2,416	2,813
Weak	6	-	-	12	18
Total overseas	512	19	258	21,087	21,876
Total loans which were neither past due nor impaired	368,696	22,121	8,307	163,016	562,140

Notes to the Financial Statements

Note 32 Credit Risk (continued)

Other Financial Assets which were Neither Past Due nor Impaired

The majority of all other financial assets of the Group and the Bank that were neither past due nor impaired as of 30 June 2016 and 30 June 2015 were of investment grade.

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

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

Past due loans are not classified as impaired if no loss to the Group is expected or if the loans are unsecured consumer loans and less than 90 days past due.

	Group 2016				
	Home Loans	Other Personal ⁽¹⁾	Asset Financing	Commercial and Industrial	Other Total
Loans which were past due but not impaired	\$M	\$M	\$M	\$M	\$M
Australia					
Past due 1 - 29 days	6,166	592	85	767	7,610
Past due 30 - 59 days	1,755	188	45	154	2,142
Past due 60 - 89 days	877	124	23	102	1,126
Past due 90 - 179 days	1,027	-	-	177	1,204
Past due 180 days or more	819	5	2	196	1,022
Total Australia	10,644	909	155	1,396	13,104
Overseas					
Past due 1 - 29 days	1,328	238	8	277	1,851
Past due 30 - 59 days	187	41	2	40	270
Past due 60 - 89 days	69	15	1	14	99
Past due 90 - 179 days	38	16	1	6	61
Past due 180 days or more	15	6	-	35	56
Total overseas	1,637	316	12	372	2,337
Total loans which were past due but not impaired	12,281	1,225	167	1,768	15,441
	Group 2015				
	Home Loans	Other Personal ⁽¹⁾	Asset Financing	Commercial and Industrial	Other Total
Loans which were past due but not impaired	\$M	\$M	\$M	\$M	\$M
Australia					
Past due 1 - 29 days	6,131	691	59	878	7,759
Past due 30 - 59 days	1,835	204	43	204	2,286
Past due 60 - 89 days	839	129	27	156	1,151
Past due 90 - 179 days	956	-	1	218	1,175
Past due 180 days or more	729	8	-	294	1,031
Total Australia	10,490	1,032	130	1,750	13,402
Overseas					
Past due 1 - 29 days	1,410	218	8	324	1,960
Past due 30 - 59 days	177	32	3	12	224
Past due 60 - 89 days	71	12	1	11	95
Past due 90 - 179 days	49	12	1	21	83
Past due 180 days or more	19	5	-	10	34
Total overseas	1,726	279	13	378	2,396
Total loans which were past due but not impaired	12,216	1,311	143	2,128	15,798

(1) Included in these balances are credit card facilities and other unsecured portfolio managed facilities up to 90 days past due. At 90 days past due, the loans are classified as impaired.

Notes to the Financial Statements

Note 32 Credit Risk (continued)

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

	Bank 2016				
	Other				
	Home Loans	Other Personal (¹)	Asset Financing	Commercial and Industrial	Total
Loans which were past due but not impaired	\$M	\$M	\$M	\$M	\$M
Australia					
Past due 1 - 29 days	6,162	592	85	767	7,606
Past due 30 - 59 days	1,754	188	45	154	2,141
Past due 60 - 89 days	877	124	23	102	1,126
Past due 90 - 179 days	1,026	-	-	177	1,203
Past due 180 days or more	819	5	2	196	1,022
Total Australia	10,638	909	155	1,396	13,098
Overseas					
Past due 1 - 29 days	9	1	-	3	13
Past due 30 - 59 days	-	-	-	2	2
Past due 60 - 89 days	-	-	-	1	1
Past due 90 - 179 days	-	-	-	2	2
Past due 180 days or more	1	-	-	-	1
Total overseas	10	1	-	8	19
Total loans which were past due but not impaired	10,648	910	155	1,404	13,117

	Bank 2015				
	Other				
	Home Loans	Other Personal (¹)	Asset Financing	Commercial and Industrial	Total
Loans which were past due but not impaired	\$M	\$M	\$M	\$M	\$M
Australia					
Past due 1 - 29 days	6,126	691	59	878	7,754
Past due 30 - 59 days	1,834	204	43	204	2,285
Past due 60 - 89 days	838	129	26	156	1,149
Past due 90 - 179 days	955	-	1	218	1,174
Past due 180 days or more	728	8	-	294	1,030
Total Australia	10,481	1,032	129	1,750	13,392
Overseas					
Past due 1 - 29 days	7	-	-	1	8
Past due 30 - 59 days	-	-	-	-	-
Past due 60 - 89 days	-	-	-	-	-
Past due 90 - 179 days	1	-	-	1	2
Past due 180 days or more	-	-	-	1	1
Total overseas	8	-	-	3	11
Total loans which were past due but not impaired	10,489	1,032	129	1,753	13,403

(1) Included in these balances are credit card facilities and other unsecured portfolio managed facilities up to 90 days past due. At 90 days past due, the loans are classified as impaired.

Impaired Assets by Classification

Assets in credit risk rated portfolios and retail managed portfolios are assessed for objective evidence that the financial asset is impaired.

Impaired assets are split into the following categories:

- Non-Performing Facilities;
- Restructured Facilities; and
- Unsecured retail products 90 days or more past due.

Non-performing facilities are facilities against which an individually assessed provision for impairment has been raised and facilities where loss of principal or interest is anticipated.

Notes to the Financial Statements

Note 32 Credit Risk (continued)

Impaired Assets by Classification (continued)

Restructured facilities are facilities where the original contractual terms have been modified to non-commercial terms due to financial difficulties of the borrower. Interest on these facilities is taken to the Income Statement. Failure to comply fully with the modified terms will result in immediate reclassification to non-performing.

Unsecured retail products 90 days or more past due are credit cards, personal loans and other unsecured retail products which are 90 days or more past due. These loans are collectively provided for.

The Group does not manage credit risk based solely on arrears categorisation, but also uses credit risk rating principles as described earlier in this note.

	2016 \$M	2015 \$M	2014 \$M	2013 \$M	2012 \$M	Group
Australia						
Non-Performing assets:						
Gross balances	2,002	1,940	2,134	3,316	3,966	
Less individual provisions for impairment	(807)	(775)	(1,035)	(1,564)	(1,920)	
Net non-performing assets	1,195	1,165	1,099	1,752	2,046	
Restructured assets:						
Gross balances	221	144	361	346	93	
Less individual provisions for impairment	-	-	-	-	-	
Net restructured assets	221	144	361	346	93	
Unsecured retail products 90 days or more past due:						
Gross balances	252	251	236	217	204	
Less provisions for impairment ⁽¹⁾	(169)	(130)	(131)	(128)	(120)	
Net unsecured retail products 90 days or more past due	83	121	105	89	84	
Net Australia impaired assets	1,499	1,430	1,565	2,187	2,223	
Overseas						
Non-Performing assets:						
Gross balances	560	454	377	356	344	
Less individual provisions for impairment	(138)	(112)	(92)	(64)	(88)	
Net non-performing assets	422	342	285	292	256	
Restructured assets:						
Gross balances	67	54	248	87	70	
Less individual provisions for impairment	-	-	-	-	-	
Net restructured assets	67	54	248	87	70	
Unsecured retail products 90 days or more past due:						
Gross balances	14	12	11	8	10	
Less provisions for impairment ⁽¹⁾	(13)	(9)	(8)	(3)	(3)	
Net unsecured retail products 90 days or more past due	1	3	3	5	7	
Net overseas impaired assets	490	399	536	384	333	
Total net impaired assets	1,989	1,829	2,101	2,571	2,556	

(1) Collective provisions are held for these portfolios.

Impaired Assets by Size

	Australia 2016 \$M	Overseas 2016 \$M	Total 2016 \$M	Australia 2015 \$M	Overseas 2015 \$M	Total 2015 \$M
Impaired assets by size						
Less than \$1 million	1,170	123	1,293	1,215	118	1,333
\$1 million to \$10 million	661	215	876	717	126	843
Greater than \$10 million	644	303	947	403	276	679
Total	2,475	641	3,116	2,335	520	2,855

Notes to the Financial Statements

Note 32 Credit Risk (continued)

Movement in Impaired Assets

	2016	2015	2014	2013	Group 2012
	\$M	\$M	\$M	\$M	\$M
Movement in gross impaired assets					
Gross impaired assets - opening balance	2,855	3,367	4,330	4,687	5,502
New and increased	2,370	2,095	2,393	3,016	3,389
Balances written off	(1,328)	(1,355)	(1,697)	(1,774)	(1,687)
Returned to performing or repaid	(1,460)	(1,903)	(2,303)	(2,165)	(3,040)
Portfolio managed - new/increased/return to performing/repaid	679	651	644	566	523
Gross impaired assets - closing balance	3,116	2,855	3,367	4,330	4,687

Impaired Assets by Industry and Status

Industry	Group 2016						
	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 Write-offs \$M
Loans - Australia							
Sovereign	5,380	-	-	-	-	-	-
Agriculture	7,191	136	(42)	94	84	(1)	83
Banks and other financial	14,794	18	(29)	(11)	10	(27)	(17)
Home loans	409,452	921	(193)	728	82	(3)	79
Construction	3,114	28	(25)	3	11	(1)	10
Other personal	23,524	255	(176)	79	747	(154)	593
Asset financing	8,543	85	(28)	57	54	(4)	50
Other commercial and industrial	132,136	953	(483)	470	249	(21)	228
Total loans - Australia	604,134	2,396	(976)	1,420	1,237	(211)	1,026
Loans - Overseas							
Sovereign	9,164	-	-	-	-	-	-
Agriculture	8,744	277	(23)	254	7	-	7
Banks and other financial	5,359	10	(4)	6	-	(1)	(1)
Home loans	46,622	99	(6)	93	7	(1)	6
Construction	352	14	(8)	6	-	-	-
Other personal	1,719	12	(15)	(3)	54	(10)	44
Asset financing	220	18	(10)	8	-	-	-
Other commercial and industrial	23,985	153	(76)	77	112	(2)	110
Total loans - overseas	96,165	583	(142)	441	180	(14)	166
Total loans	700,299	2,979	(1,118)	1,861	1,417	(225)	1,192
Other balances - Australia							
Credit commitments	151,781	59	-	59	-	-	-
Derivatives	34,392	20	-	20	-	-	-
Total other balances - Australia	186,173	79	-	79	-	-	-
Other balances - Overseas							
Credit commitments	30,689	58	(9)	49	-	-	-
Derivatives	12,175	-	-	-	-	-	-
Total other balances - overseas	42,864	58	(9)	49	-	-	-
Total other balances	229,037	137	(9)	128	-	-	-
Total	929,336	3,116	(1,127)	1,989	1,417	(225)	1,192

(1) Write-offs, recoveries and net write-offs are not recognised against credit commitments or derivatives as these exposures are closed out and converted to loans and receivables on impairment. Write-offs and recoveries take place subsequent to this conversion.

Notes to the Financial Statements

Note 32 Credit Risk (continued)

Impaired Assets by Industry and Status (continued)

Industry	Group 2015						
	Total Balance	Gross Impaired Assets	Total Provisions for Impaired Assets	Net Impaired Assets	Write-offs ⁽¹⁾	Recoveries ⁽¹⁾	Net ⁽¹⁾ Write-offs
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Loans - Australia							
Sovereign	5,521	-	-	-	-	-	-
Agriculture	6,258	347	(133)	214	65	-	65
Bank and other financial	15,157	24	(36)	(12)	36	(9)	27
Home loans	383,174	835	(148)	687	72	(3)	69
Construction	2,722	30	(20)	10	14	-	14
Other personal	22,313	266	(140)	126	686	(125)	561
Asset financing	8,356	91	(28)	63	45	(4)	41
Other commercial and industrial	117,557	615	(400)	215	404	(24)	380
Total loans - Australia	561,058	2,208	(905)	1,303	1,322	(165)	1,157
Loans - Overseas							
Sovereign	12,929	-	-	-	-	-	-
Agriculture	7,990	146	(14)	132	3	-	3
Bank and other financial	7,572	10	-	10	69	-	69
Home loans	39,677	102	(10)	92	8	(1)	7
Construction	407	5	(1)	4	-	-	-
Other personal	1,128	13	(9)	4	42	(10)	32
Asset financing	558	29	(10)	19	-	-	-
Other commercial and industrial	12,909	179	(69)	110	35	-	35
Total loans - overseas	83,170	484	(113)	371	157	(11)	146
Total loans	644,228	2,692	(1,018)	1,674	1,479	(176)	1,303
Other balances - Australia							
Credit commitments	149,673	127	-	127	-	-	-
Derivatives	37,662	-	-	-	-	-	-
Total other balances - Australia	187,335	127	-	127	-	-	-
Other balances - Overseas							
Credit commitments	27,903	36	(8)	28	-	-	-
Derivatives	8,492	-	-	-	-	-	-
Total other balances - overseas	36,395	36	(8)	28	-	-	-
Total other balances	223,730	163	(8)	155	-	-	-
Total	867,958	2,855	(1,026)	1,829	1,479	(176)	1,303

(1) Write-offs, recoveries and net write-offs are not recognised against credit commitments or derivatives as these exposures are closed out and converted to loans and receivables on impairment. Write-offs and recoveries take place subsequent to this conversion.

Collateral held against Loans, Bills Discounted and Other Receivables

	Group 2016				
	Home Loans	Other Personal	Asset Financing	Commercial and Industrial	Other
Maximum exposure (\$M)	456,074	25,243	8,763	210,219	700,299
Collateral classification:					
Secured (%)	99.3	13.6	98.7	41.8	78.9
Partially secured (%)	0.7	-	1.3	15.4	5.1
Unsecured (%)	-	86.4	-	42.8	16.0

Notes to the Financial Statements

Note 32 Credit Risk (continued)

Collateral held against Loans, Bills Discounted and Other Receivables (continued)

	Group 2015				
	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	Total
Maximum exposure (\$M)	422,851	23,441	8,914	189,022	644,228
Collateral classification:					
Secured (%)	99.3	14.0	98.7	40.2	78.7
Partially secured (%)	0.7	-	1.3	13.7	4.5
Unsecured (%)	-	86.0	-	46.1	16.8

	Bank 2016				
	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	Total
Maximum exposure (\$M)	404,902	23,467	8,476	185,416	622,261
Collateral classification:					
Secured (%)	99.2	14.3	98.8	40.7	78.5
Partially secured (%)	0.8	-	1.2	14.6	4.9
Unsecured (%)	-	85.7	-	44.7	16.6

	Bank 2015				
	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	Total
Maximum exposure (\$M)	380,022	23,419	8,307	166,113	577,861
Collateral classification:					
Secured (%)	99.2	14.5	98.4	39.3	78.7
Partially secured (%)	0.8	-	1.6	13.1	4.3
Unsecured (%)	-	85.5	-	47.6	17.0

A facility is determined to be secured where its ratio of exposure to the estimated value of collateral (adjusted for lending margins) is less than or equal to 100%. A facility is deemed to be partly secured when this ratio exceeds 100% but not more than 250%, and unsecured when either no security is held (e.g. can include credit cards, personal loans, small business loans, and exposures to highly rated corporate entities), or where the secured loan to estimated value of collateral exceeds 250%.

Home Loans

All home loans are secured by fixed charges over borrowers' residential properties, other properties (including commercial and broad acre), or cash (usually in the form of a charge over a deposit). Further, with the exception of some relatively small portfolios, for loans with a Loan to Valuation (LVR) of higher than 80% either a Low Deposit Premium or margin is levied, or Lenders Mortgage Insurance (LMI) is taken out to cover 100% of the principal amount at default plus interest.

Personal Lending

Personal lending (such as credit cards), is predominantly unsecured.

Asset Finance

The Group leases assets to corporate and retail clients. When the title to the underlying assets is held by the Group as collateral, the balance is deemed fully secured. In other instances, a client's facilities may be secured by collateral valued at less than the carrying amount of credit exposure. These facilities are deemed partly secured or unsecured.

Other Commercial and Industrial Lending

The Group's main collateral types for other commercial and industrial lending consists of secured rights over specified assets of the borrower in the form of: commercial property; land rights; cash (usually in the form of a charge over a deposit); guarantees by company directors supporting commercial lending; a charge over a company's assets (including debtors, inventory and work in progress); or a charge over stock or scrip. In other instances, a client's facilities may be secured by collateral with value less than the carrying amount of the credit exposure. These facilities are deemed partly secured or unsecured.

Notes to the Financial Statements

Note 33 Market Risk

Market Risk Measurement

The Group uses Value-at-Risk (VaR) as one of the measures of Traded and Non-traded market risk. VaR is a statistical measure of potential loss using historically observed market movements.

VaR is modelled at a 97.5% confidence level. This means that there is a 97.5% probability that the loss will not exceed the VaR estimate on any given day.

The VaR measured for Traded market risk uses two years of daily movement in market rates. The VaR measure for Non-traded Banking Book market risk uses six years of daily movement in market rates.

A 1-day holding period is used for trading book positions. A 20-day holding period is used for Interest Rate Risk in the Banking Book, insurance business market risk and Non-traded equity risk.

VaR is driven by historical observations and is not an estimate of the maximum loss that the Group could experience from an extreme market event. As a result of this limitation, management also uses additional controls to measure and manage market risk including stress testing, risk sensitivity and position limits.

Total Market Risk VaR (1-day 97.5% confidence)	Average	As at	Average	As at
	June	June	June	June
	2016 ⁽¹⁾	2016	2015 ⁽¹⁾	2015
Traded Market Risk ⁽²⁾⁽³⁾	10.1	16.9	8.9	8.9
Non-Traded Interest Rate Risk ⁽⁴⁾	14.7	17.2	15.1	16.7
Non-Traded Equity Risk ⁽⁴⁾	10.2	7.5	14.3	12.9
Non-Traded Insurance Market Risk ⁽⁴⁾	4.5	5.0	5.0	3.7

- (1) Average VaR calculated for each 12 month period.
- (2) For the balance as at 30 June 2016, the increase in traded market risk VaR was mainly driven by a conservative measurement approach for longer term interest rates, particularly in currencies with negative or near zero rates. This approach is under review.
- (3) The increase in average VaR on the prior year relates to higher market volatility and the above conservative measurement approach.
- (4) The risk of these exposures has been represented in this table using a one day holding period. In practice however, these 'non-traded' exposures are managed to a longer holding period.

Traded Market Risk

Traded Market Risk is generated through the Group's participation in financial markets to service its customers. The Group trades and distributes interest rate, foreign exchange, debt, equity and commodity products, and provides treasury, capital markets and risk management services to its customers globally.

The Group maintains access to markets by quoting bid and offer prices with other market makers and carries an inventory of financial instruments, including a broad range of securities and derivatives.

Traded Market Risk VaR (1-day 97.5% confidence)	Average	As at	Average	As at
	June	June	June	June
	2016 ⁽¹⁾	2016	2015 ⁽¹⁾	2015
Interest rate risk ⁽²⁾⁽³⁾	7.9	16.7	5.8	5.2
Foreign exchange risk	2.4	1.7	2.0	1.9
Equities risk	0.4	1.1	0.6	0.3
Commodities risk	2.2	2.3	1.5	2.3
Credit spread risk	3.0	3.2	2.7	3.2
Diversification benefit	(8.3)	(10.4)	(7.3)	(7.8)
Total general market risk	7.6	14.6	5.3	5.1
Undiversified risk	2.3	2.1	3.4	3.7
ASB Bank	0.2	0.2	0.2	0.1
Total	10.1	16.9	8.9	8.9

(1) Average VaR calculated for each 12 month period.

(2) For the balance as at 30 June 2016, the increase in traded market risk VaR was mainly driven by a conservative measurement approach for longer term interest rates, particularly in currencies with negative or near zero rates. This approach is under review.

(3) The increase in average VaR on the prior year relates to higher market volatility and the above conservative measurement approach.

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. Maturity transformation activities of the Group result in mismatched assets and liabilities positions which direct that the propensity, timing and quantum of interest rate movements have undesired outcomes over both the short-term and long-term. The Group's objective is to manage interest rate risk to achieve stable and sustainable net interest income in the long-term.

The Group measures and manages the impact of interest rate risk in two ways:

(a) Next 12 months' earnings

Interest rate risk from an earnings perspective is the impact based on changes to the net interest income over the next 12 months.

The risk to net interest income over the next 12 months from changes in interest rates is measured on a monthly basis.

Earnings risk is measured through sensitivity analysis, which applies an instantaneous 100 basis point parallel shock in interest rates across the yield curve.

The prospective change to the net interest income is measured by using an Asset and Liability Management simulation model which incorporates both existing and anticipated new business in its assessment. The change in the Balance Sheet product mix, growth, funding and pricing strategies is incorporated. Assets and liabilities that reprice directly from observable market rates are measured based on the full extent of the rate shock that is applied.

Products that are priced based on Group administered or discretionary interest rates and that are impacted by customer behaviour are measured by taking into consideration the historic repricing strategy of the Group and repricing behaviours of customers. In addition to considering how the products have repriced in the past the expected change in price based on both the current and anticipated competitive market forces are also considered in the sensitivity analysis.

Notes to the Financial Statements

Note 33 Market Risk (continued)

The figures in the following table represent the potential unfavourable change to the Group's net interest earnings during the year based on a 100 basis point parallel rate shock.

Non-Traded Market Risk (continued)

		June 2016	June 2015
Net Interest Earnings at Risk		\$M	\$M
Average monthly exposure	AUD	316.1	244.4
	NZD	30.2	26.2
High monthly exposure	AUD	408.7	360.5
	NZD	38.9	35.7
Low monthly exposure	AUD	227.1	168.9
	NZD	16.5	19.4
As at balance date	AUD	308.9	168.9
	NZD	27.6	35.7

(b) Economic Value

Interest rate risk from the economic value perspective is based on a 20-day 97.5% VaR measure.

Measuring the change in the economic value of equity is an assessment of the long-term impact to the earnings potential of the Group present valued to the current date. The Group assesses the potential change in its economic value of equity through the application of the VaR methodology. A 20-day 97.5% VaR measure is used to capture the net economic value impact over the long-term or total life of all Balance Sheet assets and liabilities to adverse changes in interest rates. The impact of customer prepayments on the contractual cash flows for fixed rate products is included in the calculation. Cash flows for discretionary priced products are behaviourally adjusted and repriced at the resultant profile.

The figures in the following table represent the net present value of the expected change in the Group's future earnings in all future periods for the remaining term of all existing assets and liabilities.

	Average June	Average June
Non-Traded Interest Rate VaR (20 day 97.5% confidence)	2016⁽¹⁾	2015⁽¹⁾
	\$M	\$M
AUD Interest rate risk	65.5	67.3
NZD Interest rate risk ⁽³⁾	3.6	3.2

(1) Average VaR calculated for each 12 month period.

(2) VaR is only for entities that have material risk exposure.

(3) ASB data (expressed in NZD) is for the month-end date.

Non-Traded Equity Risk

The Group retains Non-traded equity risk through business activities in divisions including Institutional Banking and Markets, and Wealth Management.

A 20-day, 97.5% confidence VaR is used to measure the economic impact of adverse changes in value.

	As at June	As at June
Non-Traded Equity VaR (20 day 97.5% confidence)	2016	2015
	\$M	\$M
VaR	34.0	58.0

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 2016.

A 20-day 97.5% VaR measure is used to capture the Non-traded market risk exposures.

	Average June	Average June
Non-Traded VaR in Australian Life Insurance Business (20 day 97.5% confidence)	2016⁽¹⁾	2015⁽¹⁾
	\$M	\$M
Shareholder funds ⁽²⁾	3.9	13.1
Guarantees (to Policyholders) ⁽³⁾	19.4	15.1

(1) Average VaR calculated for each 12 month period.

(2) VaR in relation to the investment of shareholder funds.

(3) VaR in relation to product portfolios where the Group has guaranteed liabilities to policyholders.

Structural Foreign Exchange Risk

Structural foreign exchange risk is the risk that movements in foreign exchange rates may have an adverse effect on the Group's Australian dollar earnings and economic value when the Group's foreign currency denominated earnings and capital are translated into Australian dollars. The Group's only material exposure to this risk arises from its New Zealand banking and insurance and Asian operations.

Lease Residual Value Risk

The Group takes lease residual value risk on assets such as industrial, mining, rail, aircraft, marine, technology, healthcare and other equipment. A lease residual value guarantee exposes the Group to the movement in second-hand asset prices.

Commonwealth Bank Group Super Fund

The Commonwealth Bank Group Super Fund (the Fund) has a defined benefit portion that creates market risk for the Group. Wealth Risk Management and Human Resources provide oversight of the market risks of the Fund held and managed on behalf of the employees receiving defined benefit pension funds on behalf of the Group (refer to Note 35).

Note 34 Liquidity and Funding Risk

Overview

The Group's liquidity and funding policies are designed to ensure it will meet its obligations as and when they fall due by ensuring it is able to borrow funds on an unsecured basis, has sufficient liquid assets to borrow against on a secured basis, or sell to raise immediate funds without adversely affecting the Group's net asset value.

The Group's liquidity policies are designed to ensure it maintains sufficient cash balances and liquid asset holdings to meet its obligations to customers, in both ordinary market conditions and during periods of extreme stress. These policies are intended to protect the value of the Group's operations during periods of unfavourable market conditions.

The Group's funding policies are designed to achieve diversified sources of funding by product, term, maturity date, investor type, investor location, jurisdiction, currency and concentration, on a cost effective basis. This objective applies to the Group's wholesale and retail funding activities.

Liquidity and Funding Risk Management Framework

The Group's liquidity and funding policies, 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) whose charter includes reviewing the management of assets and liabilities, reviewing liquidity and funding policies and strategies, as well as regularly monitoring compliance with those policies across the Group. Group Treasury manages the Group's liquidity and funding positions in accordance with the Group's liquidity policies and has ultimate authority to execute liquidity decisions should the Group Contingent Funding Plan be activated. Group Risk Management provides oversight of the Group's liquidity and funding risks, compliance with Group policies and manages the Group's relationship with prudential regulators.

Subsidiaries within the Colonial Group apply their own liquidity and funding strategies to address their specific needs. The Group's New Zealand banking subsidiary, ASB Bank, manages its own domestic liquidity and funding needs in accordance with its own liquidity policies and the policies of the Group. ASB's liquidity policy is also overseen by the Reserve Bank of New Zealand. The Group also has a small banking subsidiary in Indonesia that manages its own liquidity and funding on a similar basis. The Group's Board is ultimately responsible for the sound and prudent management of liquidity risk across the Group.

Liquidity and Funding Policies and Management

The Group's liquidity and funding policies provide that:

- An excess of liquid assets over the level 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;
- Group 'going concern' 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 market capacity is regularly assessed and used as a factor in funding strategies;
- Balance Sheet assets that cannot be liquidated quickly are funded with deposits or term borrowings that meet minimum maturity requirements with appropriate liquidity buffers;
- Liquid assets are held in Australian dollar and foreign currency denominated securities in accordance with expected requirements;
- The Group has three categories of liquid assets within its domestic liquid assets portfolio. The first includes cash, government and Australian semi-government securities. The second includes negotiable certificates of deposit, bank bills, bank term securities, supranational bonds and Australian Residential Mortgage-backed Securities (RMBS), securities that meet Reserve Bank of Australia (RBA) criteria for purchases under reverse repo. The final category is internal RMBS, being mortgages that have been securitised but retained by the Bank, that are repo-eligible with the RBA under stress; and
- Offshore branches and subsidiaries adhere to liquidity policies and hold appropriate foreign currency liquid assets as required. All securities are central bank repo-eligible under normal market conditions.

The Group's key funding tools include:

- Its consumer retail funding base, which includes a wide range of retail transaction accounts, savings accounts and term deposits for individual consumers;
- Its small business customer and institutional deposit base; and
- Its wholesale international and domestic funding programs which include its Australian dollar Negotiable Certificates of Deposit; Australian dollar bank bills; Asian Transferable Certificates of Deposit program; Australian, U.S. and Euro Commercial Paper programs; U.S. Extendible Notes programs; Australian dollar Domestic Debt Program; U.S.144a and 3a2 Medium-Term Note Programs; Euro Medium-Term Note Program, multi jurisdiction Covered Bond program, and its Medallion securitisation program.

The Group's key liquidity tools include:

- A regulatory liquidity management reporting system delivering granular customer and product type information to inform business decision making, product development and resulting in a greater awareness of the liquidity risk adjusted value of banking products;
- A liquidity management model similar to a "maturity ladder" or "liquidity gap analysis", that allows forecasting of liquidity needs on a daily basis;
- An additional liquidity management model that implements the agreed prudential liquidity policies. This model is calibrated with a series of "stress" liquidity crisis scenarios, incorporating both systemic and "name" crisis assumptions, such that the Group will have sufficient liquid assets available to ensure it meets all of its obligations as and when they fall due;

Notes to the Financial Statements

Note 34 Liquidity and Funding Risk (continued)

Liquidity and Funding Policies and Management (continued)

- Central bank repurchase agreement facilities including the RBA's open-ended Committed Liquidity Facility that provide the Group with the ability to borrow funds on a secured basis, even when normal funding markets are unavailable; and
- A robust Contingent Funding Plan that is regularly tested so that it can be activated in case of need due to a liquidity event.

The Group's wholesale funding costs were impacted by elevated levels of volatility over the course of the financial year as slowing growth in China, lower commodity prices, headline risk in European banks and equity price volatility combined to push credit spreads wider in domestic and international debt capital markets. The Group has managed its debt portfolio to avoid concentrations such as dependence on single sources of funding, by type or by investor, and continues to maintain a diversified funding base and significant funding capacity in the domestic and global unsecured and secured debt markets.

Details of the Group's regulatory capital management activities and processes are disclosed in Note 25.

Maturity Analysis of Monetary Liabilities

Amounts shown in the tables below are based on contractual undiscounted cash flows for the remaining contractual maturities.

	Group Maturity Period as at 30 June 2016					
	0 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Not Specified	Total
	\$M	\$M	\$M	\$M	\$M	\$M
Monetary liabilities						
Deposits and other public borrowings ⁽¹⁾	492,838	75,236	20,773	561	-	589,408
Payables due to other financial institutions	27,247	1,545	3	-	-	28,795
Liabilities at fair value through Income Statement	6,128	1,724	1,247	1,209	-	10,308
Derivative financial instruments:						
Held for trading	27,959	-	-	-	-	27,959
Held for hedging purposes (net-settled)	(510)	514	1,889	2,729	-	4,622
Held for hedging purposes (gross-settled):						
Outflows	3,431	22,451	35,336	22,289	-	83,507
Inflows	(3,271)	(20,072)	(32,938)	(20,982)	-	(77,263)
Bank acceptances	1,378	53	-	-	-	1,431
Insurance policy liabilities	-	-	-	-	12,636	12,636
Debt issues and loan capital	19,059	46,358	82,969	32,358	-	180,744
Managed funds units on issue	-	-	-	-	1,606	1,606
Other monetary liabilities	4,657	1,445	88	4	13	6,207
Total monetary liabilities	578,916	129,254	109,367	38,168	14,255	869,960
Guarantees ⁽²⁾	6,216	-	-	-	-	6,216
Loan commitments ⁽²⁾	170,742	-	-	-	-	170,742
Other commitments ⁽²⁾	5,512	-	-	-	-	5,512
Total off Balance Sheet items	182,470	-	-	-	-	182,470
Total monetary liabilities and off Balance Sheet items	761,386	129,254	109,367	38,168	14,255	1,052,430

(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.

Notes to the Financial Statements

Note 34 Liquidity and Funding Risk (continued)

Maturity Analysis of Monetary Liabilities (continued)

	Group					
	Maturity Period as at 30 June 2015					
	0 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Not Specified	Total
	\$M	\$M	\$M	\$M	\$M	\$M
Monetary liabilities						
Deposits and other public borrowings ⁽¹⁾	441,294	82,068	23,334	139	-	546,835
Payables due to other financial institutions	33,142	3,297	-	-	-	36,439
Liabilities at fair value through Income Statement	3,016	1,404	2,183	1,950	-	8,553
Derivative financial instruments:						
Held for trading	22,765	-	-	-	-	22,765
Held for hedging purposes (net-settled)	66	410	2,418	1,978	-	4,872
Held for hedging purposes (gross-settled):						
Outflows	208	7,382	30,763	11,537	-	49,890
Inflows	(206)	(5,962)	(25,434)	(10,025)	-	(41,627)
Bank acceptances	1,870	74	-	-	-	1,944
Insurance policy liabilities	-	-	-	-	12,911	12,911
Debt issues and loan capital	22,217	42,421	79,059	38,707	-	182,404
Managed funds units on issue	-	-	-	-	1,149	1,149
Other monetary liabilities	6,176	1,320	329	-	54	7,879
Total monetary liabilities	530,548	132,414	112,652	44,286	14,114	834,014
Guarantees ⁽²⁾	6,181	-	-	-	-	6,181
Loan commitments ⁽²⁾	165,511	-	-	-	-	165,511
Other commitments ⁽²⁾	5,884	-	-	-	-	5,884
Total off Balance Sheet items	177,576	-	-	-	-	177,576
Total monetary liabilities and off Balance Sheet items	708,124	132,414	112,652	44,286	14,114	1,011,590

	Bank					
	Maturity Period as at 30 June 2016					
	0 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Not Specified	Total
	\$M	\$M	\$M	\$M	\$M	\$M
Monetary liabilities						
Deposits and other public borrowings ⁽¹⁾	456,306	63,101	17,641	180	-	537,228
Payables due to other financial institutions	26,804	1,545	3	-	-	28,352
Liabilities at fair value through Income Statement	3,844	1,151	1,247	1,210	-	7,452
Derivative financial instruments:						
Held for trading	27,672	-	-	-	-	27,672
Held for hedging purposes (net-settled)	(604)	327	1,620	2,813	-	4,156
Held for hedging purposes (gross-settled):						
Outflows	3,143	26,209	40,622	35,132	-	105,106
Inflows	(2,906)	(22,059)	(36,762)	(31,333)	-	(93,060)
Bank acceptances	1,359	54	-	-	-	1,413
Debt issues and loan capital	16,495	41,229	65,816	27,965	-	151,505
Due to controlled entities	6,681	6,365	24,266	92,735	-	130,047
Other monetary liabilities	4,442	4,688	56	2	5	9,193
Total monetary liabilities	543,236	122,610	114,509	128,704	5	909,064
Guarantees ⁽²⁾	5,873	-	-	-	-	5,873
Loan commitments ⁽²⁾	155,446	-	-	-	-	155,446
Other commitments ⁽²⁾	4,868	-	-	-	-	4,868
Total off Balance Sheet items	166,187	-	-	-	-	166,187
Total monetary liabilities and off Balance Sheet items	709,423	122,610	114,509	128,704	5	1,075,251

(1) Includes deposits that are contractually at call, customer savings and cheque accounts. Historical experience is that such accounts provide a stable source of long-term funding for the Group and Bank.

(2) All off Balance Sheet items are included in the 0 to 3 months maturity band to reflect their earliest possible maturity.

Notes to the Financial Statements

Note 34 Liquidity and Funding Risk (continued)

Maturity Analysis of Monetary Liabilities (continued)

	Bank Maturity Period as at 30 June 2015					
	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⁾	409,892	70,024	20,589	139	-	500,644
Payables due to other financial institutions	32,305	3,233	-	-	-	35,538
Liabilities at fair value through Income Statement	2,015	1,229	2,170	1,950	-	7,364
Derivative financial instruments:						
Held for trading	22,527	-	-	-	-	22,527
Held for hedging purposes (net-settled)	27	261	2,339	2,036	-	4,663
Held for hedging purposes (gross-settled):						
Outflows	-	6,722	41,272	20,695	-	68,689
Inflows	-	(5,342)	(33,776)	(17,576)	-	(56,694)
Bank acceptances	1,845	63	-	-	-	1,908
Debt issues and loan capital	20,109	37,777	62,332	35,837	-	156,055
Due to controlled entities	6,501	5,678	23,365	90,964	-	126,508
Other monetary liabilities	5,535	6,589	70	-	21	12,215
Total monetary liabilities	500,756	126,234	118,361	134,045	21	879,417
Guarantees ⁽²⁾	5,778	-	-	-	-	5,778
Loan commitments ⁽²⁾	152,772	-	-	-	-	152,772
Other commitments ⁽²⁾	5,179	-	-	-	-	5,179
Total off Balance Sheet items	163,729	-	-	-	-	163,729
Total monetary liabilities and off Balance Sheet items	664,485	126,234	118,361	134,045	21	1,043,146

(1) Includes deposits that are contractually at call, customer savings and cheque accounts. Historical experience is that such accounts provide a stable source of long-term funding for the Bank.

(2) All off Balance Sheet items are included in the 0 to 3 months maturity band to reflect their earliest possible maturity.

Note 35 Retirement Benefit Obligations

Name of Plan	Type	Form of Benefit	Date of Last Actuarial Assessment of the Fund
Commonwealth Bank Group Super	Defined Benefits ⁽¹⁾ and Accumulation	Indexed pension and lump sum	30 June 2015
Commonwealth Bank of Australia (UK) Staff Benefits Scheme (CBA (UK) SBS)	Defined Benefits ⁽¹⁾ and Accumulation	Indexed pension and lump sum	30 June 2013 ⁽²⁾

(1) The defined benefit formulae are generally comprised of final salary, or final average salary, and service.

(2) An actuarial assessment of the Fund at 30 June 2016 is currently in progress.

Regulatory Framework

Both plans operate under trust law with the assets of the plans held separately in trust. The Trustee of Commonwealth Bank Group Super is Commonwealth Bank Officers Superannuation Corporation Pty Limited. The Trustee of CBA (UK) SBS is Commonwealth Bank of Australia (UK) Staff Benefits Scheme Trustee Company Limited. Both Trustees are wholly owned subsidiaries of the Group. The Trustees do not conduct any business other than trusteeship of the plans. The plans are managed and administered on behalf of the members in accordance with the terms of each trust deed and relevant legislation. The funding of the plans complies with regulations in Australia and the UK respectively.

Funding and Contributions

An actuarial assessment as at 30 June 2015 showed Commonwealth Bank Group Super remained in funding surplus. The Bank agreed to continue contributions of \$20 million per month to the plan. Employer contributions paid to the plan are subject to tax at the rate of 15% in the plan.

An actuarial assessment of the CBA (UK) SBS as at 30 June 2013 confirmed a funding deficit of GBP62 million (\$112 million at the 30 June 2016 exchange rate). The Bank agreed to continue the deficit recovery contributions of GBP15 million per annum (\$27 million at the 30 June 2016 exchange rate) until 31 December 2017 to CBA (UK) SBS in addition to the regular GBP3 million per annum (\$6 million at the 30 June 2016 exchange rate) contributions for future defined benefit accruals.

Notes to the Financial Statements

Note 35 Retirement Benefit Obligations (continued)

Funding and Contributions (continued)

The Group's expected contribution to the Commonwealth Bank Group Super and the CBA (UK) SBS for the year ended 30 June 2017 are \$240 million and GBP18 million (\$33 million at the 30 June 2016 exchange rate) respectively.

Defined Benefit Superannuation Plans

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

	Commonwealth Bank		CBA(UK)SBS		Total 2015 \$M
	Group Super 2016 \$M	2015 \$M	2016 \$M	2015 \$M	
Present value of funded obligations	(3,114)	(3,184)	(656)	(672)	(3,770)
Fair value of plan assets	3,375	3,460	605	615	3,980
Net pension assets/(liabilities) as at 30 June	261	276	(51)	(57)	210
Amounts in the Balance Sheet:					
Assets (Note 16)	261	276	-	-	261
Liabilities (Note 21)	-	-	(51)	(57)	(51)
Net assets/(liabilities)	261	276	(51)	(57)	210
The amounts recognised in the Income Statement are as follows:					
Current service cost	(34)	(37)	(6)	(4)	(40)
Net interest income/(expense)	9	(6)	(2)	(3)	7
Employer financed benefits within accumulation division ⁽¹⁾	(266)	(251)	-	-	(266)
Total included in superannuation plan expense	(291)	(294)	(8)	(7)	(299)
Changes in the present value of the defined benefit obligation are as follows:					
Opening defined benefit obligation	(3,184)	(3,510)	(672)	(544)	(3,856)
Current service cost	(34)	(37)	(6)	(4)	(40)
Interest cost	(144)	(140)	(24)	(24)	(168)
Member contributions	(7)	(8)	-	-	(7)
Actuarial gains/(losses) from changes in demographic assumptions	321	-	-	-	321
Actuarial gains/(losses) from changes in financial assumptions	(268)	232	(57)	(47)	(325)
Actuarial gains/(losses) from changes in other assumptions	(8)	56	(9)	3	(17)
Payments from the plan	210	223	27	20	237
Exchange differences on foreign plans	-	-	85	(76)	85
Closing defined benefit obligation	(3,114)	(3,184)	(656)	(672)	(3,770)
Changes in the fair value of plan assets are as follows:					
Opening fair value of plan assets	3,460	3,388	615	475	4,075
Interest income	153	134	23	21	176
Return on plan assets (excluding interest income)	(9)	164	37	36	28
Member contributions	7	8	-	-	7
Employer contributions	240	240	36	34	276
Employer financed benefits within accumulation division	(266)	(251)	-	-	(266)
Payments from the plan	(210)	(223)	(27)	(20)	(237)
Exchange differences on foreign plans	-	-	(79)	69	(79)
Closing fair value of plan assets	3,375	3,460	605	615	3,980

(1) Represents superannuation contributions required by the Bank to meet its obligations to members of the defined contribution division of Commonwealth Bank Group Super.

Notes to the Financial Statements

Note 35 Retirement Benefit Obligations (continued)

Economic Assumptions

	Commonwealth Bank		CBA(UK)SBS	
	Group Super		2016	2015
Economic assumptions	%	%	%	%
The above calculations were based on the following assumptions:				
Discount rate	3.40	4.60	3.00	3.70
Inflation rate	1.60	2.25	3.10	3.50
Rate of increases in salary	2.60	3.50	4.10	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:

	Commonwealth Bank		CBA(UK)SBS	
	Group Super		2016	2015
Expected life expectancies for pensioners	Years	Years	Years	Years
Male pensioners currently aged 60	28.6	29.6	28.7	28.5
Male pensioners currently aged 65	23.6	24.7	23.8	23.7
Female pensioners currently aged 60	33.0	34.7	31.2	31.1
Female pensioners currently aged 65	27.9	29.5	26.2	26.1

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:

	Commonwealth Bank		CBA(UK)SBS	
	Group Super		2016	2016
Impact of change in assumptions on liabilities		%	%	
0.25% decrease in discount rate		3.44	4.70	
0.25% increase in inflation rate		2.67	2.90	
0.25% increase to the rate of increases in salary		0.48	0.30	
Longevity increase of 1 year		4.37	3.40	

Average Duration

The average duration of defined benefit obligation at 30 June is as follows:

	Commonwealth Bank		CBA(UK)SBS	
	Group Super		2016	2016
Average duration at balance date	Years		Years	
Average duration at balance date		12		19

Risk Management

The pension plans expose the Group to longevity risk, currency risk, interest rate risk, inflation risk and market risk. The Trustees perform Asset-Liability Matching (ALM) exercises to ensure the plan assets are well matched to the nature and maturities of the defined benefit obligations.

The Commonwealth Bank Group Super's investment strategy comprises 39% growth and 61% 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 swaps.

Notes to the Financial Statements

Note 35 Retirement Benefit Obligations (continued)

Risk Management (continued)

The allocation of assets backing the defined benefit portion of Commonwealth Bank Group Super is as follows:

Asset allocations	Commonwealth Bank Group Super			
	2016		2015	
	Fair value (\$M)	% of plan asset	Fair value (\$M)	% of plan asset
Cash	108	3.2	159	4.6
Equities - Australian ⁽¹⁾	311	9.2	289	8.4
Equities - Overseas ⁽¹⁾	431	12.8	608	17.6
Bonds - Commonwealth Government ⁽¹⁾	670	19.9	595	17.2
Bonds - Semi-Government ⁽¹⁾	1,150	34.1	1,071	31.0
Bonds - Corporate and other ⁽¹⁾	122	3.6	78	2.2
Real Estate ⁽²⁾	214	6.3	205	5.9
Derivatives ⁽²⁾	(14)	(0.4)	8	0.2
Other ⁽³⁾	383	11.3	447	12.9
Total fair value of plan assets	3,375	100	3,460	100

(1) Values based on prices or yields quoted in an active market.

(2) Values based on non-quoted information.

(3) These are assets which are not included in the traditional asset classes of equities, fixed interest securities, real estate and cash. They include infrastructure investments as well as high yield and emerging market debt.

The Australian equities fair value includes \$111 million of Commonwealth Bank shares. The real estate fair value includes \$6 million of property assets leased to the Bank.

Note 36 Investments in Subsidiaries and Other Entities

Subsidiaries

The key subsidiaries of the Bank are:

Entity Name	Entity Name
Australia	
(a) Banking	
CBA Covered Bond Trust	Medallion Trust Series 2014-1
CBA International Finance Pty Limited	Medallion Trust Series 2014-2
Commonwealth Securities Limited	Medallion Trust Series 2015-1
Medallion Trust Series 2007-1G	Medallion Trust Series 2015-2
Medallion Trust Series 2008-1R	Medallion Trust Series 2016-1
Medallion Trust Series 2011-1	Residential Mortgage Group Pty Ltd
Medallion Trust Series 2013-1	Series 2008-1D SWAN Trust
Medallion Trust Series 2013-2	
(b) Insurance and Funds Management	
Capital 121 Pty Limited	Commonwealth Insurance Limited
Colonial Holding Company Limited	The Colonial Mutual Life Assurance Society Limited
Commonwealth Insurance Holdings Limited	

All the above subsidiaries are 100% owned and incorporated in Australia.

Notes to the Financial Statements

Note 36 Investments in Subsidiaries and Other Entities (continued)

Subsidiaries (continued)

Entity Name	Extent of Beneficial Interest if not 100%	Incorporated in
New Zealand and Other Overseas		
(a) Banking		
ASB Bank Limited		New Zealand
ASB Covered Bond Trust		New Zealand
ASB Finance Limited		New Zealand
ASB Holdings Limited		New Zealand
ASB Term Fund		New Zealand
CBA Funding (NZ) Limited		New Zealand
CommBank Europe Limited		Malta
Medallion NZ Series Trust 2009-1R		New Zealand
PT Bank Commonwealth	99%	Indonesia
(b) Insurance and Funds Management		
ASB Group (Life) Limited		New Zealand
PT Commonwealth Life	80%	Indonesia
Sovereign Assurance Company Limited		New Zealand

The Group also consolidates a number of unit trusts and other companies as part of the ongoing investment activities of the life insurance and wealth businesses. These investment vehicles are excluded from the above list.

Significant Judgements and Assumptions

Control and Voting Rights

Holding more than 50% of an entity's voting rights typically indicates that the Group has control over the entity. Significant judgement is involved where the Group either holds more than 50% of the voting rights but does not control an entity, which occurs in the case of AHL Holdings Pty Limited (AHL) as outlined below or where the Group is deemed to control an entity despite holding less than 50% of the voting rights.

AHL Holdings Pty Limited (AHL)

Management have determined that the Group does not control AHL despite owning 80% of the issued share capital of this entity. According to the Shareholders Deed agreed between the shareholders of AHL, unanimous consent is required from all parties to the Deed for all key decisions. This results in joint control and hence the Group accounts for its investment in AHL as a joint venture using the equity method.

Agent or principal

The Group is deemed to have power over an investment fund when it holds either the responsible entity (RE) and/or the manager function of that fund. Whether that power translates to control depends on whether the Group is deemed to act as an agent or a principal of that fund. Management have determined that the Group acts as a principal and controls a fund when it cannot be easily removed as a manager or RE by investors and when its economic interest in that fund is substantial compared to the economic interest of other investors. In all other cases the Group acts as agent and does not control the fund.

Non-Controlling Interests

	Group	
	2016	2015
	\$M	\$M
Shareholders' Equity	550	562
Total non-controlling interests	550	562

The share capital above comprises predominantly New Zealand Perpetual Preference Shares (PPS) of AUD505 million.

On 10 December 2002, ASB Capital Limited, a New Zealand subsidiary, issued NZD200 million (AUD182 million) of PPS. The PPS were issued into the New Zealand capital markets and are subject to New Zealand law. Such shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly based on the New Zealand one year swap rate plus a margin of 1.3% and are non-cumulative. The payments of dividends are subject to a number of conditions including the satisfaction of solvency tests and the ability of the Board to cancel payments.

On 22 December 2004, ASB Capital No.2 Limited, a New Zealand subsidiary, issued NZD350 million (AUD323 million) of PPS. The PPS were issued into the New Zealand capital markets and are subject to New Zealand law. Such shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly on the New Zealand one year swap rate plus a margin of 1.0% and are non-cumulative. The payments of dividends are subject to a number of conditions including the satisfaction of solvency tests and the ability of the Board to cancel payments.

Notes to the Financial Statements

Note 36 Investments in Subsidiaries and Other Entities (continued)

ASB Capital Limited and ASB Capital No.2 Limited have advanced proceeds from the above public issues to ASB Funding Limited, a New Zealand subsidiary. ASB Funding Limited in turn invested the proceeds in PPS issued by ASB Limited (ASB PPS), also a New Zealand subsidiary. In relation to ASB Capital No.2 Limited, if an APRA Event occurs, the loan to ASB Funding Limited will be repaid and ASB Capital No.2 Limited will become the holder of the corresponding ASB PPS.

The PPS may be purchased by a Commonwealth Bank subsidiary exercising a buy-out right five years or more after issue, or on the occurrence of regulatory or tax events.

Significant Restrictions

There were no significant restrictions on the ability to transfer cash or other assets, pay dividends or other capital distributions, provide or repay loans and advances between the entities within the Group. There were also no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group resulting from protective rights of non-controlling interests.

Associates and Joint Ventures

There were no individually significant investments in associates or joint ventures held by the Group as at 30 June 2016 and 30 June 2015. In addition, there were no significant restrictions on the ability of associates or joint ventures to transfer funds to the Bank or its subsidiaries in the form of cash dividends or to repay loans or advances made.

The Group's investments in associates and joint ventures are shown in the table below.

	Group							
	2016		2015		2016		2015	
	\$M	\$M	Ownership Interest %	\$M	Ownership Interest %	Principal Activities	Country of Incorporation	Balance Date
AHL Holdings Pty Limited ⁽¹⁾	272	267	80		80	Mortgage Broking	Australia	30-Jun
Bank of Hangzhou Co., Ltd	1,405	1,282	20		20	Commercial Banking	China	31-Dec
BoCommLife Insurance Company Limited	174	159	38		38	Insurance	China	31-Dec
First State European Diversified Infrastructure Fund FCP-SIF ⁽²⁾	110	198	4		9	Funds Management	Luxembourg	31-Dec
Qilu Bank Co., Ltd	444	420	20		20	Commercial Banking	China	31-Dec
Vietnam International Commercial Joint Stock Bank	192	197	20		20	Financial Services	Vietnam	31-Dec
Other	179	114	Various		Various	Various	Various	Various
Carrying amount of investments in associates and joint ventures	2,776	2,637						

- (1) The Group's 80% interest in AHL Holdings Pty Limited (trading as Aussie Home Loans) is jointly controlled as the key financial and operating decisions require the unanimous consent of all directors. AHL Holdings Pty Limited is considered a structured entity. The Group's maximum exposure to loss in relation to its investment is its carrying value and the total assets of Aussie Home Loans equals \$280 million (2015: \$329 million).
- (2) In 2015, \$96 million of this investment was carried as Held for Sale and measured at the lower of carrying amount and fair value less costs to sell. The component was subsequently sold in the 2016 financial year.

	Group	
	2016	2015
Share of Associates' and Joint Ventures profits	\$M	\$M
Operating profits before income tax	367	336
Income tax expense	(78)	(68)
Operating profits after income tax ⁽¹⁾	289	268

(1) This amount is recognised within Note 2 in the share of profits of associates and joint ventures net of impairment.

Structured Entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on the Group's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases it may sponsor or have exposure to such an entity but not consolidate it.

Consolidated Structured Entities

The Group has the following contractual arrangements which require it to provide financial support to its structured entities.

Securitisation Structured Entities

The Group provides liquidity facilities to Medallion and Swan structured entities and a loan facility to SHIELD 50 entity. 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 \$1,118 million.

The Group has no contractual obligations to purchase assets from its securitisation structured entities.

Notes to the Financial Statements

Note 36 Investments in Subsidiaries and Other Entities (continued)

Consolidated Structured Entities (continued)

Covered Bonds Trust

The Group provides funding and support facilities to CBA Covered Bond Trust and ASB Covered Bond Trust (the 'Trusts'). CBA Covered Bond Trust and ASB Covered Bond Trust are bankruptcy remote SPVs that guarantee any debt obligations owing under the US\$30 billion CBA Covered Bond Programme and the EURO 7 billion ASB Covered Bond Programme, respectively. The funding facilities allow the Trusts to hold sufficient residential mortgage loans to support the guarantees provided to the Covered Bonds. The Group also provides various swaps to the Trusts to hedge any interest rate and currency mismatches. The Group, either directly or via its wholly owned subsidiaries, Securitisation Advisory Services Pty Limited and Securitisation Management Services Limited, provides various services to the Trusts including servicing and monitoring of the residential mortgages.

Structured Asset Finance Structured Entities

The Group has no contractual obligation to provide financial support to any of its Structured Asset Finance structured entities.

During the year ended 30 June 2016, the Bank entered into a debt forgiveness arrangement with two wholly owned structured entities for the total of \$69 million. The financial impact of the debt forgiveness was fully eliminated on consolidation.

Unconsolidated Structured Entities

The Group has exposure to various securitisation vehicles via Residential Mortgage-backed Securities (RMBS) and Asset-backed Securities (ABS). The Group may also provide derivatives and other commitments to these vehicles. The Group also has exposure to Investment Funds and other financing vehicles.

Securitisations

Securitisations involve transferring assets into an entity that sells beneficial interests to investors through the issue of debt and equity notes with varying levels of subordination. The notes are collateralised by the assets transferred to these vehicles and pay a return based on the returns of those assets, with residual returns paid to the most subordinated investor.

The Group may trade or invest in Residential Mortgage-backed Securities and Asset-backed Securities which are backed by Commercial Properties, Consumer Receivables, Equipment and Auto Finance. The Group may also provide lending, derivatives, liquidity and commitments to these securitisation entities.

Other Financing

Asset-backed entities are used to provide tailored lending for the purchase or lease of assets transferred by the Group or its clients. The assets are normally pledged as collateral to the lenders. The Group engages in raising finance for assets such as aircraft, trains, vessels and other infrastructure. The Group may also provide lending, derivatives, liquidity and commitments to these entities.

Investment Funds

The Group conducts investment management and other fiduciary activities as responsible entity, trustee, custodian, advisor or manager for investment funds and trusts, including superannuation and approved deposit funds, wholesale and retail trusts. The Group's exposure to Investment Funds includes holding units in the investment funds and trusts, providing lending facilities, derivatives and receiving fees for services.

The nature and extent of the Group's interests in these entities are summarised below. Interests do not include plain vanilla derivatives (e.g. interest rate swaps and currency swaps) and positions where the Group creates rather than absorbs variability of the Structured Entity, for example deposits. These have been excluded from the below table.

Exposures to unconsolidated structured entities	2016				
	RMBS \$M	ABS \$M	Other Financing \$M	Investment Funds \$M	Total \$M
Assets at fair value through income statement - trading	5	-	-	1,078	1,083
Available-for-sale investments	7,123	872	-	205	8,200
Loans, bills discounted and other receivables	2,432	1,606	2,627	9,861	16,526
Other assets	-	-	-	123	123
Total on Balance Sheet exposures	9,560	2,478	2,627	11,267	25,932
Total notional amounts of off Balance Sheet exposures ⁽¹⁾	1,338	543	501	3,915	6,297
Total maximum exposure to loss	10,898	3,021	3,128	15,182	32,229
Total assets of the entities ⁽²⁾	47,626	15,066	9,967	290,261	362,920

(1) Relates to undrawn facilities.

(2) Size of the entities is generally the total assets of the entities, except for Real Estate Investment Trusts where the size is based on the Group's credit exposure of \$11.2 billion.

Notes to the Financial Statements

Note 36 Investments in Subsidiaries and Other Entities (continued)

Unconsolidated Structured Entities (continued)

Exposures to unconsolidated structured entities	2015				
	RMBS \$M	ABS \$M	Other Financing \$M	Investment Funds \$M	Total \$M
Assets at fair value through income statement - trading	28	-	-	1,374	1,402
Available-for-sale investments	7,674	1,002	-	186	8,862
Loans, bills discounted and other receivables	1,809	391	2,555	10,499	15,254
Other assets	-	-	-	210	210
Total on Balance Sheet exposures	9,511	1,393	2,555	12,269	25,728
Total notional amounts of off Balance Sheet exposures ⁽¹⁾	1,571	1,027	157	6,118	8,873
Total maximum exposure to loss	11,082	2,420	2,712	18,387	34,601
Total assets of the entities ⁽²⁾	52,979	7,373	10,102	293,509	363,963

(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 \$13.7 billion and newly established securitisation vehicles that have no assets where the Group's exposure is represented by undrawn credit facilities of \$1,240 million.

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	2016			
	RMBS \$M	ABS \$M	Other Financing \$M	Total \$M
Senior ⁽¹⁾	10,853	3,008	3,128	16,989
Mezzanine ⁽²⁾	18	13	-	31
Subordinated ⁽³⁾	27	-	-	27
Total maximum exposure to loss	10,898	3,021	3,128	17,047

(1) \$10,853 million of RMBS exposures, \$3,008 million of ABS exposures and \$1,522 million of other financing exposures are rated investment grade, the remaining \$1,606 million exposures are rated sub-investment grade.

(2) All RMBS and ABS exposures are rated investment grade.

(3) All exposures are rated sub-investment grade.

Ranking and credit rating of exposures to unconsolidated structured entities	2015			
	RMBS \$M	ABS \$M	Other Financing \$M	Total \$M
Senior ⁽¹⁾	11,025	2,406	2,679	16,110
Mezzanine ⁽²⁾	28	14	33	75
Subordinated ⁽³⁾	29	-	-	29
Total maximum exposure to loss	11,082	2,420	2,712	16,214

(1) \$11,025 million of RMBS exposures, \$2,406 million of ABS exposures and \$1,506 million of other financing exposures are rated investment grade, the remaining \$1,173 million exposures are rated sub-investment grade.

(2) All RMBS and ABS exposures are rated investment grade, all other financing exposures are rated sub-investment grade.

(3) All exposures are rated sub-investment grade.

Sponsored Unconsolidated Structured Entities

For the purposes of this disclosure, the Group sponsors an entity when it manages or advises the entity's program, places securities into the market on behalf of the entity, provides liquidity and/or credit enhancements to the entity, or the Group's name appears in the Structured Entity.

During the year ended 30 June 2016, the Group has sponsored two unconsolidated structured entities being Security Holding Investment Entity Linking Deals Limited (SHIELD) and SHIELD Trust No. 2. A wholly owned subsidiary of the Group, Securitisation Advisory Services Pty Limited (SAS), is the manager of SHIELD and SHIELD is the trustee of SHIELD Trust No. 2. The Group continues to hold an interest in these structured entities.

There has been no significant income earned or expense incurred directly from these entities during the year ended 30 June 2016. There also have been no assets transferred by all parties to the sponsored entities during the year ended 30 June 2016.

Notes to the Financial Statements

Note 37 Key Management Personnel

Detailed remuneration disclosures by Key Management Personnel are provided in the Remuneration Report of the Directors' Report on pages 60 to 68 and have been audited.

	Group		Bank	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Key management personnel compensation				
Short-term benefits	34,707	34,086	34,707	34,086
Post-employment benefits	457	450	457	450
Share-based payments	12,243	9,090	12,243	9,090
Long-term benefits	1,134	1,300	1,134	1,300
Total	48,541	44,926	48,541	44,926

Shareholdings

Details of the aggregate shareholdings of Key Management Personnel are set out below.

	Class	Balance 1 July 2015	Reward/ Deferred		Net	
			Acquired/ Granted as Remuneration	Vested (¹⁾⁽²⁾)	Change Other ⁽³⁾	Balance 30 June 2016 ⁽⁴⁾
Non-Executive Directors	Ordinary ⁽⁵⁾	191,368	36,260	-	(27,063)	200,565
	PERLS	12,980	9,550	-	(12,700)	9,830
	Other securities ⁽⁶⁾	5,000	-	-	(5,000)	-
Executives	Ordinary	442,518	-	-	188,242	630,760
	GLRP - Reward Shares/Rights	1,092,787	290,938	(212,185)	(33,822)	1,137,718
	Deferred Shares/Rights	45,206	4,361	(22,934)	-	26,633

- (1) Reward Rights represent rights granted under the GLRP which are subject to performance hurdles. Deferred Shares/Rights represent the deferred STI awarded under Executive General Manager arrangements, sign-on and retention awards received as restricted shares/rights. PERLS include cumulative holdings of all PERLS securities issued by the Group.
- (2) Reward Rights and Deferred Shares/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.
- (3) Net Change Other incorporates changes resulting from purchases, sales, forfeitures and retirement of Non-Executive Directors during the financial year.
- (4) 30 June 2016 balances represent aggregate shareholdings of all KMP at balance date.
- (5) Non-Executive Directors who hold less than 5,000 Commonwealth Bank shares are required to receive 20% of their total post-tax annual fees as Commonwealth Bank shares. These shares are subject to a 10 year trading restriction (the shares will be released earlier if the director leaves the Board).
- (6) Other securities: Jane Hemstritch retired effective 31 March 2016 (2015: held Colonial Sub notes).

Loans to Key Management Personnel

All loans to Key Management Personnel (or close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of the aforementioned held significant voting power) have been provided on 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).

Details of aggregate loans to Key Management Personnel are set out below:

KMP's	2016 \$'000	2015 \$'000
Loans	11,355	10,130
Interest Charged	456	501

Other transactions of Key Management Personnel

Financial Instrument Transactions

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

Disclosure of financial instrument transactions regularly made as part of normal banking operations is limited to disclosure of such transactions with Key Management Personnel and entities controlled or significantly influenced by them.

All such financial instrument transactions that have occurred between entities within the Group and their Key Management Personnel have been trivial or domestic in nature and were in the nature of normal personal banking and deposit transactions.

Transactions other than Financial Instrument Transactions of Banks

All other transactions with Key Management Personnel and their related entities and other related parties are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. These transactions principally involve the provision of financial and investment services by entities not controlled by the Group. A related party of an Executive has also been employed by the Group, and is remunerated in a manner consistent with normal employee relationships.

Notes to the Financial Statements

Note 38 Related Party Disclosures

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

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

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

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

	Bank	
	2016 \$M	2015 \$M
Shares in controlled entities	11,720	13,027
Loans to controlled entities ⁽¹⁾	134,233	130,729
Total shares in and loans to controlled entities	145,953	143,756

(1) On 31 March 2015 internal RMBS issued to the Bank by controlled entities of \$75,041 million were reclassified to Loans to controlled entities. Refer to Note 11 for further detail.

The Group also receives fees on an arm's length basis of \$49 million (2015: \$24 million) from funds classified as associates.

The Bank provides letters of comfort to other entities within the Group on standard terms. Guarantees include a \$40 million (2015: \$40 million) guarantee to AFS license holders in respect of excess compensation claims and a \$5 million bank guarantee provided to Colonial First State Investments Limited which expired on 30 June 2016 (2015: \$5 million).

The Bank is the head entity of the tax consolidated group and has entered into tax funding and tax sharing agreements with its eligible Australian resident subsidiaries. The terms and conditions of these agreements are set out in Note 1(r). The amount receivable by the Bank under the tax funding agreement with the tax consolidated entities is \$213 million as at 30 June 2016 (2015: \$200 million receivable). This balance is included in 'Other assets' in the Bank's separate Balance Sheet.

All transactions between Group entities are eliminated on consolidation.

Notes to the Financial Statements

Note 39 Notes to the Statements of Cash Flows

(a) Reconciliation of Net Profit after Income Tax to Net Cash (used in)/provided by Operating Activities

	Group			Bank	
	2016 \$M	2015 \$M	2014 \$M	2016 \$M	2015 \$M
Net profit after income tax	9,247	9,084	8,650	8,639	8,976
(Increase)/decrease in interest receivable	(148)	3	(22)	(130)	(251)
(Decrease)/increase in interest payable	(312)	14	(295)	(295)	(70)
Net increase in assets at fair value through Income Statement (excluding life insurance)	(8,538)	(5,490)	(1,016)	(8,787)	(4,997)
Net gain on sale of controlled entities and associates	-	(13)	(60)	(21)	-
Net gain on sale of investments	-	-	(2)	-	-
Net movement in derivative assets/liabilities	5,988	6,180	5,375	6,288	9,058
Net loss on sale of property, plant and equipment	21	8	12	15	4
Equity accounting profit	(289)	(268)	(192)	-	-
Loan impairment expense	1,256	988	918	1,153	837
Depreciation and amortisation (including asset write downs)	857	803	874	666	631
Increase/(decrease) in liabilities at fair value through Income Statement (excluding life insurance)	1,651	975	(1,674)	123	2,105
(Decrease)/increase in other provisions	(78)	354	7	(13)	161
Increase/(decrease) in income taxes payable	486	(32)	(617)	181	(423)
Decrease in deferred tax liabilities	(162)	(15)	(104)	-	-
Decrease/(increase) in deferred tax assets	110	131	363	(22)	25
Decrease/(increase) in accrued fees/reimbursements receivable	137	66	(158)	(10)	8
(Decrease)/increase in accrued fees and other items payable	(265)	349	94	(67)	230
Decrease in life insurance contract policy liabilities	(991)	(1,133)	(1,082)	-	-
Cash flow hedge ineffectiveness	5	20	9	(5)	(4)
(Gain)/loss on changes in fair value of hedged items	(642)	(493)	71	(1,369)	(660)
Dividend received - controlled entities	-	-	-	(1,462)	(1,972)
Changes in operating assets and liabilities arising from cash flow movements	(13,640)	(4,658)	(8,280)	(11,367)	(10,966)
Other	746	310	1,092	1,020	512
Net cash (used in)/provided by operating activities	(4,561)	7,183	3,963	(5,463)	3,204

(b) Reconciliation of Cash

For the purposes of the Statements of Cash Flows, cash includes cash and money at short call.

	Group			Bank	
	2016 \$M	2015 \$M	2014 \$M	2016 \$M	2015 \$M
Notes, coins and cash at banks	12,103	15,683	12,490	10,809	14,821
Other short-term liquid assets	2,344	3,587	6,638	2,100	3,344
Cash and cash equivalents at end of year	14,447	19,270	19,128	12,909	18,165

(c) Non-cash Financing and Investing Activities

	Group		
	2016 \$M	2015 \$M	2014 \$M
Shares issued under the Dividend Reinvestment Plan ⁽¹⁾	1,209	571	707

(1) No part of the Dividend Reinvestment Plan paid out in the 2016 financial year was satisfied through the on-market purchase and transfer of shares to participating shareholders (2015: \$704 million and 2014: \$722 million).

(d) Disposal of Controlled Entities - Fair Value of Asset Disposal

The Group disposed of certain CFS GAM operations including Colonial First State Property Management Pty Limited, Commonwealth Management Investments Limited and Colonial First State Management Pty Limited during the 2014 financial year.

	Group		
	2016 \$M	2015 \$M	2014 \$M
Net assets	-	-	440
Cash consideration received	-	-	569
Cash and cash equivalents held in disposed entities	-	-	38

Notes to the Financial Statements

Note 39 Notes to the Statements of Cash Flows (continued)

(e) Acquisition of Controlled Entities

On 20 April 2016, 100% of the contributed equity of Vector Gas Limited was purchased for NZ\$952.5 million and renamed to First Gas Limited (FGL). The acquisition occurred via the Global Diversified Infrastructure Fund (GDIF), which is partly owned by the Group's life insurance business.

The investment in GDIF is used to back life insurance policy liabilities, the majority of which are investment-linked contracts where the returns to policyholders are linked to GDIF's overall returns. Notwithstanding this, GDIF and consequently FGL, have been consolidated due to the overall equity ownership in GDIF.

FGL is the owner and operator of gas transmission and distribution networks within New Zealand. The determination of the fair value of identifiable assets acquired and liabilities assumed is ongoing. The provisional fair value of net tangible assets acquired was \$553 million, resulting in provisional goodwill of \$304 million. These figures will be revised upon completion of the purchase price allocation, in accordance with Australian Accounting Standards.

The Group acquired 100% of the issued share capital of the TYME Group and gained control on 26 January 2015. TYME is a South African based global leader in designing, building and operating digital banking systems. This acquisition will support the Group in growing into emerging markets, as well as provide capability to enhance innovation in our core markets.

The fair value of the identifiable assets acquired and liabilities assumed at the acquisition date are as follows:

	2016	2015	Group 2014
	\$M ⁽¹⁾	\$M	\$M
Net identifiable assets at fair value	553	(2)	-
Add: Goodwill	304	43	-
Purchase consideration transferred	857	41	-
Less: Cash and cash equivalents acquired	-	-	-
	857	41	-
Less: Contingent consideration	-	(12)	-
Net cash outflow on acquisition	857	29	-

(1) As the purchase price allocation is ongoing, the provisional fair value of net identifiable assets has been disclosed in accordance with Australian Accounting Standards.

Note 40 Disclosures about Fair Values

(a) Valuation

The best evidence of fair value is a quoted market price in an active market. Therefore, where possible, fair value is based on quoted market prices. Where no quoted market price for an instrument is available, the fair value is based on present value estimates or other valuation techniques based on current market conditions. These valuation techniques rely on market observable inputs wherever possible, or in a limited number of instances, rely on inputs which are reasonable assumptions based on market conditions.

Determination of the fair value of Over-the-Counter (OTC) derivatives includes credit valuation adjustments (CVA) for derivative assets to reflect the credit worthiness of the counterparty. Fair value of uncollateralised derivative assets and uncollateralised derivative liabilities incorporate funding valuation adjustments (FVA) to reflect funding costs and benefits to the Group. These adjustments are applied after considering any relevant collateral or master netting arrangements.

The Group utilises various valuation techniques and applies a hierarchy for valuation inputs that maximise the use of observable market data, if available.

Under AASB 13 'Fair Value Measurement' all financial and non-financial assets and liabilities measured or disclosed at fair value are categorised into one of the following three fair value hierarchy levels:

Quoted Prices in Active Markets – Level 1

This category includes assets and liabilities for which the valuation is determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Financial instruments included in this category are liquid government bonds, financial institution and corporate bonds, certificates of deposit, bank bills, listed equities and exchange traded derivatives.

Valuation Technique Using Observable Inputs – Level 2

This category includes assets and liabilities that have been valued using inputs other than quoted prices as described for Level 1, but which are observable for the asset or liability, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.

Financial instruments included in this category are commercial papers, mortgage-backed securities and OTC derivatives including interest rate swaps, cross currency swaps and FX options.

Notes to the Financial Statements

Note 40 Disclosures about Fair Values (continued)

Valuation Technique Using Significant Unobservable Inputs – Level 3

This category includes assets and liabilities where the valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally derived and extrapolated from observable inputs to match the risk profile of the financial instrument, and are calibrated against current market assumptions, historic transactions and economic models, where available. These inputs may include the timing and amount of future cash flows, rates of estimated credit losses, discount rates and volatility.

Financial instruments included in this category for the Group and Bank are certain exotic OTC derivatives and certain asset-backed securities valued using unobservable inputs.

(b) Fair Value Hierarchy for Financial Assets and Liabilities Measured at Fair Value

The classification in the fair value hierarchy of the Group's and the Bank's financial assets and liabilities measured at fair value is presented in the tables below:

	Group							
	Fair Value as at 30 June 2016				Fair Value as at 30 June 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Financial assets measured at fair value on a recurring basis								
Assets at fair value through Income Statement:								
Trading	23,180	10,887	-	34,067	18,623	7,801	-	26,424
Insurance	4,014	9,533	-	13,547	5,395	8,693	-	14,088
Other	43	1,437	-	1,480	95	1,183	-	1,278
Derivative assets	16	46,491	60	46,567	12	46,062	80	46,154
Available-for-sale investments	71,244	9,353	301	80,898	64,341	10,228	115	74,684
Bills Discounted	10,507	-	-	10,507	14,847	-	-	14,847
Total financial assets measured at fair value	109,004	77,701	361	187,066	103,313	73,967	195	177,475
Financial liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement	2,749	7,543	-	10,292	4,437	4,056	-	8,493
Derivative liabilities	38	39,819	64	39,921	-	35,190	23	35,213
Life investment contracts	-	8,582	-	8,582	-	9,159	-	9,159
Total financial liabilities measured at fair value	2,787	55,944	64	58,795	4,437	48,405	23	52,865

	Bank							
	Fair Value as at 30 June 2016				Fair Value as at 30 June 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Financial assets measured at fair value on a recurring basis								
Assets at fair value through Income Statement:								
Trading	22,731	10,254	-	32,985	18,211	6,924	-	25,135
Other	-	1,187	-	1,187	-	989	-	989
Derivative assets	16	46,449	60	46,525	7	45,520	80	45,607
Available-for-sale investments	68,190	7,870	301	76,361	62,435	9,754	115	72,304
Bills Discounted	10,507	-	-	10,507	14,847	-	-	14,847
Total financial assets measured at fair value	101,444	65,760	361	167,565	95,500	63,187	195	158,882
Financial liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement	2,749	4,692	-	7,441	4,428	2,895	-	7,323
Derivative liabilities	33	43,781	70	43,884	-	39,611	25	39,636
Total financial liabilities measured at fair value	2,782	48,473	70	51,325	4,428	42,506	25	46,959

Notes to the Financial Statements

Note 40 Disclosures about Fair Values (continued)

(c) Analysis of Movements between Fair Value Hierarchy Levels

During the year ended 30 June 2016, the Group and the Bank reclassified \$547 million of available-for-sale securities (30 June 2015: \$1,379 million) from Level 2 to Level 1. The Group also had insurance security reclassifications of \$628 million (30 June 2015: \$nil) from Level 1 to Level 2. There were no trading security reclassifications (30 June 2015: \$525 million) from Level 2 to Level 1, due to changes in the observability of inputs. The tables below summarise movements in Level 3 balance during the year. Transfers have been reflected as if they had taken place at the end of the reporting periods.

Level 3 Movement Analysis for the year ended 30 June 2016

	Group			
	Derivative Assets \$M	Available for Sale Investments \$M	Derivative Liabilities \$M	Total \$M
As at 1 July 2014	135	97	(14)	218
Purchases	-	8	-	8
Sales/Settlements	(122)	(28)	8	(142)
Gains/(losses) in the period:				
Recognised in the Income Statement	70	3	(13)	60
Recognised in the Statement of Comprehensive Income	-	1	-	1
Transfers in	9	34	(7)	36
Transfers out	(12)	-	3	(9)
As at 30 June 2015	80	115	(23)	172
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2015	70	-	(14)	56
As at 1 July 2015	80	115	(23)	172
Purchases	13	4	-	17
Sales/Settlements	-	(104)	(46)	(150)
Gains/(losses) in the period:				
Recognised in the Income Statement	(33)	(2)	5	(30)
Recognised in the Statement of Comprehensive Income	-	-	-	-
Transfers in	-	305	-	305
Transfers out	-	(17)	-	(17)
As at 30 June 2016	60	301	(64)	297
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2016	-	1	-	1

Notes to the Financial Statements

Note 40 Disclosures about Fair Values (continued)

Level 3 Movement Analysis for the year ended 30 June 2016 (continued)

	Bank			
	Available			
	Derivative Assets	for Sale Investments	Derivative Liabilities	Total
	\$M	\$M	\$M	\$M
As at 1 July 2014	247	68,294	(116)	68,425
Purchases	-	7,967	-	7,967
Sales/Settlements	(235)	(337)	110	(462)
Gains/(losses) in the period:				
Recognised in the Income Statement	71	3	(15)	59
Recognised in the Statement of Comprehensive Income	-	106	-	106
Transfers in	9	34	(7)	36
Transfers out	(12)	(75,952)	3	(75,961)
As at 30 June 2015	80	115	(25)	170
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2015	71	-	(16)	55
As at 1 July 2015	80	115	(25)	170
Purchases	14	4	-	18
Sales/Settlements	-	(104)	(46)	(150)
Gains/(losses) in the period:				
Recognised in the Income Statement	(34)	(2)	1	(35)
Recognised in the Statement of Comprehensive Income	-	-	-	-
Transfers in	-	305	-	305
Transfers out	-	(17)	-	(17)
As at 30 June 2016	60	301	(70)	291
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2016	-	1	-	1

On 31 March 2015, internal residential mortgage backed securities issued to the Bank by controlled entities of \$75,041 million were reclassified to loans to controlled entities. They were reclassified prospectively at their fair value of \$75,041 million. As at the date of reclassification the available for sale reserve was \$nil. All other transfers in and out of Level 3 were due to changes in the observability of the inputs.

The Group's exposure to financial instruments measured at fair value based in full or in part on non-market observable inputs is restricted to a small number of financial instruments, which comprise an insignificant component of the portfolios to which they belong. As such, the purchases, sales, as well as any change in the assumptions used to value the instruments to a reasonably possible alternative do not have a material effect on the portfolio balance of the Group's results.

Notes to the Financial Statements

Note 40 Disclosures about Fair Values (continued)

(d) Fair Value Information for Financial Instruments not measured at Fair Value

The estimated fair values and fair value hierarchy of the Group's and the Bank's financial instruments not measured at fair value as at 30 June 2016 are presented below:

	Group 30 June 2016				
	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	23,372	14,447	8,925	-	23,372
Receivables due from other financial institutions	11,591	-	11,591	-	11,591
Loans and other receivables	684,891	-	-	685,341	685,341
Bank acceptances of customers	1,431	1,431	-	-	1,431
Other assets	5,599	2,177	3,422	-	5,599
Total financial assets	726,884	18,055	23,938	685,341	727,334
Financial liabilities not measured at fair value on a recurring basis					
Deposits and other public borrowings	588,045	-	588,405	-	588,405
Payables due to other financial institutions	28,771	-	28,771	-	28,771
Bank acceptances	1,431	1,431	-	-	1,431
Debt issues	161,284	-	161,049	-	161,049
Managed funds units on issue	1,606	1,400	206	-	1,606
Bills payable and other liabilities	7,498	1,414	6,084	-	7,498
Loan capital	15,544	6,151	8,950	-	15,101
Total financial liabilities	804,179	10,396	793,465	-	803,861
Financial guarantees, loan commitments and other off Balance Sheet instruments	179,902	-	-	179,902	179,902

	Group 30 June 2015				
	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	33,116	19,270	13,846	-	33,116
Receivables due from other financial institutions ⁽¹⁾	13,063	-	13,063	-	13,063
Loans and other receivables	624,415	-	-	625,265	625,265
Bank acceptances of customers	1,944	-	-	1,944	1,944
Other assets	5,894	499	5,395	-	5,894
Total financial assets	678,432	19,769	32,304	627,209	679,282
Financial liabilities not measured at fair value on a recurring basis					
Deposits and other public borrowings	543,231	-	529,738	14,819	544,557
Payables due to other financial institutions	36,416	-	36,416	-	36,416
Bank acceptances	1,944	1,944	-	-	1,944
Debt issues	154,429	1,010	154,278	-	155,288
Managed funds units on issue	1,149	1,149	-	-	1,149
Bills payable and other liabilities	8,963	-	8,963	-	8,963
Loan capital	12,824	2,852	9,454	-	12,306
Total financial liabilities	758,956	6,955	738,849	14,819	760,623
Financial guarantees, loan commitments and other off Balance Sheet instruments	175,569	-	-	175,569	175,569

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

Notes to the Financial Statements

Note 40 Disclosures about Fair Values (continued)

(d) Fair Value Information for Financial Instruments not measured at Fair Value (continued)

	Bank 30 June 2016				
	Carrying value		Fair value		
	Total	Level 1	Level 2	Level 3	Total
	\$M	\$M	\$M	\$M	\$M
Financial assets not measured at fair value on a recurring basis					
Cash and liquid assets	21,582	12,909	8,673	-	21,582
Receivables due from other financial institutions	10,182	-	10,182	-	10,182
Loans and other receivables	607,412	-	-	607,899	607,899
Bank acceptances of customers	1,413	1,413	-	-	1,413
Loans to controlled entities	134,233	-	-	133,567	133,567
Other assets	5,001	1,727	3,274	-	5,001
Total financial assets	779,823	16,049	22,129	741,466	779,644
Financial liabilities not measured at fair value on a recurring basis					
Deposits and other public borrowings	536,086	-	536,331	-	536,331
Payables due to other financial institutions	28,328	-	28,328	-	28,328
Bank acceptances	1,413	1,413	-	-	1,413
Due to controlled entities	130,046	-	-	130,046	130,046
Debt issues	134,214	-	134,968	-	134,968
Bills payable and other liabilities	5,535	964	4,571	-	5,535
Loan capital	15,138	6,155	8,543	-	14,698
Total financial liabilities	850,760	8,532	712,741	130,046	851,319
Financial guarantees, loan commitments and other off Balance Sheet instruments	163,619	-	-	163,619	163,619

	Bank 30 June 2015				
	Carrying value		Fair value		
	Total	Level 1	Level 2	Level 3	Total
	\$M	\$M	\$M	\$M	\$M
Financial assets not measured at fair value on a recurring basis					
Cash and liquid assets	31,683	18,166	13,517	-	31,683
Receivables due from other financial institutions ⁽¹⁾	11,204	-	11,204	-	11,204
Loans and other receivables	558,588	-	-	559,366	559,366
Bank acceptances of customers	1,908	-	-	1,908	1,908
Loans to controlled entities	130,729	-	-	130,441	130,441
Other assets	5,009	488	4,521	-	5,009
Total financial assets	739,121	18,654	29,242	691,715	739,611
Financial liabilities not measured at fair value on a recurring basis					
Deposits and other public borrowings	497,625	-	484,781	13,660	498,441
Payables due to other financial institutions	35,516	-	35,516	-	35,516
Bank acceptances	1,908	1,908	-	-	1,908
Due to controlled entities	126,496	-	2,483	124,013	126,496
Debt issues	130,359	-	131,741	-	131,741
Bills payable and other liabilities	6,619	-	6,619	-	6,619
Loan capital	13,364	1,703	11,104	-	12,807
Total financial liabilities	811,887	3,611	672,244	137,673	813,528
Financial guarantees, loan commitments and other off Balance Sheet instruments	161,722	-	-	161,722	161,722

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

Note 40 Disclosures about Fair Values (continued)

(d) Fair Value Information for Financial Instruments not measured at Fair Value (continued)

The fair values disclosed above represent estimates of prices at which these instruments could be sold or transferred in an orderly transaction between market participants. However, many of the instruments lack an available trading market and it is the intention to hold to maturity. Thus it is possible that realised amounts may differ to amounts disclosed above. Due to the wide range of valuation techniques and the numerous estimates that must be made, it may be difficult to make a reasonable comparison of the fair value information disclosed here, against that disclosed by other financial institutions.

The fair value estimates disclosed above have been derived as follows:

Loans and Other Receivables

The carrying value of loans and other receivables is net of accumulated collective and individually assessed provisions for impairment. Customer creditworthiness is regularly reviewed in line with the Group's credit policies and where necessary, pricing is adjusted in accordance with individual credit contracts.

For the majority of variable rate loans, excluding impaired loans, the carrying amount is considered a reasonable estimate of fair value. For Institutional variable rate loans, the fair value is calculated using discounted cash flow models with a discount rate reflecting market rates offered on similar loans to customers with similar creditworthiness. The fair value of impaired loans is calculated by discounting estimated future cash flows using the loan's market interest rate.

The fair value of fixed rate loans is calculated using discounted cash flow models where the discount rate reflects market rates offered for loans of similar remaining maturities and creditworthiness as the customer.

Deposits and Other Public Borrowings

Fair value of non-interest bearing, call and variable rate deposits, and fixed rate deposits repricing within six months, approximate their carrying value as they are short-term in nature or payable on demand.

Fair value of term deposits are estimated using discounted cash flows, applying market rates offered for deposits of similar remaining maturities.

Debt Issues and Loan Capital

The fair values are calculated using quoted market prices, where available. Where quoted market prices are not available, discounted cash flow and option pricing models are used. The discount rate applied reflects the terms of the instrument, the timing of the cash flows and is adjusted for any change in the Group's applicable credit rating.

Other Financial Assets and Liabilities

For all other financial assets and liabilities fair value approximates carrying value due to their short-term nature, frequent repricing or high credit rating.

Note 41 Securitisation, Covered Bonds and Transferred Assets

Transfer of Financial Assets

In the normal course of business the Group enters into transactions by which it transfers financial assets to counterparties or directly to Special Purpose Vehicles (SPVs). These transfers do not give rise to derecognition of those financial assets for the Group.

Repurchase Agreements

Securities sold under agreement to repurchase are retained on the Balance Sheet when substantially all the risks and rewards of ownership remain with the Group, and the counterparty liability is included separately on the Balance Sheet when cash consideration is received.

Securitisation Programs

Residential mortgages securitised under the Group's securitisation programs are equitably assigned to bankruptcy remote Special Purpose Vehicles (SPVs). The Group is entitled to any residual income of the securitisation program after all payments due to investors have been met. In addition, where derivatives are transacted between the SPV and the Bank, such that the Bank retains exposure to the variability in cash flows from the transferred residential mortgages, the mortgages will continue to be recognised on the Bank's Balance Sheet. The investors have full recourse only to the residential mortgages segregated into an SPV.

Covered Bonds Programs

To complement the existing wholesale funding sources, the Group has established two global covered bond programs for the Bank and ASB. Certain residential mortgages have been assigned to a bankruptcy remote SPV associated with covered bond programs to provide security for the obligations payable on the covered bonds issued by the Group. Similarly to securitisation programs, the Group is entitled to any residual income after all payments due to covered bonds investors have been met. As the Bank retains substantially all of the risks and rewards associated with the mortgages through derivatives transacted with the SPV, the Bank and ASB continue to recognise the mortgages on its Balance Sheet. The covered bond holders have dual recourse to the Bank and the covered pool assets.

Notes to the Financial Statements

Note 41 Securitisation, Covered Bonds and Transferred Assets (continued)

At the Balance Sheet date, transferred financial assets that did not qualify for derecognition and their associated liabilities are as follows:

	Group					
	Repurchase Agreements		Covered Bonds		Securitisation	
	2016 \$M	2015 \$M	2016 \$M	2015 \$M	2016 \$M	2015 \$M
Carrying amount of transferred assets	17,180	12,976	36,770	32,316	13,863	14,264
Carrying amount of associated liabilities ^{(1) (2)}	17,180	12,976	31,802	28,755	12,106	12,603
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred assets					13,874	14,273
Fair value of associated liabilities					12,106	12,603
Net position					1,768	1,670
	Bank					
	Repurchase Agreements		Covered Bonds		Securitisation	
	2016 \$M	2015 \$M	2016 \$M	2015 \$M	2016 \$M	2015 \$M
Carrying amount of transferred assets	17,361	13,048	30,907	29,018	94,369	93,198
Carrying amount of associated liabilities ^{(2) (3)}	17,361	13,048	27,863	26,005	94,369	93,198
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred assets					94,433	93,257
Fair value of associated liabilities					94,369	93,198
Net position					64	59

(1) Securitisation liabilities of the Group include RMBS notes issued by securitisation SPVs and held by external investors.

(2) Securities sold under agreements to repurchase include \$56 million of equity securities lending arrangements reported under Bills Payable and Other Liabilities.

(3) 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.

Note 42 Collateral Arrangements

Collateral Accepted as Security for Assets

The Group takes collateral where it is considered necessary to support both on and off Balance Sheet financial instruments. The Group evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral taken, if deemed necessary, is based on management's credit evaluation of the counterparty. The Group has the right to sell, re-pledge, or otherwise use some of the collateral received. At Balance Sheet date the carrying value of cash accepted as collateral (and recognised on the Group's and the Bank's Balance Sheets) and the fair value of securities accepted as collateral (but not recognised on the Group's or the Bank's Balance Sheets) were as follows:

	Group		Bank	
	2016 \$M	2015 \$M	2016 \$M	2015 \$M
Cash	12,172	14,249	11,856	13,543
Securities	8,925	13,846	8,673	13,518
Collateral held	21,097	28,095	20,529	27,061
Collateral held which is re-pledged or sold	-	9	-	-

Assets Pledged

As part of standard terms of transactions with other banks, the Group has provided collateral to secure liabilities. At Balance Sheet date, the carrying value of assets pledged as collateral to secure liabilities is as follows:

	Group		Bank	
	2016 \$M	2015 \$M	2016 \$M	2015 \$M
Cash	7,865	6,687	7,016	6,367
Securities ⁽¹⁾	17,228	13,113	17,411	13,186
Assets pledged	25,093	19,800	24,427	19,553
Asset pledged which can be re-pledged or re-sold by counterparty ⁽²⁾	17,228	13,113	17,411	13,186

(1) These balances include assets sold under repurchase agreements. The liabilities related to these repurchase agreements are disclosed in Note 17.

(2) Comparatives have been restated to align to the presentation in the current year.

The Group and the Bank have pledged collateral as part of entering repurchase and derivative agreements. These transactions are governed by standard industry agreements.

Notes to the Financial Statements

Note 43 Offsetting Financial Assets and Financial Liabilities

The table below identifies amounts that have been offset on the Balance Sheet and amounts covered by enforceable netting arrangements or similar agreements that do not qualify for set off. Cash settled derivatives that trade on an exchange are deemed to be economically settled and therefore outside the scope of these disclosures.

Financial Instruments	Subject to Enforceable Master Netting or Similar Agreements						Group 30 June 2016	
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
	Gross Balance Sheet Amount	Amount offset	Reported on the Balance Sheet	Financial Instruments ⁽¹⁾	Financial Collateral (Received)/ Pledged ⁽¹⁾	Net Amount	Not subject to Netting Agreements	Total Balance Sheet amount
Derivative assets	48,681	(7,795)	40,886	(23,077)	(11,173)	6,636	5,681	46,567
Securities purchased under agreements to resell	8,925	-	8,925	(489)	(8,427)	9	-	8,925
Equity securities sold not delivered	915	(531)	384	-	-	384	-	384
Total financial assets	58,521	(8,326)	50,195	(23,566)	(19,600)	7,029	5,681	55,876
Derivative liabilities	(47,622)	11,479	(36,143)	23,077	7,421	(5,645)	(3,778)	(39,921)
Securities sold under agreements to repurchase ⁽²⁾	(17,180)	-	(17,180)	489	16,691	-	-	(17,180)
Equity securities purchased not delivered	(988)	531	(457)	-	-	(457)	-	(457)
Total financial liabilities	(65,790)	12,010	(53,780)	23,566	24,112	(6,102)	(3,778)	(57,558)

Financial Instruments ⁽³⁾	Subject to Enforceable Master Netting or Similar Agreements						Group 30 June 2015	
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
	Gross Balance Sheet Amount	Amount offset	Reported on the Balance Sheet	Financial Instruments ⁽¹⁾	Financial Collateral (Received)/ Pledged ⁽¹⁾	Net Amount	Not subject to Netting Agreements	Total Balance Sheet amount
Derivative assets	43,197	(3,169)	40,028	(20,799)	(14,016)	5,213	6,126	46,154
Securities purchased under agreements to resell	13,846	-	13,846	(264)	(13,525)	57	-	13,846
Equity securities sold not delivered	1,969	(710)	1,259	-	-	1,259	-	1,259
Total financial assets	59,012	(3,879)	55,133	(21,063)	(27,541)	6,529	6,126	61,259
Derivative liabilities	(35,931)	4,832	(31,099)	20,799	6,292	(4,008)	(4,114)	(35,213)
Securities sold under agreements to repurchase	(12,976)	-	(12,976)	264	12,712	-	-	(12,976)
Equity securities purchased not delivered	(1,201)	710	(491)	-	-	(491)	-	(491)
Total financial liabilities	(50,108)	5,542	(44,566)	21,063	19,004	(4,499)	(4,114)	(48,680)

(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 on page 178.

(2) Securities sold under agreements to repurchase include \$56 million of equity securities lending arrangements reported under Bills Payable and Other Liabilities.

(3) Certain comparative information has been restated to align to presentation in the current year.

Notes to the Financial Statements

	Subject to Enforceable Master Netting or Similar Agreements						Bank 30 June 2016	
Financial Instruments	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet			Not subject to Netting Agreements	Total Balance Sheet amount
	Gross Balance Sheet Amount	Amount offset	Reported on the Balance Sheet	Financial Instruments ⁽¹⁾	Financial Collateral (Received)/ Pledged ⁽¹⁾	Net Amount		
Derivative assets	48,975	(7,795)	41,180	(23,653)	(11,022)	6,505	5,345	46,525
Securities purchased under agreements to resell	8,673	-	8,673	(489)	(8,175)	9	-	8,673
Total financial assets	57,648	(7,795)	49,853	(24,142)	(19,197)	6,514	5,345	55,198
Derivative liabilities	(51,578)	11,479	(40,099)	23,653	6,607	(9,839)	(3,785)	(43,884)
Securities sold under agreements to repurchase ⁽²⁾	(17,361)	-	(17,361)	489	16,872	-	-	(17,361)
Total financial liabilities	(68,939)	11,479	(57,460)	24,142	23,479	(9,839)	(3,785)	(61,245)

	Subject to Enforceable Master Netting or Similar Agreements						Bank 30 June 2015	
Financial Instruments ⁽³⁾	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet			Not subject to Netting Agreements	Total Balance Sheet amount
	Gross Balance Sheet Amount	Amount offset	Reported on the Balance Sheet	Financial Instruments ⁽¹⁾	Financial Collateral (Received)/ Pledged ⁽¹⁾	Net Amount		
Derivative assets	42,597	(3,169)	39,428	(21,107)	(13,316)	5,005	6,179	45,607
Securities purchased under agreements to resell	13,518	-	13,518	(264)	(13,196)	58	-	13,518
Total financial assets	56,115	(3,169)	52,946	(21,371)	(26,512)	5,063	6,179	59,125
Derivative liabilities	(40,308)	4,832	(35,476)	21,107	5,979	(8,390)	(4,160)	(39,636)
Securities sold under agreements to repurchase	(13,048)	-	(13,048)	264	12,784	-	-	(13,048)
Total financial liabilities	(53,356)	4,832	(48,524)	21,371	18,763	(8,390)	(4,160)	(52,684)

(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 on page 178.

(2) Securities sold under agreements to repurchase include \$56 million of equity securities lending arrangements reported under Bills Payable and Other Liabilities.

(3) Certain comparative information has been restated to align to presentation in the current year.

Note 43 Offsetting Financial Assets and Financial Liabilities including Collateral Arrangements (continued)

Related Amounts not Set Off on the Balance Sheet

Derivative Assets and Liabilities

The “Financial Instruments” column identifies financial assets and liabilities that are subject to set off under netting agreements, such as the ISDA Master Agreement. All outstanding transactions with the same counterparty can be offset and close-out netting applied if an event of default or other predetermined events occur. Financial collateral refers to cash and non-cash collateral obtained to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

Repurchase and Reverse Repurchase Agreements and Security Lending Agreements

The “Financial Instruments” column identifies financial assets and liabilities that are subject to set off under netting agreements, such as global master repurchase agreements and global master securities lending agreements. Under these netting agreements, all outstanding transactions with the same counterparty can be offset and close-out netting applied if an event of default or other predetermined events occur. Financial collateral typically comprises highly liquid securities which are legally transferred and can be liquidated in the event of counterparty default.

Note 44 Subsequent Events

The Bank expects the DRP for the final dividend for the year ended 30 June 2016 will be satisfied by the issue of shares of approximately \$628 million.

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

Directors' Declaration

In accordance with a resolution of the Directors of the Commonwealth Bank of Australia (Bank), the Directors declare that:

- (a) the Financial Statements and the accompanying notes for the financial year ended 30 June 2016 in relation to the Bank and the consolidated entity (Group) are in accordance with the Corporations Act 2001, including:
 - (i) s 296 (which requires the Financial Report, including the Financial Statements and the notes to the Financial Statements, to comply with the accounting standards); and
 - (ii) s 297 (which requires the Financial Statements, and the notes to the Financial Statements, to give a true and fair view of the financial position and performance of the Group and the Bank);
- (b) in compliance with the accounting standards, the notes to the Financial Statements include an explicit and unreserved statement of compliance with international financial reporting standards (see Note 1(a)); and
- (c) in the opinion of the Directors, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by s 295A in respect of the financial year ended 30 June 2016.

Signed in accordance with a resolution of the Directors.



David Turner
Chairman
9 August 2016



Ian Narev
Managing Director and Chief Executive Officer
9 August 2016



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

Report on the financial report

We have audited the accompanying financial report of Commonwealth Bank of Australia (the Company), which comprises the balance sheets as at 30 June 2016, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Commonwealth Bank of Australia and the Group (the Consolidated Entity). The Consolidated Entity comprises the Company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

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

Liability limited by a scheme approved under Professional Standards Legislation.



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

Auditor's opinion

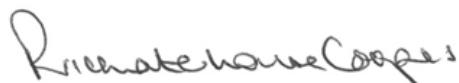
- (a) the financial report of Commonwealth Bank of Australia is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

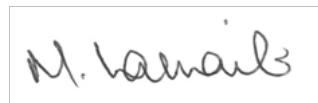
We have audited the remuneration report included in pages 47 to 69 of the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Commonwealth Bank of Australia for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers

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

Marcus Laithwaite
Partner

Sydney
9 August 2016

Shareholding Information

Top 20 Holders of Fully Paid Ordinary Shares as at 5 August 2016

Rank	Name of Holder	Number of Shares	%
1	HSBC Custody Nominees (Australia) Limited	295,339,382	17.22
2	J P Morgan Nominees Australia Limited	182,660,882	10.65
3	National Nominees Limited	100,493,201	5.86
4	Citicorp Nominees Pty Limited	100,457,862	5.86
5	BNP Paribas Nominees Pty Limited	55,488,308	3.24
6	Bond Street Custodians Limited	22,950,957	1.34
7	RBC Dexia Investor Services Australia Nominees Pty Limited	16,932,163	0.99
8	Australian Foundation Investment Company limited	7,900,000	0.46
9	Navigator Australia Limited	3,920,319	0.23
10	Argo Investments Limited	3,203,731	0.19
11	Milton Corporation Limited	3,111,148	0.18
12	Pacific Custodians Pty Limited	2,865,992	0.17
13	UBS Nominees Pty Ltd	2,419,038	0.14
14	Nulis Nominees (Australia) Limited	2,258,286	0.13
15	Invia Custodian Pty Limited	1,938,770	0.11
16	Netwealth Investments Limited	1,765,984	0.10
17	IOOF Investment Management Limited	1,689,445	0.10
18	Mr. Barry Martin Lambert	1,643,613	0.10
19	McCusker Holdings Pty Ltd	1,451,000	0.08
20	ANZ Executors & Trustee	1,411,899	0.08

The top 20 shareholders hold 809,901,980 shares which is equal to 47.22% of the total shares on issue.

Substantial Shareholding

As at 5 August 2016 there were no shareholders who had a 'substantial holding' of our shares within the meaning of the Corporation Act. A person has a substantial holding of our shares if the total votes attached to our voting shares in which they or their associates have relevant interests is 5% or more of the total number of votes attached to all our voting shares. The above table of the Top 20 ordinary shareholders includes shareholders that may hold shares for the benefit of third parties.

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 5 August 2016

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1 – 1,000	599,302	73.12	191,078,177	11.14
1,001 – 5,000	192,068	23.43	397,721,422	23.19
5,001 – 10,000	19,645	2.40	133,255,192	7.77
10,001 – 100,000	8,410	1.03	158,786,770	9.26
100,001 and over	188	0.02	834,300,616	48.64
Total	819,613	100.00	1,715,142,177	100.00
Less than marketable parcel of \$500	15,120	1.84	44,968	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

Shareholding Information

- On a poll only one official representative may exercise the Equity holder's voting rights and the vote of each attorney shall be of no effect unless each is appointed to represent a specified proportion of the Equity holder's voting rights, not exceeding in aggregate 100%.

If an Equity holder appoints two proxies and both are present at the meeting:

- If the appointment does not specify the proportion or number of the Equity holder's votes each proxy may exercise, then each proxy may exercise one half of the Equity holder's votes;
- Neither proxy shall be entitled to vote on a show of hands; and
- On a poll each proxy may only exercise votes in respect of those shares or voting rights the proxy represents.

Top 20 Holders of Perpetual Exchangeable Resaleable Listed Securities VI ("PERLS VI") as at 5 August 2016

Rank	Name of Holder	Number of Securities	%
1	HSBC Custody Nominees (Australia) Limited	840,273	4.20
2	Bond Street Custodians Limited	401,213	2.01
3	BNP Paribas Nominees Pty Limited	266,000	1.33
4	IOOF Investment Management Limited – Superannuation	257,524	1.29
5	J P Morgan Nominees Australia Limited	177,903	0.89
6	Netwealth Investments Limited	172,473	0.86
7	National Nominees Limited	154,205	0.77
8	Australian Executor Trustees Limited	136,855	0.68
9	Nulis Nominees (Australia) Limited	134,893	0.67
10	Citicorp Nominees Pty Limited	103,367	0.52
11	Dimbulu Pty Ltd	100,000	0.50
12	Eastcote Pty Limited	100,000	0.50
13	Navigator Australia Limited	88,428	0.44
14	V S Access Pty Ltd	80,000	0.40
15	RBC Dexia Investor Services Australia Nominees Pty Limited	68,006	0.34
16	Marento Pty Ltd	52,916	0.26
17	Junax Capital Pty Ltd	47,000	0.24
18	Pamdale Investments Pty Ltd	46,860	0.23
19	Invia Custodian Pty Limited	46,812	0.23
20	IOOF Investment Management Limited – Independent	37,423	0.19

The top 20 PERLS VI security holders hold 3,312,151 securities which is equal to 16.56% 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 most daily newspapers.

Range of Securities (PERLS VI) as at 5 August 2016

Range	Number of Security Holders	Percentage of Security Holders	Number of Securities	Percentage of Issued Capital
1 – 1,000	27,298	90.14	8,760,455	43.80
1,001 – 5,000	2,685	8.87	5,485,551	27.43
5,001 – 10,000	201	0.66	1,506,138	7.53
10,001 – 100,000	92	0.30	2,188,451	10.94
100,001 and over	9	0.03	2,059,405	10.30
Total	30,285	100.00	20,000,000	100.00
Less than marketable parcel of \$500	5	0.02	13	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 185 and 186 for the Bank's ordinary shares.

Shareholding Information

Top 20 Holders of CommBank PERLS VII Capital Notes (“PERLS VII”) as at 5 August 2016

Rank	Name of Holder	Number of Securities	%
1	HSBC Custody Nominees (Australia) Limited	1,948,603	6.50
2	Bond Street Custodians Limited	491,600	1.64
3	Pejr Pty Ltd	450,917	1.50
4	J P Morgan Nominees Australia Limited	373,256	1.24
5	National Nominees Limited	359,035	1.20
6	IOOF Investment Management	336,582	1.12
7	Netwealth Investments Limited	293,309	0.98
8	BNP Paribas Nominees Pty Limited	286,389	0.95
9	Citicorp Nominees Pty Limited	248,954	0.83
10	RBC Dexia Investor Services Australia Nominees Pty Limited	201,059	0.67
11	Nulis Nominees (Australia) Limited	188,869	0.63
12	Navigator Australia Limited	186,561	0.62
13	Australian Executor Trustees Limited	136,948	0.46
14	Dimbulu Pty Ltd	100,000	0.33
15	Invia Custodian Pty Limited	99,186	0.33
16	Simply Brilliant Pty Ltd	90,500	0.30
17	Randazzo C & G Developments Pty Ltd	84,286	0.28
18	Paul Lederer Pty Ltd	84,211	0.28
19	Trend Equities Pty Ltd	80,934	0.27
20	Tesco Pty Ltd	80,000	0.27

The top 20 PERLS VII security holders hold 6,121,199 securities which is equal to 20.40% 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 most daily newspapers.

Range of Securities (PERLS VII) as at 5 August 2016

Range	Number of Security holders	Percentage of Security holders	Number of Securities	Percentage of Issued Capital
1 – 1,000	29,257	87.00	10,114,784	33.72
1,001 – 5,000	3,862	11.49	8,104,784	27.02
5,001 – 10,000	292	0.87	2,156,146	7.19
10,001 – 100,000	202	0.60	4,891,716	16.31
100,001 and over	14	0.04	4,732,570	15.78
Total	33,627	100.00	30,000,000	100.00
Less than marketable parcel of \$500	11	0.03	42	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 185 and 186 for the Bank’s ordinary shares.

Shareholding Information

Top 20 Holders of CommBank PERLS VIII Capital Notes (“PERLS VIII”) as at 5 August 2016

Rank	Name of Holder	Number of Securities	%
1	BNP Paribas Nominees Pty Limited	2,951,095	20.35
2	HSBC Custody Nominees (Australia) Limited	668,623	4.61
3	Goodridge Nominees Pty Ltd	264,827	1.83
4	J P Morgan Nominees Australia Limited	253,142	1.75
5	Bond Street Custodians Limited	106,259	0.73
6	G Harvey Nominees Pty Ltd	100,000	0.69
7	Mr. Walter Lawton & Mr. Brett Lawton	93,228	0.64
8	Piek Holdings Pty Ltd	93,000	0.64
9	Snowside Pty Ltd	77,500	0.53
10	Citicorp Nominees Pty Limited	61,737	0.43
11	The Australian National University	59,361	0.41
12	V S Access Pty Ltd	57,140	0.39
13	Nulis Nominees (Australia) Limited	53,637	0.37
14	Netwealth Investments Limited	51,578	0.36
15	Dimbulu Pty Ltd	50,000	0.34
16	Mifare Pty Ltd	50,000	0.34
17	Randazzo C & G Developments Pty Ltd	50,000	0.34
18	Skyport Pty Ltd	50,000	0.34
19	Navigator Australia Limited	49,038	0.34
20	Adirel Holdings Pty Ltd	47,000	0.32

The top 20 PERLS VIII security holders hold 5,187,165 securities which is equal to 35.77% 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 most daily newspapers.

Range of Shares (PERLS VIII) as at 5 August 2016

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1 – 1,000	13,158	84.36	4,250,507	29.31
1,001 – 5,000	1,367	9.28	2,988,100	20.61
5,001 – 10,000	119	0.81	942,188	6.50
10,001 – 100,000	77	0.52	2,230,689	15.38
100,001 and over	4	0.03	4,088,516	28.20
Total	14,725	100.00	14,500,000	100.00
Less than marketable parcel of \$500	1	0.01	2	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 185 and 186 for the Bank's ordinary shares.

International Representation

Australia

Head Office
Commonwealth Bank of Australia
Ground Floor, Tower 1
201 Sussex Street
Sydney NSW 2000
Telephone: +61 2 9378 2000

New Zealand

ASB Bank Limited
ASB North Wharf
12 Jellicoe Street
Auckland Central
Auckland 1010
Telephone: +64 9 377 8930

Chief Executive Officer

Barbara Chapman

CBA NZ Branch
ASB North Wharf
12 Jellicoe Street
Auckland Central
Auckland 1010
Telephone: +64 9 337 4748

General Manager

Andrew Woodward

Sovereign Assurance Company Limited
Level 4, Sovereign House
74 Taharoto Road,
Takapuna, Auckland 0622
Telephone: + 64 9 487 9000

Chief Executive Officer

Nicholas Stanhope

First State Investments
ASB North Wharf
12 Jellicoe Street
Auckland Central
Auckland 1010
Telephone: +64 2 195 1520

Head of Business Development, Australia & New Zealand

Harry Moore

Africa

South Africa

CBA South Africa,
2nd Floor, 30 Jellicoe Avenue, Rosebank
Johannesburg 2196
Telephone: + 27 87 286 8833

Executive General Manager, South Africa

Rowan Munchenberg

Americas

United States

CBA Branch Office
Level 17, 599 Lexington Avenue
New York NY 10022
Telephone: +1 212 848 9200
Facsimile: +1 212 336 7758

Managing Director, Americas

Leon Allen

First State Investments
Level 17, 599 Lexington Avenue
New York NY 10022
Telephone: +1 212 848 9293
Facsimile: +1 212 336 7725

Managing Director, Americas

James Twiss

Asia

China

CMG, Beijing Representative Office
Unit 2908, Level 29
China World Tower 1,
1 Jianguomenwai Avenue,
Beijing 100004

Telephone: +86 10 6505 5023

Facsimile: +86 10 6505 5004

China Chief Representative

James Gao

CBA Beijing Branch Office
Room 4606 China World Tower,
1 Jianguomenwai Avenue,
Beijing 100004

Telephone: +86 10 5680 3000

Facsimile: +86 10 5961 1916

Branch Manager Beijing

Tony Zhang

CBA Shanghai Branch Office
Level 11 Azia Centre
1233 Lujiazui Ring Road
Pudong
Shanghai 200120

Telephone: +86 21 6123 8900

Facsimile: +86 21 6165 0285

Branch Manager Shanghai

Vivienne Yu

CommBank Management Consulting
(Shanghai) Co. Ltd
11F Azia Centre
1233 Lujiazui Ring Road, Pudong
Shanghai 200120

Telephone: +86 21 6058 0100

Facsimile: +86 21 6168 3298

Executive General Manager China

Vivienne Yu

Additional Chinese representation

The Group has established 15 County Banks in China in Henan Province (County: Jiyuan, Dengfeng, Lankao, Mianchi, Yichuan, Yongcheng, Wenxian) and Hebei Province (County: Xini, Yongnian, Cixian, Luancheng, Cheng'an, Weixian, Shexian, Handan). Telephone: +86 216058 0100

First State Investments
24th Floor, China Merchants Bank Building
7088, Shen Nan Road, Shenzhen China 518040

Telephone: +86 755 8317 2666

Facsimile: +86 755 8319 6151

Managing Partner, First State Stewart

Michael Stapleton

Hong Kong

CBA Hong Kong Branch,
Level 13, One Exchange Square,
8 Connaught Place,
Central, Hong Kong
Telephone: +852 2844 7500

Managing Director, Hong Kong

Maaike Steinebach

CBA International Financial Services Limited
Level 14, One Exchange Square
8 Connaught Place,
Central, Hong Kong
Telephone: +852 2844 7500

Facsimile: +852 2845 9194

Group Executive International Financial Services

Robert Jesudason

First State Investments
Level 25, One Exchange Square
8 Connaught Place,
Central, Hong Kong
Telephone: +852 2846 7566

Facsimile: +852 2868 4036

Regional Managing Director, Asia

Joe Fernandes

India

CBA Mumbai Branch
Level 2, Hoechst House
Nariman Point
Mumbai 400021
Telephone: +91 22 6139 0100

Facsimile: +91 22 6139 0200

Chief Executive Officer

Ravi Kushan

International Representation

Indonesia

PT Bank Commonwealth
World Trade Centre 6, 3A Floor
Jl. Jendral Sudirman Kav. 29-31
Jakarta 12920
Telephone: +62 21 5296 1222
Facsimile: +62 21 5296 2293

President Director

Lauren Sulistiawati

PT Commonwealth Life
World Trade Centre 6, 8th Floor,
Jl. Jendral Sudirman Kav. 29-31
Jakarta 12920
Telephone: +62 21 570 5000
Facsimile: +62 21 520 5353

President Director

Simon Bennett

First State Investments
29th Floor, Gedung Artha Graha
Sudirman Central Business District
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190
Telephone: +62 21 515 0088
Facsimile: +62 21 515 0033

Regional Managing Director, Asia

Joe Fernandes

Japan

CBA Branch Office
8th Floor, Toranomon Waiko Building
12-1 Toranomon 5-chome
Minato-ku, Tokyo 105-0001
Telephone: +81 3 5400 7280
Facsimile: +81 3 5400 7288

Branch Head Tokyo

Martin Spann

First State Investments
8th Floor, Toranomon Waiko Building
12-1 Toranomon 5-chome
Minato-ku, Tokyo 105-0001
Telephone: +81 3 5402 4831
Facsimile: +81 3 5402 4839

Regional Managing Director, Asia

Joe Fernandes

Singapore

CBA Branch Office
38 Beach Road
06-11 South Beach Tower
Singapore 189767
Telephone: +65 6349 7000
Facsimile: +65 6224 5812

Managing Director, Singapore

Scott Speedie

First State Investments

38 Beach Road
06-11 South Beach Tower
Singapore 189767
Telephone: +65 6538 1390
Facsimile: +65 6538 1421

Regional Managing Director, Asia

Joe Fernandes

UAE

First State Investments
Level 14, The Gate Building
P.O Box 74777, Dubai
Telephone: +971 14 4019340

Managing Director, EMEA

Chris Turpin

Vietnam

CBA Representative Office
Suite 603-604
Central Building
31 Hai Ba Trung, Hanoi
Telephone: +84 4 3824 3213
Facsimile: +84 4 3824 3961

Chief Representative and Director of Investment and Banking

Hanh Nguyen

CBA Ho Chi Minh City Branch
Hoa Lam Building
4B Ton Duc Thang, Dist. 1
Ho Chi Minh City
Telephone: +84 8 3824 1525
Facsimile: +84 8 3824 2703

General Director

Shane O'Connor

Europe

France

First State Investments
14, Avenue d'Eylau
75016 Paris
Telephone: +33 1 7302 4674

Managing Director, EMEA

Chris Turpin

Germany

First State Investments
Westhafen Tower
Westhafenplatz 1
60327 Frankfurt a.M.
Telephone: +49 0 69 710456 - 302

Managing Director, EMEA

Chris Turpin

Malta

CommBank Europe Limited
Level 3 Strand Towers
36 The Strand
Sliema SLM07
Telephone: +356 2132 0812
Facsimile: +356 2132 0811

Chief Financial Officer

Brett Smith

United Kingdom

England

CBA Branch Office
1 New Ludgate
60 Ludgate Hill
London EC4V 4HA
Telephone: +44 20 7710 3999
Facsimile: +44 20 7710 3939

Managing Director, Europe

Paul Orchart

First State Investments

Finsbury Circus House
15 Finsbury Circus
London EC2M 7EB
Telephone: +44 0 20 7332 6500
Facsimile: +44 0 20 7332 6501

Managing Director, EMEA

Chris Turpin

Scotland

First State Investments
23 St Andrew Square
Edinburgh EH2 1BB
Telephone: +44 0 131 473 2200
Facsimile: +44 0 131 473 2222

Managing Director, EMEA

Chris Turpin

132 221 General Enquiries

For your everyday banking including paying bills using BPAY® our automated service is available 24 hours a day, 7 days a week.

132 221 Lost, Stolen or Damaged Cards

To report a lost or stolen card 24 hours a day, 7 days a week. From overseas call +61 2 9999 3283. Operator assistance is available 24 hours a day, 7 days a week.

® Registered to BPAY Pty Ltd ABN 69 079 137 518

132 224 Home Loans and Investment Home Loans

To apply for a new home loan or investment home loan or to maintain an existing loan. Available from 8am to 8pm, 7 days a week.

131 431 Personal Loan Sales

To apply for a new personal loan.

Available from 8am to 8pm, 7 days a week.

1800 805 605 Customer Relations

If you would like to pay us a compliment or are dissatisfied with any aspect of the service you have received.

Internet Banking

You can apply for a home loan, credit card, personal loan, term deposit or a savings account on the internet by visiting our website at www.commbank.com.au available 24 hours a day, 7 days a week.

Do your everyday banking on our internet banking service NetBank at www.commbank.com.au/netbank available 24 hours a day, 7 days a week.

To apply for access to NetBank, call 132 221.

Available 24 hours a day, 7 days a week.

Do your business banking on our Business Internet Banking Service CommBiz at www.commbank.com.au/CommBiz available 24 hours a day, 7 days a week.

To apply for access to CommBiz, call 132 339.

Available 24 hours a day, 7 days a week.

Special Telephony Services

Customers who are hearing or speech impaired can contact us via the National Relay Service (www.relayservice.com.au) available 24 hours a day, 7 days a week.

- Telephone Typewriter (TTY) service users can be connected to any of our telephone numbers via 133 677.
- Speak and Listen (speech-to-speech relay) users can also connect to any of our telephone numbers by calling 1300 555 727.
- Internet relay users can be connected to our telephone numbers via National Relay Service.

131 519 CommSec (Commonwealth Securities)

For enquiries about CommSec products and services visit www.commsec.com.au.

Available from 8am to 7pm (Sydney Time), Monday to Friday, for share trading and stock market enquiries, and 8am to 7pm 7 days a week for Commsec Cash Management. A 24 hour lost and stolen card line is available 24 hours, 7 days a week.

131 709 CommSec Margin Loan

Enables you to expand your portfolio by borrowing against your existing shares and managed funds. To find out more simply call 131 709 8am to 6pm (Sydney Time) Monday to Friday or visit www.commsec.com.au.

1800 019 910 Corporate Financial Services

For a full range of financial solutions for medium-size and larger companies.

Available from 8am to 6pm (Sydney Time), Monday to Friday.

131 998 Local Business Banking

A dedicated team of Business Banking Specialists, supporting a network of branch business bankers, will help you with your financial needs.

Available 24 hours a day, 7 days a week or visit www.commbank.com.au/lbb.

1300 772 968 (1300 AGLINE) AgriLine

A dedicated team of Agribusiness Specialists will help you with your financial needs. With our Business Banking team living in regional and rural Australia, they understand the challenges you face. Available 24 hours a day, 7 days a week.

Colonial First State

Existing investors can call 131 336 from 8am to 7pm (Sydney Time) Monday to Friday.

New investors without a financial adviser can call 1300 360 645. Financial advisers can call 131 836.

Alternatively, visit www.colonialfirststate.com.au.

1300 362 081 Commonwealth Private

Commonwealth Private offers clients with significant financial resources a comprehensive range of services, advice and opportunities to meet their specific needs. For a confidential discussion about how Commonwealth Private can help you, call 1300 362 081 between 8am to 5:30pm (Sydney time), Monday to Friday or visit www.commbank.com.au/commonwealthprivate

132 015 Commonwealth Financial Services

For enquiries on retirement and superannuation products, or managed investments. Available from 8.30am to 6pm (Sydney Time), Monday to Friday.

Unit prices are available 24 hours a day, 7 days a week.

ComInsure

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.

Contact Us

Registered Office

Ground Floor, Tower 1
201 Sussex Street
Sydney NSW 2000
Telephone +61 2 9378 2000
Facsimile +61 2 9118 7192

Company Secretary

Taryn Morton

Shareholder Information

www.commbank.com.au/shareholder

Share Registrar

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Telephone: 1800 022 440
Facsimile: +61 2 9287 0303
Internet: www.linkmarketservices.com.au
Email: cba@linkmarketservices.com.au

Telephone numbers for overseas shareholders

New Zealand
0800 442 845
United Kingdom
0845 640 6130
Fiji
008 002 054
Other International
+61 2 8280 7199

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/shareholder/annualreports.



SCAN THE QR CODE ABOVE TO
DOWNLOAD OUR COMMONWEALTH BANK
INVESTOR RELATIONS APP

