

# Annual Review 2017



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A man and a woman are standing outdoors in front of a modern building with large windows. The woman, on the left, has long dark hair and is wearing a white cardigan over a grey top. The man, on the right, has short dark hair and a beard, and is wearing a blue denim shirt. They are both smiling and looking down at a large, rolled-up document that the woman is holding. The background shows a wooden building with a dark roof and some greenery.





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

# Who we are

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

**1 in 3 Australians call us their main financial institution.**

## CBA Group

Banking	<b>CommonwealthBank</b> 
	<b>bankwest</b> 
	<b>ASB</b>
Insurance	<b>CommInsure</b> 
Securities	<b>CommSec</b> 
Investment	<b>Colonial First State</b>
	<b>First State Investments</b> <b>Colonial First State</b> Global Asset Management

## Our vision

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

## Our values

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

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

## Our strategy

**Customer focus** is the overarching priority of our strategy.

To support our customers we invest in four capabilities:

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

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

# 2017 highlights

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

## Our customers



**16.6m**  
customers

**6.2m** customers  
using digital channels



**#1**  
customer  
satisfaction

**Retail, internet**

Equal #1 in **business**



**330,000**  
new home loans

**30,000** loans for  
Australian first  
home buyers

## Our shareholders



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



**\$9,881m**  
net profit  
after tax (cash), **up 5%**

**10.1%** Common Equity  
Tier 1 capital ratio  
(APRA basis)



**\$4.29**  
dividend  
per share, fully franked

**16.0%** return on equity

## Our people



**51,800**  
employees  
across **11** countries



**44%**  
management  
roles held by  
women

**40%** of Board Directors  
are women



**69%**  
staff working  
flexibly

**39.1** hours of training  
per employee

## Our community



**\$3.9bn**  
in taxes  
Australia's largest  
taxpayer



**\$272m**  
total community  
investment

**574,246** students  
enrolled in Start Smart

**326,146** School  
Banking students

Launched **Teaching  
Awards**



**\$2.8bn**  
lending to  
renewable energy  
projects

**48.5%** reduction in direct  
emissions since 2009

Committed to playing our  
part in limiting climate  
change to well below  
2° Celsius

# Where our income and profits go

In 2017, Commonwealth Bank earned income of **\$26bn**

**\$16.1bn**  
was spent on:



**\$6.3bn**  
**Salaries**

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



**\$4.8bn**  
**Expenses**

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



**\$3.9bn**  
**Tax**

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



**\$1.1bn**  
**Loan impairment**

- the cost of lending across the economy

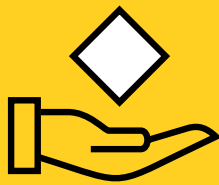
**24%**

**18%**

**15%**

**4%**

From profit of  
**\$9.9bn**  
three quarters goes to shareholders  
and the rest is reinvested:



**\$7.4bn**

**Dividends**

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

**29%**

**10%**



**\$2.5bn**

**Reinvested**

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



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## Chairman and CEO statement



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



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

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

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

## Delivering for our shareholders

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

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

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

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

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

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

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

## Capital and funding

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

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

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

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

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

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

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

## Chairman and CEO statement continued

### Our performance at a glance

#### Total shareholder return

Source: Bloomberg



5 years

**104.8%**

3 years 20.3%

1 year 17.4%

#### Dividends

Fully franked, per share

2017 ▲ 2%

**\$4.29**

2016 \$4.20

2015 \$4.20

2014 \$4.01

#### Earnings

Cash basic earnings per share

2017 ▲ 4%

**574.4c**

2016 554.8c

2015 556.9c

2014 532.7c

#### Efficiency ratio

Cost-to-income

2017\*

**41.8%**

2016 42.4%

2015 42.8%

2014 42.9%

\*underlying basis

#### Margins

Net interest margin

2017

**2.11%**

2016 2.14%

2015 2.15%

2014 2.19%

#### Capital ratio

Common Equity Tier 1 (APRA)

2017

**10.1%**

2016 10.6%

2015 9.1%

2014 9.3%

#### Returns

Cash return on equity

2017

**16.0%**

2016\* 16.5%

2015 18.2%

2014 18.7%

\*Impacted by \$5.1bn capital raising

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

### Delivering for our customers

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

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

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

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

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

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

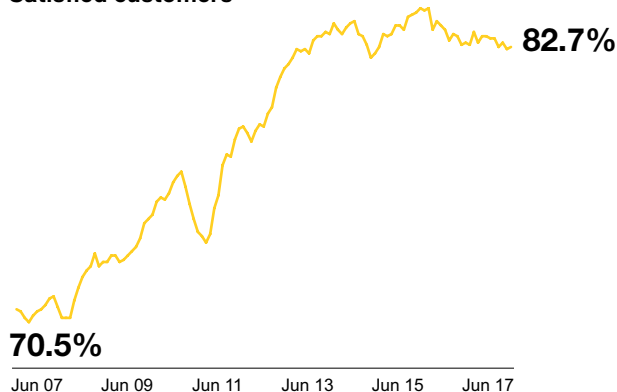
While we help millions of Australians to save, spend and invest, there are millions more who feel uncertain and anxious about their financial future.

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

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

## Retail bank customer satisfaction

### Satisfied customers



### Dissatisfied customers



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

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

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

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

### Our commitment to our customers

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

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

Following media allegations of misconduct at CommInsure in 2016, CommInsure commissioned

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

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

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

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

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

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

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

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

## Chairman and CEO statement continued

### Delivering for our people

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

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

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

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

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

### Board and key executive changes

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

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

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

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

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

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

*Further details of the Board and Group Executive team's skills and experience are provided on pages 12-16.*

### Changes to executive remuneration

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

In response, your Board has undertaken a comprehensive review of the Group's Executive remuneration strategy, framework and governance, with the objective of providing more

transparency, greater accountability, and better clarity of alignment with shareholder goals and value creation, and business strategy.

*For more information on the new proposed remuneration framework, please see the Remuneration report in the Annual Report 2017.*

### Environmental stewardship

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

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

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

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

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

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



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

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

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

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

*An overview of our new Climate Policy Position Statement and related activities are provided in the Corporate responsibility section on pages 43-52.*

## Looking ahead

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

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

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

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

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

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

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

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

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

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

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

We thank you for your ongoing support.

*C.B. Livingstone*

**Catherine Livingstone AO**  
Chairman

8 August 2017

*Ian Narev*

**Ian Narev**  
Chief Executive Officer

8 August 2017

# Our board

## Catherine Livingstone AO Chairman

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



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

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

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

## Ian Narev Managing Director and Chief Executive Officer

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



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

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

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

## Shirish Apte Non-Executive Director

Mr Apte is a resident of Singapore.  
Age 64.



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

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

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

## Sir David Higgins Non-Executive Director

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



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

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

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

## Launa Inman Non-Executive Director

Ms Inman is a resident of Victoria.  
Age 60.



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

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

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

**Brian Long**  
Non-Executive  
Director

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



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

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

**Qualifications:** FCA.

**Andrew Mohl**  
Non-Executive  
Director

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



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

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

**Qualifications:** BEc (Hons) (Monash).

**Mary Padbury**  
Non-Executive  
Director

Ms Padbury is a resident of Victoria. Age 58.



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

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

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

**Wendy Stops**  
Non-Executive  
Director

Ms Stops is a resident of Victoria. Age 56.



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

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

**Qualifications:** BAppSc (Information Technology), GAICD.

**Harrison Young**  
Non-Executive  
Director

Mr Young is a resident of Victoria. Age 72.



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

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

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

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# Our senior management team

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**Kelly Bayer Rosmarin**  
Group Executive,  
Institutional Banking  
and Markets



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

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

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**Adam Bennett**  
Group Executive,  
Business and Private  
Banking



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

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

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**Barbara Chapman**  
Chief Executive and  
Managing Director,  
ASB



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

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

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**David Cohen**  
Group Chief Risk  
Officer



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

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

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**Matt Comyn**  
Group Executive,  
Retail Banking  
Services



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

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

**David Craig**  
Group  
Executive,  
Financial  
Services and  
Chief Financial  
Officer



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

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

**Rob Jesudason**  
Group Executive,  
International  
Financial Services



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

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

**Melanie Laing**  
Group Executive,  
Human Resources



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

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

## Our senior management team continued

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



Anna joined Commonwealth Bank in November 2016 as Group General Counsel and Group Executive, Group Corporate Affairs. She leads the Group's Legal, Secretariat and Corporate Affairs teams. She advises the CEO and the Board on legal matters and is also responsible for delivering an integrated and consistent approach to the Group's external and internal affairs, communications, sustainability and corporate governance. Prior to joining the Group, Anna was the Chief Risk and Legal Officer at Suncorp Group, having joined Suncorp in 2011 as Group General Counsel and Company Secretary. Previously she was a Corporate Partner at Allens Arthur Robinson (now Allens Linklaters) and a crown prosecutor with the Department of Public Prosecutions in Perth. Anna is a member of the GC100 (Australia) and Chief Executive Women.

**Vittoria Shortt**  
Group Executive,  
Marketing and  
Strategy



Vittoria was appointed Group Executive, Marketing and Strategy in March 2015. She is responsible for Corporate Strategy, Mergers and Acquisitions, cross-business strategic initiatives and Marketing. She is also a Director of ASB Bank Limited in New Zealand. Prior to her appointment as Group Executive, Vittoria was Commonwealth Bank's Chief Marketing Officer. She joined the Group in 2002 and has held a number of roles in the retail banking businesses of both Commonwealth Bank and Bankwest, including customer-facing, operations and strategy leadership roles. Previously she worked in Corporate Finance and Mergers and Acquisitions with Deloitte and Carter Holt Harvey in New Zealand. Vittoria is also a member of Chief Executive Women.

**Annabel Spring**  
Group Executive,  
Wealth Management



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

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

**David Whiteing**  
Group Executive,  
Enterprise  
Services and  
Chief Information  
Officer



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

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

# Our strategy

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

## Customer focus



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

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

## People



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

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

## Technology



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

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

## Productivity



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

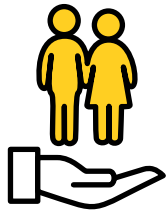
- Our cost-to-income ratio was 41.8% on an underlying basis, reflecting our focus on cost management and efficiency;
- We consistently invest in productivity and growth initiatives, with \$681 million invested in the financial year; and
- We are improving customer convenience and reducing our cost to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

## Financial strength



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

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



## Customer focus

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



## Enabling Agribusinesses to grow



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

## Making banking simple

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

### Delivering unique digital experiences

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

### Making share trading more accessible

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



### Making retirement easy

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

### Providing new self-service options for businesses

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

### Offering self-service banking in emerging markets

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

### Providing personalised guidance

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

### Revising our approach to quality conversations

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

## We provided over 1.7 million free Financial Health Checks to customers during the year.

### Having more relevant interactions

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

### Giving Australian businesses access to analytics to enhance their success

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

### Designing new toolkits for financial advisors

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

### Innovating for our agribusiness customers

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



## The home buying experience

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

### Delivering service excellence

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

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

### Protecting customer information

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

## Our strategy continued

### Recognition of our efforts in delivering exceptional service

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

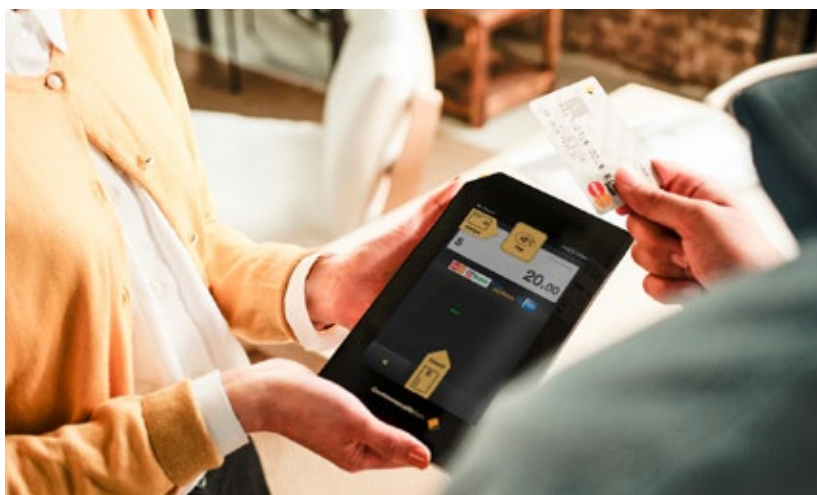
- We ranked first or equal first among the major banks for retail customer satisfaction, a position we've held for 11 out of the past 12 months;
- We were also number one for internet banking, and maintained first or equal first position for business customer satisfaction in most key segments;
- We were first in wealth for overall adviser satisfaction. Commonwealth Financial Planning was also recognised for exceptional service, receiving the CoreData/Professional Planner Institutionally Branded Licensee Award for 2017;



### We make tracking and paying bills easy



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



### Great customer experiences with the power of Albert

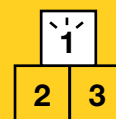


Utilising Albert across their 72-strong fleet of commuter and leisure vessels, SeaLink can now do everything with the one device – ticket selection, printing and payments. SeaLink customers receive a better, more flexible experience, leading to greater customer satisfaction.

- Our prioritised and continued focus on clients led our Institutional Banking & Markets division to achieve leading positions for overall satisfaction, industry analysis, and creative ideas and solutions, in a survey by Peter Lee Associates; and
- In the KangaNews Fixed-Income Research Poll 2017, institutional investors confirmed we provide the best overall fixed-income research, and ranked first in nine out of eleven categories overall, highlighting the value our unique insights and depth of expertise brings to our clients.
- Colonial First State Global Asset Management achieved A+ ratings in five of eight categories in the Responsible Investment Association Australasia's 2016 benchmark of investment managers. We were also awarded the 'Best Responsible Investor, Asset Manager' at the 2016 Asia Asset Management Best of the Best Awards; and
- Our Indonesian subsidiary, PT Bank Commonwealth, was recognized as the 'The Best Reputation' bank and 'The Most Reliable' bank for joint venture category at the Indonesia Best Banking Brand Award 2016, held by Warta Ekonomi Magazine.

### Strengthening our accountability

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



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



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



## People

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

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

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

### Commitment to our people initiatives

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

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

**44%** of management roles are held by women

**39.1** hours of training on average per employee

## Our People Capabilities

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

### Customer focus

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

### Team and culture

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

### Continuous improvement

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

### Effective communication

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

### Judgement

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

### Drive results

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

### Recognised as an employer of choice

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

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

### Enhancing our performance review process

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

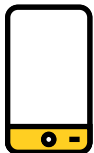
### Providing greater workplace flexibility

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

### Creating indigenous opportunities

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





## Technology

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

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

### **Investing in the next generation of banking**

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

### **Building sophisticated analytics for tomorrow**

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

### **Supporting the development of leading-edge technologies**

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

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

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

### **Leading with world-class data management**

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



## Bringing innovation to life



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



### Expanding our innovation network

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

### Building Australia's technology ecosystem

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

### Promoting national cyber resilience

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

### Facilitating new trade flows

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

### Partnering with leading technology providers

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

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

### Hosting technology hackathons

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

### Innovation in digital banking services

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

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

## Australia's leading technology bank

- #1** Online banking, 8 years in a row
- #1** Mobile banking, 2 years in a row
- #1** Internet banking (NetBank)
- #1** Business banking platform (CommBiz)
- #1** Best feature packed broker (CommSec), 10 years in a row

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

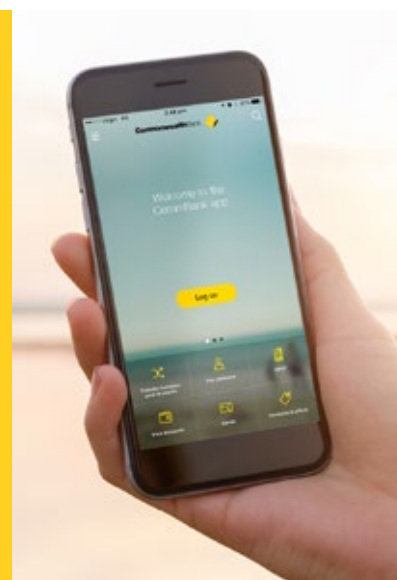
**54%** of all transactions by value occur digitally

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

**85,000** Albert devices have been rolled out

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

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





## Productivity

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

### Delivering end-to-end digital property settlement experiences

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

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

### Innovating with efficiency

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

### Embedding agile ways of working

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

### Recognition for productivity excellence

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

**2%**

**underlying expense growth**  
in FY17

**41.8%**

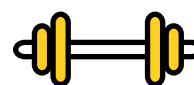
**cost-to-income ratio**

down 60 bps on an underlying basis, through a focus on efficiency and cost management

**53%**

**of our investment spend**

was on productivity and growth initiatives



## Financial strength

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

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

### Our financial strength

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

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

#### Our franchise

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

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

#### Our brands

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

- The Commonwealth Bank is Australia's most valuable banking brand, according to the BrandZ Top 100 Most Valuable Global Brands 2017 rankings. Globally, we ranked 60th most valuable across all industries;
- Bankwest was named 'Bank of the Year' in Money Magazine's annual Consumer Finance Awards;
- Colonial First State is trusted with over \$100bn of Australia's savings and investments, and FirstChoice was recognised as Australia's most popular investment platform;

- One in every two retail trades are completed through CommSec (non-advised); and
- One in every four new Commonwealth Bank home loan customers are insured through CommInsure.

#### Our distribution capabilities

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

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

#### Our information and analytical capabilities

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

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

### We operate Australia's largest financial services distribution network.

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

#### Our risk management

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

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

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

# Business risks

**This section describes the risks that could materially impact our ability to serve our customers and/or deliver our strategy, and the actions we are taking to mitigate these risks. These risks are not listed in order of materiality and the section should be read in conjunction with the Notes to the Financial Statements in the Annual Report 2017 relevant to Risk Management.**

## Competition and industry disruption



### The risk and its impact

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

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

### How we are responding

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

## Business resilience



### The risk and its impact

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

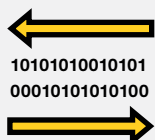
Events driven by our external environment, including cyber-attacks, extreme weather conditions, natural disasters, war, political instability, pandemics or critical failures with our third-party suppliers can significantly disrupt the systems and processes that enable us to serve and protect our customers.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

### How we are responding

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



## Data management



### The risk and its impact

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

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

### How we are responding

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

## People capability



### The risk and its impact

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

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

### How we are responding

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

## Housing market



### The risk and its impact

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

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

### How we are responding

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

## Business risks continued

### Regulatory and policy environment



#### The risk and its impact

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

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

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

#### How we are responding

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

### Climate change



#### The risk and its impact

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

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

#### How we are responding

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

### Reputation



#### The risk and its impact

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

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

#### How we are responding

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

# Performance overview

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# Performance overview

## Group Financial Performance

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

We report our results on a statutory and cash basis. The statutory basis is prepared and audited in accordance with the Corporation Act 2001 and Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS). The cash basis is used by management to present a clear view of the Group's underlying operating results, excluding certain items listed on page 38 that introduce volatility and/or one-off distortions of the Group's current period performance.

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

The key components of our result were:

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

## Dividends

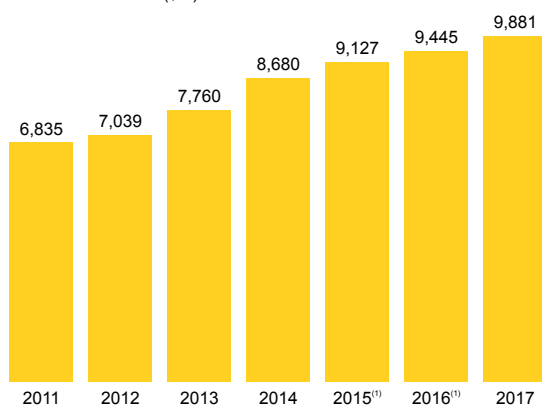
This performance has allowed us to declare a final dividend of \$2.30 per share, bringing the total dividend for the year ended 30 June 2017 to \$4.29 per share, an increase of 9 cents or 2% on the prior year. This represents a dividend payout ratio (cash basis) of 75%.

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

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

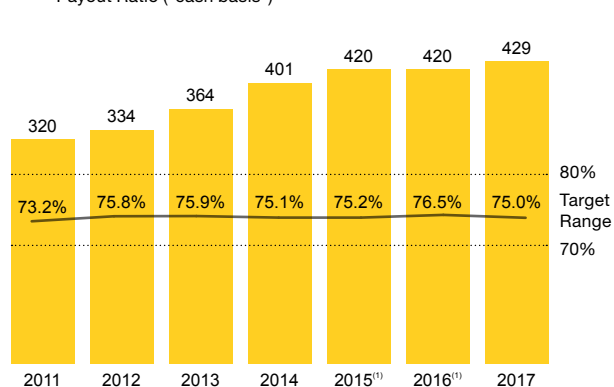
## Group Net Profit after Tax

NPAT – Cash (\$M)



## Full Year Dividend History (cents per share)

DPS (cents)  
Payout Ratio ("cash basis")



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



## Group Financial Performance

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

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

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

(3) FY17 includes a \$393 million one-off expense for acceleration of amortisation on certain software assets.

(4) For the purposes of presentation of Net profit after tax ("cash basis"), policyholder tax benefit/(expense) components of corporate tax expense are shown on a net basis (30 June 2017: \$32 million expense and 30 June 2016: \$101 million expense).

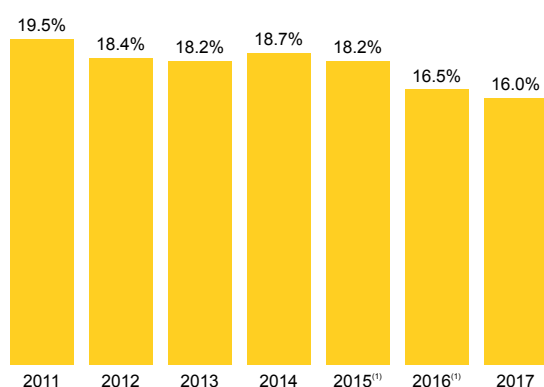
(5) Non-controlling interests include preference dividends paid to holders of preference shares in ASB Capital Limited and ASB Capital No.2 Limited.

(6) Refer to page 38 for details.

(7) Ratios prepared on a cash basis.

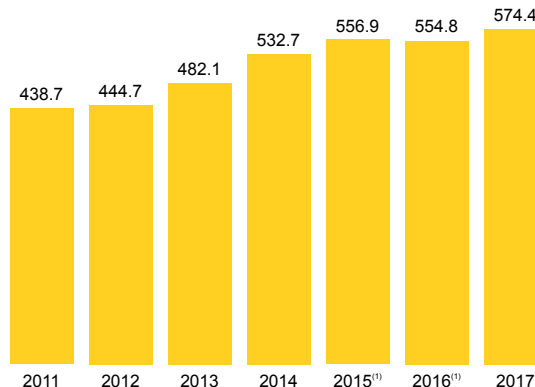
### Group Return on Equity

— RoE – Cash (%)



### Earnings Per Share (cents per share)

— EPS – Cash (cents)



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

## Performance overview continued

### Divisional Performance Summary

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

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

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

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

**Business and Private Banking** provides specialised banking services to relationship managed business and Agribusiness customers, private banking to high net worth individuals and margin lending and trading through our online brokerage service, CommSec.

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

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

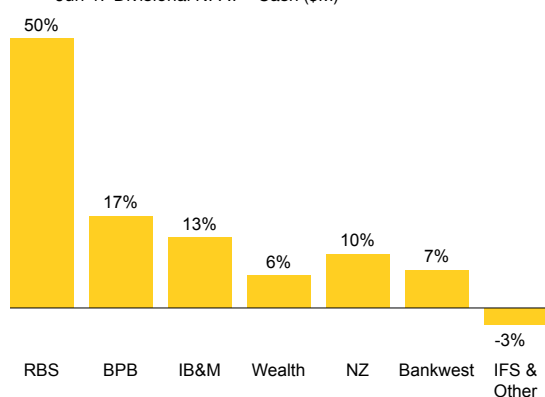
Cash net profit after tax was \$1,306 million, an increase of 10% on the prior year. This was driven by strong growth in deposit volumes, active management of the lending portfolio, lower losses from derivative valuation adjustments, and lower loan impairment expense.

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

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

### Divisional Contribution to Group NPAT

— Jun-17 Divisional NPAT – Cash (\$M)



## Divisional Performance Summary (continued)

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

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

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

Cash net profit after tax was \$702 million, a decrease of 10% on the prior year. This result was driven

by a higher loan impairment expense and a one-off cost for the integration of Bankwest's east coast business banking operation into Business and Private Banking, partly offset by higher total banking income. Excluding the one-off integration costs, underlying cash net profit after tax decreased 7%.

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

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

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

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

## Net Interest Income

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

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

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

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

### Average Interest Earning Assets

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

- Home loan average balances increased \$26 billion or 6% on the prior year to \$435 billion. The growth in home loan balances was largely driven by domestic banking growth;

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

## Performance overview continued

### Net Interest Income (continued)

#### Net Interest Margin

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

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

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

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

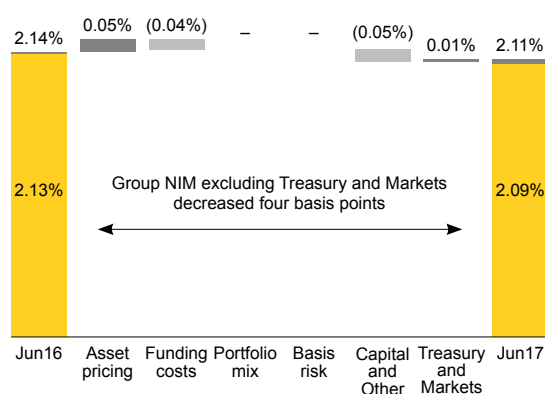
**Basis risk:** Basis risk arises from funding assets which are priced relative to the cash rate with liabilities priced relative to the bank bill swap rate. The impact on margin was flat as a result of minimal change in the spread between the cash rate and the bank bill swap rate during the year.

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

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

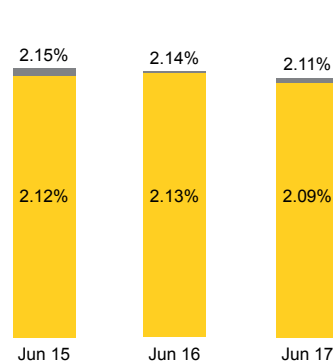
#### NIM movement since June 2016<sup>(1)</sup>

— Group NIM  
— Group NIM excluding Treasury and Markets



#### Group NIM<sup>(1)</sup>

— Group NIM  
— Group NIM excluding Treasury and Markets



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



## Other Banking Income

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

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

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

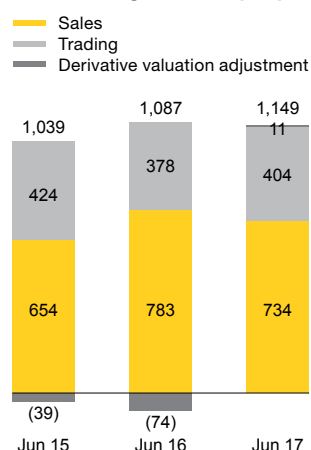
**Commissions** increased 12% on the prior year to \$2,482 million due to higher consumer finance income driven by higher purchases and lower loyalty costs, and volume driven deposit fee income;

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

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

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

### Net Trading Income (\$M)



## Funds Management Income

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

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

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

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

## Performance overview continued

### Insurance Income

	Full Year Ended		
	FY17 \$M	FY16 \$M	Change %
CommInsure	438	502	(13)
New Zealand	278	242	15
IFS	50	46	9
Other	20	5	large
<b>Insurance income – “cash basis”</b>	<b>786</b>	<b>795</b>	<b>(1)</b>

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

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

### Operating Expenses

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

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

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

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

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

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

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

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

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

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

## Operating expenses – Investment Spend

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

(1) Included within the Operating Expenses disclosure on page 36.

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

The decrease is due to the timing and completion of key phases of risk and compliance projects in the prior year (including Future of Financial Advice (FOFA)), significant progress made with

branch transformation, and the roll-out of refreshed ATMs in the prior year, and the timing of spend on productivity and growth initiatives.

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

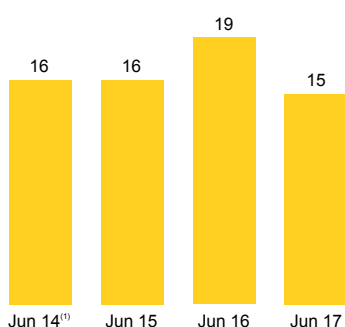
Significant spend on risk and compliance projects has continued as systems are implemented to assist in satisfying new regulatory obligations, including Stronger Super and Common Reporting Standard requirements. In addition, the Group continues to invest in safeguarding information security to mitigate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

## Loan Impairment Expense

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

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

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



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

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

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

## Performance overview continued

### Taxation Expense

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

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

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

### Non-Cash Items Included in Statutory Profit

	Full Year Ended <sup>(1)</sup>		
	FY17 \$M	FY16 \$M	Change %
<b>Hedging and IFRS volatility</b>	<b>73</b>	(199)	large
Bankwest non-cash items	(3)	(27)	(89)
Treasury shares valuation adjustment	(23)	4	large
<b>Other non-cash items</b>	<b>(26)</b>	(23)	13
<b>Total non-cash items (after tax)</b>	<b>47</b>	(222)	large

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

Non-cash items are excluded from net profit after tax (“cash basis”), which is management’s preferred measure of the Group’s financial performance, as they tend to be non recurring in nature or are not considered representative of the Group’s ongoing financial performance. The impact of these items on the Group’s net profit after tax (“statutory basis”) is outlined below and treated consistently with the prior financial year. Refer to the Annual Report 2017 Other Information pages 213 to 214 for the detailed profit reconciliation.

#### Hedging and IFRS volatility

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

- Economic hedges that do not qualify for hedge accounting under IFRS;
- Cross currency interest rate swaps hedging foreign currency denominated debt issues;
- Foreign exchange hedges relating

to future New Zealand earnings; and

- The ineffective portion of economic hedges that qualify for hedge accounting under IFRS.

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

#### Treasury shares valuation adjustment

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

June 2017 (30 June 2016: \$4 million after tax gain).

#### Policyholder tax

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

#### Investment experience

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



## Review of Group Assets and Liabilities

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

(1) Gross of mortgage offset balances.

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

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

(4) Includes mortgage offset balances.

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

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

### Home loans

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

### Consumer finance

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

### Business and corporate loans

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

### Non-lending interest earning assets

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

### Other assets

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

## Performance overview continued

### Review of Group Assets and Liabilities (continued)

#### Interest bearing deposits

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

#### Debt issues

Debt issues increased \$5 billion to \$168 billion, a 3% increase on the prior year. While deposits satisfied the majority of the Group's funding

requirements, strong access was maintained to both domestic and international wholesale debt markets.

Refer to page 131 of Annual Report 2017 for further information on debt programs and issuance for the year ended 30 June 2017.

#### Other interest bearing liabilities

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

#### Non-interest bearing transaction deposits

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

#### Other non-interest bearing liabilities

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

### Loan Impairment Provisions and Credit Quality

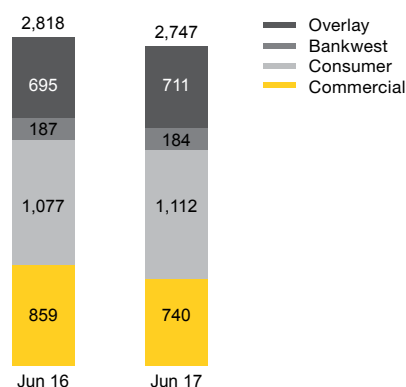
		As at	
	FY17 \$M	FY16 \$M	Change %
<b>Provisions for impairment losses</b>			
Collective provision	2,747	2,818	(3)
Individually assessed provisions	980	944	4
<b>Total provisions for impairment losses</b>	<b>3,727</b>	3,762	(1)
Less: Provision for Off Balance Sheet exposures	(34)	(44)	(23)
<b>Total provisions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

#### Provisions for Impairment

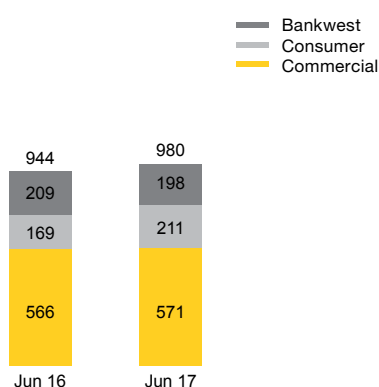
Total provisions for impairment losses decreased 1% on the prior year to \$3,727 million. The movement in the level of provisioning reflects:

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

#### Collective Provisions (\$M)



#### Individually Assessed Provisions (\$M)



## Credit Quality Metrics

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

### Credit Quality

#### Provision Ratios

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

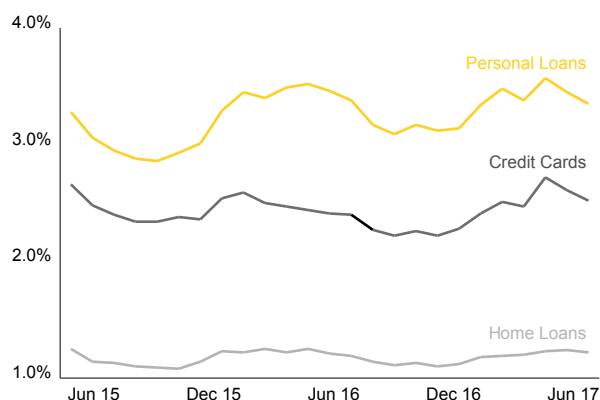
### Asset Quality

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

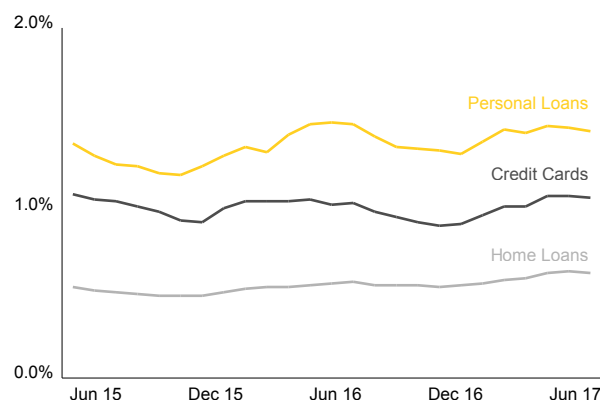
### Retail Portfolios – Arrears Rates

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

### 30+ Days Arrears Ratios (%) <sup>(1)</sup>



### 90+ Days Arrears Ratios (%) <sup>(1)</sup>



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

## Performance overview continued

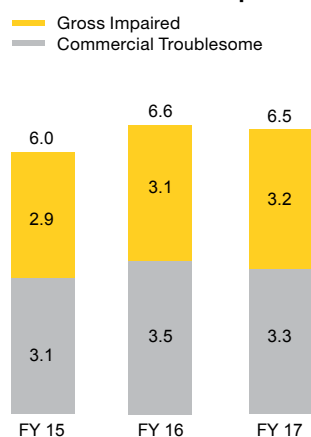
### Credit Quality Metrics (continued)

#### Troublesome and Impaired Assets

Commercial troublesome assets decreased 5% during the year to \$3,313 million.

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

#### Troublesome and Impaired Assets (\$B)



### Capital

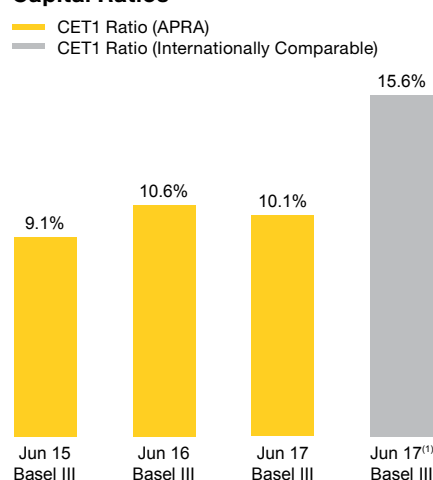
After allowing for the APRA requirement to hold additional capital with respect to Australian residential mortgages, the Group continued to strengthen its capital position during the year.

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

#### Internationally Comparable Capital Position

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

#### Capital Ratios



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



# Corporate responsibility



# Corporate responsibility



## Our Approach

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

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

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

## Improving our customers' experience

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

### Customer Advocacy

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

## Helping customers secure their financial wellbeing



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

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

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

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

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

### Innovation

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

We are actively experimenting with blockchain and this year, together with Wells Fargo and Brighann Cotton, we completed the first physical trade transaction between two banks

using the emerging technologies of blockchain, smart contracts and the internet of things. The transaction involved a shipment of cotton from Texas, USA to Qingdao, China.

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

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



## Empowering and supporting our communities

### Education

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

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

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

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

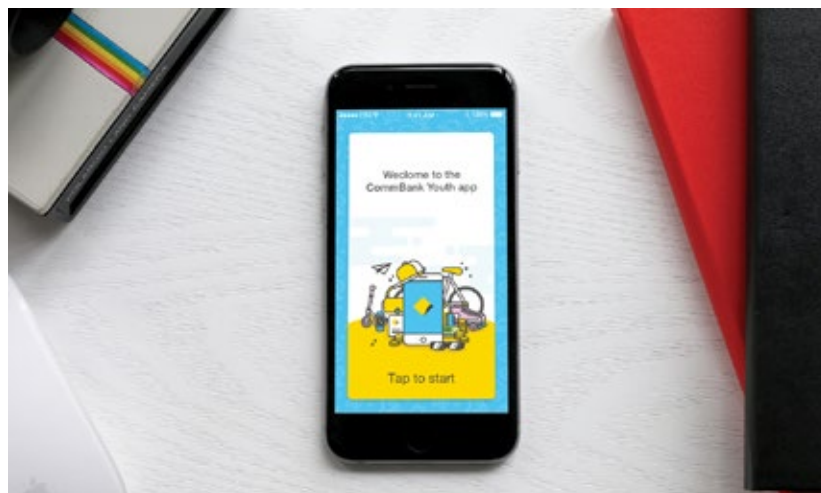
High-quality teaching is the greatest in-school influence on student engagement and outcomes. To acknowledge this we have created the Commonwealth Bank Teaching Awards in partnership with Australian Schools Plus to recognise and reward excellent teaching and school leadership.

## 574,246 students

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

## 229 youth-focused organisations

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



### CommBank youth app



Teaching real-life money skills to under 14s.

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

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

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

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

### Volunteering and giving

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

## Corporate responsibility continued

# \$900,000

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

# 0.8%

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



### Clown doctors



We have been proud supporters of Clown Doctors since 1999.

This year they provided support to one of our employees and Staff Community Fund member, Alison Graham, and her son Jack who was diagnosed with acute lymphoblastic leukaemia and had to undergo intensive chemotherapy.

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

### Financial inclusion

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

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

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

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

#### International financial inclusion

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



### Money Transfer



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

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

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

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



## Reconciliation

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

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

## Support for cricket

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

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

## A healthy and engaged workforce

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

### A diverse and inclusive team

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

### Inclusive culture

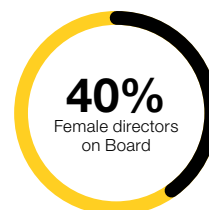
We continue to build a diverse and inclusive workforce that at all levels, mirrors the communities where we operate.

### Diversity in Leadership

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

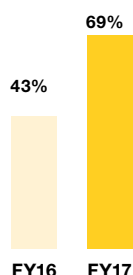
Gender pay equity – In the most recent Workplace Gender Equality Agency Report there has been a closing of the gender pay gap (Group-wide) with a 1.1% decrease for base remuneration and 3% for total remuneration. Similar to the previous year, this gap is comparable with the Group's direct peer group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

## Diversity in leadership



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

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

**Employees who work flexibly**

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

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

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

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

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

**Reputation and engagement**

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

**Employee wellbeing**

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

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

**Conduct and culture**

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

**Whistleblowing**

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

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

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

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

**Environmental stewardship**

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

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

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



## Solar panels on branches



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

We now have solar panels on 34 locations across Australia, with more than 500kW of capacity. To date, solar panels have saved more than 450 tonnes CO<sub>2</sub>-e, which is the equivalent of planting 11,600 trees. Our employees, customers and the wider community can view the performance of this network through our real-time public portal [cbasolarpower.com.au](http://cbasolarpower.com.au).

## Sustainable Property Strategy

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

Our long term target of reducing our direct emissions to 2.0 tCO<sub>2</sub>-e per FTE continues to be on track, having reduced these emissions from 2.9 tCO<sub>2</sub>-e per FTE last year to 2.6 tCO<sub>2</sub>-e per FTE this year which is a reduction of 10% over the past 12 months.

## Climate Policy Position Statement

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

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

## Responsible lending

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

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

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

We continue our industry-leading disclosure on the emissions intensity of our business lending, and have just completed our third report which shows our business lending portfolio's emissions intensity is 0.29 kgCO<sub>2</sub>-e/AUD expenditure in FY16, up from 0.28 kgCO<sub>2</sub>-e/AUD expenditure in FY15.

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

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

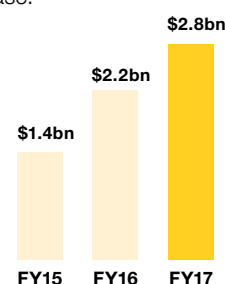
As a major provider of lending services globally, assessing potential transactions for ESG risks is a key step in our due diligence process. Project finance transactions that qualify under the Equator Principles III follow its detailed process to assess, mitigate, manage and monitor ESG risk.

# 48.5%

reduction in our direct emissions in Australia since 2009

## Renewable energy

Our lending exposure to renewable electricity generation continues to increase.

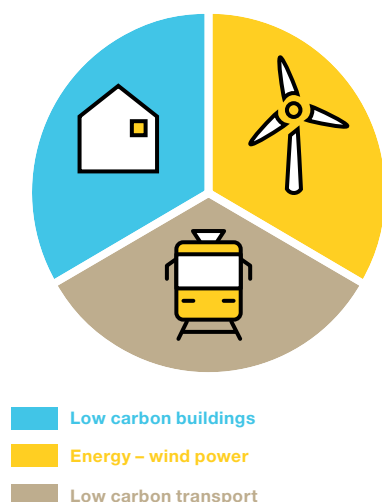


Other loans are assessed under our ESG policies, systems and processes. Loans are escalated for senior assessment depending on the level of ESG risk.

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

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

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

**Climate bond sector exposures****\$1.02 billion of climate bonds arranged**

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

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

**Responsible investing**

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

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

**Building a strong and responsible business****ESG training**

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

**Responsible procurement**

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

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

**Human rights**

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

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

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

**Tax transparency**

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

(1) Source: Bloomberg



ESG performance data <sup>(1)</sup>

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

(1) For definitions and notes, please refer to the Corporate Responsibility Performance data table at [www.commbank.com.au/investors/corporate-responsibility.html](http://www.commbank.com.au/investors/corporate-responsibility.html).

(2) Energy metrics are not audited by PwC.

(3) For methodology and further details, please refer to [www.commbank.com.au/about-us/opportunity-initiatives/performance-reporting.html](http://www.commbank.com.au/about-us/opportunity-initiatives/performance-reporting.html).

(4) Our financed emissions method relies on client-specific data which limits the timing we can undertake and release the analysis.

(5) Comparative information has been changed to align to presentation in the current year.

(6) In 2017 for the first time we have included data centres outside of our operational control. If they were not included, our scope 3 emissions would otherwise have reduced.

(7) Prior year data is updated due to late reporting of incidents that occurred during the year, or the subsequent acceptance or rejection of claims made in the year.

ESG performance data <sup>(1)</sup> continued

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

(1) For definitions and notes, please refer to the Corporate Responsibility Performance data table at [www.commbank.com.au/investors/corporate-responsibility.html](http://www.commbank.com.au/investors/corporate-responsibility.html).

(2) Whistleblower cases are a subset of SpeakUP Program cases.

# Five year financial summary

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# Five year financial summary

Five year financial summary	Full Year Ended <sup>(1)</sup>				
	2017 \$M	2016 <sup>(1)</sup> \$M	2015 <sup>(1)</sup> \$M	2014 \$M	2013 \$M
Net interest income	17,600	16,935	15,827	15,131	13,944
Other operating income <sup>(2)</sup>	8,405	7,812	7,751	7,270	6,877
Total operating income	26,005	24,747	23,578	22,401	20,821
Operating expenses	(11,078)	(10,434)	(10,003)	(9,499)	(9,010)
Impairment expense	(1,095)	(1,256)	(988)	(953)	(1,082)
Net profit before tax	13,832	13,057	12,587	11,949	10,729
Corporate tax expense	(3,927)	(3,592)	(3,439)	(3,250)	(2,953)
Non-controlling interests	(24)	(20)	(21)	(19)	(16)
Net profit after tax "cash basis"	9,881	9,445	9,127	8,680	7,760
Treasury shares valuation adjustment	(23)	4	(28)	(41)	(53)
Hedging and IFRS volatility	73	(199)	6	6	27
Gain/(loss) on disposal of controlled entities/investments	-	-	-	17	-
Bankwest non-cash items	(3)	(27)	(52)	(56)	(71)
Bell Group litigation	-	-	-	25	(45)
<b>Net profit after income tax attributable to Equity holders of the Bank "statutory basis"</b>	<b>9,928</b>	<b>9,223</b>	<b>9,053</b>	<b>8,631</b>	<b>7,618</b>
<b>Contributions to profit (after tax)</b>					
Retail Banking Services	4,964	4,540	3,994	3,678	3,089
Business and Private Banking	1,639	1,522	1,495	1,321	1,474
Institutional Banking and Markets	1,306	1,190	1,285	1,252	1,195
Wealth Management	553	612	643	789	679
New Zealand	973	881	882	742	621
Bankwest	702	778	795	675	561
IFS and Other	(256)	(78)	33	223	141
Net profit after tax "cash basis"	9,881	9,445	9,127	8,680	7,760
Investment experience after tax	(44)	(100)	(150)	(197)	(105)
<b>Net profit after tax "underlying basis"</b>	<b>9,837</b>	<b>9,345</b>	<b>8,977</b>	<b>8,483</b>	<b>7,655</b>
<b>Balance Sheet</b>					
Loans, bills discounted and other receivables	731,762	695,398	639,262	597,781	556,648
Total assets	976,374	933,001	873,489	791,451	753,857
Deposits and other public borrowings	626,655	588,045	543,231	498,352	459,429
Total liabilities	912,658	872,437	820,684	742,103	708,320
Shareholders' Equity	63,716	60,564	52,805	49,348	45,537
Net tangible assets	53,146	49,630	41,334	38,080	33,638
Risk weighted assets - Basel III (APRA)	437,063	394,667	368,721	337,715	329,158
Average interest earning assets <sup>(3)</sup>	834,741	790,596	736,164	705,862	653,637
Average interest bearing liabilities <sup>(3)</sup>	755,612	733,754	693,376	660,847	609,557
Assets (on Balance Sheet) - Australia	817,575	783,170	741,249	669,293	644,043
Assets (on Balance Sheet) - New Zealand	89,997	83,832	72,299	69,110	61,578
Assets (on Balance Sheet) - Other	68,802	65,999	59,941	53,048	48,236

(1) Comparative information for 2016 and 2015 has been restated to reflect the change in accounting policy detailed in Note 1 and refinements to the allocation of customer balances.

(2) Includes investment experience.

(3) Comparative information for 2016 has been restated to disclose average interest earning assets and average interest bearing liabilities net of average mortgage offset balances that were reclassified as Non-interest earning/bearing.

## Five year financial summary continued

	Full Year Ended <sup>(1)</sup>				
	2017 \$M	2016 <sup>(1)</sup> \$M	2015 <sup>(1)</sup> \$M	2014 \$M	2013 \$M
<b>Shareholder summary</b>					
Dividends per share - fully franked (cents)	429	420	420	401	364
Dividend cover - statutory (times)	1.3	1.3	1.3	1.3	1.3
Dividend cover - cash (times)	1.3	1.3	1.3	1.3	1.3
Earnings per share (cents) <sup>(1)</sup>					
Basic					
Statutory	577.6	542.3	553.1	530.6	474.2
Cash basis	574.4	554.8	556.9	532.7	482.1
Fully diluted					
Statutory	559.1	529.2	539.1	518.9	461.0
Cash basis	556.1	541.2	542.7	521.0	468.6
Dividend payout ratio (%) <sup>(1)</sup>					
Statutory	74.6	78.4	75.8	75.5	77.4
Cash basis	75.0	76.5	75.2	75.1	75.9
Net tangible assets per share (\$) <sup>(1)</sup>	30.7	28.9	25.4	23.5	20.9
Weighted average number of shares (statutory basic) (M)	1,719	1,692	1,627	1,618	1,598
Weighted average number of shares (statutory fully diluted) (M)	1,815	1,771	1,711	1,691	1,686
Weighted average number of shares (cash basic) (M)	1,720	1,693	1,630	1,621	1,601
Weighted average number of shares (cash fully diluted) (M)	1,816	1,772	1,714	1,694	1,689
Number of shareholders	806,386	820,968	787,969	791,564	786,437
Share prices for the year (\$)					
Trading high	87.74	88.88	96.69	82.68	74.18
Trading low	69.22	69.79	73.57	67.49	53.18
End (closing price)	82.81	74.37	85.13	80.88	69.18
<b>Performance ratios (%)</b>					
Return on average Shareholders' Equity					
Statutory	16.1	16.2	18.2	18.7	18.0
Cash basis	16.0	16.5	18.2	18.7	18.2
Return on average total assets					
Statutory	1.0	1.0	1.1	1.1	1.0
Cash basis	1.0	1.0	1.1	1.1	1.1
Capital adequacy - Common Equity Tier 1 - Basel III (APRA)	10.1	10.6	9.1	9.3	8.2
Capital adequacy - Tier 1 - Basel III (APRA)	12.1	12.3	11.2	11.1	10.3
Capital adequacy - Tier 2 - Basel III (APRA)	2.1	2.0	1.5	0.9	0.9
Capital adequacy - Total - Basel III (APRA)	14.2	14.3	12.7	12.0	11.2
Leverage Ratio Basel III (APRA) (%)	5.1	5.0	n/a	n/a	n/a
Liquidity Coverage Ratio (%)	128.6	120.0	120.0	n/a	n/a
Net interest margin <sup>(2)</sup>	2.11	2.14	2.15	2.19	2.13
<b>Other information (numbers)</b>					
Full-time equivalent employees	45,614	45,129	45,948	44,329	44,969
Branches/services centres (Australia)	1,121	1,131	1,147	1,150	1,166
Agencies (Australia)	3,664	3,654	3,670	3,717	3,764
ATMs	4,398	4,381	4,440	4,340	4,304
EFTPOS terminals (active)	217,098	217,981	208,202	200,733	181,227
<b>Productivity <sup>(3)</sup></b>					
Total operating income per full-time (equivalent) employee (\$)	568,685	545,237	508,578	500,034	459,583
Employee expense/Total operating income (%)	24.2	25.1	24.9	25.0	25.3
Total operating expenses/Total operating income (%)	42.7	42.4	42.8	42.9	43.6

(1) Comparative information for 2016 and 2015 has been restated to reflect the change in accounting policy detailed in Note 1.

(2) Comparative information has been restated for 2016, 2015 and 2014 to align to presentation in the current period.

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



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# Contact us

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## Registered Office

Ground Floor, Tower 1  
201 Sussex Street  
Sydney NSW 2000  
Telephone +61 2 9378 2000  
Facsimile +61 2 9118 7192

## Shareholder Information

[www.commbank.com.au/shareholder](http://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](http://www.linkmarketservices.com.au)  
**Email:** [cba@linkmarketservices.com.au](mailto: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](mailto:cba@linkmarketservices.com.au).

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