Financial Report (U.S. Version)
Year ended 30 June 2018

Becoming a simpler, better bank

CommonwealthBank

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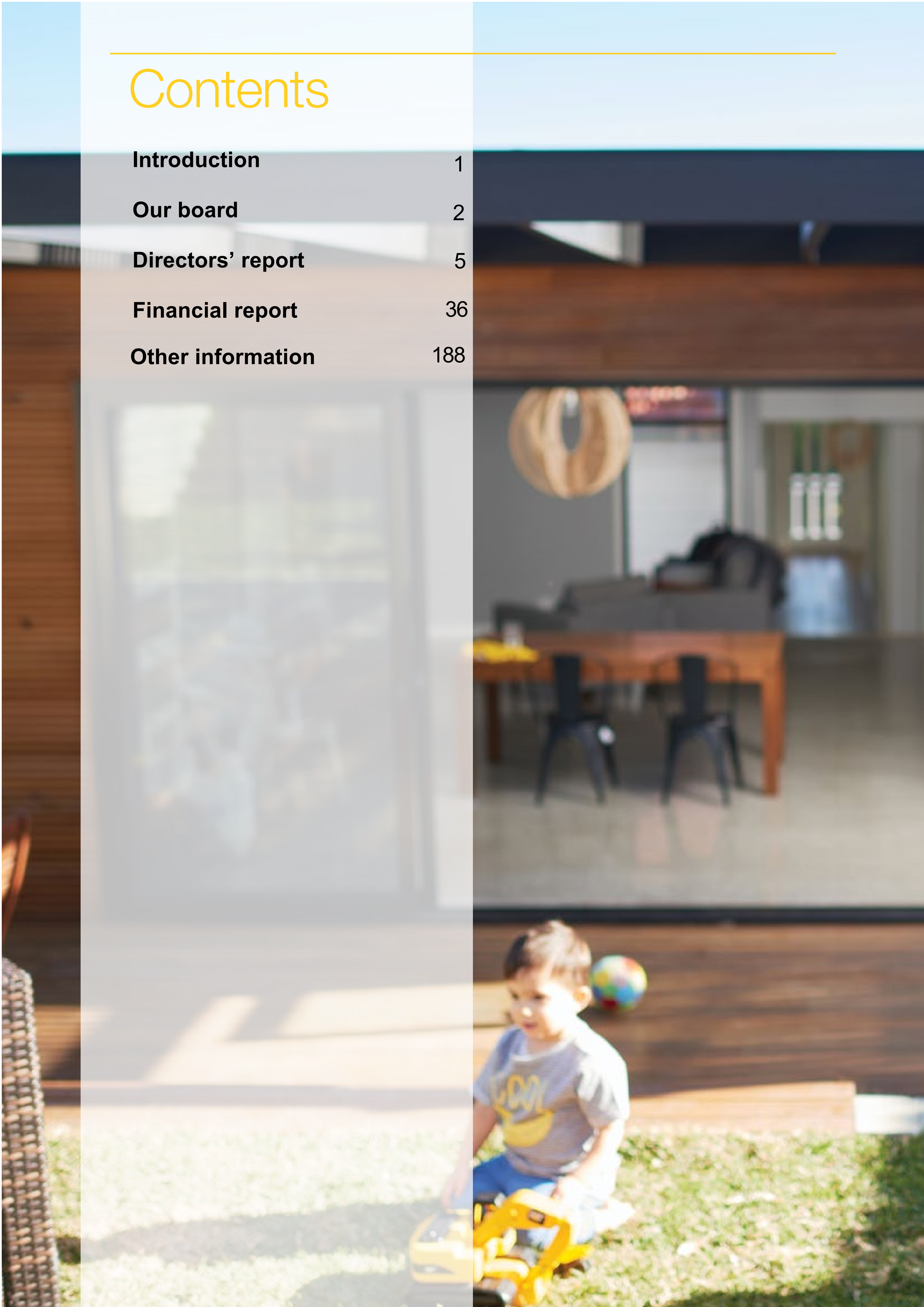

Introduction

The Commonwealth Bank of Australia Financial Report (US Version) - Year Ended 30 June 2018, which contains the Financial Statements for the year ended 30 June 2016, 2017 and 2018 and as at 30 June 2017 and 2018 (the "2018 Financial Report") should be read in conjunction with:

- The Commonwealth Bank of Australia Financial Report (US version) – Year Ended 30 June 2017, which contains the Financial Statements for the years ended 30 June 2015, 2016 and 2017 and as at 30 June 2016 and 2017 (the "2018 Financial Report"); and
- The Commonwealth Bank of Australia Basel III Pillar 3 Capital Adequacy and Risk Disclosures as at 30 June 2018, in each case, as found on the US Investor Website located at: www.commbank.com.au/usinvestors (the "US Investor Website").

Our Board

Catherine Livingstone AO
Chairman

Resident of NSW. Age 62.

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

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

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

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

Matt Comyn
Managing Director and Chief Executive Officer

Resident of NSW. Age 42.

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

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

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

Shirish Apte
Non-Executive Director

Resident of Singapore.
Age 65.

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

Committees: Risk Committee (Chairman) and Audit Committee.

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

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

Sir David Higgins
Non-Executive Director

Resident of UK. Age 63.

Sir David has been a Director since September 2014. He is Chairman of Gatwick Airport Ltd, which operates Gatwick Airport in the UK. Sir David is a senior adviser to Global Infrastructure Partners in the US and to Lone Star Funds. He is the former Chairman of High Speed Two (HS2) Ltd. Previously he was Chief Executive Officer of Network Rail Infrastructure Ltd, Chief Executive Officer of the Olympic Delivery Authority for the London 2012 Olympic Games, Chief Executive Officer of English Partnerships and Managing Director and Chief Executive Officer of Lend Lease.

Committees: Remuneration Committee (Chairman) and Risk Committee.

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

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

Brian Long
Non-Executive Director

Resident of NSW. Age 72.

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

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

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

Qualifications: FCA.

Our Board

Andrew Mohl
Non-Executive Director

Resident of NSW. Age 62.

Andrew has been a Director since July 2008. He has over 40 years' financial services experience. He was Managing Director and Chief Executive Officer of AMP Ltd from October 2002 until December 2007. Andrew's previous roles at AMP included Managing Director, AMP Financial Services and Managing Director and Chief Investment Officer, AMP Asset Management. Previously, he was the Group Chief Economist, Chief Manager, Retail Banking and Managing Director, ANZ Funds Management at Australia and New Zealand Banking Group Ltd. Andrew commenced his career at the Reserve Bank of Australia where his roles included Senior Economist and Deputy Head of Research. Andrew will retire from the Board at the end of the 2018 annual general meeting.

Committees: Risk Committee and Remuneration Committee.

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

Qualifications: BEc (Hons) (Monash).

Mary Padbury
Non-Executive Director

Resident of Victoria. Age 59.

Mary has been a Director since June 2016. She is a pre-eminent intellectual property lawyer with over 30 years' experience. Mary retired as Partner of Ashurst at the end of April 2018 and from the role of Vice Chairman of Ashurst at the end of 2017. She was Chairman of Ashurst Australia for eight years prior to the firm's full merger with Ashurst LLP in 2013. Mary spent a number of years in the UK with boutique firm Bristows, and as resident partner of Ashurst Australia. She has undertaken intellectual property work for Australian and multinational corporations in a range of technology areas and has extensive international, legal and governance experience.

Committees: Remuneration Committee and Nominations Committee.

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

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

Wendy Stops
Non-Executive Director

Resident of Victoria. Age 57.

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

Committees: Audit Committee and Remuneration Committee.

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

Qualifications: BAppSc (Information Technology), GAICD.

Anne Templeman-Jones
Non-Executive Director

Resident of NSW. Age 57.

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

Committee: Audit Committee.

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

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

Rob Whitfield
Non-Executive Director

Resident of NSW. Age 53.

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

Committees: Risk Committee and Nominations Committee.

Other Directorships and interests: NSW Treasury Corporation.

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

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Directors' report

The Directors' Report provides information to assist shareholders to make an informed assessment of the Bank's principal activities, financial position, operations, business strategies and prospects.

The Directors of the Commonwealth Bank of Australia present their report, together with the financial report of the Commonwealth Bank of Australia (Bank) and of the Group, being the Bank and its controlled entities, for the year ending 30 June 2018.

Principal activities

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

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

In September 2017, we entered into an agreement to sell 100% of our life insurance business in Australia (CommInsure Life) and New Zealand (Sovereign) to AIA Group Limited (AIA). The sale of Sovereign completed on 2 July 2018, resulting in a post tax gain of $102 million (subject to purchase price adjustments to be finalised in September). This has also been reported as a subsequent event. The CommInsure Life sale is expected to be completed in calendar year 2018. The sale agreement also includes a 20-year partnership with AIA to distribute life insurance products to customers in Australia and New Zealand.

On 23 May 2018, CBA announced the sale of BoCommLife Insurance Company Limited (BoComm) to Mitsui Sumitomo Insurance Co. Ltd. The sale requires approval by the China Banking and Insurance Regulatory Commission.

The CBA Board has approved the sale of Commonwealth Bank of South Africa (Holding Company) Limited ("TymeDigital") to the minority shareholder, African Rainbow Capital. The sale is subject to regulatory approval and potential sale price adjustments. As a result, the financial effect of the sale currently cannot be reliably estimated, however, it is not expected to have a material impact on the Group's results.

On 25 June 2018, CBA announced the proposed demerger of its wealth management and mortgage broking businesses ("NewCo") and the intention to undertake a strategic review of its general insurance business, including a potential sale. Due to the uncertain timing of the completion of the demerger, NewCo is included in continuing operations.

On 25 June 2018, when CBA announced the proposed demerger of its wealth management and mortgage broking businesses, CBA's use of the term "independent" in this announcement was intended to describe the proposed demerger of the businesses and new listing of the demerged businesses on the ASX. These statements were not intended to be representations that any services to be provided by the demerged businesses in the future will be independent from CBA. CBA anticipates that it will continue to have an ongoing relationship with the demerged businesses into the future.

Consolidated profit

Statutory net profit after tax including discontinued operations for the year ended 30 June 2018 decreased 6% on the prior year to $9,329 million. Statutory net profit after tax from continuing operations for the year ended 30 June 2018 decreased 4% on the prior year to $9,375 million. Both were impacted by a number of one-off items including a $700 million non-tax deductible expense provision for the AUSTRAC civil penalty.

Operating income growth was 3% primarily driven by a 5% increase in net interest income, with average interest earning assets increasing 2% from growth in home loans and business loans. Net interest margin increased 5 basis points, largely from the repricing of interest-only and investor home loans in order to manage regulatory benchmarks that limit growth in these products.

Operating expense growth was 9%, impacted by a number of one-off items including a $700 million non-tax deductible expense provision for the AUSTRAC civil penalty and $155 million of regulatory costs associated with the Royal Commission, the AUSTRAC proceedings and the APRA Prudential Inquiry. Operating expense growth was also impacted by higher risk and compliance costs, relocation costs of a number of offices to a single location, and the impairment of certain capitalised software assets.

Loan losses reduced by $16 million over the year, reflecting the continued benign environment in both the retail and business portfolios, due to low interest rates and low levels of unemployment.

Tax expense increased by 4% during the period due to the $700 million civil penalty in the AUSTRAC proceedings being non-deductible for tax purposes.

Dividends

The Directors have determined a fully franked (at 30%) final dividend of $2.31 cents per share amounting to $4,053 million. The dividend will be payable on 28 September 2018 to shareholders on the register at 5pm AEST on 16 August 2018.

Dividends paid in the year ended 30 June 2018 were as follows:

Dividend	Date paid	Fully franked dividends per share	Total dividend ($million)	Total dividend comprises ($ million)
Final Dividend for the year ended 30 June 2017	29 Sept 2017	230 cents	$3,979	Cash: $2,406 DRP: $1,573
Interim Dividend for the year ended 30 June 2018	28 Mar 2018	200 cents	$3,505	Cash: $2,969 DRP: $536

Changes in state of affairs

We continue to make progress against each of the key strategic priorities in pursuit of our purpose to improve the financial wellbeing of our customers and communities.

Further to the changes in principal activities referred to above there have been no significant changes in the state of affairs during the financial year.

Events subsequent to balance sheet date

We expect the Dividend Reinvestment Plan (DRP) for the final dividend for the year ended 30 June 2018 will be satisfied by the issue of shares of approximately $622 million.

On 2 July 2018, we announced the sale of Sovereign, our New Zealand life insurance business, to AIA. It resulted in a total post gain of $102 million (inclusive of separation costs and subject to final tax calculations and purchase price adjustments).

The CBA Board has approved the sale of Commonwealth Bank of South Africa (Holding Company) Limited ("TymeDigital") to the minority shareholder, African Rainbow Capital. The sale is subject to regulatory approval and potential sale price adjustments. As a result, the financial effect of the sale currently cannot be reliably estimated, however, it is not expected to have a material impact on the Group's results.

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

Environmental reporting

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

We are not subject to any other significant environment reporting regulations under the law of the Commonwealth or of a State or Territory of Australia. Our Environment Policy is updated to ensure risks are managed appropriately.

Directors

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

- Catherine Livingstone AO
- Matt Comyn (appointed as Managing Director and Chief Executive Officer on 9 April 2018)
- Shirish Apte
- Sir David Higgins
- Brian Long
- Andrew Mohl
- Mary Padbury
- Wendy Stops
- Anne Templeman-Jones (appointed 5 March 2018)
- Rob Whitfield (appointed 4 September 2017)
- Ian Narev (retired as Managing Director and Chief Executive Officer on 8 April 2018)
- Launa Inman (retired 16 November 2017)
- Harrison Young (retired 16 November 2017)

Details of current Directors, their experience, qualifications and any special responsibilities, including Committee memberships, are set out on pages 2, 3 and 8.

Other directorships

The Directors held the following directorships in other Australian listed companies in the three years prior to the end of the 2018 financial year:

Director	Company	Appointment dates	Retirement date (if applicable)
Catherine Livingstone AO	WorleyParsons Limited	01/07/2007	
	Telstra Corporation Ltd	17/11/2000	27/04/2016
Launa Inman	Bellamy's Australia Limited	18/02/2015	28/02/2017
	Super Retail Group Limited	21/10/2015	
Brian Long	Brambles Limited	01/07/2014	
	OneMarket Limited	07/06/2018	
	Ten Network Holdings Limited	01/07/2010	25/07/2016
Wendy Stops	Altium Limited	01/02/2018	
Anne Templeman-Jones	WorleyParsons Limited	01/11/2017	
	The Citadel Group Limited	08/09/2017	
	G.U.D. Holdings Limited	01/08/2015	
	Pioneer Credit Limited	23/09/2014	07/11/2016
	HT&E Limited	04/06/2013	14/05/2018

Directors' meetings

The number of Board and standing Board Committee meetings held during the financial year that each Director was eligible to attend, and the number of meetings attended by each Director, were:

	Board				Committees(1)							
	Scheduled Meetings		Unscheduled Meetings		Risk(2)		Audit(2)		Remuneration(2)		Nominations	
	Held(3)	Attended	Held(3)	Attended	Held(3)	Attended	Held(3)	Attended	Held(3)	Attended	Held(3)	Attended
Director												
Catherine Livingstone AO	10	10	17	17	10	10	9	9	15	15	13	13
Matt Comyn(4)	2	2	7	7	–	–	–	–	–	–	–	–
Shirish Apte	10	10	17	15	10	10	9	9	–	–	–	–
Sir David Higgins	10	10	17	17	10	10	–	–	15	15	–	–
Brian Long	10	10	17	16	10	10	9	9	–	–	13	13
Andrew Mohl	10	10	17	17	10	10	–	–	15	15	–	–
Mary Padbury	10	10	17	17	–	–	–	–	15	15	13	13
Wendy Stops(5)	10	10	17	16	–	–	7	7	15	14	–	–
Anne Templeman-Jones(6)	3	3	8	7	–	–	2	2	–	–	–	–
Rob Whitfield(7)	8	8	15	15	8	8	–	–	–	–	7	7
Ian Narev(8)	8	8	10	3(9)	–	–	–	–	–	–	–	–
Launa Inman(10)	5	5	2	2	–	–	2	2	4	4	–	–
Harrison Young(11)	5	5	2	2	2	2	2	2	–	–	6	6

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

(2) A meeting of the Risk, Audit and Remuneration Committees held concurrently has been counted as an additional meeting of each Committee.

(3) The number of scheduled and unscheduled meetings held during the time the Director was a member of the Board or of the relevant Committee.

(4) Matt Comyn was appointed Managing Director and Chief Executive Officer effective 9 April 2018.

(5) Wendy Stops was appointed a member of the Audit Committee effective 1 November 2017.

(6) Anne Templeman-Jones was appointed a member of the Board effective 5 March 2018 and the Audit Committee effective 6 June 2018.

(7) Rob Whitfield was appointed a member of the Board effective 4 September 2017 and the Risk and Nominations Committees effective 1 November 2017.

(8) Ian Narev retired as Managing Director and Chief Executive Officer effective 8 April 2018.

(9) Ian Narev had a material personal interest in the substantive matters discussed during unscheduled meetings and was not present.

(10) Launa Inman retired from the Audit and Remuneration Committees effective 1 November 2017 and the Board effective 16 November 2017.

(11) Harrison Young retired from the Audit, Risk and Nominations Committees effective 1 November 2017 and the Board effective 16 November 2017.

Directors' shareholdings and options

Particulars of shares held by Directors including the Chief Executive Officer (CEO), in the Bank or in a related body corporate are set out in the Remuneration Report that forms part of this report. No options have been granted to the Directors, including the CEO, during the period.

Options and share rights outstanding

As at the date of this report there are no employee options and 1,946,793 share rights outstanding in relation to Bank ordinary shares.

Directors' and officers' indemnity and insurance

Constitution

The Directors, as named on page 7 of this report, and the Company Secretaries of the Bank, referred to below, are indemnified under the Constitution of the Commonwealth Bank of Australia (Constitution), as are all senior managers of the Bank.

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

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

Deeds of indemnity

Deeds of indemnity, which include indemnification in substantially the same terms to that provided in the Constitution, have been executed by the Bank in favour of each Director of the Bank.

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

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

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

Insurance

The Bank has, during the financial year, paid an insurance premium in respect of a Directors' and Officers' liability and company reimbursement insurance policy for the benefit of the Bank and persons defined in the insurance policy who include Directors, Company Secretaries, Officers and certain employees of the Bank and related bodies corporate. The insurance is appropriate pursuant to section 199B of the Corporations Act 2001. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

Proceedings on behalf of the Bank

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

Rounding and presentation of amounts

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

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

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

Company secretaries

Details of the Bank's Company Secretaries, including their experience and qualifications, follow.

Taryn Morton was appointed Group Company Secretary of the Bank in October 2015. She has over 19 years of combined corporate governance, company secretarial and legal experience. Prior to the Bank, she was with Insurance Australia Group and before that held the role of Company Secretary of Qantas Airways, where she was also a Director of Qantas subsidiaries. Her earlier governance roles were at Babcock & Brown, Ten Network Holdings and Ashurst. She holds Bachelor degrees in Arts and Law and is a Fellow of the Governance Institute of Australia.

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

Remuneration report

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

Message from the Remuneration Committee Chairman

Sir David Higgins
Remuneration Committee Chairman

Dear Shareholder,

Thank you for your valued feedback on our remuneration framework and practices. We continue to listen to all our stakeholders and have taken material steps to further strengthen Board governance and the operation of remuneration frameworks. In the 2018 financial year, individual executive remuneration has been reduced in accordance with measurable performance and as a result of the Board exercising discretion.

These remuneration outcomes have been facilitated by the support of shareholders for the significant changes made to our remuneration framework at the 2017 Annual General Meeting. Those changes included enhancements to the risk and reputation review process.

The most senior executives have been held accountable for the Bank's performance over the past year. This includes former Executives.

Executive pay outcomes for our current and former Executives have been directly impacted by the AUSTRAC settlement and the findings of the Australian Prudential Regulation Authority's (APRA) Prudential Inquiry Report into CBA. The Board has also exercised its discretion to adjust downwards individual Executive remuneration outcomes, having regard to other risk and reputation matters.

In March 2018, the current CEO of his own accord, offered to forgo his 2018 financial year short-term variable remuneration (STVR) award, which the Board accepted.

In addition, the Board and the former CEO agreed that he will not receive his 2018 financial year STVR award or any of his unvested long-term variable remuneration (LTVR) awards.

Reflecting consideration of individual and collective accountability for the APRA Prudential Inquiry Report findings, the Board exercised its discretion to:

- reduce 2018 financial year STVR payments of current and former Group Executives by 20%;
- lapse a portion of the unvested deferred STVR awards for approximately 400 current and former Executive General Managers and General Managers; and
- forfeit the full amount of unvested LTVR awards of select former Group Executives.

The Board applied further negative STVR adjustments to current and former Group Executives relating to individual risk matters, separate to the APRA Prudential Inquiry Report findings.

The total impact for all employees of the operation of the remuneration framework and exercise of Board discretion over the 2017 and 2018 financial years has been a reduction in remuneration outcomes exceeding $100m. This includes the Board's action in August 2017 to reduce Non-Executive Director fees, and reduce to zero the STVR for Group Executives for the 2017 financial year.

In making these decisions, the Committee and Board were determined to address fully, past performance issues identified for former and current Executives, and focus their efforts on becoming a stronger, better bank.

Changing Executives

New appointments to the Executive Leadership Team provide a balance between external experience and knowledge of the Group. These appointments reflect the Board's continual scrutiny of our Executives' ability to cope with complex changes, and act on ensuring we have the leadership talent and capability as strategy adapts to competitive pressure and expectations of performance and behaviour.

In determining remuneration arrangements for the new appointments, the Board considered the individual skills and experience that each Executive brings, internal and external market comparators, our emphasis on delivering customer service and sustainable value, and community expectations.

We are committed to improving our remuneration practices. We have made and are continuing to make changes to our remuneration practices to better align with and support our customers, our community, our people and our shareholders.

Specifically, for the new Group Chief Risk Officer, the Board has had regard for the comments of the APRA Prudential Inquiry Report and ensured the remuneration mix supports independence.

Remuneration arrangements for the internal appointments have been set at or below the level of previous incumbents.

The Group's remuneration framework has supported the Board and the Committee's judgements and decision-making. The outcomes demonstrate a robust, quantitative and rigorous approach which reinforces both individual and collective accountability.

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

Sir David Higgins
Remuneration Committee Chairman

The Remuneration Committee is the governing body for remuneration across the Group. During the 2018 financial year, its key focus areas were:

- enhancing remuneration and risk governance and frameworks
- setting remuneration for newly appointed Executives
- determining termination arrangements for departing Executives
- implementing remuneration changes to align with the Banking Executive Accountability Regime (BEAR)
- developing the APRA Prudential Inquiry Report's remuneration-related remediation plan and agreeing key milestones
- assessing remuneration outcomes reflecting all elements of performance, assisted by the Audit and Risk Committees.

We also made substantive changes to the way our retail customer-facing roles and their leaders are recognised and rewarded, effective 1 July 2018:

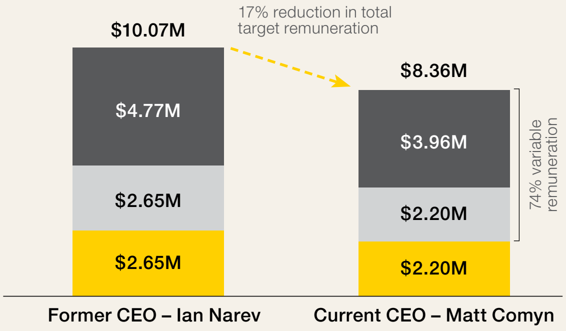
- limiting the weighting of any financial measures to 30% of a balanced scorecard
- removal of high-risk features such as accelerators
- rewarding tellers based on customer feedback and leader observations
- introducing net promoter score (NPS) to support customer centricity.

The Remuneration Committee's priorities and key actions for the 2019 financial year are:

- completing all of the APRA Prudential Inquiry Report's agreed 2019 financial year remuneration-related milestones
- further enhancing frameworks and governance in relation to remuneration consequences for risk, reputation and conduct outcomes
- undertaking a comprehensive review of the Executive remuneration strategy and framework.

Key remuneration outcomes

CEO target remuneration on appointment



Matt Comyn's fixed and total target remuneration is approximately 17% lower than the former CEO's fixed and total target remuneration.

In setting the CEO's remuneration we took into account the remuneration of market peers, as well as broader stakeholder and community expectations.

Fixed remuneration (FR) increases

For the 2018 financial year:

- Due to his change in role, Matt Comyn received an increase to his FR effective from the date of his appointment to CEO.
- Two Group Executives received FR increases:
  - Adam Bennett (5%) due to a significant change in role and portfolio scope
  - Melanie Laing (2%) to reflect consideration of market remuneration levels.

STVR outcomes

Overall, performance outcomes against scorecard measures are lower than the prior year, largely due to Group financial performance and Group customer NPS outcomes.

In addition, as a consequence of the APRA Prudential Inquiry Report's findings, the Board has resolved to apply a negative adjustment of 20% to the 2018 financial year performance scorecard outcomes for each individual Group Executive. This is to reflect collective accountability for the APRA Prudential Inquiry Report findings. Further negative adjustments to STVR outcomes were also made to reflect individual accountability for other risk and reputation matters separate from the APRA Prudential Inquiry Report findings.

Read more page 20

	% of maximum STVR	
	2018 financial year	2017 financial year
CEO – Matt Comyn(1)	0%	0%
Former CEO – Ian Narev(2)	0%	0%
Group Executives (range)(1)	0% – 38%	0%

(1) In March 2018, Matt Comyn offered to forgo his 2018 financial year STVR award in both his CEO and Group Executive, Retail Banking Services roles. The Board accepted his offer and no STVR was awarded for the 2018 financial year.

(2) The Board and Ian Narev have agreed he will not receive his 2018 financial year STVR award.

LTVR outcomes

The 2015 financial year LTVR award reached the end of its four-year performance period on 30 June 2018 and 23.82% vested as a result of performance against the LTVR hurdles.

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Remuneration consequences of the APRA Prudential Inquiry Report

2018 financial year remuneration outcomes incorporate consequences for the findings of the APRA Prudential Inquiry Report. The Board determined that an approach that predominantly attributed accountability for the findings collectively was most appropriate, with a number of senior executives also being held accountable individually. The remuneration consequences determined by the Board that were applied are as follows:

- **Current CEO and Group Executives:** The CEO and Group Executives were assessed as Partially Met on risk outcomes with the Board applying a negative risk adjustment of 20% to the 2018 financial year STVR outcomes for each individual. Separately, in March 2018, Matt Comyn offered to forgo his 2018 financial year STVR award and the Board accepted his offer.
- **Former CEO:** The Board and former CEO believe that the CEO has the highest level of accountability of all the Group's Executives for the findings of the APRA Prudential Inquiry Report. Accordingly, the Board and Ian Narev have agreed that he will not receive his 2018 financial year STVR award or any of his unvested LTVR awards.

- **Former Group Executives:** The Board forfeited all unvested LTVR awards for David Craig and Alden Toevs reflecting collective and individual accountability for the APRA Prudential Inquiry Report findings.

The Board forfeited a portion of all unvested deferred STVR awards for current and former Group EGMs and GMs (including Other Executives, defined on page 15).

The Board recognises that, as CBA's most senior governing body, it too is collectively accountable for the trust and reputational issues that prompted the need for the APRA Prudential Inquiry. It announced in August 2017 that Non-Executive Directors' base and committee fees for the 2018 financial year would be reduced by an amount equivalent to 20% of individual 2017 financial year fees.

Exit arrangements

The table below outlines the exit arrangements for Executives during the 2018 financial year. Further detail is provided in the statutory remuneration table on page 25.

Executive(1)	Exit arrangement
Ian Narev (ceased as KMP 8 Apr 18)	• Employment formally ended after a period of gardening leave (9 Apr 18 to 30 Jun 18) • Payment in lieu of balance of notice period (notice commenced 13 Aug 17 so payment in lieu of period from 1 Jul 18 to 12 Aug 18) • Provision of other benefits required by law and agreed legal costs related to termination
Kelly Bayer Rosmarin (ceased as KMP 30 Apr 18)	• Employment formally ended after a period of gardening leave (1 May 18 to 30 Jun 18) • Payment in lieu of balance of notice period (notice commenced 1 Apr 18 so payment in lieu of period from 1 Jul 18 to 30 Sept 18) • Provision of other benefits required by law, severance payment for past services in accordance with her employment agreement (six months FR) and agreed legal costs related to termination
Rob Jesudason (ceased as KMP 13 May 18)	• Employment formally ended after a period of gardening leave (14 May 18 to 8 Jun 18) • Payment in lieu of balance of notice period (notice commenced 13 May 18 so payment in lieu of period from 9 Jun 18 to 13 Nov 18) • Provision of other benefits required by law • 50% of Rob's relocation costs provided in the 2018 financial year were recovered
Annabel Spring (ceased as KMP 31 Dec 17)	• Employment formally ended after a period of gardening leave (1 Jan 18 to 30 Jun 18) • Provision of other benefits required by law (including 14 weeks' statutory redundancy pay), severance payment for past service in accordance with her employment agreement (six months FR) and agreed legal costs related to termination
David Whiteing (ceased as KMP 30 Apr 18)	• Employment formally ended after a period of gardening leave (1 May 18 to 30 Jun 18) • Payment in lieu of balance of notice period (notice commenced 1 Apr 18 so payment in lieu of period from 1 Jul 18 to 30 Sept 18) • Provision of other benefits required by law, severance payment for past service in accordance with his employment agreement (six months FR) and agreed legal costs related to termination

(1) Melanie Laing ceased as KMP on 31 Jul 18. Her exit arrangements will be disclosed in the 2019 financial year remuneration report.

During their gardening leave periods, each of the Executives were available to assist with handover, provide guidance on matters within their respective scope of responsibility and remained available to perform other reasonable transitional duties as required by the Bank.

Rob Jesudason was not entitled to a 2018 financial year STVR award and all of his unvested LTVR awards were forfeited upon termination of employment.

For Kelly Bayer Rosmarin and David Whiteing, any variable remuneration awarded would be treated as follows:

- 2018 financial year STVR payment to be determined and paid in normal course of business, subject to performance and risk and reputation review, with 50% paid in cash and remaining 50% deferred as cash in two equal tranches over two years.
- Unvested LTVR awards to continue unchanged with performance measured at the end of the performance period related to each award. There is no accelerated or automatic vesting upon ceasing employment.

Ian Narev agreed he would not receive a 2018 financial year STVR and agreed he would forfeit all of his unvested LTVR awards.

Annabel Spring agreed she would not receive a 2018 financial year STVR. Her LTVR awards will continue unchanged with performance measured at the end of the performance period related to each award.

Other awards

- No sign-on or retention awards were made to Executives during the 2018 financial year.
- While acting in Group Executive roles, George Confos, Alan Docherty and Paul Newham received an additional cash allowance. Angus Sullivan did not receive an additional cash allowance while acting in the Group Executive, Retail Banking Services role. Other Executives did not participate in the LTVR plan during the 2018 financial year.

Remuneration received by current Executives during the 2018 financial year

The remuneration outcomes table below provides a summary of the remuneration that was received by current Executives in their KMP role during the 2018 financial year. We believe that presenting this information provides shareholders with greater clarity and transparency about Executive remuneration. This differs from the statutory remuneration table on page 25, which presents remuneration in accordance with accounting standards.

Remuneration received by current Executives during the financial year ended 30 June 2018:

Cash payments	a) **FR:** Base remuneration plus superannuation paid for the period as KMP. For Other Executives (defined on page 15), this includes their acting cash allowance (where applicable). b) **Cash STVR:** For the CEO and Group Executives the amount is 50% of the 2018 financial year STVR (relates to performance during the 12 months to 30 June 2018). For Other Executives, this represents two-thirds of the 2018 financial year STVR for the relevant period.
Vesting of prior year awards	d) **Deferred cash awards:** The value of all deferred cash STVR awards that vested during their period as KMP plus any accrued interest. e) **Deferred equity awards:** The value of all equity awards that vested during their period as KMP plus any dividends accrued during the vesting period. The value shown is the face value (i.e. based on the volume-weighted average closing price (VWACP) of the Group's ordinary shares over the five trading days preceding the vesting date).
Awards forfeited or lapsed	g) **Previous years' awards forfeited or lapsed:** The value of all deferred cash and/or equity awards that were forfeited or lapsed during the 2018 financial year.

				Vesting of prior year awards			
	FR	Cash STVR[1]	Total cash payments	Deferred cash awards	Deferred equity awards[2]	Total remuneration received	*Previous years' awards forfeited or lapsed*
	a	b	c = a + b	d	e	f = c + d + e	*g*
CEO							
Matt Comyn[3]							
30 Jun 18	**1,315,949**	**–**	**1,315,949**	**–**	**1,529,923**	**2,845,872**	***(653,185)***
30 Jun 17	1,055,750	–	1,055,750	667,623	556,427	2,279,800	*(1,892,800)*
Current Executives							
Adam Bennett							
30 Jun 18	**1,049,580**	**225,988**	**1,275,568**	**–**	**280,480**	**1,556,048**	**–**
30 Jun 17	999,600	–	999,600	566,483	310,626	1,876,709	–
David Cohen							
30 Jun 18	**1,200,000**	**261,300**	**1,461,300**	**–**	**1,377,033**	**2,838,333**	***(587,842)***
30 Jun 17	1,200,000	–	1,200,000	541,294	510,966	2,252,260	*(1,738,351)*
George Confos							
30 Jun 18 (effective 1 May 18)	**137,210**	**103,417**	**240,627**	**–**	**–**	**240,627**	***(99,349)***
Alan Docherty							
30 Jun 18 (effective 14 May 18)	**98,630**	**51,966**	**150,596**	**–**	**–**	**150,596**	***(41,820)***
Coen Jonker[4]							
30 Jun 18 (effective 1 Jul 17)	**848,793**	**202,623**	**1,051,416**	**–**	**52,470**	**1,103,886**	**–**
Melanie Laing							
30 Jun 18	**861,900**	**–**	**861,900**	**–**	**1,262,296**	**2,124,196**	***(538,855)***
30 Jun 17	845,000	–	845,000	494,180	454,251	1,793,431	*(1,545,176)*
Anna Lenahan							
30 Jun 18	**865,000**	**249,120**	**1,114,120**	**–**	**260,418**	**1,374,538**	**–**
30 Jun 17 (effective 26 Nov 16)	509,521	–	509,521	–	859,586	1,369,107	–
Paul Newham							
30 Jun 18 (effective 1 May 18)	**142,054**	**92,879**	**234,933**	**–**	**–**	**234,933**	***(78,330)***
Angus Sullivan							
30 Jun 18 (effective 9 Apr 18)	**114,909**	**78,641**	**193,550**	**–**	**–**	**193,550**	***(67,857)***
Michael Venter							
30 Jun 18 (effective 1 Jan 18)	**325,779**	**271,702**	**597,481**	**–**	**–**	**597,481**	***(82,258)***

(1) **2017 financial year STVR awards:** The STVR outcomes for the CEO and Group Executives were adjusted downwards to zero, reflecting collective accountability for the overall reputation of the Group and risk matters.

(2) **Deferred equity awards:** For Matt Comyn, David Cohen and Melanie Laing this reflects the portion of the 2014 financial year LTVR award (performance period ended 30 June 2017) that vested during the 2018 financial year. For Adam Bennett and Coen Jonker this reflects the 2014 financial year deferred STVR awarded under Executive General Manager arrangements that vested in 2018 financial year. For Anna Lenahan, this reflects the portion of the sign-on award that vested in the 2018 financial year.

(3) **Matt Comyn** was appointed as CEO effective 9 April 2018. 2018 financial year remuneration reflects his time in both the Group Executive, Retail Banking Services role (1 July 2017 to 8 April 2018) and CEO role (9 April 2018 to 30 June 2018). Prior year comparison reflects remuneration for his prior role, Group Executive, Retail Banking Services. In March 2018, Matt Comyn offered to forgo his 2018 financial year STVR award. The Board accepted his offer and no STVR was awarded for the 2018 financial year.

(4) **Coen Jonker** was appointed as KMP effective 1 July 2017, therefore no prior year comparison is shown. Remuneration was paid in Hong Kong dollars and was impacted by movements in exchange rates.

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6. Non-Executive Director arrangements 30
7. Loans and other transactions 32

Definitions

This remuneration report details the performance and remuneration of Key Management Personnel (KMP) for the 2018 financial year. KMP is defined as persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

The following terms are used throughout this report to describe different groups of KMP.

Term	Meaning
CEO	Managing Director and Chief Executive Officer
Executives	Collective term referring to the CEO, Group Executives and Other Executives
Group Executives	Includes all permanent Group Executives (for both business units and support functions)
Other Executives	Includes Michael Venter (Chief Operating Officer Wealth Management) and all Acting Group Executives
Non-Executive Directors	KMP who are not Executives

1. Key Management Personnel

The table below outlines the Group's KMP in the financial year ended 30 June 2018.

Name	Position	Term as KMP
Chairman		
Catherine Livingstone AO	Chairman	Full year
Current Non-Executive Directors		
Shirish Apte	Director	Full year
David Higgins	Director	Full year
Brian Long (1)	Director	Full year
Andrew Mohl (1)	Director	Full year
Mary Padbury	Director	Full year
Wendy Stops	Director	Full year
Anne Templeman-Jones	Director (from 5 March 2018)	Part year
Robert Whitfield	Director (from 4 September 2017)	Part year
Former Non-Executive Directors		
Launa Inman	Director (ceased as KMP on 16 November 2017)	Part year
Harrison Young	Director (ceased as KMP on 16 November 2017)	Part year
Managing Director and CEO		
Matt Comyn (2)	Managing Director and CEO (from 9 April 2018)	Full year
Current Executives		
Adam Bennett	Group Executive, Business and Private Banking	Full year
David Cohen (3)	Group Chief Risk Officer	Full year
George Confos (4)	Acting Group Executive, Institutional Banking and Markets (from 1 May 2018)	Part year
Alan Docherty	Acting Group Executive, Financial Services and Chief Financial Officer (from 14 May 2018)	Part year
Coen Jonker	Group Executive, International Financial Services	Full year
Melanie Laing (3)	Group Executive, Human Resources	Full year
Anna Lenahan	Group General Counsel and Group Executive, Group Corporate Affairs	Full year
Paul Newham (4)	Acting Group Executive, Enterprise Services and Chief Information Officer (from 1 May 2018)	Part year
Angus Sullivan (4)	Acting Group Executive, Retail Banking Services (from 9 April 2018)	Part year
Michael Venter	Chief Operating Officer Wealth Management (from 1 January 2018)	Part year
Former Managing Director and CEO		
Ian Narev	Managing Director and CEO (ceased as KMP on 8 April 2018)	Part year
Former Executives		
Kelly Bayer Rosmarin	Group Executive, Institutional Banking and Markets (ceased as KMP on 30 April 2018)	Part year
Rob Jesudason	Group Executive, Financial Services and Chief Financial Officer (ceased as KMP on 13 May 2018)	Part year
Vittoria Shortt	Group Executive, Marketing and Strategy (ceased as KMP on 2 February 2018)	Part year
Annabel Spring	Group Executive, Wealth Management (ceased as KMP on 31 December 2017)	Part year
David Whiteing	Group Executive, Enterprise Services and Chief Information Officer (ceased as KMP on 30 April 2018)	Part year

(1) Brian Long and Andrew Mohl will cease their duties as Non-Executive Directors at the conclusion of the 2018 Annual General Meeting.

(2) Matt Comyn was the Group Executive, Retail Banking Services from 1 July 2017 to 8 April 2018 and Managing Director and CEO of the Group from 9 April 2018 to 30 June 2018.

(3) Post 30 June 2018, David Cohen has been appointed as Deputy Chief Executive Officer effective 5 November 2018 and Melanie Laing ceased as KMP on 31 July 2018. Nigel Williams has been appointed Group Chief Risk Officer effective 5 November 2018 and Sian Lewis has been appointed Group Executive, Human Resources effective 1 August 2018.

(4) Post 30 June 2018, George Confos ceased as KMP on 31 July 2018. Paul Newham will cease as KMP on 30 September 2018. Andrew Hinchliff has been appointed Group Executive, Institutional Banking and Markets effective 1 August 2018, Pascal Boillat has been appointed Group Executive, Enterprise Services and Chief Information Officer effective 1 October 2018 and Angus Sullivan has been appointed Group Executive, Retail Banking Services effective 1 July 2018.

2. Executive remuneration framework

CEO and Group Executive summary

The following diagram illustrates the remuneration framework that applied to the CEO and Group Executives during the 2018 financial year. The Remuneration Committee undertook a comprehensive review with changes effective from 1 July 2017. The key changes included:

- increased weighting on financial and quantitative measures in STVR
- 50% of STVR deferred into equity (previously cash)
- a longer STVR deferral period over two years (previously STVR deferral was one year)
- introduction of new LTVR performance measures
- allocating LTVR reward rights on a face value basis (previously this was on a fair value basis)
- enhanced risk and remuneration governance and frameworks.

Alignment to the Banking Executive Accountability Regime (BEAR)

Our existing variable remuneration deferral for the CEO and Group Executives complies with the BEAR.

All Accountable Person's variable remuneration for the 2019 financial year onwards will be BEAR compliant.

Our remuneration principles

- Aligned with shareholder value creation
- Market competitive to attract and retain high-calibre talent
- Rewards sustainable outperformance and discourages poor performance
- Recognises the role of non-financial drivers in longer-term value creation
- Simple and transparent
- Reflects the Group's strategy and values

FR

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

Attracts high quality talent and reflects role size and scope.

STVR (at risk)

- STVR outcomes range from 0% to 150% of FR.
- Risk and reputation and values assessment as modifier of outcomes.
- Balanced scorecard comprising financial and non-financial measures.

50% is paid as cash	25% is deferred as equity for one year	25% is deferred as equity for two years

Varies remuneration up or down reflecting annual performance results. Subject to Board risk and reputation review.

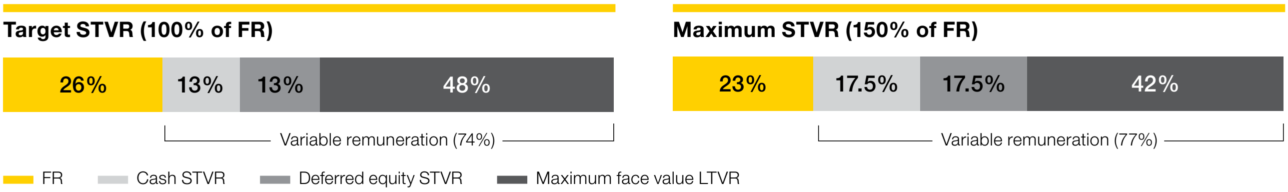
LTVR (at risk)

- Maximum face value allocation of 180% of FR, vesting is subject to performance measures and risk and reputation review.
- Performance measures comprise financial (relative TSR – 75%); and non-financial (trust and reputation – 12.5%; and employee engagement – 12.5%).
- A positive TSR gateway applies to the 25% non-financial measures.
- Delivered as reward rights (no dividend equivalent payments).
- Four-year performance period.

Varies remuneration up or down reflecting performance over multiple years. Subject to Board risk and reputation review.

CEO and Group Executive remuneration mix

The following diagrams illustrate the remuneration mix for the CEO and Group Executives at target and maximum. More than three-quarters of maximum remuneration is variable and at risk.



Other Executives

The STVR for Other Executives is calculated as a percentage of base remuneration (before superannuation), not FR. Two-thirds of their STVR is paid in cash and the remaining one-third is deferred into equity that vests in three equal tranches over three years. George Confos' arrangement does not specify an STVR target and/or maximum. Note, Other Executives did not participate in the LTVR plan during the 2018 financial year.

George Confos, Alan Docherty and Paul Newham received an additional cash allowance during their acting periods to recognise the additional accountability and responsibilities of their respective roles. Angus Sullivan did not receive an additional cash allowance during his acting period.

All variable remuneration (STVR and LTVR) is subject to Board risk and reputation review prior to final outcome or vesting (malus).

The Board has the discretion to adjust STVR and LTVR outcomes down to zero where appropriate.

Risk and reputation review

We further strengthened our risk and reputation review processes in the 2018 financial year. Risk scorecards were introduced as a key input to the overall risk assessment for Executives, providing the Board with robust information to determine the appropriate consequences to be applied to Executive STVR and LTVR outcomes for risk and reputation matters. Executive risk scorecards are independently reviewed and challenged by the Group Chief Risk Officer.

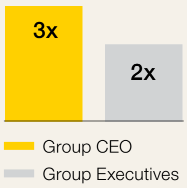
The Remuneration Committee also met with the Risk and Audit Committees to consider all relevant risk and audit matters in the determination of Executive remuneration outcomes.

Mandatory shareholding

The CEO and Group Executives are required to accumulate CBA shares over a five-year period from 1 July 2013 when the mandatory shareholding requirement was implemented or from the date of their appointment to a Group Executive role, to the value shown in the diagram.

As at 30 June 2018, all Group Executives who have been in a Group Executive role for more than five years meet these shareholding requirements. Individuals who have been in Group Executive roles for less than five years are working towards, or have already satisfied these requirements. More detail about the shareholdings for Executives as at 30 June 2018 is provided in section 5.

Proportion of FR:

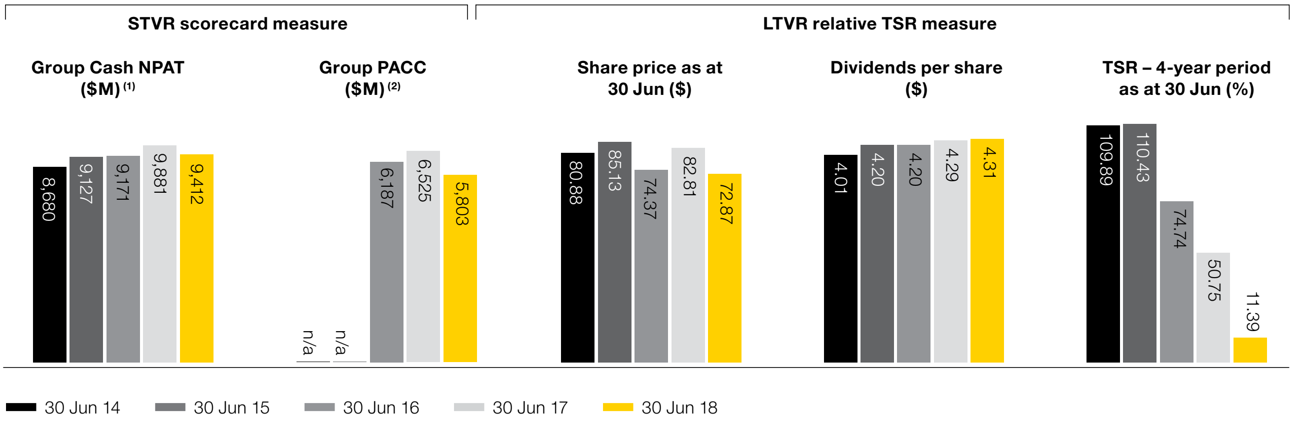


3. Performance and remuneration outcomes

Remuneration varies with short-term and long-term performance outcomes.

Group financial performance

The table below shows the link between CEO and Group Executive remuneration and the Group's financial performance over the past five financial years (including the 2018 financial year).



(1) Group Cash NPAT includes discontinued operations.

(2) Due to methodology changes, comparatives for Group Profit after Capital Charge (PACC) have only been provided for the 2016 and 2017 financial years.

Outcomes	30 Jun 14	30 Jun 15	30 Jun 16	30 Jun 17	30 Jun 18
STVR outcome (average % of maximum)	82%	78%	75%	0%(1)	19%(2)
LTVR vesting outcome (% of maximum)	97%	86%	20%	67%	24%

(1) The STVR outcomes for the CEO and Group Executives were adjusted downwards to zero, reflecting collective accountability for the overall reputation of the Group and risk matters.

(2) As a consequence of the APRA Prudential Inquiry Report, the Board has applied a negative adjustment of 20% to the 2018 financial year performance scorecard outcomes for each current Group Executive and assessed individual risk outcomes as Partially Met to reflect collective accountability for the APRA Prudential Inquiry Report findings. Further negative risk adjustments to STVR outcomes were also made to reflect individual accountability relating to the individual for other risk and reputation matters separate from the APRA Prudential Inquiry Report findings.

Short-term variable remuneration

2018 financial year STVR award – key features

The table below outlines key features of the 2018 financial year STVR award for the Executives. Refer to page **30** for treatment of STVR on cessation of employment.

<table>
<tr><th>Features</th><th>Approach</th></tr>
<tr><td>Purpose</td><td>Reward annual performance, incorporating both risk and reputation and values outcomes.</td></tr>
<tr><td>Participants</td><td>All Executives</td></tr>
<tr><td>Opportunity</td><td>
<table>
<tr><th>Executives</th><th>Target STVR</th><th>Maximum STVR</th></tr>
<tr><td>CEO and Group Executives</td><td>100% of FR</td><td>150% of FR</td></tr>
<tr><td>Other Executives
(excluding George Confos)(1)</td><td>n/a</td><td>130% – 170% of base remuneration</td></tr>
</table>
(1) George Confos' arrangement does not specify an STVR target and/or maximum.</td></tr>
<tr><td>CEO and Group Executive performance measures and weightings</td><td>Individual STVR outcomes are determined on the basis of overall Group performance and an assessment of individual performance through a balanced scorecard. The performance measures chosen support the delivery of the Group's strategy and reflect a mix of quantitative and qualitative outcomes to provide a balanced assessment of performance.
Scorecard weightings cover financial and non-financial measures linked to Group and business unit targets, and vary by role.
<table>
<tr><th>Role</th><th>Financial/Shareholder</th><th>Non-financial (split between customer, people and strategy)</th></tr>
<tr><td>CEO</td><td>60%</td><td>40%</td></tr>
<tr><td>Group Executive managing business units</td><td>60%</td><td>40%</td></tr>
<tr><td>Group Executive managing support functions and the Group Executive, International Financial Services</td><td>40%</td><td>60%</td></tr>
<tr><td>Group Chief Risk Officer</td><td>30%</td><td>70%
(40% of the 70% is weighted towards risk management-related measures)</td></tr>
</table></td></tr>
<tr><td>Modifier(s)</td><td>In addition to performance against a balanced scorecard, Executives are assessed on how they demonstrate exemplary leadership of:

values: the Board has the discretion to adjust Executive STVR outcomes upwards or downwards including to zero where appropriate
risk and reputation: the Board has the discretion to adjust Executive STVR outcomes downwards including to zero where appropriate.
</td></tr>
<tr><td>Calculation of awards</td><td>STVR awards for the CEO and Group Executives are calculated as follows:
<table>
<tr><th colspan="3">Opportunity</th><th></th><th>Unadjusted outcome</th><th></th><th>Modifiers</th><th></th><th>Adjusted outcome</th></tr>
<tr><td rowspan="2">FR
$</td><td rowspan="2">x</td><td rowspan="2">Target STVR opportunity
%</td><td rowspan="2">x</td><td rowspan="2">Performance scorecard result(1)
%</td><td>→</td><td>Values modifier</td><td rowspan="2">=</td><td rowspan="2">Value of adjusted STVR award
$</td></tr>
<tr><td>→</td><td>Risk and reputation modifier</td></tr>
</table>
(1) The Board retains discretion to adjust scorecard outcomes.</td></tr>
<tr><td>Deferral</td><td>
CEO and Group Executives: 50% of the STVR award is deferred and delivered in restricted shares that vest equally over one and two years. Deferred STVR awards are subject to Board risk and reputation review prior to vesting.
Other Executives: One-third of the STVR award is deferred and delivered in restricted shares that vest equally over one, two and three years. Deferred STVR awards are subject to Board risk and reputation review prior to vesting.
</td></tr>
</table>

STVR performance outcomes in the financial year ended 30 June 2018 – CEO

The Board's assessment of the CEO's performance in the 2018 financial year is outlined below.

Key:
● = Actual result

Threshold	50% – Board assesses CEO has met the threshold level of performance.
Target	100% – Board assesses CEO has met the stated performance level in all aspects.
Above expectations	150% – Board assesses CEO has substantially exceeded the stated performance level.

Matt Comyn
The table below reflects an assessment of the CEO's performance during the period 9 April 2018 to 30 June 2018. The STVR disclosed in the table on page 21 comprises STVR outcomes as Group Executive, Retail Banking Services for the period 1 July 2017 to 8 April 2018 and as CEO for the period 9 April 2018 to 30 June 2018. In March 2018, Matt Comyn offered to forgo his 2018 financial year STVR award. The Board accepted his offer and no STVR was awarded for the 2018 financial year.

Ian Narev
Ian was rated as Partially Met for risk and reputation and Exceptionally Demonstrated for values. However, the Board and Ian Narev believe that given his former position and in light of the APRA Prudential Inquiry Report findings, he must demonstrate the highest level of accountability. As such, they have agreed that he will not receive his 2018 financial year STVR award.

		Threshold	Target	Above expectations	% of STVR target (100% of FR)	% of STVR maximum (150% of FR)	
Measure	**%**	**50%**	**100%**	**150%**			**Commentary**
Performance scorecard							
Financial/shareholder							
Group cash NPAT	25%	●			10%	7%	• Below threshold in Group cash NPAT (including discontinued operations) (Actual: $9,412M, Target: $10,102M) • Below threshold in Group underlying PACC (Actual: $5,803M, Target: $6,523M) • Progress on productivity targets
Group underlying PACC	25%	●					
Group productivity	10%		●				
Customer							
Blended average of NPS outcomes for retail and business customers (six-month rolling)	15%	●			0%	0%	• Actual result was -7.7 (decline of 2 points) • Blended average NPS target was set at a level of NPS increase of +5 percentage points relative to June 2017 score (-5.7) (Target: -0.7)
People							
Culture, talent, diversity, safety and wellbeing	15%		●		15%	10%	Board discretion, having regard to: • "Your Voice" outcomes for the Group • Quality of talent development within the Group • Improvement in gender and cultural diversity metrics for Executive Manager and above population within the Group • Quality of safety outcomes and processes
Strategy							
Delivery of key strategic initiatives	10%	●			7.5%	5%	• Better Risk Outcomes Program established to drive Group response to APRA recommendations and enforceable undertaking • Good progress on M&A and divestment strategies
Overall STVR CEO outcome					**33%**	**22%**	
STVR modifier							
Values			Exceptionally Demonstrated		No adjustment		• Developed partnerships for vulnerable customers • Launched Welcome Change campaign • Enhanced Better Customer Outcomes Program
Risk and reputation			Partially Met		-20% reduction		• Collective accountability for APRA Prudential Inquiry Report findings
Overall adjusted STVR CEO outcome					**26%**	**17%**	
Final STVR outcome (due to voluntary forfeiture)					**0%**	**0%**	

STVR performance outcomes in the financial year ended 30 June 2018 – Executives

The following table provides the 2018 financial year STVR outcomes for Executives. The minimum potential outcome is zero.

		STVR actual				
	STVR target	Total	Cash	Deferred	STVR actual as % of STVR target	STVR actual as % of STVR maximum
	$	$	$	$	%	%
CEO						
Matt Comyn(1)	1,315,949	–	–	–	0%	0%
Current Executives						
Adam Bennett	1,049,580	451,975	225,988	225,987	43%	29%
David Cohen	1,200,000	522,600	261,300	261,300	44%	29%
George Confos(2)(3)	n/a	155,126	103,417	51,709	n/a	n/a
Alan Docherty(2)(3)	82,052	77,949	51,966	25,983	n/a	95%
Coen Jonker	848,793	405,246	202,623	202,623	48%	32%
Melanie Laing	861,900	–	–	–	0%	0%
Anna Lenahan	865,000	498,240	249,120	249,120	58%	38%
Paul Newham(2)(3)	162,945	139,318	92,879	46,439	n/a	85%
Angus Sullivan(2)(3)	163,836	117,962	78,641	39,321	n/a	72%
Michael Venter(2)(3)	532,748	407,553	271,702	135,851	n/a	77%
Former CEO						
Ian Narev(4)(5)	2,047,397	–	–	–	0%	0%
Former Executives						
Kelly Bayer Rosmarin(4)	875,020	397,870	198,935	198,935	45%	30%
Rob Jesudason(4)	955,342	–	–	–	0%	0%
Vittoria Shortt(4)	512,417	194,847	97,424	97,423	38%	25%
Annabel Spring(4)(6)	532,214	–	–	–	0%	0%
David Whiteing(4)	832,544	297,634	148,817	148,817	36%	24%

(1) Matt Comyn was appointed to the CEO role effective 9 April 2018. His STVR target reflects his time in both the Group Executive, Retail Banking Services role (1 July 2017 to 8 April 2018) and CEO role (9 April 2018 to 30 June 2018). In March 2018, Matt offered to forgo his 2018 financial year STVR award and the Board accepted.

(2) Newly appointed Executives' remuneration reflects their time in the role. George Confos (1 May 2018 to 30 June 2018), Alan Docherty (14 May 2018 to 30 June 2018), Paul Newham (1 May 2018 to 30 June 2018), Angus Sullivan (9 April 2018 to 30 June 2018) and Michael Venter (1 January 2018 to 30 June 2018).

(3) Other Executives' STVR target shown above reflects their STVR maximum (excluding George Confos). Paul Newham's and Michael Venter's STVR maximum is 170% of base remuneration. Angus Sullivan's STVR maximum is 150% of base remuneration. Alan Docherty's STVR maximum is 130% of base remuneration. George Confos' arrangement does not specify an STVR target and/or maximum.

(4) Former Executives' remuneration reflects their time in the role. Ian Narev (1 July 2017 to 8 April 2018), Kelly Bayer Rosmarin (1 July 2017 to 30 April 2018), Vittoria Shortt (1 July 2017 to 2 February 2018), Annabel Spring (1 July 2017 to 31 December 2017) and David Whiteing (1 July 2017 to 30 April 2018). Rob Jesudason ceased as KMP on 13 May 2018 and is not eligible for an STVR award for the 2018 financial year.

(5) The Board and Ian Narev believe that given his former position and in light of the APRA Prudential Inquiry Report findings, he must demonstrate the highest level of accountability. They have agreed he will not receive his 2018 financial year STVR award.

(6) Annabel Spring agreed not to receive a 2018 financial year STVR award.

Long-term variable remuneration

LTVR award in the year ended 30 June 2018 – key features

The table below outlines key features of the 2018 financial year LTVR for the CEO and Group Executives. Refer to page **30** for treatment of LTVR on cessation of employment.

Features	Approach
Purpose	To focus efforts on achieving superior performance for key stakeholder groups – being shareholders, customers, our people and the community – creating sustainable long-term shareholder value.
Participants	CEO and Group Executives.
Opportunity	The maximum face value of LTVR that can be granted is 180% of FR. The minimum potential outcome value is zero.
Performance period	Four years from 1 July 2017 to 30 June 2021.
Instrument	Reward rights – each reward right entitles the participant to receive one CBA share, subject to meeting performance hurdles.
Allocation approach	Maximum face value allocation approach. Reward rights granted are calculated as follows: FR (at time of grant) $ x 180% ÷ Share price (no discount applied) $ = Number of reward rights Share price: The share price used was the VWACP of CBA's ordinary shares over the five trading days up to and including 1 July 2017.
Dividend payments	No dividends or dividend equivalent payments are provided on reward rights.
Board discretion	The total LTVR award is subject to a risk and reputation review prior to vesting, and can be reduced to zero. The Board has discretion to determine that some or all of the award will lapse in certain circumstances, including where, in the opinion of the Board: • the vesting of reward rights is not justified or supportable, having regard for the participant's performance and/or conduct, the performance of the business unit or function, or the overall Group performance • the vesting of reward rights will impact on the financial soundness of the Group or a member of the Group • a significant unexpected or unintended consequence or outcome has occurred.

Performance measures

75% TSR (relative)

- TSR measures a company's share price movement, dividends paid and any return on capital over a specific period.
- Relative TSR compares the ranking of Group TSR over the performance period with the TSR of other companies in a peer group.

Reason for selection: Provides a direct link between Executive reward and shareholder returns, for alignment with our shareholders' interests.

Approach

Peer group

- The peer group is made up of the 20 largest companies on the ASX by market capitalisation at the beginning of the performance period, excluding resources companies, and the Group(1).
- This cross-industry peer group has been chosen as it represents the typical portfolio of companies in which the Group's shareholders invest, and so provides valid benchmarks for measuring against the Group's TSR.

Vesting framework

Peer group ranking	Vesting %
At the 75th percentile or higher	100%
Between the median and 75th percentile	Pro-rata vesting from 50% to 100%
At the median	50%
Below the median	0%

Calculation of results

Each company in the peer group will be given a percentile ranking based on the growth in its TSR over the four-year performance period.

TSR outcomes are calculated by an independent provider, Orient Capital.

Subject to positive TSR gateway

Performance measures	Approach

12.5% Trust and reputation (relative)

- Measured against the independent RepTrak® pulse score survey conducted by the Reputation Institute, which uses a set of four equally weighted questions to test the trust, respect and admiration a respondent has for a particular company. Our score over the performance period is compared with the performance over the same period of a peer group.
- The RepTrak® pulse score survey is conducted quarterly.

Reason for selection: The Board recognises the critical importance for the Group and the industry of rebuilding and improving the trust of customers and the broader community. This is a key factor in enhancing long-term financial performance and value to shareholders.

Peer group

- The peer group of the 16 largest consumer-facing companies listed on the ASX by market capitalisation at the beginning of the performance period, excluding resource companies, companies that are not familiar to the general public, companies that do not operate nationally, and the Group(2).
- This cross-industry peer group has been chosen to ensure that the Group focuses on delivering trust and reputation outcomes that are among the best in class for all customer-focused industries, not just financial services.

Vesting framework

Peer group ranking	Vesting %
At the 75th percentile or higher	100%
Between the median and 75th percentile	Pro-rata vesting from 50% to 100%
At the median	50%
Below the median	0%

Calculation of results

The opening pulse score for each company will be based on the average of the March, June and September 2017 surveys, while the closing pulse score will be based on the November 2020, March and June 2021 surveys.

Each company in the peer group will be given a percentile ranking based on the change in its pulse score over the four-year performance period.

12.5% Employee engagement (absolute)

- Employees of the Group are invited to participate in an externally conducted online survey.
- The Employee Engagement Index (EEI) is calculated using particular questions from the survey.
- EEI is based on the proportion of employees responding that they "strongly agree" or "agree" with the four questions relating to satisfaction, commitment, advocacy and pride (each of which is equally weighted).

Reason for selection: The Board considers that an engaged workforce results in greater productivity and a better customer experience, and that builds overall value for the Group. It is important the Group's employees are its advocates, committed to our purpose, values and strategy.

Target setting

The target and stretch levels of performance have been set by the Board having regard for the IBM Kenexa gap closure method and global benchmark scores provided by IBM Kenexa.

Vesting framework

EEI score	Vesting %
82% or higher	100%
Between 80% and 82%	Pro-rata vesting from 50% to 100%
80%	50%
Below 80%	0%

Calculation of results

The surveys will be conducted by an independent provider who will facilitate and collate the EEI results. The change in the EEI scores between the March 2017 EEI score of 78% and the March 2021 score will be used to determine the level of vesting.

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

(2) The peer group at the beginning of the performance period for the trust and reputation performance hurdle comprised: AGL Limited, AMP Limited, Australia & New Zealand Banking Group Limited, Crown Resorts Limited, Insurance Australia Group Limited, Lendlease Group Limited, Macquarie Group Limited, National Australia Bank Limited, Qantas Limited, QBE Insurance Group Limited, Stockland Corporation Limited, Suncorp Group Limited, Telstra Corporation Limited, Wesfarmers Limited, Westpac Banking Corporation and Woolworths Limited. The reserve bench comprised Bendigo and Adelaide Bank Limited, BlueScope Steel Limited, Coca-Cola Amatil Limited and Medibank Private Limited.

A positive TSR gateway is applied to the non-financial performance measures (trust and reputation, employee engagement), such that no vesting on these measures occurs unless the change in shareholder value is positive.

LTVR performance outcomes for the financial year ended 30 June 2018

The 2015 financial year LTVR award reached the end of its four-year performance period on 30 June 2018 and vested at 23.82%. 76.18% of the 2015 financial year LTVR lapsed.

Performance measure	Percentage of award	Performance outcome	Vesting outcome
Relative TSR	73.97%	35th percentile ranking relative to TSR peer group	0%
Relative customer satisfaction(1)	26.03%	Average result by business over performance period: • retail main financial institution (MFI) customer satisfaction = 1.25 • wealth management customer satisfaction = 1.25 • business MFI customer satisfaction = 1.04 Total weighted average ranking = 1.17	91.5%

(1) Vesting outcome for relative customer satisfaction is calculated based on the weighted average ranking across the three independent surveys (weighted by the business area's contribution to NPAT at the beginning of the performance period). Relative customer satisfaction vests at 50% if the weighted average ranking is 2nd and 100% if the weighted average ranking is 1st, with straight line vesting in between.

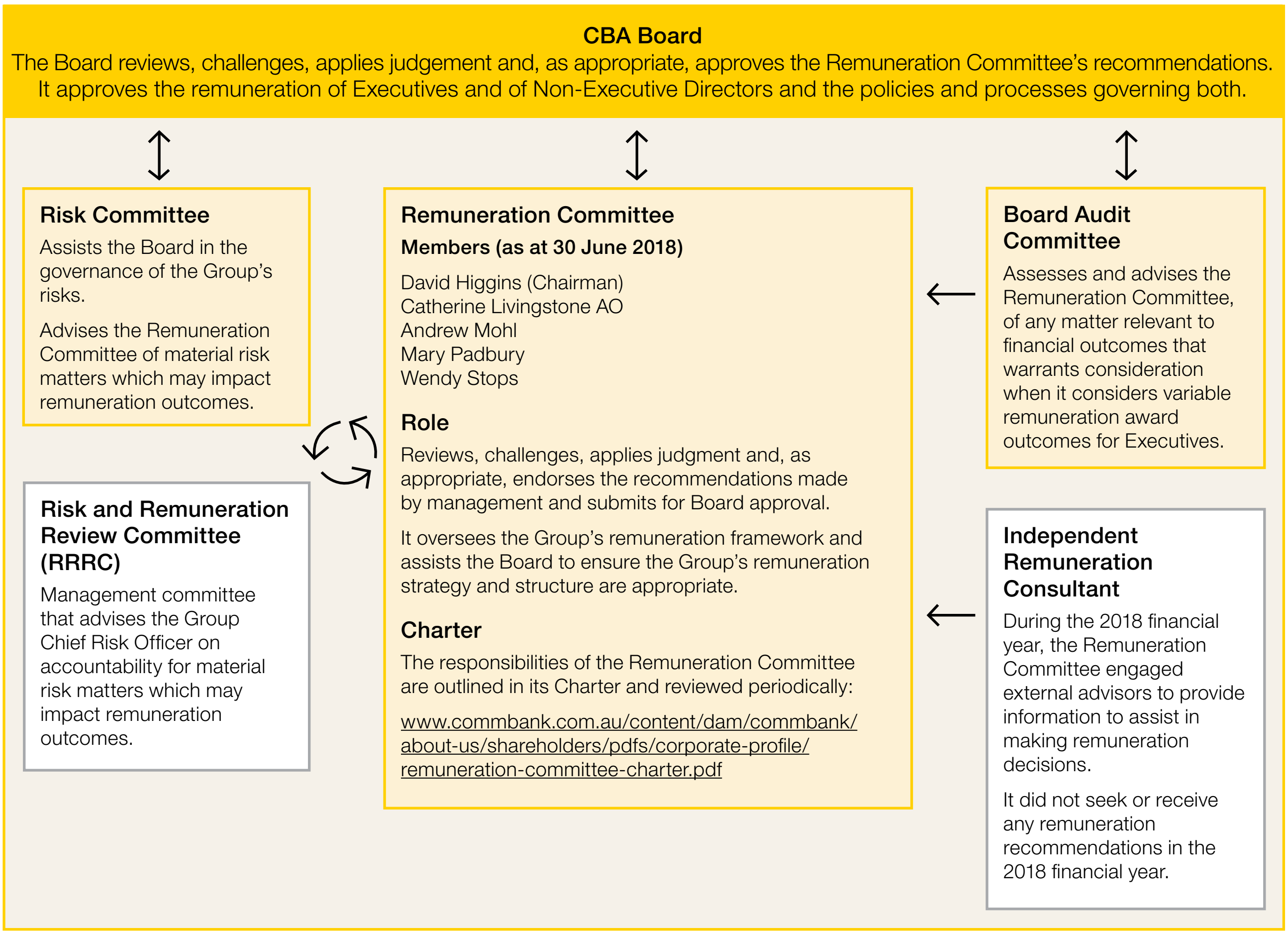
4. Remuneration governance

Remuneration Committee

The Remuneration Committee is the governing body for developing, assessing and monitoring remuneration philosophy, framework and policies across the Group for Board approval. The Remuneration Committee met formally 15 times during the 2018 financial year.

The Remuneration Committee works closely with the Board's Risk and Audit Committees, the Group Chief Risk Officer and Executive General Manager Internal Audit to consider risk and reputational matters when determining remuneration outcomes. Information provided to the Board Committees to support their considerations include Executive risk scorecards, details of material risk matters arising during the year and outcomes of internal audit reviews conducted during the year.

The following diagram illustrates our remuneration governance framework.



CBA Board

The Board reviews, challenges, applies judgement and, as appropriate, approves the Remuneration Committee's recommendations. It approves the remuneration of Executives and of Non-Executive Directors and the policies and processes governing both.

Risk Committee

Assists the Board in the governance of the Group's risks.

Advises the Remuneration Committee of material risk matters which may impact remuneration outcomes.

Risk and Remuneration Review Committee (RRRC)

Management committee that advises the Group Chief Risk Officer on accountability for material risk matters which may impact remuneration outcomes.

Remuneration Committee

Members (as at 30 June 2018)

David Higgins (Chairman)
Catherine Livingstone AO
Andrew Mohl
Mary Padbury
Wendy Stops

Role

Reviews, challenges, applies judgment and, as appropriate, endorses the recommendations made by management and submits for Board approval.

It oversees the Group's remuneration framework and assists the Board to ensure the Group's remuneration strategy and structure are appropriate.

Charter

The responsibilities of the Remuneration Committee are outlined in its Charter and reviewed periodically:

www.commbank.com.au/content/dam/commbank/about-us/shareholders/pdfs/corporate-profile/remuneration-committee-charter.pdf

Board Audit Committee

Assesses and advises the Remuneration Committee, of any matter relevant to financial outcomes that warrants consideration when it considers variable remuneration award outcomes for Executives.

Independent Remuneration Consultant

During the 2018 financial year, the Remuneration Committee engaged external advisors to provide information to assist in making remuneration decisions.

It did not seek or receive any remuneration recommendations in the 2018 financial year.

5. Executive statutory remuneration disclosures

Executive statutory remuneration

The following statutory table details the statutory accounting expense of all remuneration-related items for the Group's Executives. This includes remuneration costs in relation to both the 2017 and 2018 financial years. The tables are different from the remuneration outcomes table on page 14, which shows the remuneration received in the 2018 financial year rather than the accrual accounting amounts determined in accordance with the Australian Accounting Standards. The tables have been developed and audited against the relevant Australian Accounting Standards. Refer to the footnotes below each table for more detail on each remuneration component.

	FR(1)		Other short-term benefits				Long-term benefits		Share-based payments			
	Base remuneration(2) $	Superannuation $	Non-monetary(3) $	Cash STVR (at risk)(4) $	Deferred STVR (at risk)(5) $	Other(6) $	Long-term(7) $	Deferred STVR (at risk)(5) $	Deferred rights (at risk)(8) $	LTVR reward rights (at risk)(9)	Termination benefits $	Total statutory remuneration (10) $
CEO												
Matt Comyn (11)												
30 Jun 18	1,292,075	23,874	15,726	–	–	266,686	198,599	–	–	1,162,327	–	2,959,287
30 Jun 17	1,030,750	25,000	14,599	–	–	24,802	25,425	–	–	1,078,073	–	2,198,649
Current Executives												
Adam Bennett												
30 Jun 18	1,024,580	25,000	16,911	225,988	–	21,013	58,981	–	51,962	974,726	–	2,399,161
30 Jun 17	974,600	25,000	15,909	–	–	(36,560)	24,113	–	145,640	523,671	–	1,672,373
David Cohen												
30 Jun 18	1,175,000	25,000	16,911	261,300	–	(40,808)	56,646	–	–	1,150,959	–	2,645,008
30 Jun 17	1,175,000	25,000	15,909	–	–	44,169	100,122	–	–	988,620	–	2,348,820
George Confos (11)												
30 Jun 18	133,031	4,178	2,858	103,417	–	7,779	2,401	–	64,612	–	–	318,276
Alan Docherty (11)												
30 Jun 18	95,994	2,637	2,270	51,966	–	6,791	4,018	–	23,222	–	–	186,898
Coen Jonker (12) (13)												
30 Jun 18	845,827	2,967	–	203,710	–	461,814	231,089	–	189,362	95,845	–	2,030,614
Melanie Laing												
30 Jun 18	836,900	25,000	16,911	–	–	54,274	14,817	–	–	938,990	–	1,886,892
30 Jun 17	820,000	25,000	15,909	–	–	2,409	22,217	–	–	878,734	–	1,764,269
Anna Lenahan (11)												
30 Jun 18	844,951	20,049	16,911	249,120	–	49,351	6,993	–	533,239	440,478	–	2,161,092
30 Jun 17	497,966	11,555	10,455	–	–	18,571	3,292	–	1,158,780	118,307	–	1,818,926
Paul Newham (11)												
30 Jun 18	137,877	4,178	2,612	92,879	–	3,033	1,516	–	50,603	–	–	292,698
Angus Sullivan (11)												
30 Jun 18	109,224	5,685	3,586	78,641	–	8,480	2,168	–	61,180	–	–	268,964
Michael Venter (11)												
30 Jun 18	313,381	12,397	6,510	271,702	–	73,009	(9,953)	–	179,691	–	–	846,737
Former CEO												
Ian Narev (11)(14)												
30 Jun 18	2,028,082	19,315	12,986	–	–	(26,757)	63,019	–	–	(3,316,726)	905,169	(314,912)
30 Jun 17	2,625,000	25,000	15,909	–	–	(33,007)	113,341	–	–	2,966,120	–	5,712,363

	FR(1)		Other short-term benefits				Long-term benefits		Share-based payments			
	Base remuneration(2) $	Superannuation $	Non-monetary(3) $	Cash STVR (at risk)(4) $	Deferred STVR (at risk)(5) $	Other(6) $	Long-term(7) $	Deferred STVR (at risk)(5) $	Deferred rights (at risk)(8) $	LTVR reward rights (at risk)(9)	Termination benefits $	Total statutory remuneration (10) $
Former Executives												
Kelly Bayer Rosmarin (11)(15)												
30 Jun 18	854,198	20,822	14,052	238,853	–	(547)	29,288	238,853	–	2,788,243	966,236	5,149,998
30 Jun 17	1,025,600	25,000	15,909	–	–	18,037	(52,237)	–	70,583	833,943	–	1,936,835
Rob Jesudason (11)(12)(14)												
30 Jun 18	937,930	17,412	14,641	–	–	215,545	(105,165)	–	–	(1,122,965)	538,770	496,168
30 Jun 17	1,149,030	3,073	–	–	–	972,349	41,466	–	–	987,414	–	3,153,332
Vittoria Shortt (11)												
30 Jun 18	497,554	14,863	9,913	97,424	–	(37,597)	(120,140)	97,424	33,852	2,113,398	–	2,706,691
30 Jun 17	836,900	25,000	15,909	–	–	40,010	(41,739)	–	129,441	374,761	–	1,380,282
Annabel Spring (11)(15)												
30 Jun 18	519,611	12,603	7,639	–	–	9,769	(17,886)	–	–	2,117,192	1,376,076	4,025,004
30 Jun 17	1,030,750	25,000	14,599	–	–	13,905	34,003	–	–	1,078,073	–	2,196,330
David Whiteing (11)(15)												
30 Jun 18	815,845	16,698	12,710	148,817	–	63,524	(47,658)	148,817	–	2,632,434	914,666	4,705,853
30 Jun 17	979,984	19,616	14,599	–	–	(8,609)	19,620	–	52,634	585,192	–	1,663,036

(1) FR comprises base remuneration and superannuation (post-employment benefit). Superannuation contributions for Rob Jesudason in the 2017 financial year and Coen Jonker in the 2018 financial year are made in line with Hong Kong Mandatory Provident Fund regulations.

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

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

(4) For the CEO and Group Executives, 50% of the 2018 financial year STVR for performance during the 12 months to 30 June 2018 (payable in September 2018). For the Other Executives, two-thirds of the 2018 financial year STVR for performance during the 12 months to 30 June 2018 (payable in September 2018).

(5) The 2017 financial year STVR outcome for the CEO and Group Executives was adjusted downwards to zero, reflecting accountability for the overall reputation and risk matters of the Group. The deferred portion of the 2018 financial year STVR outcome for Kelly Bayer Rosmarin, Vittoria Shortt and David Whiteing is deferred into cash over a two year period.

(6) Includes company-funded benefits (including associated fringe benefits tax where applicable) and the net change in accrued annual leave. For Rob Jesudason in the 2017 financial year and Coen Jonker in the 2018 financial year, this includes costs in relation to Hong Kong assignments and relocation to Australia.

(7) Long service entitlements accrued during the year as well as the impact of changes to long service leave valuation assumptions, which are determined in line with Australian Accounting Standards.

(8) 2018 financial year expense for deferred STVR awarded under Executive General Manager arrangements, as well as sign-on and retention awards received as deferred rights. These equity awards are subject to forfeiture if the Executive ceases to be employed by the Group prior to the vesting date as a result of resignation. Deferred 2018 financial year STVR will be expensed over the vesting period commencing 1 July 2018.

(9) 2018 financial year expense for the 2015, 2016, 2017 and 2018 financial year LTVR awards.

(10) The percentage of 2018 financial year remuneration related to performance was: Matt Comyn 39%, Adam Bennett 52%, David Cohen 53%, George Confos 53%, Alan Docherty 40%, Coen Jonker 24%, Melanie Laing 50%, Anna Lenahan 57%, Paul Newham 49%, Angus Sullivan 52%, Michael Venter 53%, Ian Narev 0%, Kelly Bayer Rosmarin 63%, Rob Jesudason 0%, Vittoria Shortt 87%, Annabel Spring 53% and David Whiteing 62%.

(11) Remuneration reflects the individual's time in their respective KMP role(s).

(12) For Rob Jesudason, FY17 remuneration and Coen Jonker, FY18 remuneration was paid in Hong Kong dollars and was impacted by movements in exchange rates. For Rob Jesudason, the 2017 financial year values include costs in relation to his Hong Kong assignment and relocation to Australia. On his exit, 50% of his relocation costs were recovered (as reflected in the 2018 financial year value).

(13) For Coen Jonker, his long-term benefit represents a portion of a deferred purchase price in connection with the Group's acquisition of TymeDigital in the 2015 financial year calculated with reference to his continued employment with the Group and paid to a company in which a related party is a shareholder. Coen also participates in a cash-based incentive scheme known as the 'Excess Return Bonus Scheme' (ERBS), a scheme in which certain other employees in the TymeDigital business also participate. Coen has participated in the ERBS since the 2015 financial year, following CBA's acquisition of TymeDigital. The value of the award is determined by reference to Coen's share in any excess returns generated above a benchmark rate from TymeDigital and certain other branchless digital banking operations established by CBA over a period of up to approximately 20 years (with amounts payable on 30 September 2024 and 30 September 2034, subject to achievement of relevant conditions). Coen's entitlement to payments under the ERBS may be forfeited, reduced or accelerated in certain circumstances (e.g. forfeiture in circumstances of termination for serious misconduct). It is not possible to reliably estimate Coen's maximum potential award under the ERBS, noting, that no amounts have been accrued or became payable to Coen since the 2015 financial year.

(14) For Ian Narev and Rob Jesudason, LTVR awards were forfeited and the associated expense recognised in prior years has been reversed.

(15) The LTVR reward rights value for Kelly Bayer Rosmarin, Annabel Spring and David Whiteing reflects the disclosable accruals for all previously granted LTVR awards that remain unvested following cessation of employment up to the end of each performance period. This means that up to three years of each unvested LTVR award expense has been brought forward and disclosed in total for the 2018 financial year, including those amounts which would otherwise have been included in future year disclosures and that may not vest. These LTVR awards remain on foot and will only vest subject to the achievement of the pre-determined performance conditions and risk and reputation review.

Fair value assumptions for equity awards granted in the 2018 financial year

In the 2018 financial year a face value allocation approach was used to determine the number of rights granted under the LTVR (refer to page 22). The table below is provided in accordance with statutory requirements. The fair value has been calculated using a Monte Carlo simulation method using the assumptions below. The exercise price is nil across all LTVR awards. The fair value of rights under the trust and reputation and employee engagement performance measures is higher than for the relative TSR performance measure. This is expected because the likelihood of achieving a positive TSR over the performance period is greater than the likelihood of achieving a relative TSR ranking higher than the median.

			Assumptions					
Equity plan	Performance measure	Grant date	Fair value $	Performance period end	Expected life (years)	Expected volatility %	Risk free rate %	Dividend yield %
FY18 LTVR reward rights	Relative TSR	17 Nov 17	36.94	30 Jun 21	3.62	15	2.12	5.17
	Trust and reputation (positive TSR gateway)	17 Nov 17	57.11	30 Jun 21	3.62	15	2.12	5.17
	Employee engagement (positive TSR gateway)	17 Nov 17	57.11	30 Jun 21	3.62	15	2.12	5.17

Equity awards received as remuneration

The table below details the value and number of all equity awards that were granted, vested, forfeited or lapsed to Executives during their time in a KMP role in 2018 financial year. Due to the change in the LTVR allocation approach from fair to face value, the table below provides the face value of LTVR reward rights granted during the 2018 financial year (previously was disclosed as fair value). It also shows the number of previous years' awards that vested during the 2018 financial year – some of which relate to past non-KMP roles.

		Granted during 2018 financial year (1)		Previous years' awards vested during 2018 financial year (2)		Forfeited or lapsed during 2018 financial year (3)	
	Class	Units	$	Units	$	Units	$
CEO							
Matt Comyn	LTVR reward rights	22,961	1,900,252	16,441	1,529,923	(8,067)	(653,185)
Current Executives							
Adam Bennett	LTVR reward rights	22,826	1,889,080	–	–	–	–
	Deferred rights	–	–	3,464	280,480	–	–
David Cohen	LTVR reward rights	26,098	2,159,870	14,798	1,377,033	(7,260)	(587,842)
George Confos	Deferred rights	–	–	–	–	(1,366)	(99,349)
Alan Docherty	Deferred rights	–	–	–	–	(575)	(41,820)
Coen Jonker	LTVR reward rights	18,658	1,544,136	–	–	–	–
	Deferred rights	2,896	220,762	634	52,470	–	–
Melanie Laing	LTVR reward rights	18,745	1,551,336	13,565	1,262,296	(6,655)	(538,855)
Anna Lenahan	LTVR reward rights	18,812	1,556,881	–	–	–	–
	Deferred rights	–	–	3,463	260,418	–	–
Paul Newham	Deferred rights	–	–	–	–	(1,077)	(78,330)
Angus Sullivan	Deferred rights	–	–	–	–	(933)	(67,857)
Michael Venter	Deferred rights	–	–	–	–	(1,131)	(82,258)
Former CEO							
Ian Narev	LTVR reward rights	–	–	42,334	3,983,713	(188,524)	(13,882,512)
Former Executives							
Kelly Bayer Rosmarin	LTVR reward rights	22,849	1,890,983	8,697	809,302	(4,266)	(345,418)
	Deferred rights	–	–	2,610	211,332	–	–
Rob Jesudason	LTVR reward rights	23,923	1,979,867	13,565	1,262,296	(96,316)	(7,059,900)
Vittoria Shortt	LTVR reward rights	18,745	1,551,336	–	–	–	–
	Deferred rights	–	–	2,681	217,081	–	–
Annabel Spring	LTVR reward rights	–	–	16,441	1,529,923	(8,067)	(653,185)
David Whiteing	LTVR reward rights	21,739	1,799,120	–	–	–	–
	Deferred rights	–	–	1,946	157,568	–	–

(1) Represents the maximum number of LTVR reward rights and deferred rights that may vest to each executive during their time as KMP. For LTVR reward rights the value represents the face value at grant date being the VWACP of the Group's ordinary shares over the five trading days up to and including 1 July 2017. Deferred rights represent the deferred STVR awarded under Executive General Manager arrangements, sign-on and retention awards received as rights. For deferred rights the value reflects the fair value at grant date. The fair value is the same as the face value. The minimum potential outcome for LTVR reward rights and deferred rights is zero.

(2) Previous years' awards that vested include the 2014 financial year LTVR award and other deferred equity awards that vested during time in KMP role. The value of the awards vested is calculated using VWACP for the five days preceding the vesting date, and includes the value of dividends accrued over the vesting period.

(3) This includes the portion of the 2014 financial year LTVR award (32.92%) that did not meet the performance hurdle and lapsed. The value of the lapsed award is calculated using the VWACP for the five days preceding the lapse date. Also includes portion of deferred rights and/or LTVR reward rights forfeited as a result of individual or collective accountability in relation to the APRA Prudential Inquiry. David Craig's unvested LTVR reward rights (87,358 units valued at $6,353,547) and Alden Toev's unvested LTVR reward rights (60,605 units valued at $4,407,802) were forfeited. The value of forfeited awards is calculated using the VWACP for the five days preceding 30 June 2018.

Overview of unvested equity awards

		Performance period		
Equity plan	**Grant date**	**Start date**	**End date**	**Performance measures**
FY16 LTVR	*CEO:* 17 Nov 15 *Executives:* 10 Nov 15	1 Jul 15	30 Jun 19	Each award is split and tested: • 75% TSR ranking relative to peer group • 25% customer satisfaction average ranking relative to peer group
FY17 LTVR	22 Feb 17	1 Jul 16	30 Jun 20	
FY18 LTVR	17 Nov 17	1 Jul 17	30 Jun 21	Each award is split and tested: • 75% TSR ranking relative to peer group • 12.5% trust and reputation (relative to a peer group) and 12.5% employee engagement (both measures are subject to a positive TSR gateway)

Shares and other securities held by Executives

Details of the shareholdings and other securities held by Executives (or close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of the aforementioned hold significant voting power) are set out below relating to time in KMP role. For details of Executive equity plans refer to the Financial Statements Note 10.1 Share-based payments.

	Class[1]	Balance 1 Jul 17	Acquired/ granted as remuneration	Previous years' awards vested during the 2018 financial year[2]	Net change other[3]	Balance 30 Jun 18
CEO						
Matt Comyn	Ordinary	33,562	–	–	16,441	50,003
	LTVR reward rights	90,776	22,961	(16,441)	(8,067)	89,229
Current Executives						
Adam Bennett	Ordinary	16,361	–	–	3,464	19,825
	LTVR reward rights	50,937	22,826	–	–	73,763
	Deferred rights	5,520	–	(3,464)	–	2,056
David Cohen	Ordinary	38,796	–	–	–	38,796
	LTVR reward rights	85,309	26,098	(14,798)	(7,260)	89,349
George Confos	Ordinary	n/a	–	–	1,685	1,685
	Deferred rights	n/a	–	–	12,332	12,332
	PERLS	n/a	–	–	330	330
Alan Docherty	Ordinary	n/a	–	–	2,192	2,192
	Deferred rights	n/a	–	–	5,209	5,209
Coen Jonker	Ordinary	–	–	–	–	–
	LTVR reward rights	–	18,658	–	–	18,658
	Deferred rights	1,902	2,896	(634)	–	4,164
Melanie Laing	Ordinary	31,980	–	–	–	31,980
	LTVR reward rights	73,713	18,745	(13,565)	(6,655)	72,238

	Class(1)	Balance 1 Jul 17	Acquired/ granted as remuneration	Previous years' awards vested during the 2018 financial year(2)	Net change other(3)	Balance 30 Jun 18
Anna Lenahan(4)	Ordinary	10,389	–	–	3,463	13,852
	LTVR reward rights	18,099	18,812	–	–	36,911
	Deferred rights	12,697	–	(3,463)	–	9,234
Paul Newham	Ordinary	n/a	–	–	4,932	4,932
	Deferred rights	n/a	–	–	9,729	9,729
Angus Sullivan	Ordinary	n/a	–	–	4,316	4,316
	Deferred rights	n/a	–	–	8,412	8,412
Michael Venter	Ordinary	n/a	–	–	–	–
	Deferred rights	n/a	–	–	10,191	10,191
Former CEO						
Ian Narev	Ordinary	131,349	–	–	32,065	n/a
	LTVR reward rights	230,858	–	(42,334)	(188,524)	n/a
Former Executives						
Kelly Bayer Rosmarin	Ordinary	21,857	–	–	8,904	n/a
	LTVR reward rights	78,799	22,849	(8,697)	(4,266)	n/a
	Deferred rights	2,610	–	(2,610)	–	n/a
Rob Jesudason	Ordinary	–	–	–	30,265	n/a
	LTVR reward rights	85,958	23,923	(13,565)	(96,316)	n/a
Vittoria Shortt	Ordinary	8,703	–	–	2,681	n/a
	LTVR reward rights	41,428	18,745	–	–	n/a
	Deferred rights	4,934	–	(2,681)	–	n/a
Annabel Spring	Ordinary	29,370	–	–	16,441	n/a
	LTVR reward rights	90,776	–	(16,441)	(8,067)	n/a
David Whiteing	Ordinary	–	–	–	1,946	n/a
	LTVR reward rights	61,788	21,739	–	–	n/a
	Deferred rights	1,946	–	(1,946)	–	n/a

(1) LTVR reward rights are subject to performance hurdles. Deferred rights represent the deferred STVR awarded under Executive General Manager arrangements, sign-on and retention awards received as restricted rights. Both LTVR reward rights and deferred rights are unvested as at 30 June 2018. The maximum potential outcome for LTVR reward rights and deferred rights is subject to CBA share price at time of vesting.

(2) LTVR reward rights and deferred rights become ordinary shares upon vesting.

(3) Net change other incorporates changes resulting from purchases, sales, forfeitures during the year and shares or rights held by an Executive prior to their appointment as KMP. Includes portion of deferred rights and/or LTVR reward rights forfeited as a result of individual or collective accountability in relation to the APRA Prudential Inquiry.

(4) Anna Lenahan holds 2,000 Capital Notes.

Executive employment arrangements

The table below provides the employment arrangements for current Executives.

Contract term	CEO	Group Executives	Other Executives
Contract type (1)	Permanent	Permanent	Permanent
Notice period	12 months	6 months	3 months
Severance	n/a	6 months(2)	3 months(3)
STVR entitlements on termination	• Unless otherwise determined by the Board, Executives who resign or are dismissed are not entitled to an STVR payment and will forfeit the unvested deferred portion of their STVR. • At the Board's discretion, where an Executive's exit is related to any other reason (e.g., retrenchment, retirement or death), the Executive may be entitled to an STVR payment with regard to actual performance against performance measures (as determined by the Board following the end of the performance period). • Unless otherwise determined by the Board, where an Executive's exit is related to any other reason (e.g., retrenchment, retirement or death) unvested deferred STVR awards will remain on foot subject to the original terms and conditions and will vest in the ordinary course, as though the Executive had not ceased employment.		
LTVR entitlements on termination	In general, unless otherwise determined by the Board: • Executives who resign or are dismissed before the end of the performance period will forfeit all unvested LTVR awards; and • Where an Executive's exit is related to any other reason (e.g., retrenchment, retirement or death), any unvested LTVR awards continue unchanged with performance measured at the end of the performance period related to each award.		• n/a – Not eligible for LTVR

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

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

(3) Severance applies where the employee is terminated due to redundancy.

6. Non-Executive Director arrangements

Non-Executive Director fees

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

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

The following table outlines the Non-Executive Directors fees for the Board and the committees as at 30 June 2018. Non-Executive Director base and committee fees for the 2018 financial year were reduced by an amount equal to 20% of their individual 2017 financial year fees to reflect a shared accountability for the overall reputation of the Group and risk matters.

Fees are inclusive of base fees and statutory superannuation. The Chairman does not receive separate committee fees.

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

(1) The Board established the Financial Crimes Review Committee (FCRC) in August 2017 to oversee the response to AUSTRAC's civil proceedings and the Program of Action. The Chairman of the FCRC received a fee of $60,000 pa. The FCRC was dissolved in June 2018.

Mandatory shareholding

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

Non-Executive Director statutory remuneration

The statutory table below details individual statutory remuneration for the Non-Executive Directors for both the 2018 and 2017 financial years.

	Short-term benefits	Post-employment benefits	Share-based payments	
	Cash [1] $	Superannuation [2] $	Non-Executive Directors' Share Plan [3] $	Total statutory remuneration $
Chairman				
Catherine Livingstone AO[4]				
30 Jun 18	732,290	20,049	–	752,339
30 Jun 17	552,098	19,616	–	571,714
Current Non-Executive Directors				
Shirish Apte[5][6]				
30 Jun 18	332,013	15,037	–	347,050
30 Jun 17	340,292	10,405	–	350,697
David Higgins[6]				
30 Jun 18	246,570	20,049	–	266,619
30 Jun 17	331,286	19,616	–	350,902
Brian Long				
30 Jun 18	259,777	20,049	–	279,826
30 Jun 17	331,848	19,616	–	351,464
Andrew Mohl				
30 Jun 18	223,073	19,650	–	242,723
30 Jun 17	285,197	19,616	–	304,813
Mary Padbury				
30 Jun 18	225,448	20,049	30,793	276,290
30 Jun 17	231,084	19,239	30,806	281,129
Wendy Stops				
30 Jun 18	225,434	19,554	–	244,988
30 Jun 17	252,661	19,616	–	272,277
Anne Templeman-Jones[7]				
30 Jun 18	66,861	6,516	8,349	81,726
Robert Whitfield[8]				
30 Jun 18	185,476	16,567	26,172	228,215
Former Non-Executive Directors				
Launa Inman[6][9]				
30 Jun 18	46,542	5,066	5,917	57,525
30 Jun 17	256,128	19,616	28,980	304,724
Harrison Young[6][9]				
30 Jun 18	49,988	6,064	–	56,052
30 Jun 17	310,520	19,616	–	330,136

(1) Cash includes Board and committee fees received as cash, as well as the provision of additional benefits (including associated fringe benefits tax).

(2) Superannuation contributions are capped at the superannuation maximum contributions base as described under the Superannuation Guarantee legislation.

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

(4) Catherine Livingstone AO was appointed as Chairman from 1 January 2017. Prior year comparison reflects remuneration in both the Non-Executive Director and Chairman role.

(5) For Shirish Apte, 2018 financial year cash fees includes payments in relation to tax advice and health benefits and minor adjustments in relation to prior years.

(6) Shirish Apte, David Higgins, Launa Inman and Harrison Young's 2017 financial year cash has been restated to include the provision of additional benefits (including associated fringe benefits tax).

(7) Anne Templeman-Jones was appointed as a Non-Executive Director effective 5 March 2018 and her remuneration reflects time in the role.

(8) Robert Whitfield was appointed as a Non-Executive Director effective 4 September 2017 and his remuneration reflects time in the role.

(9) Launa Inman and Harrison Young retired from their Non-Executive Director roles effective 16 November 2017 and their remuneration reflects time in the role.

Shares and other securities held by Non-Executive Directors

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

	Class	Balance 1 Jul 17	Acquired (1)	Net change other (2)	Balance 30 Jun 18
Chairman					
Catherine Livingstone AO	Ordinary	5,337	–	–	5,337
Current Non-Executive Directors					
Shirish Apte	Ordinary	7,500	–	–	7,500
David Higgins	Ordinary	10,878	–	–	10,878
	PERLS (4)	2,620	–	(2,470)	150
Brian Long	Ordinary	14,797	159	–	14,956
	PERLS (4)	6,850	–	–	6,850
Andrew Mohl	Ordinary	82,234	–	–	82,234
Mary Padbury	Ordinary	294	540	–	834
	PERLS (4)	1,600	–	–	1,600
Wendy Stops	Ordinary	16,000	–	–	16,000
Anne Templeman-Jones	Ordinary	n/a	358	–	358
Robert Whitfield	Ordinary	n/a	309	–	309
Former Non-Executive Directors					
Launa Inman (3)	Ordinary	4,653	251	–	n/a
Harrison Young (3)	Ordinary	30,000	–	–	n/a

(1) Incorporates shares and other securities acquired during the year. Non-Executive Directors who hold fewer than 5,000 CBA shares are required to receive 20% of their total after-tax base fees as CBA shares. These shares are subject to a 10-year trading restriction (the shares will be released earlier if the Non-Executive Director leaves the Board). In the 2018 financial year, under the Non-Executive Directors' Share Plan, Mary Padbury received 478 shares, Anne Templeman-Jones received 57 shares, Robert Whitfield received 282 shares and Launa Inman received 171 shares. Mary Padbury and Robert Whitfield also voluntarily sacrificed a portion of their fees to purchase 62 shares and 27 shares respectively in the 2018 financial year. Launa Inman also received 80 shares in relation to the dividend reinvestment plan.

(2) Net change other incorporates changes resulting from sales of securities.

(3) Launa Inman and Harrison Young retired from the Group on 16 November 2017 and their shareholding balance as at 30 June 2018 is not included.

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

7. Loans and other transactions

Loans to KMP

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

Total loans to KMP

	30 Jun 18 $
Opening balance	12,145,179
Closing balance (1)	12,914,040
Interest charged	475,873

(1) The aggregate loan amount at the end of the reporting period includes loans issued to 20 KMP.

Loans to KMP exceeding $100,000 in aggregate during the 2018 financial year

	Balance 1 Jul 17 $	Interest charged $	Interest not charged $	Write-off $	Balance 30 Jun 18 $	Highest balance in period (1) $
Kelly Bayer Rosmarin (2)	1,643,424	37,024	–	–	n/a	1,675,615
David Cohen	487,134	20,719	–	–	451,026	511,046
Matt Comyn	2,360,099	30,743	–	–	–	2,736,395
Alan Docherty (2)	n/a	6,691	–	–	1,580,232	1,601,458
Melanie Laing	929,178	11,818	–	–	20,198	962,226
Paul Newham (2)	n/a	76,545	–	–	4,008,128	4,074,273
Mary Padbury	676,992	1,539	–	–	256	700,985
Vittoria Shortt (2)	3,417,879	14,002	–	–	n/a	3,675,571
Angus Sullivan (2)	n/a	60,788	–	–	5,639,759	5,691,182
Michael Venter (2)	n/a	21,933	–	–	1,185,250	1,223,176
David Whiteing (2)	2,502,057	192,867	–	–	n/a	9,721,269
Total	12,016,763	474,669	–	–	12,884,849	32,573,196

(1) Represents the sum of highest balances outstanding at any point during the 2018 financial year for each individual loan held by the KMP.

(2) The values disclosed relate to their period as KMP.

Other transactions of KMP

Financial instrument transactions

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

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

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

Transactions other than financial instrument transactions

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

Non-Audit Services

Amounts paid or payable to PricewaterhouseCoopers (PwC) for audit and non-audit services provided during the year, as set out in Note 12.4 to the Financial Statements are as follows:

	2018 **$'000**
Taxation services	2,265
Risk management, compliance and controls related work	8,234
Other	2,787
Total non-audit services (1)	13,286
Total audit and related services	33,780

(1) An additional amount of $3,757,145 was paid to PwC for non-audit services provided to entities not consolidated into the Financial Statements.

Auditor's Independence Declaration

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

Auditor Independence

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

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

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

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

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

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

Incorporation of Additional Material

This Report incorporates Our Board (pages 2 and 3) and Shareholding information (pages 189 to 194) sections of this Annual Report.

C.B. Livingstone

Catherine Livingstone AO
Chairman

7 August 2018

Matt Comyn
Managing Director and Chief Executive Officer

7 August 2018

As lead auditor for the audit of Commonwealth Bank of Australia for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

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

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Commonwealth Bank of Australia and the entities it controlled during the period.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
7 August 2018

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Financial report

Income Statements

For the year ended 30 June 2018

		Group (1)			Bank (2)	
	Note	**30 Jun 18 $M**	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Interest income	2.1	**34,543**	33,301	33,819	**33,418**	33,534
Interest expense	2.1	**(16,202)**	(15,758)	(16,961)	**(17,007)**	(17,764)
Net interest income		**18,341**	17,543	16,858	**16,411**	15,770
Other banking income		**5,390**	5,684	4,628	**7,365**	6,955
Net banking operating income		**23,731**	23,227	21,486	**23,776**	22,725
Net funds management operating income		**2,099**	1,928	1,916	**-**	-
Net insurance operating income		**302**	231	215	**-**	-
Total net operating income before impairment and operating expenses		**26,132**	25,386	23,617	**23,776**	22,725
Loan impairment expense	3.2	**(1,079)**	(1,095)	(1,256)	**(963)**	(1,040)
Operating expenses	2.4	**(11,633)**	(10,626)	(9,996)	**(10,510)**	(9,560)
Net profit before tax		**13,420**	13,665	12,365	**12,303**	12,125
Corporate tax expense	2.5	**(4,026)**	(3,879)	(3,400)	**(3,293)**	(3,146)
Net profit after tax from continuing operations		**9,394**	9,786	8,965	**9,010**	8,979
Non-controlling interests in continuing operations		**(19)**	(20)	(20)	**-**	-
Net profit attributable to equity holders of the Bank from continuing operations		**9,375**	9,766	8,945	**9,010**	8,979
Net (loss)/profit after tax from discontinued operations		**(46)**	166	278	**(135)**	-
Non-controlling interests in discontinued operations		**-**	(4)	-	**-**	-
Net profit attributable to equity holders of the Bank		**9,329**	9,928	9,223	**8,875**	8,979

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

Earnings per share for profit attributable to equity holders of the parent entity during the year:

	Group (3)		
	30 Jun 18	30 Jun 17	30 Jun 16
		Cents per share	
Earnings per share from continuing operations:			
Basic	**536. 9**	567. 9	525. 6
Diluted	**520. 2**	549. 9	513. 3
Earnings per share:			
Basic	**534. 3**	577. 3	542. 0
Diluted	**517. 7**	558. 8	529. 0

(1) Information has been restated and presented on a continuing operations basis. Discontinued operations include the Group's life insurance businesses in Australia and New Zealand, its 37.5% equity interest in BoComm Life and TymeDigital. For details on the Group's discontinued operations refer to note 11.3.

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

(3) Basic and diluted earnings per share for all periods presented have been adjusted retrospectively to incorporate the discount element of the dividend reinvestment plan.

Statements of Comprehensive Income

For the year ended 30 June 2018

	Group (1)			Bank	
	30 Jun 18	30 Jun 17	30 Jun 16	**30 Jun 18**	30 Jun 17
	$M	$M	$M	**$M**	$M
Net profit after income tax for the period from continuing operations	**9,394**	9,786	8,965	**9,010**	8,979
Other comprehensive income/(expense):					
Items that may be reclassified subsequently to profit/(loss):					
Foreign currency translation reserve net of tax	**5**	(256)	339	**53**	(11)
Gains and (losses) on cash flow hedging instruments net of tax	**(53)**	(577)	210	**4**	(666)
Gains and (losses) on available-for-sale investments net of tax	**(77)**	(52)	(316)	**(34)**	35
Total of items that may be reclassified	**(125)**	(885)	233	**23**	(642)
Items that will not be reclassified to profit/(loss):					
Actuarial gains from defined benefit superannuation plans net of tax	**161**	175	10	**159**	175
Losses on liabilities at fair value due to changes in own credit risk net of tax	**(2)**	(3)	(1)	**(2)**	(3)
Revaluation of properties net of tax	**31**	23	1	**29**	19
Total of items that will not be reclassified	**190**	195	10	**186**	191
Other comprehensive income/(expense) net of income tax	**65**	(690)	243	**209**	(451)
Total comprehensive income for the period from continuing operations	**9,459**	9,096	9,208	**9,219**	8,528
Net profit after income tax for the period from discontinued operations	**(46)**	166	278	**(135)**	-
Other comprehensive income/(expense) for the period from discontinued operations net of income tax	**(14)**	(29)	44	**-**	-
Total comprehensive income for the period	**9,399**	9,233	9,530	**9,084**	8,528
Total comprehensive income for the period is attributable to:					
Equity holders of the Bank	**9,380**	9,209	9,510	**9,084**	8,528
Non-controlling interests	**19**	24	20	**-**	-
Total comprehensive income net of income tax	**9,399**	9,233	9,530	**9,084**	8,528

(1) Information has been restated and presented on a continuing operations basis.

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

				Group
		30 Jun 18	30 Jun 17	30 Jun 16
	Note		Cents per share	
Dividends per share attributable to shareholders of the Bank:				
Ordinary shares	8.4	**431**	429	420
Trust preferred securities		**-**	-	7,994

Balance Sheets

As at 30 June 2018

		Group (1)			Bank
		30 Jun 18	30 Jun 17	**30 Jun 18**	30 Jun 17
Assets	Note	**$M**	$M	**$M**	$M
Cash and liquid assets	5.1	**36,417**	45,850	**33,581**	42,814
Receivables due from other financial institutions	5.2	**9,222**	10,037	**8,376**	8,678
Assets at fair value through Income Statement:					
Trading	5.3	**32,254**	32,704	**29,993**	31,127
Insurance	5.3	**372**	13,669	**-**	-
Other	5.3	**258**	1,111	**-**	796
Derivative assets	5.4	**32,133**	31,724	**30,885**	32,094
Available-for-sale investments	5.5	**82,240**	83,535	**77,731**	79,019
Loans, bills discounted and other receivables	3.1	**743,365**	731,762	**656,650**	647,503
Bank acceptances of customers		**379**	463	**379**	463
Shares in and loans to controlled entities	11.2	**-**	-	**118,252**	101,337
Property, plant and equipment	6.1	**2,576**	3,873	**1,460**	1,494
Investment in associates and joint ventures	11.1	**2,842**	2,778	**1,118**	1,241
Intangible assets	6.2	**9,023**	10,024	**4,399**	4,449
Deferred tax assets (2)	2.5	**1,439**	906	**1,430**	1,324
Other assets	6.3	**6,991**	7,882	**6,279**	6,457
Assets held for sale	11.3	**15,654**	-	**19**	-
Total assets		**975,165**	976,318	**970,552**	958,796
Liabilities					
Deposits and other public borrowings	4.1	**622,234**	626,655	**566,200**	571,353
Payables due to other financial institutions		**20,899**	28,432	**20,014**	28,038
Liabilities at fair value through Income Statement	4.2	**10,247**	10,392	**9,106**	8,989
Derivative liabilities	5.4	**28,472**	30,330	**30,871**	32,173
Bank acceptances		**379**	463	**379**	463
Due to controlled entities		**-**	-	**105,327**	91,222
Current tax liabilities		**952**	1,450	**796**	1,278
Deferred tax liabilities	2.5	**-**	332	**-**	-
Other provisions	7.1	**1,889**	1,780	**1,590**	1,372
Insurance policy liabilities		**451**	12,018	**-**	-
Debt issues	4.3	**172,294**	167,571	**139,984**	134,966
Managed funds units on issue		**-**	2,577	**-**	-
Bills payable and other liabilities	7.2	**11,596**	11,932	**10,116**	10,909
Liabilities held for sale	11.3	**14,900**	-	**-**	-
		884,313	893,932	**884,383**	880,763
Loan capital	8.2	**22,992**	18,726	**22,249**	17,959
Total liabilities		**907,305**	912,658	**906,632**	898,722
Net assets		**67,860**	63,660	**63,920**	60,074
Shareholders' Equity					
Ordinary share capital	8.3	**37,270**	34,971	**37,533**	35,262
Reserves	8.3	**1,676**	1,869	**2,568**	2,556
Retained profits (2)	8.3	**28,360**	26,274	**23,819**	22,256
Shareholders' Equity attributable to Equity holders of the Bank		**67,306**	63,114	**63,920**	60,074
Non-controlling interests	11.1	**554**	546	**-**	-
Total Shareholders' Equity		**67,860**	63,660	**63,920**	60,074

(1) Current period balances have been impacted by the announced sale of the Group's life Insurance businesses in Australia and New Zealand, the investment in BoComm Life and TymeDigital.

(2) Comparatives have been restated following a change in accounting policy to recognise deferred tax on brand names acquired by the Group. Further details on the change are provided in Note 1.1.

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

Statements of Changes in Equity

For the year ended 30 June 2018

						Group
	Ordinary share capital $M	**Reserves $M**	**Retained profits $M**	**Total $M**	**Non-controlling interests $M**	**Total Shareholders' Equity $M**
As at 30 June 2016	33,845	2,734	23,435	**60,014**	550	**60,564**
Change in accounting policy (1)	-	-	(56)	**(56)**	-	**(56)**
Restated opening balance	33,845	2,734	23,379	**59,958**	550	**60,508**
Net profit after income tax from continuing operations	-	-	9,766	**9,766**	20	**9,786**
Net profit after income tax from discontinued operations	-	-	162	**162**	4	**166**
Net other comprehensive income from continuing operations	-	(862)	172	**(690)**	-	**(690)**
Net other comprehensive income from discontinued operations	-	(29)	-	**(29)**	-	**(29)**
Total comprehensive income for the period	-	(891)	10,100	**9,209**	24	**9,233**
Transactions with Equity holders in their capacity as Equity holders: (2)						
Dividends paid on ordinary shares	-	-	(7,237)	**(7,237)**	-	**(7,237)**
Dividend reinvestment plan (net of issue costs)	1,143	-	-	**1,143**	-	**1,143**
Issue of shares (net of issue costs)	(6)	-	-	**(6)**	-	**(6)**
Share-based payments	-	32	-	**32**	-	**32**
Purchase of treasury shares	(92)	-	-	**(92)**	-	**(92)**
Sale and vesting of treasury shares	81	-	-	**81**	-	**81**
Other changes	-	(6)	32	**26**	(28)	**(2)**
As at 30 June 2017	34,971	1,869	26,274	**63,114**	546	**63,660**
Net profit after income tax from continuing operations	-	-	9,375	**9,375**	19	**9,394**
Net profit after income tax from discontinued operations	-	-	(46)	**(46)**	-	**(46)**
Net other comprehensive income from continuing operations	-	(94)	159	**65**	-	**65**
Net other comprehensive income from discontinued operations	-	(14)	-	**(14)**	-	**(14)**
Total comprehensive income for the period	-	(108)	9,488	**9,380**	19	**9,399**
Transactions with Equity holders in their capacity as Equity holders: (2)						
Dividends paid on ordinary shares	-	-	(7,484)	**(7,484)**	-	**(7,484)**
Dividend reinvestment plan (net of issue costs)	2,105	-	-	**2,105**	-	**2,105**
Issue of shares (net of issue costs)	164	-	-	**164**	-	**164**
Share-based payments	-	(19)	-	**(19)**	-	**(19)**
Purchase of treasury shares	(95)	-	-	**(95)**	-	**(95)**
Sale and vesting of treasury shares	125	-	-	**125**	-	**125**
Other changes	-	(66)	82	**16**	(11)	**5**
As at 30 June 2018	37,270	1,676	28,360	**67,306**	554	**67,860**

(1) Comparatives have been restated following a change in accounting policy to recognise deferred tax on brand names acquired by the Group. Further details on the change are provided in Note 1.1.

(2) Current period and prior periods include discontinued operations.

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

Statements of Changes in Equity (continued)

For the year ended 30 June 2018

					Bank
	Ordinary share capital $M	Other equity instruments $M	Reserves $M	Retained profits $M	Total Shareholders' Equity $M
As at 30 June 2016	34,125	406	3,115	20,430	58,076
Change in accounting policy (1)	-	-	-	(56)	(56)
Restated opening balance	34,125	406	3,115	20,374	58,020
Net profit after income tax from continuing operations	-	-	-	8,979	8,979
Net other comprehensive income from continuing operations	-	-	(623)	172	(451)
Total comprehensive income for the period	-	-	(623)	9,151	8,528
Transactions with Equity holders in their capacity as Equity holders:					
Dividends paid on ordinary shares	-	-	-	(7,237)	(7,237)
Dividend reinvestment plan (net of issue costs)	1,143	-	-	-	1,143
Issue of shares (net of issue costs)	(6)	-	-	-	(6)
Share-based payments	-	-	32	-	32
Redemptions	-	(406)	-	-	(406)
Other changes	-	-	32	(32)	-
As at 30 June 2017	35,262	-	2,556	22,256	60,074
Net profit after income tax from continuing operations	-	-	-	9,010	9,010
Net profit after income tax from discontinued operations	-	-	-	(135)	(135)
Net other comprehensive income from continuing operations	-	-	52	157	209
Total comprehensive income for the period	-	-	52	9,032	9,084
Transactions with Equity holders in their capacity as Equity holders: (1)					
Dividends paid on ordinary shares	-	-	-	(7,484)	(7,484)
Dividend reinvestment plan (net of issue costs)	2,107	-	-	-	2,107
Issue of shares (net of issue costs)	164	-	-	-	164
Share-based payments	-	-	(25)	-	(25)
Redemptions	-	-	-	-	-
Other changes	-	-	(15)	15	-
As at 30 June 2018	37,533	-	2,568	23,819	63,920

(1) Comparatives have been restated following a change in accounting policy to recognise deferred tax on brand names acquired by the Group. Further details on the change are provided in Note 1.1.

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

Statements of Cash Flows (1) (2)

For the year ended 30 June 2018

		Group			Bank	
		30 Jun 18	30 Jun 17	30 Jun 16	**30 Jun 18**	30 Jun 17
	Note	**$M**	$M	$M	**$M**	$M
Cash flows from operating activities						
Interest received		**35,801**	33,536	34,047	**34,679**	33,807
Interest paid		**(15,356)**	(15,006)	(16,285)	**(16,100)**	(17,057)
Other operating income received		**6,181**	5,556	5,688	**4,217**	3,959
Expenses paid		**(10,340)**	(9,763)	(9,981)	**(8,739)**	(8,152)
Income taxes paid		**(4,791)**	(3,976)	(3,071)	**(3,892)**	(3,163)
Net inflows/(outflows) from assets at fair value through Income Statement (excluding life insurance)		**5,270**	4,220	(2,642)	**7,185**	2,742
Net inflows/(outflows) from liabilities at fair value through Income Statement:						
Insurance:						
Investment income		**225**	186	(362)	**-**	-
Premiums received (3)		**3,241**	3,366	3,114	**-**	-
Policy payments and commission expense (3)		**(3,453)**	(3,854)	(3,301)	**-**	-
Other liabilities at fair value through Income Statement		**(208)**	156	1,872	**12**	1,588
Cash flows from operating activities before changes in operating assets and liabilities		**16,570**	14,421	9,079	**17,362**	13,724
Changes in operating assets and liabilities arising from cash flow movements						
Movement in available-for-sale investments:						
Purchases		**(51,783)**	(54,608)	(50,233)	**(50,501)**	(53,883)
Proceeds		**52,832**	49,392	46,150	**51,673**	48,750
Net increase in loans, bills discounted and other receivables		**(16,105)**	(38,744)	(52,825)	**(10,420)**	(31,708)
Net decrease in receivables due from other financial institutions and regulatory authorities		**884**	1,100	803	**583**	1,121
Net decrease/(increase) in securities purchased under agreements to resell		**9,258**	(13,993)	4,574	**9,723**	(13,381)
Insurance business:						
Purchase of insurance assets at fair value through Income Statement		**(1,594)**	(1,789)	(2,020)	**-**	-
Proceeds from sale/maturity of insurance assets at fair value through Income Statement		**2,671**	3,152	4,276	**-**	-
Net increase in other assets		**(11)**	(174)	(108)	**(35)**	(152)
Net (decrease)/increase in deposits and other public borrowings		**(876)**	39,821	37,783	**(4,984)**	36,379
Net (decrease)/increase in payables due to other financial institutions		**(8,279)**	666	(6,323)	**(8,451)**	718
Net (decrease)/increase in securities sold under agreements to repurchase		**(1,574)**	(853)	4,148	**(1,695)**	(804)
Net (decrease)/increase in other liabilities		**(884)**	802	135	**(1,664)**	(1,947)
Changes in operating assets and liabilities arising from cash flow movements		**(15,461)**	(15,228)	(13,640)	**(15,771)**	(14,907)
Net cash provided by/(used in) operating activities	12.3 (a)	**1,109**	(807)	(4,561)	**1,591**	(1,183)

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

(2) Includes discontinued operations.

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

Statements of Cash Flows (1) (2) (continued)

For the year ended 30 June 2018

		Group			Bank	
		30 Jun 18	30 Jun 17	30 Jun 16	**30 Jun 18**	30 Jun 17
	Note	**$M**	$M	$M	**$M**	$M
Cash flows from investing activities						
Cash inflows/(outflows) from acquisitions	11.4	**26**	(31)	(857)	**-**	-
Net proceeds from disposal of entities and businesses (net of cash disposals)		**-**	1	110	**-**	-
Dividends received		**68**	94	78	**2,085**	1,200
Net amounts received from controlled entities (3)		**-**	-	-	**(2,993)**	5,500
Proceeds from sale of property, plant and equipment		**155**	381	405	**42**	50
Purchases of property, plant and equipment		**(477)**	(602)	(1,259)	**(321)**	(320)
Payments for acquisitions of investments in associates/joint ventures		**(271)**	(25)	-	**-**	(15)
Net purchase of intangible assets		**(503)**	(495)	(509)	**(405)**	(409)
Net cash (used in)/provided by investing activities		**(1,002)**	(677)	(2,032)	**(1,592)**	6,006
Cash flows from financing activities						
Dividends paid (excluding Dividend Reinvestment Plan)		**(5,366)**	(6,084)	(5,827)	**(5,364)**	(6,084)
Redemption of other equity instruments (net of costs)		**-**	-	(939)	**-**	(406)
Proceeds from issuance of debt securities		**68,273**	94,560	98,958	**57,708**	77,938
Redemption of issued debt securities		**(67,809)**	(81,758)	(97,740)	**(56,692)**	(71,345)
Purchase of treasury shares		**(95)**	(92)	(108)	**-**	-
Sale of treasury shares		**55**	34	50	**-**	-
Issue of loan capital		**4,445**	3,757	3,949	**4,436**	3,379
Redemption of loan capital		**(464)**	-	(1,678)	**(467)**	3
Proceeds from issuance of shares (net of issue costs)		**-**	(6)	5,022	**-**	(6)
Other		**27**	61	(67)	**36**	30
Net cash (used in)/provided by financing activities		**(934)**	10,472	1,620	**(343)**	3,509
Net (decrease)/increase in cash and cash equivalents		**(827)**	8,988	(4,973)	**(344)**	8,332
Effect of foreign exchange rates on cash and cash equivalents		**715**	(318)	150	**746**	(292)
Cash and cash equivalents at beginning of year		**23,117**	14,447	19,270	**20,949**	12,909
Cash and cash equivalents at end of year	12.3 (b)	**23,005**	23,117	14,447	**21,351**	20,949

(1) It should be noted that the Group does not use these accounting Statements of Cash Flows in the internal management of its liquidity positions.
(2) Includes discontinued operations.
(3) Amounts received from and paid to controlled entities are presented in line with how they are managed and settled.

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

Overview

1.1 General Information, Basis of Accounting, Future Accounting Developments

General Information

The Financial Report of the Commonwealth Bank of Australia (the Bank) and the Bank and its subsidiaries (the Group) for the year ended 30 June 2018, were approved and authorised for issue by the Board of Directors on 7 August 2018. The Directors have the power to amend and reissue the Financial Statements.

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

The Financial Report includes the consolidated and standalone financial statements of the Group and the Bank respectively. Notes accompanying the Financial Statements and the Independent Auditor's Report also form part of the Financial Report.

During the 2018 financial year, the Group announced the sale of 100% of its life insurance businesses in Australia (CommInsure Life) and New Zealand (Sovereign) to AIA Group Limited (AIA) for $3.8 billion.

The sale agreement includes a 20-year partnership with AIA for the provision of life insurance products to customers in Australia and New Zealand. The sale of Sovereign completed on 2 July 2018, resulting in a total post-tax gain of $102 million (inclusive of separation costs and subject to final tax calculations and purchase price adjustments). This has also been reported as a subsequent event.

The sale of CommInsure Life remains subject to certain conditions and regulatory approvals, and is expected to be completed later in calendar year 2018.

On 23 May 2018 CBA announced the sale of its 37.5% equity interest in BoComm Life Insurance Company Limited (BoComm Life) to Mitsui Sumitomo Insurance Co. Ltd (MSI). Completion of the sale is subject to regulatory approvals in China, and is a condition precedent to completion of the CommInsure Life sale.

The CBA Board has approved the sale of Commonwealth Bank of South Africa (Holding Company) Limited ("TymeDigital") to the minority shareholder, African Rainbow Capital. The sale is subject to regulatory approval and potential sale price adjustments. As a result, the financial effect of the sale currently cannot be reliably estimated, however, it is not expected to have a material impact on the Group's results.

Each of these businesses have been treated as discontinued operations for the 2018 financial year.

Discontinued operations are excluded from the results of the continuing operations and are presented as a single line item "net profit after tax from discontinued operations" in the Income Statements.

Assets and Liabilities of discontinued operations subject to disposal have been presented separately as held for sale on the Balance Sheet as at 30 June 2018.

On 25 June 2018 CBA announced its intention to demerge its wealth management and mortgage broking businesses ("NewCo"), and undertake a strategic review of its general insurance business, including a potential sale. Due to the uncertainty of completion of the demerger (potentially greater than 12 months), NewCo is included in continuing operations.

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

The Financial Statements have five primary statements for the Group and the Bank, being:

1. Income Statement;
2. Statement of Comprehensive Income;
3. Balance Sheet;
4. Statement of Changes in Equity; and
5. Statement of Cash Flows.

Associated notes as required by Australian Accounting Standards (the standards) are in the proceeding sections of the Financial Statements.

Disclosures have been grouped into the following categories in order to assist users in their understanding of the Financial Statements:

1. **Overview** – contains the principal accounting policies, the basis of accounting, and future accounting developments.
2. **Our Performance** – includes information on how we generate returns, as well as providing information on our operating segments which is consistent with how information is presented internally to key decision makers.
3. **Our Lending Activities** – provides information on our primary business activity.
4. **Our Investing, Trading and Other Banking Activities** – provides information on assets and activities that cover investing, trading and balance sheet management.
5. **Our Deposits and Funding Activities** – includes information on the diversified funding sources which support our key activities.
6. **Other assets** – includes information on assets such as, intangible assets and property, plant and equipment.
7. **Other liabilities** – includes disclosures on the nature of other provisions, accruals and payables.
8. **Our Capital, Equity and Reserves** – provides information on our capital position.
9. **Risk Management** – provides commentary on the exposure to different risks through participation in the banking and financial services industries, how we manage these risks and the potential impact on our results and balance sheets.
10. **Employee Benefits** – information on cash and equity settled share plans, retirement benefit obligations and key management personnel.
11. **Group Structure** – provides a summary of the Group's controlled entities and includes disclosures relating to transactions which impact the structure of the Group.
12. **Other** – includes disclosures on commitments, contingencies, subsequent events, the impact of new accounting standards and auditors remuneration.

Where applicable for each note, disclosures are further organised by:

i. Disclosures on balances as required by the Standards and the Corporations Act 2001;
ii. The Accounting Policy for the transactions and balances, which provides information to assist in the understanding of how the numbers are measured, recognised and disclosed; and
iii. Any critical accounting judgements and estimates applied by the Group in determining the numbers.

Overview (continued)

1.1 General Information, Basis of Accounting, Future Accounting Developments (continued)

Basis of Accounting

The Financial Report:

- is a general purpose financial report;
- has been prepared in accordance with the Standards, the Australian Accounting interpretations adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standard (IFRSs) as issued by the International Accounting Standards Board;
- has been prepared in accordance with the requirements of the Corporations Act 2001;
- is presented in Australian dollars, which is the Bank's functional and presentation currency, with all values rounded to the nearest million dollars ($m) in accordance with ASIC Corporations Instrument 2016/1991 unless otherwise indicated;
- includes foreign currency transactions that are translated into the functional currency, using the exchange rates prevailing at the date of each transaction;
- has been prepared on a going concern basis using a historical cost basis, except for certain assets and liabilities (including derivative instruments) measured at fair value;
- presents assets and liabilities on the face of the Balance Sheets in decreasing order of liquidity;
- where required, presents restated comparative information for consistency with the current year's presentation in the Financial Report;
- contains accounting policies that have been consistently applied to all periods presented, unless otherwise stated.

Change in Comparatives

Discontinued Operations

Discontinued operations are excluded from the results of the continuing operations and are presented as a single line item “net profit after tax from discontinued operations” in the Consolidated Income Statement for the current and prior periods.

Assets and Liabilities of discontinued operations subject to disposal have been presented separately as held for sale on the Balance Sheet as at 30 June 2018.

Re- segmentation

During the year, refinements have been made to the allocation of customer balances and associated revenue and expenses between business segments as detailed in Note 2.7.

Reclassification of IT expenses by nature

During the year, staff expenses and IT expense have been restated to more accurately reflect the nature of each underlying line item. The $142 million impact resulted in a decrease in salaries and related costs and an increase in Application maintenance and development expenses for June 2017 and $154 million for June 2016.

Other

No amendments to Australian Accounting Standards have been adopted during the period that have a material impact on the Group.

Change in Accounting Policies

Deferred tax on indefinite useful life Brand Names

Previously, the Bank did not recognise deferred tax on the Bankwest brand acquired through a business combination in 2008 (carrying value $186 million at 30 June 2017) due to the brand having an indefinite useful life and its carrying value was expected to be realised through sale.

In November 2016 the IFRS Interpretations Committee (“IFRIC”) published an agenda decision concluding that an entity cannot assume that the carrying value of an intangible asset with an indefinite useful life will be recovered through sale.

As a result, the expected manner of recovery in relation to the Bankwest brand has changed to being realised through use given that there is no planned, expected or potential sale of Bankwest in the near future.

Therefore, we have retrospectively changed the accounting policy for the accounting of deferred tax on the Bankwest brand. The impact of the change resulted in a decrease in opening retained earnings of $56 million with a corresponding increase in deferred tax liabilities. Deferred tax liabilities have been offset against deferred tax assets. There was no impact on profit.

Where necessary, comparative information has been restated to conform to presentation in the current period. All changes have been footnoted throughout the financial statements.

Future Accounting Developments

Refer to Note 12.5 for information on the adoption of AASB 9 ‘Financial Instruments’ and AASB 15 ‘Revenue from Contracts with Customers’ adopted from 1 July 2018.

Other Accounting Developments

AASB 16 'Leases' amends the accounting for leases and will replace AASB 117 'Leases'. Lessees will be required to bring both operating and finance leases on Balance Sheet as a right of use asset along with the associated lease liability. Interest expense will be recognised in profit or loss using the effective interest rate method, and the right of use asset will be depreciated. Lessor accounting remains largely unchanged. AASB 16 is not mandatory until 1 July 2019.

The potential financial impacts of the above have not yet been determined.

Other amendments to existing standards that are not yet effective are not expected to result in significant changes to accounting policies.

2) Our Performance

Overview

The Group earns its returns from providing a broad range of banking and insurance products and services to retail and wholesale customers in Australia, New Zealand and other jurisdictions.

Lending and deposit taking are the Group's primary business activities with net interest income being the main contributor to the Group's results. Net interest income is derived as the difference between interest earned on lending and investment assets and interest incurred on customer deposits and wholesale debt raised to fund these assets.

The Group further generates income from lending fees and commissions, funds management services, insurance products and trading activities. It also incurs costs associated with running the business such as staff, occupancy, technology and related expenses.

The Performance section provides details of the main contributors to the Group's returns and analysis of its financial performance by business segments, geographical regions and on an earnings per share basis.

2.1 Net Interest Income

	Group (1)			**Bank**	
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Interest Income					
Loans and bills discounted	**31,714**	30,734	30,969	**28,283**	27,214
Other financial institutions	**140**	149	136	**121**	133
Cash and liquid assets	**459**	321	291	**427**	291
Assets at fair value through Income Statement	**501**	490	576	**465**	467
Available-for-sale investments	**1,729**	1,607	1,847	**1,639**	1,510
Controlled entities	**-**	-	-	**2,483**	3,919
Total interest income	**34,543**	33,301	33,819	**33,418**	33,534
Interest Expense					
Deposits	**10,243**	10,518	11,764	**8,802**	9,039
Other financial institutions	**418**	300	277	**379**	274
Liabilities at fair value through Income Statement	**167**	102	211	**142**	58
Debt issues	**4,169**	4,159	4,125	**3,286**	3,326
Loan capital	**836**	679	584	**801**	650
Bank levy	**369**	-	-	**369**	-
Controlled entities	**-**	-	-	**3,228**	4,417
Total interest expense	**16,202**	15,758	16,961	**17,007**	17,764
Net interest income	**18,341**	17,543	16,858	**16,411**	15,770

(1) Information has been restated and presented on a continuing operations basis.

Interest recognised on financial instruments measures at amortised cost

Total interest income for financial assets that are not at fair value through profit or loss is $33,783 million (2017: $32,419 million, 2016: $32,657 million) for the Group and $32,694 million (2017: $32,675 million) for the Bank.

Total interest expense for financial liabilities that are not fair value through profit or loss is $16,035 million (2017: $15,656 million, 2016: $16,750) for the Group and $16,865 million (2017: 17,706 million) for the Bank.

Accounting Policies

Interest income and interest expense on financial assets and liabilities are measured using the effective interest rate method. The effective interest rate method calculates the amortised cost of a financial instrument, such as a loan, deposit or issued debt instrument, and allocates the interest income or interest expense over the expected life of the financial instrument.

Fees, transaction costs and issue costs integral to the financial assets and liabilities are capitalised and included in the interest recognised over the expected life of the instrument.

Interest income on finance leases is recognised progressively over the life of the lease, consistent with the outstanding investment and unearned income balance. Interest expense also includes payments made under a liquidity facility arrangement with the Reserve Bank of Australia, the Major Bank Levy (Bank Levy) expense and other financing charges.

2.2 Average Balances and Related Interest

The following tables have been produced using statutory Balance Sheet and Income Statement categories. The tables list the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate (predominantly daily averages).

Where assets or liabilities are hedged, the amounts are shown net of the hedge, however individual items not separately hedged may be affected by movements in exchange rates. The overseas component comprises overseas branches of the Bank and overseas domiciled controlled entities. Non-accrual loans are included in interest earning assets under Loans, Bills Discounted and Other Receivables. The official cash rate in Australia and New Zealand, which is reflected in overseas, did not change during the financial year 2018 (2017: 25 basis points decrease for Australia, and 50 basis points decrease for New Zealand).

									Group
			30 Jun 18			30 Jun 17			30 Jun 16
Interest earning assets (1)	**Average Balance $M**	**Interest $M**	**Average Rate %**	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %
Cash and liquid assets									
Australia	**19,087**	**313**	**1. 6**	17,734	271	1. 5	11,536	186	1. 6
Overseas	**18,898**	**146**	**0. 8**	19,626	47	0. 2	20,183	104	0. 5
Receivables due from other financial institutions									
Australia	**2,290**	**50**	**2. 2**	2,266	20	0. 9	3,387	26	0. 8
Overseas	**5,997**	**90**	**1. 5**	8,850	132	1. 5	8,986	111	1. 2
Assets at fair value through Income Statement - Trading and Other									
Australia	**20,761**	**444**	**2. 1**	21,731	422	1. 9	19,354	500	2. 6
Overseas	**4,070**	**57**	**1. 4**	3,895	68	1. 7	3,090	76	2. 5
Available-for-sale investments									
Australia	**66,241**	**1,479**	**2. 2**	66,615	1,458	2. 2	66,543	1,662	2. 5
Overseas	**17,011**	**250**	**1. 5**	13,870	149	1. 1	12,770	185	1. 4
Loans, bills discounted and other receivables (2)									
Australia (3)	**597,343**	**27,110**	**4. 5**	581,093	26,266	4. 5	554,206	26,620	4. 8
Overseas	**102,566**	**4,604**	**4. 5**	99,061	4,468	4. 5	90,541	4,349	4. 8
Total interest earning assets and interest income	**854,264**	**34,543**	**4. 0**	834,741	33,301	4. 0	790,596	33,819	4. 3

(1) Information has been restated and presented on a continuing operations basis.

(2) Loans, bills discounted and other receivables include bank acceptances.

(3) Net of average mortgage offset balances that are included in Non-interest earning assets. Gross Australian loan balance is $638,167 million (2017: $616,418 million, 2016: $581,067 million).

2.2 Average Balances and Related Interest (continued)

Non-interest earning assets	30 Jun 18 Average Balance $M	30 Jun 17 Average Balance $M	Group 30 Jun 16 Average Balance $M
Assets at fair value through Income Statement - Insurance			
Australia	**-**	12,105	11,819
Overseas	**377**	2,477	2,502
Property, plant and equipment			
Australia	**2,940**	3,743	2,827
Overseas	**252**	289	266
Other assets			
Australia (1) (2)	**94,925**	108,931	97,012
Overseas	**11,924**	13,774	14,889
Provisions for impairment			
Australia	**(3,203)**	(3,303)	(3,272)
Overseas	**(466)**	(424)	(375)
Total non-interest earning assets	**106,749**	137,592	125,668
Assets held for sale (3)			
Australia	**13,046**	-	-
Overseas	**2,228**	-	-
Total assets	**976,287**	972,333	916,264
Percentage of total assets applicable to overseas operations (%)	**16. 7**	16. 6	16. 7

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

(2) Includes average mortgage offset balances.

(3) On 21 September 2017 CBA announced the sale of 100% of its life insurance businesses CommInsure Life and Sovereign to AIA Group Limited (AIA) and its 37.5% equity stake in BoComm Life. For 30 June 2018, $79 million of Non-lending interest earning assets and $15,177 million of other assets have been reclassified to Assets held for sale. Assets held for sale also includes $18 million of assets that reside outside the Group’s life insurance business as at 30 June 2018.

2.2 Average Balances and Related Interest (continued)

									Group
			30 Jun 18			30 Jun 17			30 Jun 16
Interest bearing liabilities (1)	**Average Balance $M**	**Interest $M**	**Average Rate %**	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %
Time deposits									
Australia (2)	**203,694**	**5,438**	**2. 7**	207,501	5,645	2. 7	196,883	5,926	3. 0
Overseas	**51,291**	**1,652**	**3. 2**	48,461	1,554	3. 2	41,541	1,417	3. 4
Savings deposits									
Australia (2)	**143,462**	**1,767**	**1. 2**	144,631	2,005	1. 4	156,648	2,844	1. 8
Overseas	**14,414**	**122**	**0. 8**	16,136	172	1. 1	16,688	293	1. 8
Other demand deposits									
Australia	**115,079**	**1,165**	**1. 0**	106,267	1,041	1. 0	94,904	1,156	1. 2
Overseas	**8,136**	**99**	**1. 2**	8,154	101	1. 2	7,288	128	1. 8
Payables due to other financial institutions									
Australia	**10,292**	**196**	**1. 9**	11,098	158	1. 4	14,367	154	1. 1
Overseas	**16,648**	**222**	**1. 3**	19,235	142	0. 7	22,664	123	0. 5
Liabilities at fair value through Income Statement									
Australia	**7,557**	**141**	**1. 9**	7,049	63	0. 9	4,516	95	2. 1
Overseas	**1,332**	**26**	**2. 0**	1,467	39	2. 7	2,349	116	4. 9
Debt issues (3)									
Australia	**138,666**	**3,463**	**2. 5**	136,614	3,323	2. 4	136,453	3,469	2. 5
Overseas	**28,450**	**706**	**2. 5**	32,307	836	2. 6	25,564	656	2. 6
Loan capital									
Australia	**13,788**	**556**	**4. 0**	11,239	447	4. 0	9,442	388	4. 1
Overseas	**6,774**	**280**	**4. 1**	5,453	232	4. 3	4,447	196	4. 4
Bank levy									
Australia	**-**	**369**	**-**	-	-	-	-	-	-
Overseas	**-**	**-**	**-**	-	-	-	-	-	-
Total interest bearing liabilities and interest expense	**759,583**	**16,202**	**2. 1**	755,612	15,758	2. 1	733,754	16,961	2. 3

(1) Information has been restated and presented on a continuing operations basis.
(2) Net of average mortgage offset balances that are included in Non-interest bearing liabilities.
(3) Debt issues include bank acceptances.

			Group
	30 Jun 18	30 Jun 17	30 Jun 16
Non-interest bearing liabilities	**Average Balance $M**	Average Balance $M	Average Balance $M
Deposits not bearing interest			
Australia (1)	**83,949**	72,303	47,182
Overseas	**4,193**	3,671	3,035
Insurance policy liabilities			
Australia	**-**	11,190	11,482
Overseas	**466**	1,368	1,406
Other liabilities			
Australia	**37,250**	53,418	48,604
Overseas	**10,255**	12,796	13,178
Total non-interest bearing liabilities	**136,113**	154,746	124,887
Liabilities held for sale (2)			
Australia	**13,413**	-	-
Overseas	**1,308**	-	-
Total liabilities	**910,417**	910,358	858,641
Shareholders' Equity (3)	**65,870**	61,975	57,623
Total liabilities and Shareholders' Equity	**976,287**	972,333	916,264
Total liabilities applicable to overseas operations (%)	**15. 7**	16. 4	16. 1

(1) Includes average mortgage offset balance.
(2) On 21 September 2018 CBA announced the sale of 100% of its life insurance businesses CommInsure Life and Sovereign to AIA Group Limited (AIA). For 30 June 2018, $867 million of Other demand deposits and $13,854 million of Other non-interest bearing liabilities have been reclassified to Liabilities held for sale.
(3) Comparative information has been restated to conform to presentation in the current year.

2.2 Average Balances and Related Interest (continued)

Changes in Net Interest Income: Volume and Rate Analysis

The following tables show the movement in interest income and expense due to changes in volume and interest rates. Volume variances reflect the change in interest from the prior year due to movement in the average balance. Rate variances reflect the change in interest from the prior year due to changes in interest rates.

Volume and rate variance for total interest earning assets and interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

	June 2018 vs June 2017			June 2017 vs June 2016		
Changes in net interest income: Volume and rate analysis (1)	**Volume $M**	**Rate $M**	**Total $M**	Volume $M	Rate $M	Total $M
Interest Earning Assets						
Cash and liquid assets						
Australia	21	21	42	97	(12)	85
Overseas	(4)	103	99	(2)	(55)	(57)
Receivables due from other financial institutions						
Australia	-	30	30	(9)	3	(6)
Overseas	(43)	1	(42)	(2)	23	21
Assets at fair value through Income Statement - Trading and Other						
Australia	(20)	42	22	54	(132)	(78)
Overseas	3	(14)	(11)	17	(25)	(8)
Available-for-sale investments						
Australia	(8)	29	21	2	(206)	(204)
Overseas	40	61	101	14	(50)	(36)
Loans, bills discounted and other receivables						
Australia	736	108	844	1,253	(1,607)	(354)
Overseas	158	(22)	136	397	(278)	119
Changes in interest income	**784**	**458**	**1,242**	1,825	(2,343)	(518)
Interest Bearing Liabilities and Loan Capital						
Time deposits						
Australia	(103)	(104)	(207)	304	(585)	(281)
Overseas	91	7	98	229	(92)	137
Savings deposits						
Australia	(15)	(223)	(238)	(192)	(647)	(839)
Overseas	(16)	(34)	(50)	(8)	(113)	(121)
Other demand deposits						
Australia	88	36	124	125	(240)	(115)
Overseas	-	(2)	(2)	13	(40)	(27)
Payables due to other financial institutions						
Australia	(13)	51	38	(41)	45	4
Overseas	(27)	107	80	(22)	41	19
Liabilities at fair value through Income Statement						
Australia	7	71	78	38	(70)	(32)
Overseas	(3)	(10)	(13)	(34)	(43)	(77)
Debt issues						
Australia	51	89	140	4	(150)	(146)
Overseas	(98)	(32)	(130)	174	6	180
Loan capital						
Australia	102	7	109	73	(14)	59
Overseas	55	(7)	48	44	(8)	36
Bank levy						
Australia	-	369	369	-	-	-
Overseas	-	-	-	-	-	-
Changes in interest expense	**84**	**360**	**444**	481	(1,684)	(1,203)
Changes in net interest income	**415**	**383**	**798**	935	(250)	685

(1) Information has been restated and presented on a continuing operations basis.

2.3 Other Operating Income

	Group (1)			Bank (2)	
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Other Operating Income					
Lending fees	**1,109**	1,078	1,010	**1,032**	1,002
Commissions (3)	**2,670**	2,561	2,289	**2,363**	2,092
Trading income	**1,025**	1,149	1,087	**916**	1,043
Net gain/(loss) on non-trading financial instruments (4)	**62**	433	(27)	**71**	453
Net gain/(loss) on sale of property, plant and equipment	**(17)**	6	(21)	**(17)**	(3)
Net hedging ineffectiveness	**12**	62	(72)	**-**	30
Dividends - Controlled entities	**-**	-	-	**2,029**	1,105
Dividends - Other	**10**	10	12	**56**	95
Net funds management operating income	**2,099**	1,928	1,916	**-**	-
Insurance contracts income	**302**	231	215	**-**	-
Share of profit from associates and joint ventures net of impairment (5)	**323**	273	270	**(7)**	(5)
Other (3) (6)	**196**	112	80	**922**	1,143
Total other operating income	**7,791**	7,843	6,759	**7,365**	6,955

(1) Information has been restated and presented on a continuing operations basis.
(2) Comparative information has been restated to conform to presentation in the current year.
(3) The year ended 30 June 2018 includes $228 million in income from the consolidation of AHL Holdings Pty Ltd (AHL) as the Group acquired the remaining 20% share on 25th August 2017 and an increase of $4 million in commissions from the acquisition of eChoice.
(4) The prior year included a $397 million gain on sale of the Group's remaining investment in VISA Inc.
(5) 2018 includes the gain recognised on acquisition of AHL ($58 million) and a loss due to the dilution of the Bank's interest in Qilu Bank Co. Ltd ($4 million).
(6) Includes depreciation of $74 million (2017: $88 million, 2016: $107 million) and impairment of nil (2017: $6 million, 2016: $69 million) in relation to assets held for lease by the Group. Includes depreciation of $9 million (2017: $13 million) and impairment of nil (2017: $2 million) in relation to assets held for lease by the Bank.

	Group			Bank	
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Net hedging ineffectiveness comprises:					
Gain/(loss) on fair value hedges:					
Hedging instruments	**(757)**	841	(709)	**(759)**	1,862
Hedged items	**765**	(799)	642	**763**	(1,829)
Cash flow and net investment hedge ineffectiveness	**4**	20	(5)	**(4)**	(3)

Accounting Policies

Lending Fees and commission income include:

- Facility fees earned for managing and administering credit and other facilities for customers, which are recognised over the service period;
- Commitment fees to originate a loan that is unlikely to be drawn down are recognised when the commitment is issued; and
- Fee income earned for providing advisory or arrangement services, placement and underwriting services, which are recognised when the related service is completed.

Trading income represents both realised and unrealised gains and losses from changes in the fair value of trading assets, liabilities and derivatives, which are recognised in the period in which they arise.

2.3 Other Operating Income (continued)

Accounting Policies (continued)

Net gain/(loss) on non-trading financial instruments includes realised gains and losses from non-trading financial assets and liabilities (i.e. available-for-sale investments), as well as realised and unrealised gains and losses on non-trading derivatives that are held for risk management purposes.

Net gain/(loss) on the sale of property, plant and equipment is the difference between proceeds received and its carrying value.

Net hedging ineffectiveness is measured on fair value, cash flow and net investment hedges.

Dividends received on non-trading equity investments (including controlled entities) are recognised either on the ex-dividend date or when the right to receive payment is established.

Net funds management operating income includes fees earned where the Group acts as the Responsible Entity, Trustee or Manager for a number of wholesale, superannuation, and investment funds or trusts. Management fees are recognised over the service period. Performance fees are recognised when it is probable that the revenue will be received.

General insurance premiums received and receivable are recognised as revenue when they are earned, based on actuarial assessment of the likely pattern in which risk will emerge. The portion not yet earned based on the pattern assessment is recognised as unearned premium liability. Claims are recognised as an expense when the liability is established.

The Group recognises its share of the profits or losses from associate or joint venture investments, less any dividends received or impairment recognised.

Other income includes rental income on operating leases which are recognised on a straight line basis over the lease term. This is offset by depreciation and impairment expense on the associated operating lease assets held by the Group. For the Bank, this includes management fee income for services provided to subsidiaries.

Other income also includes the impact of foreign currency revaluations for foreign currency monetary assets and liabilities. These assets and liabilities are retranslated at the spot rate at balance date. Exchange differences arising upon settling or translating monetary items at different rates to those at which they were initially recognised or previously reported, are recognised in the Income Statement.

2.4 Operating Expenses

			Group (1)		Bank (2)
	30 Jun 18	30 Jun 17	30 Jun 16	**30 Jun 18**	30 Jun 17
	$M	$M	$M	**$M**	$M
Staff Expenses					
Salaries and related on-costs (3)	**5,441**	5,264	5,274	**4,587**	4,521
Share-based compensation	**77**	120	86	**91**	118
Superannuation	**421**	481	394	**400**	461
Total staff expenses	**5,939**	5,865	5,754	**5,078**	5,100
Occupancy and Equipment Expenses					
Operating lease rentals	**660**	646	632	**591**	572
Depreciation of property, plant and equipment	**289**	278	259	**245**	237
Other occupancy expenses	**222**	186	218	**185**	155
Total occupancy and equipment expenses	**1,171**	1,110	1,109	**1,021**	964
Information Technology Services					
Application maintenance and development (3)	**709**	586	578	**724**	597
Data processing	**197**	200	197	**198**	209
Desktop	**154**	184	136	**140**	173
Communications	**173**	184	197	**155**	173
Amortisation of software assets (4)	**427**	762	367	**381**	724
Software write-offs	**71**	6	-	**71**	6
IT equipment depreciation	**68**	49	51	**67**	51
Total information technology services	**1,799**	1,971	1,526	**1,736**	1,933
Other Expenses					
Postage and stationery	**177**	183	187	**163**	168
Transaction processing and market data	**181**	185	179	**120**	130
Fees and commissions:					
Professional fees	**677**	386	234	**651**	367
Other	**135**	74	90	**5**	58
Advertising, marketing and loyalty	**482**	429	479	**400**	380
Amortisation of intangible assets (excluding software and merger related amortisation)	**13**	11	12	**-**	-
Non-lending losses (5)	**839**	124	103	**829**	115
Impairment on investments in subsidiaries	**-**	-	-	**231**	40
Other	**186**	284	284	**242**	301
Total other expenses	**2,690**	1,676	1,568	**2,641**	1,559
Total operating expenses (6)	**11,599**	10,622	9,957	**10,476**	9,556
Investment and Restructuring					
Integration expenses	**30**	-	-	**30**	-
Merger related amortisation (7)	**4**	4	39	**4**	4
Total investment and restructuring	**34**	4	39	**34**	4
Total operating expenses	**11,633**	10,626	9,996	**10,510**	9,560

(1) Information has been restated and presented on a continuing operations basis.

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

(3) During the year, the group restated staff expenses and IT expenses to more accurately reflect the underlying nature of each line item. The impact was a decrease in salaries and related on-costs and an increase in application maintenance and development expenses of $142 million for June 2017 and $154 million for June 2016.

(4) The year ended 30 June 2017 includes a $393 million one-off expense for acceleration of amortisation on certain software assets.

(5) The year ended 30 June 2018 includes $700 million for the AUSTRAC civil penalty. See Note 7.1 for further information.

(6) The year ended 30 June 2018 includes a $190 million expense following the consolidation of AHL Holdings Pty Ltd (trading as Aussie Home Loans) as the Group acquired the remaining 20% share on 25 August 2017 and a $7 million expense following the acquisition of eChoice.

(7) Merger related amortisation relates to Bankwest core deposits and customer lists.

2.4 Operating Expenses (continued)

Accounting Policies

Salaries and related on-costs include annual leave, long service leave, employee incentives and relevant taxes. Staff expenses are recognised over the period the employee renders the service. Long service leave is discounted to present value using assumptions relating to staff departures, leave utilisation and future salary.

Share-based compensation includes both payments which may be cash or equity settled. Cash settled share-based remuneration is recognised as a liability and re-measured to fair value until settled. The changes in fair value are recognised as staff expenses. Equity settled remuneration is fair valued at the grant date and amortised to staff expenses over the vesting period, with a corresponding increase in the employee compensation reserve.

Superannuation expense includes expenses relating to defined contribution and defined benefit superannuation plans. Defined contribution expense is recognised in the period the service is provided, whilst the defined benefit expense, which measures current and past service costs is determined by an actuarial calculation.

Occupancy and equipment expenses include depreciation which is calculated using the straight line method over the asset's estimated useful life and operating lease rentals which are recognised on a straight line basis over the lease term.

IT services expenses are recognised as incurred unless they qualify for capitalisation as computer software due to the expenditure generating probable future economic benefits. If capitalised, the computer software is subsequently amortised over its estimated useful life. The Group assesses at each Balance Sheet date useful lives and residual values and whether there is any objective evidence of impairment. If an asset's carrying value is greater than its recoverable amount, the carrying amount is written down immediately to its recoverable amount.

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

Critical accounting judgements and estimates

Group's Defined Benefit Superannuation Plans

Actuarial valuations of the plans' obligations are dependent on a series of assumptions set out in Note 10.2 including inflation rates, discount rates and salary growth rates. Changes in these assumptions impact the fair value of the plans' obligations, assets, superannuation expense and actuarial gains and losses recognised in Other Comprehensive Income.

2.5 Income Tax Expense

The income tax expense for the year is determined from the profit before income tax as follows:

			Group (1)		Bank
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Profit before income tax	**13,420**	13,665	12,365	**12,303**	12,125
Prima facie income tax at 30%	**4,026**	4,100	3,710	**3,691**	3,638
Effect of amounts which are non-deductible/(assessable) in calculating taxable income:					
Taxation offsets and other dividend adjustments	**(7)**	(11)	(4)	**(612)**	(369)
Tax losses not previously brought to account	**-**	(56)	(5)	**-**	(56)
Offshore tax rate differential	**(66)**	(75)	(76)	**(9)**	(15)
Offshore banking unit	**(39)**	(42)	(33)	**(38)**	(40)
Effect of changes in tax rates	**15**	4	1	**15**	(1)
Income tax (over)/under provided in previous years	**(79)**	(65)	(177)	**(69)**	(53)
Non-deductible expense provision (2)	**210**	-	-	**210**	-
Other	**(34)**	24	(16)	**105**	42
Total income tax expense	**4,026**	3,879	3,400	**3,293**	3,146
Effective tax rate (%)	**30. 0**	28. 4	27. 5	**26. 8**	26. 0

(1) Information has been restated and presented on a continuing operations basis.
(2) Due to the $700 million expense relating to the AUSTRAC civil penalty, which is non-deductible for tax purposes.

			Group		Bank
Income tax expense attributable to profit from ordinary activities	**30 Jun 18 $M**	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Australia					
Current tax expense	**3,956**	3,737	2,827	**3,370**	3,453
Deferred tax expense/(benefit)	**(416)**	(292)	114	**(157)**	(341)
Total Australia	**3,540**	3,445	2,941	**3,213**	3,112
Overseas					
Current tax expense	**969**	404	465	**77**	68
Deferred tax expense/(benefit)	**(483)**	30	(6)	**3**	(34)
Total overseas	**486**	434	459	**80**	34
Income Tax Expense attributable to profit from ordinary activities	**4,026**	3,879	3,400	**3,293**	3,146

2.5 Income Tax Expense (continued)

	Group (1)			Bank (1)	
	30 Jun 18	30 Jun 17	30 Jun 16	**30 Jun 18**	30 Jun 17
	$M	$M	$M	**$M**	$M
Deferred tax asset balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement:					
Provision for employee benefits	**452**	493	501	**391**	387
Provisions for impairment on loans, bills discounted and other receivables	**991**	1,032	1,051	**913**	946
Other provisions not tax deductible until expense incurred	**221**	201	216	**154**	129
Financial instruments	**(1)**	1	56	**(1)**	-
Defined benefit superannuation plan	**339**	320	310	**339**	320
Unearned income	**267**	228	101	**267**	228
Other	**297**	224	126	**274**	165
Total amount recognised in the Income Statement	**2,566**	2,499	2,361	**2,337**	2,175
Amounts recognised directly in Other Comprehensive Income:					
Cash flow hedge reserve	**114**	123	161	**11**	13
Other reserves	**22**	12	16	**28**	17
Total amount recognised directly in Other Comprehensive Income	**136**	135	177	**39**	30
Total deferred tax assets (before set off)	**2,702**	2,634	2,538	**2,376**	2,205
Set off to tax	**(1,263)**	(1,728)	(2,205)	**(946)**	(881)
Net deferred tax assets	**1,439**	906	333	**1,430**	1,324
Deferred tax liability balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement:					
Lease financing	**200**	235	282	**100**	96
Intangible assets	**56**	64	205	**56**	64
Financial instruments	**30**	179	196	**10**	14
Insurance	**-**	485	510	**-**	-
Investments in associates	**131**	122	95	**-**	-
Other	**83**	246	233	**39**	25
Total amount recognised in the Income Statement	**500**	1,331	1,521	**205**	199
Amounts recognised directly in Other Comprehensive Income:					
Revaluation of properties	**81**	76	74	**80**	76
Foreign currency translation reserve	**18**	8	26	**-**	-
Cash flow hedge reserve	**48**	70	416	**45**	37
Defined benefit superannuation plan	**498**	445	376	**498**	445
Available-for-sale investments reserve	**118**	130	132	**118**	124
Total amount recognised directly in Other Comprehensive Income	**763**	729	1,024	**741**	682
Total deferred tax liabilities (before set off)	**1,263**	2,060	2,545	**946**	881
Set off to tax	**(1,263)**	(1,728)	(2,205)	**(946)**	(881)
Net deferred tax liabilities	**-**	332	340	**-**	-

(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1.1.

2.5 Income Tax Expense (continued)

	Group (1) (2)			Bank	
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Deferred tax assets opening balance:	**906**	333	498	**1,324**	793
Movement in temporary differences during the year:					
Provisions for employee benefits	**(41)**	(8)	5	**4**	2
Provisions for impairment on loans, bills discounted and other receivables	**(41)**	(19)	43	**(33)**	(15)
Other provisions not tax deductible until expense incurred	**20**	(15)	(67)	**25**	4
Financial instruments	**(1)**	(97)	36	**8**	-
Defined benefit superannuation plan	**19**	10	17	**19**	10
Unearned Income	**39**	127	3	**39**	127
Other	**73**	98	17	**109**	84
Set off to tax	**465**	477	(219)	**(65)**	319
Deferred tax assets closing balance	**1,439**	906	333	**1,430**	1,324
Deferred tax liabilities opening balance:	**332**	340	351	**-**	-
Movement in temporary differences during the year:					
Lease financing	**(35)**	(47)	(59)	**4**	(12)
Defined benefit superannuation plan	**53**	69	11	**53**	69
Intangible assets	**(8)**	(141)	82	**(8)**	(82)
Financial instruments	**(173)**	(383)	(62)	**(2)**	(272)
Insurance	**(485)**	(25)	85	**-**	-
Investments in associates	**9**	27	17	**-**	-
Other	**(158)**	15	134	**18**	(22)
Set off to tax	**465**	477	(219)	**(65)**	319
Deferred tax liabilities closing balance	**-**	332	340	**-**	-

(1) Comparative information has been restated to reflect the change in accounting policy detailed in Note 1.1.

(2) During the year deferred tax assets of $46 million, included in 'Other', and deferred tax liabilities of $809 million, included in financial instruments ($129 million), insurance ($484 million) and Other ($196 million) were reclassified as held for sale. The above table includes the impact of these transfers.

Deferred tax assets have not been recognised in respect of the following items because it is not considered probable that future taxable profit will be available against which they can be realised:

	Group			Bank	
Deferred tax assets not taken to account	**30 Jun 18 $M**	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Tax losses and other temporary differences on revenue account that:					
Expire under current legislation	**-**	52	124	**-**	47
Do not expire under current legislation	**47**	29	7	**-**	-
Total	**47**	81	131	**-**	47

Tax Consolidation

The Bank has recognised a tax consolidation contribution to the wholly-owned tax consolidated entity of $98 million (2017: $97 million).

The amount receivable by the Bank under the tax funding agreement was $283 million as at 30 June 2018 (2017: $302 million receivable). This balance is included in 'Other assets' in the Bank's separate Balance Sheet.

2.5 Income Tax Expense (continued)

Accounting Policies

Income tax on the profit or loss for the period comprises current and deferred tax.

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

Deferred tax is calculated using the Balance Sheet method where temporary differences are identified by comparing the carrying amounts of assets and liabilities for financial reporting purposes to their tax bases.

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities (i.e. through use or through sale), using tax rates which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

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

The Bank and its wholly owned Australian Subsidiaries elected to be treated as a single entity “the tax consolidated group” under the tax consolidation regime from 1 July 2002. The members of the tax consolidated group have entered into tax funding and tax sharing agreements, which set out the funding obligations and members.

Any current tax liabilities / assets and deferred tax assets from unused tax losses from subsidiaries in the tax consolidated group are recognised by the Bank legal entity and funded in line with the tax funding arrangement.

The measurement and disclosure of deferred tax assets and liabilities have been performed on a modified stand-alone basis under UIG 1052 ‘Tax Consolidation Accounting’.

Critical accounting judgements and estimates

Provisions for taxation require significant judgement with respect to outcomes that are uncertain. For such uncertainties, the Group has estimated the tax provisions based on the expected outcomes.

The accounting policy on measuring and recognising deferred tax on indefinite useful life brand names changed during the period to reflect that the carrying value of the brand name will be recovered through use, resulting in the Bank recognising a deferred tax liability. The financial impact of the change is outlined in Note 1.1.

2.6 Earnings per Share

Earnings per ordinary share (1) (2)	**Group** (3)		
	30 Jun 18	30 Jun 17	30 Jun 16
	Cents per Share		
Earnings per share from continuing operations:			
Basic	**536. 9**	567. 9	525. 6
Diluted	**520. 2**	549. 9	513. 3
Earnings per share:			
Basic	**534. 3**	577. 3	542. 0
Diluted	**517. 7**	558. 8	529. 0

(1) EPS calculations are based on actual amounts prior to rounding to the nearest million.

(2) The difference between earnings per share from continuing operations and earnings per share represents earnings per share from discontinued operations.

(3) Basic and diluted earnings per share for all periods presented have been adjusted retrospectively to incorporate the discount element of the dividend reinvestment plan.

Reconciliation of earnings from continuing operations used in calculation of earnings per share	**Group**		
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M
Profit after income tax from continuing operations (1)	**9,394**	9,786	8,965
Less: Other equity instrument dividends	**-**	-	(50)
Less: Non-controlling interests	**(19)**	(20)	(20)
Continuing operations earnings used in calculation of basic earnings per share	**9,375**	9,766	8,895
Add: Profit impact of assumed conversions of loan capital	**267**	218	195
Continuing operations earnings used in calculation of fully diluted earnings per share	**9,642**	9,984	9,090
Reconciliation of earnings used in calculation of earnings per share			
Continuing operations earnings used in calculation of basic earnings per share	**9,375**	9,766	8,895
Discontinued operations earnings used in calculation of basic earnings per share	**(46)**	162	278
Earnings used in calculation of basic earnings per share	**9,329**	9,928	9,173
Add: Profit impact of assumed conversions of loan capital	**267**	218	195
Earnings used in calculation of fully diluted earnings per share	**9,596**	10,146	9,368

(1) Comparative information has been restated to reflect the impact of discontinued operations.

	Number of Shares		
	30 Jun 18 M	30 Jun 17 M	30 Jun 16 M
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**1,746**	1,720	1,692
Effect of dilutive securities - executive share plans and convertible loan capital instruments	**106**	96	79
Weighted average number of ordinary shares used in the calculation of fully diluted earnings per share	**1,852**	1,816	1,771

Accounting Policies

Basic earnings per share ('EPS') amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares on issue during the year, adjusted for any bonus element included in ordinary shares issued and excluding treasury shares held.

Diluted EPS is basic EPS adjusted for the impact of all securities on issue that can convert to CBA shares and would dilute basic EPS on conversion. It is calculated by dividing net profit attributable to ordinary equity holders of the Bank (after adding back interest on the convertible redeemable loan capital instruments) by the weighted average number of ordinary shares issued during the year (as calculated under basic earnings per share adjusted for the effects of dilutive convertible non-cumulative redeemable loan capital instruments and shares issuable under executive share plans).

2.7 Financial Reporting by Segments

The principal activities of the Group are carried out in the business segments below. These segments are based on the distribution channels through which the customer relationship is being managed.

During the year, the Group announced the sale of its life Insurance businesses in Australia and New Zealand, the investment in BoCommLife and that it is currently exploring options for the most suitable long-term outcome for TymeDigital. The Group's business segment performance has been updated and presented on a continuing operations basis to exclude these businesses, which are disclosed as discontinued operations. In addition, refinements have been made to the allocation of customer balances and associated revenue and expenses between business segments, including updated transfer pricing allocations. These include the impact of the announced migration of relationship managed customers outside Western Australia from Bankwest to Business and Private Banking. These changes have not impacted the Group's cash net profit, but have resulted in changes to the presentation of the Income Statement and the Balance Sheet of the affected segments.

The primary sources of revenue are interest and fee income (Retail Banking Services, Institutional Banking and Markets, Business and Private Banking, Bankwest, New Zealand, IFS and Other Divisions) and insurance premium and funds management income (Wealth Management, New Zealand, IFS and Other Divisions).

Revenues and expenses occurring between segments are subject to transfer pricing arrangements. All intra-group transactions are eliminated on consolidation.

Business segments are managed on the basis of net profit after income tax ("cash basis"). Management uses "cash basis" to assess performance and it provides the basis for the determination of the Bank's dividends. The "cash basis" presents the Group's underlying operating results, excluding a number of items that introduce volatility and/or one-off distortions of the Group's current period performance. These items, such as hedging and IFRS volatility, are calculated consistently year on year and do not discriminate between positive and negative adjustments.

(i) Retail Banking Services

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

(ii) Business and Private Banking

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

(iii) Institutional Banking and Markets

Institutional Banking and Markets services the Group's major corporate, institutional and government clients using a relationship management model based on industry expertise and insights. The client offering includes debt raising, financial and commodities price risk management and transactional banking capabilities. Institutional Banking and Markets has international operations in London, New York, Houston, Japan, Singapore, Malta, Hong Kong, New Zealand, Beijing and Shanghai.

(iv) Wealth Management

Wealth Management includes Global Asset Management (including operations in Asia and Europe), Platform Administration and Financial Advice and Life and General Insurance businesses of the Australian operations. The life Insurance business has been presented as a discontinued operation.

(v) New Zealand

New Zealand includes the Banking, Funds Management and Insurance businesses operating in New Zealand (excluding Institutional Banking and Markets). The Insurance business has been presented as a discontinued operation.

(vi) Bankwest

Bankwest is active in all domestic retail market segments, with lending diversified between housing and personal markets, including a full range of deposit products. Bankwest also provide business and rural relationship managed products and services to Western Australia based customers.

(vii) IFS and Other Divisions

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

- International Financial Services incorporates the Asian retail and business banking operations (Indonesia, China, Vietnam, India and South Africa), associate investments in China and Vietnam, the life insurance operations in Indonesia. TymeDigital has been presented as a discontinued operation. It does not include the Business and Private Banking, Institutional Banking and Markets and Colonial First State Global Asset Management businesses in Asia;
- Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Marketing, Secretariat and Treasury; and
- Group wide elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.

2.7 Financial Reporting by Segments (continued)

	30 Jun 18 (1)							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Total $M
Net interest income	9,791	3,392	1,444	-	1,760	1,561	393	**18,341**
Other banking income	2,086	1,033	1,229	-	373	215	246	**5,182**
Total banking income	11,877	4,425	2,673	-	2,133	1,776	639	**23,523**
Funds management income	-	-	-	1,978	105	-	8	**2,091**
Insurance income	-	-	-	183	-	-	110	**293**
Total operating income	11,877	4,425	2,673	2,161	2,238	1,776	757	**25,907**
Investment experience (2)	-	-	-	26	-	-	(9)	**17**
Total net operating income before impairment and operating expenses	11,877	4,425	2,673	2,187	2,238	1,776	748	**25,924**
Operating expenses	(3,745)	(1,596)	(1,142)	(1,440)	(811)	(748)	(2,117)	**(11,599)**
Loan impairment expense	(716)	(129)	(80)	-	(74)	(54)	(26)	**(1,079)**
Net profit before income tax	7,416	2,700	1,451	747	1,353	974	(1,395)	**13,246**
Corporate tax (expense)/benefit	(2,223)	(812)	(330)	(184)	(378)	(293)	226	**(3,994)**
Non-controlling interests	-	-	-	-	-	-	(19)	**(19)**
Net profit after tax from continuing operations - "cash basis"	5,193	1,888	1,121	563	975	681	(1,188)	**9,233**
Net profit after tax from discontinued operations	-	-	-	160	96	-	(77)	**179**
Net profit after tax - "cash basis" (3)	5,193	1,888	1,121	723	1,071	681	(1,265)	**9,412**
(Loss)/gain on disposal and acquisition of entities net of transaction costs	58	-	-	-	-	-	(241)	**(183)**
Hedging and IFRS volatility	-	-	-	-	87	-	14	**101**
Other non-cash items	-	-	-	2	-	(3)	-	**(1)**
Net profit after tax - "statutory basis"	5,251	1,888	1,121	725	1,158	678	(1,492)	**9,329**
Additional information								
Amortisation and depreciation	(239)	(113)	(118)	(29)	(78)	(26)	(198)	**(801)**
Balance Sheet								
Total assets	368,272	117,785	162,716	20,466	89,696	80,819	135,411	**975,165**
Total liabilities	260,508	89,745	153,895	25,202	82,976	53,775	241,204	**907,305**

(1) Information has been presented on a continuing operations basis.

(2) Investment experience is presented on a pre-tax basis.

(3) This balance excludes non-cash items, including unrealised gains and losses relating to hedging and IFRS volatility ($101 million gain), transaction and separation costs associated with the disposal of CommInsure Life and Sovereign ($136 million), and impairment due to the reclassification of TymeDigital as a discontinued operation ($91 million), demerger costs for NewCo ($21 million), a gain recognised on acquisition of AHL ($58 million), a gain on sale of County Banks ($11 million), a loss due to the dilution of the Bank's interest in Qilu Bank Co. Ltd ($4 million), Bankwest non-cash items ($3 million expense) and treasury shares valuation adjustment ($2 million gain).

2.7 Financial Reporting by Segments (continued)

							30 Jun 17 (1)
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	IFS and Other $M	Total $M
Net interest income	9,208	3,246	1,523	-	1,642	1,473	451	**17,543**
Other banking income (2)	1,997	976	1,348	-	331	204	722	**5,578**
Total banking income	11,205	4,222	2,871	-	1,973	1,677	1,173	**23,121**
Funds management income	-	-	-	1,820	92	-	1	**1,913**
Insurance income	-	-	-	121	-	-	102	**223**
Total operating income	11,205	4,222	2,871	1,941	2,065	1,677	1,276	**25,257**
Investment experience (3)	-	-	-	26	-	-	(3)	**23**
Total net operating income before impairment and operating expenses	11,205	4,222	2,871	1,967	2,065	1,677	1,273	**25,280**
Operating expenses (4)	(3,473)	(1,574)	(1,083)	(1,403)	(795)	(754)	(1,540)	**(10,622)**
Loan impairment expense	(702)	(62)	(64)	-	(65)	(99)	(103)	**(1,095)**
Net profit before income tax	7,030	2,586	1,724	564	1,205	824	(370)	**13,563**
Corporate tax (expense)/benefit	(2,097)	(778)	(413)	(142)	(336)	(248)	167	**(3,847)**
Non-controlling interests	-	-	-	-	-	-	(20)	**(20)**
Net profit after tax from continuing operations - "cash basis"	4,933	1,808	1,311	422	869	576	(223)	**9,696**
Net profit after tax from discontinued operations	-	-	-	130	96	-	(41)	**185**
Net profit after tax - "cash basis" (5)	4,933	1,808	1,311	552	965	576	(264)	**9,881**
Hedging and IFRS volatility	-	-	-	-	27	-	46	**73**
Other non-cash items	-	-	-	(23)	-	(3)	-	**(26)**
Net profit after tax - "statutory basis"	4,933	1,808	1,311	529	992	573	(218)	**9,928**
Additional information								
Amortisation and depreciation	(220)	(114)	(109)	(13)	(78)	(27)	(543)	**(1,104)**
Balance Sheet								
Total assets	355,360	116,294	173,111	22,014	86,784	78,120	144,635	**976,318**
Total liabilities	252,308	84,925	162,112	27,455	80,625	55,482	249,751	**912,658**

(1) Comparative information has been restated to conform to presentation in the current period.
(2) IFS and Other includes a $397 million gain on sale of the Group's remaining investment in Visa Inc.
(3) Investment experience is presented on a pre-tax basis.
(4) IFS and Other includes a $393 million one-off expense for acceleration of amortisation of certain software assets.
(5) This balance excludes non-cash items, including gains and losses relating to hedging and IFRS volatility ($73 million gain), Bankwest non-cash items ($3 million expense) and treasury shares valuation adjustment ($23 million expense).

2.7 Financial Reporting by Segments (continued)

						Group (1)
						Year Ended 30 June
	30 Jun 18		30 Jun 17		30 Jun 16	
Financial performance and position	**$M**	**%**	$M	%	$M	%
Income						
Australia	**22,161**	**84. 8**	21,625	85. 2	19,796	83. 8
New Zealand	**2,297**	**8. 8**	2,191	8. 6	2,097	8. 9
Other locations (2)	**1,674**	**6. 4**	1,570	6. 2	1,724	7. 3
Total Income	**26,132**	**100. 0**	25,386	100. 0	23,617	100. 0
Non-Current Assets						
Australia	**13,473**	**93. 3**	15,301	91. 8	15,687	91. 7
New Zealand	**581**	**4. 0**	1,045	6. 2	1,087	6. 4
Other locations (2)	**387**	**2. 7**	329	2. 0	326	1. 9
Total non-current assets (3)	**14,441**	**100. 0**	16,675	100. 0	17,100	100. 0

(1) Information has been restated and presented on a continuing operations basis. Discontinued operations include the Group's life insurance businesses in Australia and New Zealand, the investment in BoCommLife and TymeDigital.

(2) Other locations include: United Kingdom, United States, Japan, Singapore, Malta, Hong Kong, Indonesia, China, Vietnam and South Africa.

(3) Non-current assets include Property, plant and equipment, Investments in associates and joint ventures, and Intangibles.

The geographical segment represents the location in which the transaction was recognised.

Accounting Policies

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

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

3. Our Lending Activities

Overview

Lending is the Group's primary business activity, generating most of its net interest income and lending fees. The Group satisfies customers' needs for borrowed funds by providing a broad range of lending products in Australia, New Zealand and other jurisdictions.

This section provides details of the Group's lending portfolio by type of product and geographical regions.

3.1 Loans, Bills Discounted and Other Receivables

		Group		Bank	
		30 Jun 18	30 Jun 17	**30 Jun 18**	30 Jun 17
	Note	**$M**	$M	**$M**	$M
Australia					
Overdrafts		**25,217**	24,385	**25,217**	24,385
Home loans (1) (3)		**451,367**	436,184	**444,186**	430,056
Credit card outstandings		**11,877**	12,073	**11,877**	12,073
Lease financing		**4,318**	4,302	**3,268**	3,161
Bills discounted (2)		**4,280**	7,486	**4,280**	7,486
Term loans and other lending		**147,028**	149,506	**147,009**	149,294
Total Australia		**644,087**	633,936	**635,837**	626,455
Overseas					
Overdrafts		**1,657**	1,545	**281**	277
Home loans (1)		**50,298**	49,673	**397**	519
Credit card outstandings		**993**	960	**-**	-
Lease financing		**25**	36	**4**	9
Term loans and other lending		**50,969**	50,389	**24,348**	24,533
Total overseas		**103,942**	102,603	**25,030**	25,338
Gross loans, bills discounted and other receivables		**748,029**	736,539	**660,867**	651,793
Less					
Provisions for Loan Impairment:	3.2				
Collective provision		**(2,735)**	(2,722)	**(2,482)**	(2,457)
Individually assessed provisions		**(870)**	(971)	**(779)**	(888)
Unearned income:					
Term loans		**(692)**	(681)	**(692)**	(680)
Lease financing		**(367)**	(403)	**(264)**	(265)
		(4,664)	(4,777)	**(4,217)**	(4,290)
Net loans, bills discounted and other receivables		**743,365**	731,762	**656,650**	647,503

(1) Home loans balance includes residential mortgages that have been assigned to securitisation vehicles and covered bond trusts. Further detail on these residential mortgages is disclosed in Note 4.4.

(2) The Group measures bills discounted intended to be sold into the market at fair value and includes these within Loans, bills discounted and other receivables to reflect the nature of the lending arrangement.

(3) These balances are presented gross of mortgage offset balances as required under accounting standards.

3.1 Loans, Bills Discounted and Other Receivables (continued)

Based on behavioural terms and current market conditions, the amounts expected to be recovered within 12 months of the Balance Sheet date are $175,826 million (2017: $177,267 million) for the Group, and $159,688 million (2017: $161,734 million) for the Bank. The maturity tables below are based on contractual terms.

Finance Lease Receivables

The Group and the Bank provide finance leases to a broad range of clients to support financing needs in acquiring transportation assets such as trains, aircraft, ships and major production and manufacturing equipment.

Finance lease receivables are included within Loans, Bills Discounted and Other Receivables to customers.

						Group
			30 Jun 18			30 Jun 17
	Gross Investment in Finance Lease Receivable $M	**Unearned Income $M**	**Present Value of Minimum Lease Payment Receivable $M**	Gross Investment in Finance Lease Receivable $M	Unearned Income $M	Present Value of Minimum Lease Payment Receivable $M
Not later than one year	**1,706**	**(162)**	**1,544**	1,439	(151)	1,288
One year to five years	**2,455**	**(190)**	**2,265**	2,651	(187)	2,464
Over five years	**182**	**(15)**	**167**	248	(65)	183
	4,343	**(367)**	**3,976**	4,338	(403)	3,935

						Bank
			30 Jun 18			30 Jun 17
	Gross Investment in Finance Lease Receivable $M	**Unearned Income $M**	**Present Value of Minimum Lease Payment Receivable $M**	Gross Investment in Finance Lease Receivable $M	Unearned Income $M	Present Value of Minimum Lease Payment Receivable $M
Not later than one year	**1,248**	**(116)**	**1,132**	1,166	(95)	1,071
One year to five years	**1,864**	**(135)**	**1,729**	1,797	(108)	1,689
Over five years	**160**	**(13)**	**147**	207	(62)	145
	3,272	**(264)**	**3,008**	3,170	(265)	2,905

Accounting Policy

Loans, bills discounted and other receivables are financial assets, with fixed and determinable payments that are not quoted in an active market. Loans, bills discounted and other receivables include overdrafts, home loans, credit card and other personal lending, term loans, discounted bills and finance leases.

Loans and receivables are recognised on settlement date, when funding is advanced to the borrowers. The loans and receivables are initially recognised at their fair value plus directly attributable transaction costs such as broker fees. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method and are presented net of provisions for impairment. For the accounting policy on provisions for impairment, please refer to section 3.2. For information on the Group's management of credit risk during the year, refer to section 9.2.

Discounted bills are included in this category due to their financing nature, however they meet the definition of a trading asset. They are measured at fair value through the Income Statement with directly attributable transaction costs expensed.

Finance leases, where the Group acts as lessor, are also included in Loans, Bills Discounted and Other Receivables. Finance leases are those where substantially all the risks and rewards of the lease asset have been transferred to the lessee. Lease receivables are recognised at an amount equal to the net investment in the lease. Finance lease income reflects a constant periodic return on this net investment and is recognised within interest income in the Income Statement.

Critical accounting judgements and estimates

When applying this effective interest method the Group has estimated the behavioural term of each loan portfolio by reference to historical prepayment rates and the contractual maturity.

3.1 Loans, Bills Discounted and Other Receivables (continued)

Contractual Maturity Tables

	Group			
	Maturity Period at 30 June 2018			
Industry [1]	**Maturing 1 Year or Less $M**	**Maturing Between 1 and 5 Years $M**	**Maturing After 5 Years $M**	**Total $M**
Australia				
Sovereign	13,745	2,490	588	16,823
Agriculture	3,589	5,078	331	8,998
Bank and other financial	6,805	5,818	328	12,951
Home loans	9,861	41,930	399,576	451,367
Construction	1,223	1,465	340	3,028
Other personal	7,663	13,976	2,019	23,658
Asset financing	3,188	5,263	130	8,581
Other commercial and industrial	42,482	65,382	10,817	118,681
Total Australia	88,556	141,402	414,129	644,087
Overseas				
Sovereign	1,023	466	82	1,571
Agriculture	2,533	5,371	2,026	9,930
Bank and other financial	3,684	3,206	185	7,075
Home loans	3,202	657	46,439	50,298
Construction	273	148	217	638
Other personal	1,190	333	321	1,844
Asset financing	23	173	261	457
Other commercial and industrial	7,954	17,153	7,022	32,129
Total overseas	19,882	27,507	56,553	103,942
Gross loans, bills discounted and other receivables	108,438	168,909	470,682	748,029

(1) The industry split has been prepared in line with industry exposures in Note 9.2

Interest rate	**Maturing 1 Year or Less $M**	**Maturing Between 1 and 5 Years $M**	**Maturing After 5 Years $M**	**Total $M**
Australia	73,612	122,146	328,864	524,622
Overseas	18,035	22,730	13,235	54,000
Total variable interest rates	91,647	144,876	342,099	578,622
Australia	14,944	19,256	85,265	119,465
Overseas	1,847	4,777	43,318	49,942
Total fixed interest rates	16,791	24,033	128,583	169,407
Gross loans, bills discounted and other receivables	108,438	168,909	470,682	748,029

3.1 Loans, Bills Discounted and Other Receivables (continued)

	Group			
	Maturity Period at 30 June 2017			
Industry (1)	**Maturing 1 Year or Less $M**	**Maturing Between 1 and 5 Years $M**	**Maturing After 5 Years $M**	**Total $M**
Australia				
Sovereign	17,128	772	185	18,085
Agriculture	3,597	4,595	592	8,784
Bank and other financial	8,841	6,141	443	15,425
Home loans	8,548	37,784	389,852	436,184
Construction	1,158	2,176	431	3,765
Other personal	7,873	13,268	2,042	23,183
Asset financing	2,903	4,842	127	7,872
Other commercial and industrial	41,567	68,581	10,490	120,638
Total Australia	91,615	138,159	404,162	633,936
Overseas (2)				
Sovereign	1,677	197	26	1,900
Agriculture	2,211	4,321	3,316	9,848
Bank and other financial	2,603	2,990	182	5,775
Home loans	3,383	642	45,648	49,673
Construction	237	171	226	634
Other personal	1,166	329	218	1,713
Asset financing	85	239	140	464
Other commercial and industrial	7,310	16,487	8,799	32,596
Total overseas	18,672	25,376	58,555	102,603
Gross loans, bills discounted and other receivables	110,287	163,535	462,717	736,539

Interest rate	**Maturing 1 Year or Less $M**	**Maturing Between 1 and 5 Years $M**	**Maturing After 5 Years $M**	**Total $M**
Australia	73,530	120,749	338,035	532,314
Overseas (2)	16,283	20,036	14,485	50,804
Total variable interest rates	89,813	140,785	352,520	583,118
Australia	18,085	17,410	66,127	101,622
Overseas (2)	2,389	5,340	44,070	51,799
Total fixed interest rates	20,474	22,750	110,197	153,421
Gross loans, bills discounted and other receivables	110,287	163,535	462,717	736,539

(1) The industry split has been prepared in line with industry exposures in Note 9.2.
(2) Comparative information has been reclassified to conform to contractual presentation in the current year.

3.2 Provisions for Impairment

	Group			Bank	
	30 Jun 18	30 Jun 17	30 Jun 16	**30 Jun 18**	30 Jun 17
Provisions for impairment losses	**$M**	$M	$M	**$M**	$M
Collective provision					
Opening balance	**2,747**	2,818	2,762	**2,482**	2,545
Net collective provision funding	**716**	617	664	**646**	621
Impairment losses written off	**(871)**	(894)	(846)	**(789)**	(871)
Impairment losses recovered	**201**	210	225	**182**	186
Other	**(30)**	(4)	13	**(11)**	1
Closing balance	**2,763**	2,747	2,818	**2,510**	2,482
Individually assessed provisions					
Opening balance	**980**	944	887	**897**	864
Net new and increased individual provisioning	**625**	670	788	**559**	585
Write-back of provisions no longer required	**(262)**	(192)	(196)	**(242)**	(166)
Discount unwind to interest income	**(25)**	(31)	(27)	**(25)**	(31)
Impairment losses written off	**(548)**	(454)	(571)	**(473)**	(399)
Other	**100**	43	63	**63**	44
Closing balance	**870**	980	944	**779**	897
Total provisions for impairment losses	**3,633**	3,727	3,762	**3,289**	3,379
Less: Provision for Off Balance Sheet exposures	**(28)**	(34)	(44)	**(28)**	(34)
Total provisions for loan impairment	**3,605**	3,693	3,718	**3,261**	3,345

	Group			Bank	
	30 Jun 18	30 Jun 17	30 Jun 16	**30 Jun 18**	30 Jun 17
Provision ratios	**%**	%	%	**%**	%
Total provisions for impaired assets as a % of gross impaired assets	**33. 60**	36. 05	36. 17	**37. 18**	39. 51
Total provisions for impairment losses as a % of gross loans and acceptances	**0. 49**	0. 51	0. 54	**0. 50**	0. 52

	Group			Bank	
	30 Jun 18	30 Jun 17	30 Jun 16	**30 Jun 18**	30 Jun 17
Loan impairment expense	**$M**	$M	$M	**$M**	$M
Net collective provision funding	**716**	617	664	**646**	621
Net new and increased individual provisioning	**625**	670	788	**559**	585
Write-back of individually assessed provisions	**(262)**	(192)	(196)	**(242)**	(166)
Total loan impairment expense	**1,079**	1,095	1,256	**963**	1,040

Accounting Policy

By providing loans to customers, the Group bears the risk that the future circumstances of customers might change, including their ability to repay their loans in part or in full. While the Group's credit and responsible lending policies aim to minimise this risk, there will always be instances where the Group will not receive the full amount owed and hence a provision for impaired loans will be necessary. Credit losses arise primarily from loans, but also from other credit instruments such as bank acceptances, contingent liabilities and other financial instruments. The Group assesses at each Balance Sheet date whether there is any objective evidence of impairment. If there is objective evidence that an impairment loss on loans and other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short-term balances are not discounted.

3.2 Provisions for Impairment (continued)

Accounting Policy (continued)

Loans and other receivables are presented net of provisions for loan impairment. Guarantees and other contingent liabilities are accounted for as off Balance Sheet items. Provisioning for these exposures is calculated under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'.

Loan assets under committed lending facilities are not recognised until the facilities are drawn upon. However, the Group has determined that it is appropriate to establish provisions in relation to such facilities where a customer has been downgraded.

These provisions are disclosed as other liabilities in the Balance Sheets.

Critical accounting judgements and estimates

Provisions for impairment of financial assets are raised to cover assessed credit related losses where there is objective evidence of impairment (i.e. where the Group does not expect to receive all of the cash flows contractually due). Individually assessed provisions against loans are subject to change as new information becomes available to reassess the level of impairment against a loan. Loans and receivables that do not have an individually assessed provision are assessed collectively for impairment. The collective provision is maintained to reduce the carrying amount of portfolios of similar loans and receivables to their estimated recoverable amounts at the Balance Sheet date. The evaluation process is subject to a series of estimates and judgements. Estimates applied include the loss history and the diversity of borrowers within a cohort or similar loan portfolio. Changes in these estimates could have a direct impact on the level of provision determined. Increases or decreases in the provision amount are recognised in the Income Statement.

					Group
Individually assessed provisions by industry classification	**30 Jun 18 $M**	30 Jun 17 $M	30 Jun 16 $M	30 Jun 15 $M	30 Jun 14 $M
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**56**	47	42	133	123
Bank and other financial	**16**	27	29	36	68
Home loans	**236**	249	193	148	151
Construction	**21**	25	25	20	29
Other personal	**6**	9	7	10	14
Asset financing	**16**	18	28	28	30
Other commercial and industrial	**343**	442	483	400	620
Total Australia	**694**	817	807	775	1,035
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**25**	25	23	14	3
Bank and other financial	**-**	-	4	-	15
Home loans	**5**	4	6	10	11
Construction	**1**	1	8	1	1
Other personal	**-**	-	1	-	-
Asset financing	**-**	10	10	10	-
Other commercial and industrial	**145**	123	85	77	62
Total overseas	**176**	163	137	112	92
Total individually assessed provisions	**870**	980	944	887	1,127

3.2 Provisions for Impairment (continued)

					Group
Loans written off by industry classification	**30 Jun 18 $M**	30 Jun 17 $M	30 Jun 16 $M	30 Jun 15 $M	30 Jun 14 $M
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**28**	17	84	65	138
Bank and other financial	**3**	1	10	36	122
Home loans	**126**	115	82	72	113
Construction	**13**	16	11	14	52
Other personal	**764**	792	747	686	677
Asset financing	**23**	41	54	45	37
Other commercial and industrial	**179**	210	249	404	568
Total Australia	**1,136**	1,192	1,237	1,322	1,707
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**3**	15	7	3	3
Bank and other financial	**5**	5	-	69	-
Home loans	**2**	4	7	8	13
Construction	**1**	8	-	-	-
Other personal	**65**	60	54	42	30
Asset financing	**-**	-	-	-	-
Other commercial and industrial	**207**	64	112	35	60
Total overseas	**283**	156	180	157	106
Gross loans written off	**1,419**	1,348	1,417	1,479	1,813
Less recovery of amounts previously written off:					
Australia	**187**	194	211	165	148
Overseas	**14**	16	14	11	17
Total amounts recovered	**201**	210	225	176	165
Net loans written off	**1,218**	1,138	1,192	1,303	1,648

3.2 Provisions for Impairment (continued)

					Group
Loans recovered by industry classification	**30 Jun 18 $M**	30 Jun 17 $M	30 Jun 16 $M	30 Jun 15 $M	30 Jun 14 $M
Australia					
Sovereign	**-**	-	-	-	-
Agriculture	**-**	-	1	-	-
Bank and other financial	**1**	1	27	9	6
Home loans	**2**	3	3	3	4
Construction	**-**	1	1	-	-
Other personal	**165**	170	154	125	106
Asset financing	**5**	7	4	4	5
Other commercial and industrial	**14**	12	21	24	27
Total Australia	**187**	194	211	165	148
Overseas					
Sovereign	**-**	-	-	-	-
Agriculture	**-**	-	-	-	3
Bank and other financial	**-**	-	1	-	3
Home loans	**1**	1	1	1	1
Construction	**1**	1	-	-	-
Other personal	**10**	11	10	10	8
Asset financing	**-**	-	-	-	-
Other commercial and industrial	**2**	3	2	-	2
Total overseas	**14**	16	14	11	17
Total loans recovered	**201**	210	225	176	165

4. Our Deposits and Funding Activities

Overview

Stable and well diversified funding sources are critical to the Group's ability to fund its lending and investing activities to support business growth. Our main sources of funding include customer deposits and term funds raised in domestic and offshore wholesale markets. The Group also uses repurchase agreements as a source of short-term wholesale funding. Refer to Note 9.4 for the Group's management of liquidity and funding risk.

4.1 Deposits and Other Public Borrowings

	Group		Bank	
	30 Jun 18 **$M**	30 Jun 17 $M	**30 Jun 18** **$M**	30 Jun 17 $M
Australia				
Certificates of deposit	**31,405**	39,854	**33,496**	41,856
Term deposits	**149,924**	158,453	**150,086**	158,691
On-demand and short-term deposits	**300,607**	293,579	**300,768**	292,819
Deposits not bearing interest	**46,082**	41,787	**46,058**	41,764
Securities sold under agreements to repurchase	**14,696**	16,175	**14,806**	16,406
Total Australia	**542,714**	549,848	**545,214**	551,536
Overseas				
Certificates of deposit	**8,509**	12,496	**6,069**	10,021
Term deposits	**43,896**	36,308	**13,707**	8,047
On-demand and short term deposits	**22,640**	24,012	**1,154**	1,605
Deposits not bearing interest	**4,475**	3,896	**56**	49
Securities sold under agreements to repurchase	**-**	95	**-**	95
Total overseas	**79,520**	76,807	**20,986**	19,817
Total external deposits and other public borrowings	**622,234**	626,655	**566,200**	571,353

The majority of the amounts are due to be settled within 12 months of the Balance Sheet date.
The contractual maturity profile of Certificates of deposit and Term deposits are shown in the table below:

					Group At 30 June 2018
	Maturing Three Months or Less $M	Maturing Between Three and Six Months $M	Maturing Between Six and Twelve Months $M	Maturing after Twelve Months $M	Total $M
Australia					
Certificates of deposit (1)	15,321	9,286	2,351	4,447	31,405
Term deposits	83,431	25,576	32,222	8,695	149,924
Total Australia	98,752	34,862	34,573	13,142	181,329
Overseas					
Certificates of deposit (1)	3,425	2,441	2,601	42	8,509
Term deposits	22,758	10,033	7,901	3,204	43,896
Total overseas	26,183	12,474	10,502	3,246	52,405
Total certificates of deposits and term deposits	124,935	47,336	45,075	16,388	233,734

(1) All certificates of deposit issued by the Group are for amounts greater than $100,000

4.1 Deposits and Other Public Borrowings (continued)

	Group At 30 June 2017				
	Maturing Three Months or Less $M	**Maturing Between Three and Six Months $M**	**Maturing Between Six and Twelve Months $M**	**Maturing after Twelve Months $M**	**Total $M**
Australia					
Certificates of deposit (1)	18,384	12,417	2,908	6,145	39,854
Term deposits	97,878	22,869	29,164	8,542	158,453
Total Australia	116,262	35,286	32,072	14,687	198,307
Overseas					
Certificates of deposit (1)	4,749	1,750	5,957	40	12,496
Term deposits	18,906	10,234	4,779	2,389	36,308
Total overseas	23,655	11,984	10,736	2,429	48,804
Total certificates of deposits and term deposits	139,917	47,270	42,808	17,116	247,111

(1) All certificates of deposit issued by the Group are for amounts greater than $100,000.

Accounting Policy

Deposits from customers include certificates of deposit, term deposits, savings deposits, other demand deposits and debentures. Deposits are initially recognised at their fair value less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost. Interest incurred is recognised within Net Interest Income using the effective interest method.

Securities sold under repurchase agreements are retained in the Financial Statements where substantially all the risks and rewards of ownership remain with the Group. A liability for the agreed repurchase amount from the counterparty is recognised within deposits and other public borrowings.

4.2 Liabilities at Fair Value through Income Statement

	Group		Bank	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Deposits and other borrowings (1)	**8,124**	7,212	**7,118**	6,197
Debt instruments (1)	**399**	655	**264**	267
Trading liabilities	**1,724**	2,525	**1,724**	2,525
Total liabilities at fair value through Income Statement	**10,247**	10,392	**9,106**	8,989

(1) These liabilities have been initially designated at fair value through the Income Statement.

For the Group and Bank, the majority of liabilities at fair value through the Income Statement are expected to be settled within 12 months of the Balance Sheet date.

The amount that would be contractually required to be paid at maturity to the holders of the financial liabilities designated at fair value through Income Statement for the Group is $8,369 million (2017: $7,878 million) and for the Bank is $7,225 million (2017: $6,437 million).

Accounting Policy

The Group designates certain liabilities at fair value through the Income Statement on origination where those liabilities are managed on a fair value basis, where the liabilities eliminate an accounting mismatch, or where they contain embedded derivatives. Trading liabilities are incurred principally for the purpose of repurchasing or settling in the near term.

Subsequent to initial recognition, these liabilities are measured at fair value. Changes in fair value (except those due to changes in credit risk) are recognised in Other Banking Income. Changes in fair value relating to the Group's own credit risk are recognised in Other Comprehensive Income. Interest incurred is recognised within Net Interest Income using the effective interest method.

4.3 Debt Issues

		Group		Bank	
	Note	**30 Jun 18 $M**	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Medium-term notes		**99,579**	96,016	**87,474**	83,637
Commercial paper		**26,868**	28,800	**23,922**	26,685
Securitisation notes	4.4	**13,089**	13,771	**-**	-
Covered bonds	4.4	**32,758**	28,984	**28,588**	24,644
Total debt issues (1)		**172,294**	167,571	**139,984**	134,966
Short Term Debt Issues by currency					
USD		**27,008**	29,856	**24,061**	27,314
AUD		**1,009**	1,858	**1,009**	1,858
GBP		**2,949**	5,687	**2,949**	5,687
Other currencies		**335**	769	**335**	769
Total short term debt issues		**31,301**	38,170	**28,354**	35,628
Long Term Debt Issues by currency (2)					
USD		**51,472**	45,343	**48,017**	44,120
EUR		**33,057**	28,109	**26,842**	22,241
AUD		**35,066**	32,405	**20,875**	16,883
GBP		**4,701**	6,059	**3,614**	4,075
NZD		**3,954**	5,129	**1,028**	1,079
JPY		**3,505**	3,790	**3,390**	3,680
Other currencies		**9,175**	8,158	**7,801**	6,852
Offshore loans (all JPY)		**63**	408	**63**	408
Total long term debt issues		**140,993**	129,401	**111,630**	99,338
Maturity Distribution of Debt Issues (3)					
Less than twelve months		**59,980**	57,640	**50,994**	47,976
Greater than twelve months		**112,314**	109,931	**88,990**	86,990
Total debt issues		**172,294**	167,571	**139,984**	134,966

(1) Debt issues include unrealised movements of $4,259 million in 2018 predominantly due to foreign exchange gains and losses.
(2) Long-term debt disclosed relates to debt issues which have a maturity at inception of greater than 12 months.
(3) Represents the remaining contractual maturity of the underlying instrument.

The Bank's long-term debt issues include notes issued under the: USD70 billion Euro Medium Term Note Program; the USD50 billion US Medium Term Note Program; the USD30 billion Covered Bond Program; Unlimited Domestic Debt Program; Unlimited ASB Domestic Medium Term Note Program; the USD25 billion CBA New York Branch Medium Term Note Program; EUR7 billion ASB Covered Bond Program and other applicable debt documentation. Notes issued under debt programs are both fixed and variable rate. Interest rate risk associated with the notes is incorporated within the Bank's interest rate risk framework. The Bank, from time to time, as part of its balance sheet management, may consider opportunities to repurchase outstanding long-term debt pursuant to open-market purchases or other means. Such repurchases help manage the Bank's debt maturity profile, overall funding costs and assist in meeting regulatory changes and requirements.

4.3 Debt Issues (continued)

			Group
	30 Jun 18	30 Jun 17	30 Jun 16
Short term borrowings by Commercial paper program (1)	**$M (except where indicated)**		
Total			
Outstanding at year-end (2)	**26,868**	28,800	29,033
Maximum amount outstanding at any month end	**32,336**	33,779	41,453
Average amount outstanding	**30,007**	29,226	37,368
US Commercial Paper Program			
Outstanding at year-end (2)	**26,792**	28,393	27,117
Maximum amount outstanding at any month end	**32,127**	31,460	38,528
Average amount outstanding	**29,887**	27,593	35,208
Weighted average interest rate on:			
Average amount outstanding	**1. 8%**	1. 2%	0. 5%
Outstanding at year end	**2. 3%**	1. 5%	0. 8%
Euro Commercial Paper Program			
Outstanding at year-end (2)	**76**	407	1,916
Maximum amount outstanding at any month end	**219**	2,789	2,925
Average amount outstanding	**120**	1,633	2,160
Weighted average interest rate on:			
Average amount outstanding	**1. 5%**	1. 0%	0. 7%
Outstanding at year end	**2. 2%**	1. 2%	0. 9%

(1) Short-term borrowings include callable medium term notes of $4,433 million (2017:$9,370 million) which have been excluded from the table above.
(2) The amount outstanding at year-end is measured at amortised cost.

Exchange rates utilised (1)	**Currency**	**As At 30 Jun 18**	As At 30 Jun 17
AUD 1.00 =	USD	**0. 7387**	0. 7684
	EUR	**0. 6350**	0. 6720
	GBP	**0. 5635**	0. 5903
	NZD	**1. 0909**	1. 0493
	JPY	**81. 7215**	86. 1110

(1) End of day, Sydney time.

Guarantee Arrangement

Guarantee under the Commonwealth Bank Sale Act

Historically, the due payment of all monies payable by the Bank was guaranteed by the Commonwealth of Australia under section 117 of the Commonwealth Banks Act 1959 (as amended) at 30 June 1996. With the sale of the Commonwealth's shareholding in the Bank this guarantee has been progressively phased out under transitional arrangements found in the Commonwealth Bank Sale Act 1995.

Demand deposits are no longer guaranteed by the Commonwealth under this guarantee. However, debt issues payable by the Bank under a contract entered into prior to 19 July 1996 remain guaranteed until maturity.

4.3 Debt Issues (continued)

Accounting Policy

Debt issues includes short and long-term debt issues of the Group and consists of commercial paper, securitisation notes, covered bonds and medium term notes.

Debt issues are initially measured at fair value and subsequently measured at amortised cost.

Premiums, discounts and associated issue expenses are recognised in the Income Statement using the effective interest method from the date of issue, to ensure the carrying value of securities equals their redemption value by maturity date. Interest is recognised in the Income Statement using the effective interest method. Any profits or losses arising from redemption prior to maturity are taken to the Income Statement in the period in which they are realised.

The Group hedges interest rate and foreign currency rate risk on certain debt issues. When fair value hedge accounting is applied to fixed rate debt issues, the carrying values are adjusted for changes in fair value related to the hedged risks.

4.4 Securitisation, Covered Bonds and Transferred Assets

The Group enters into transactions in the normal course of business that transfers financial assets to counterparties or to Special Purpose Vehicles (SPVs). Transferred financial assets that do not qualify for de-recognition are typically associated with repurchase agreements and our covered bonds and securitisation programs. The underlying assets remain on the Group's Balance Sheet.

At the Balance Sheet date, transferred financial assets that did not qualify for de-recognition and their associated liabilities are as follows:

						Group
	Repurchase Agreements		**Covered Bonds**		**Securitisation** (1)	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Carrying amount of transferred assets	**14,696**	16,270	**37,012**	31,796	**14,661**	15,108
Carrying amount of associated liabilities	**14,696**	16,270	**32,758**	28,984	**13,089**	13,771
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred assets					**14,667**	15,116
Fair value of associated liabilities					**13,089**	13,771
Net position					**1,578**	1,345

						Bank
	Repurchase Agreements		**Covered Bonds**		**Securitisation**	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Carrying amount of transferred assets	**14,806**	16,501	**32,210**	26,414	**71,136**	59,985
Carrying amount of associated liabilities (2)	**14,806**	16,501	**28,588**	24,644	**70,484**	59,985
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred assets					**71,155**	60,020
Fair value of associated liabilities					**70,484**	59,985
Net position					**671**	35

(1) Securitisation liabilities of the Group include RMBS notes issued by securitisation SPVs and held by external investors.

(2) Securitisation liabilities of the Bank include borrowings from securitisation SPVs, including the SPVs that issue only internally held notes for repurchase with central banks, recognised on transfer of residential mortgages by the Bank. The carrying amount of associated liabilities from securitisation SPVs is recorded under loans due to controlled entities.

4.4 Securitisation, Covered Bonds and Transferred Assets (continued)

Accounting Policy

Repurchase Agreements

Securities sold under agreement to repurchase are retained on the Balance Sheet when substantially all the risks and rewards of ownership remain with the Group, and the counterparty liability is included separately on the Balance Sheet when cash consideration is received.

Securitisation Programs

The Group pools and equitably assigns residential mortgages as securities to investors through a series of wholly controlled securitisation vehicles. Where the Bank and ASB retain substantially all of the risks and rewards associated with the mortgages, the Bank and ASB continue to recognise the mortgages on their Balance Sheets. The Group is entitled to any residual income of the securitisation programs after all payments due to investors have been met. The investors have recourse only to the pool of mortgages in the SPV they have invested in.

Covered Bonds Programs

To complement existing wholesale funding sources, the Group has established two global covered bond programs for the Bank and ASB. Certain residential mortgages have been assigned to an SPV associated with covered bond programs to provide security on the payments to investors. Similarly to securitisation programs, the Group is entitled to any residual income after all payments due to covered bond investors have been met. As the Bank and ASB retain substantially all of the risks and rewards associated with the mortgages, the Bank and ASB continue to recognise the mortgages on their Balance Sheets. The covered investors have dual recourse to the Bank and the covered pool assets.

Critical accounting judgements and estimates

The Group exercises judgement at inception and periodically thereafter, to assess whether a structured entity should be consolidated based on the Bank's power over the relevant activities of the entity and the significance of its exposure to variable returns of the structured entity. Such assessments are predominantly required for the Group's securitisation programs, and structure transactions such as covered bond programs.

5. Our Investing, Trading and Other Banking activities

Overview

In addition to loans, the Group holds other assets to support its activities. Cash and liquid assets, receivables due from other financial institutions, trading assets and available for sale securities are held for liquidity purposes, to generate returns and to meet customer demand. The mix and nature of assets is driven by multiple factors including the Board's Risk appetite, regulatory requirements, customer demand and the generation of shareholder returns.

The Group also transacts derivatives to meet customer demand and to manage its financial risks (interest rate, foreign currency, commodity and credit risks).

Refer to Note 9.1 for additional information relating to the Group's approach to managing financial risks through the use of derivatives.

5.1 Cash and Liquid Assets

	Group		Bank	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Notes, coins and cash at banks (1)	**17,002**	14,836	**15,586**	12,782
Money at short call	**5,895**	8,281	**5,765**	8,167
Securities purchased under agreements to resell	**13,520**	22,733	**12,230**	21,865
Total cash and liquid assets	**36,417**	45,850	**33,581**	42,814

(1) Comparatives have been restated to align to presentation in the current period.

Accounting Policy

Cash and liquid assets include cash at branches, cash at banks, nostro balances, money at call with an original maturity of three months or less and securities held under reverse repurchase agreements. Cash and other assets are initially measured at fair value then subsequently at amortised cost. Interest is recognised in the Income Statement using the effective interest method.

Securities, including bonds and equities, purchased under agreements to resell are not recognised in the Financial Statements where substantially all the risks and rewards of ownership remain with the counterparty. An asset for the agreed resale amount by the counterparty is recognised within cash and liquid assets.

5.2 Receivables Due from Other Financial Institutions

	Group		Bank	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Placements with and loans to other financial institutions	**9,012**	9,815	**8,302**	8,641
Deposits with regulatory authorities (1)	**210**	222	**74**	37
Total receivables due from other financial institutions	**9,222**	10,037	**8,376**	8,678

(1) Required by law for the Group to operate in certain regions.

The majority of the above amounts are expected to be recovered within 12 months of the Balance Sheet date.

Accounting Policy

Receivables due from other financial institutions includes loans, deposits with regulatory authorities and settlement account balances due from other banks. Receivables are initially recognised at fair value, then subsequently measured at amortised cost.

5.3 Assets at Fair Value through Income Statement

Assets at Fair Value through Income Statement	Group **30 Jun 18** **$M**	 30 Jun 17 $M	Bank **30 Jun 18** **$M**	 30 Jun 17 $M
Trading				
Government bonds, notes and securities	**18,078**	20,370	**16,923**	19,879
Corporate/financial institution bonds, notes and securities	**6,108**	4,640	**5,112**	3,873
Shares and equity investments	**116**	922	**6**	603
Commodities	**7,952**	6,772	**7,952**	6,772
Total trading assets	**32,254**	32,704	**29,993**	31,127
Insurance (1)				
Investments backing life risk contracts	**21**	4,206	**-**	-
Investments backing life investment contracts	**351**	9,463	**-**	-
Total life insurance investment assets	**372**	13,669	**-**	-
Other				
Government securities	**49**	51	**-**	-
Receivables due from other corporate/financial institutions	**209**	264	**-**	-
Other lending	**-**	796	**-**	796
Total other assets at fair value through Income Statement	**258**	1,111	**-**	796
Total assets at fair value through Income Statement (2)	**32,884**	47,484	**29,993**	31,923
Maturity Distribution of assets at fair value through income statement				
Less than twelve months	**32,247**	35,951	**29,724**	31,923
More than twelve months	**637**	11,533	**269**	-
Total assets at fair value through Income Statement	**32,884**	47,484	**29,993**	31,923

(1) Certain life insurance assets have been reclassified to assets held for sale following the announced disposal of the Group's life Insurance businesses.

(2) In addition to the assets above, the Group also measures bills discounted that are intended to be sold into the market at fair value. These are classified within Loans, bills discounted and other receivables (refer to Note 3.1).

Accounting Policy

These assets are categorised as assets held for trading, insurance assets and other investments. Trading assets are those acquired for the purpose of selling or repurchasing in the near term. Insurance assets are investments that back life insurance and life investment contracts. Other assets are those that are designated at fair value through Income Statement at inception. Subsequent to initial recognition, financial assets are measured at fair value with changes in fair value recognised in Other Banking Income.

5.4 Derivative Financial Instruments

Derivatives are classified as “Held for Trading” or “Held for Hedging”. Held for Trading derivatives are contracts entered into in order to meet customers’ needs, to undertake market making and positioning activities, or for risk management purposes that do not qualify for hedge accounting. Held for Hedging derivatives are instruments held for risk management purposes, which meet the criteria for hedge accounting.

Derivative financial instruments are contracts whose values are derived from one or more underlying prices, indexes or other variables. The fair value of derivative financial instruments is set out in the following tables:

				Group
		30 Jun 18		30 Jun 17
Derivatives assets and liabilities	**Fair Value Asset $M**	**Fair Value Liability $M**	Fair Value Asset $M	Fair Value Liability $M
Held for trading				
Foreign exchange rate related contracts:				
Forwards	**8,118**	**(7,961)**	5,735	(6,058)
Swaps	**7,457**	**(8,505)**	7,556	(8,473)
Options	**462**	**(415)**	785	(832)
Total foreign exchange rate related contracts	**16,037**	**(16,881)**	14,076	(15,363)
Interest rate related contracts:				
Swaps	**4,834**	**(3,458)**	6,232	(4,654)
Futures	**6**	**(57)**	64	(192)
Options	**531**	**(736)**	918	(1,048)
Total interest rate related contracts	**5,371**	**(4,251)**	7,214	(5,894)
Credit related swaps	**46**	**(65)**	42	(72)
Equity related contracts:				
Swaps	**12**	**(40)**	18	(85)
Options	**1**	**(5)**	2	(9)
Total equity related contracts	**13**	**(45)**	20	(94)
Commodity related contracts:				
Swaps	**397**	**(386)**	452	(284)
Options	**146**	**(85)**	16	(35)
Total commodity related contracts	**543**	**(471)**	468	(319)
Identified embedded derivatives	**229**	**(58)**	190	(131)
Total derivative assets/(liabilities) held for trading	**22,239**	**(21,771)**	22,010	(21,873)

Held for trading derivatives are expected to be recovered or due to be settled within 12 months of the Balance Sheet date.

5.4 Derivative Financial Instruments (continued)

				Group
		30 Jun 18		30 Jun 17
	Fair Value Asset $M	**Fair Value Liability $M**	Fair Value Asset $M	Fair Value Liability $M
Fair value hedges				
Foreign exchange rate related swaps	**6,538**	**(3,783)**	5,242	(4,184)
Interest rate related swaps	**278**	**(1,672)**	451	(2,096)
Total fair value hedges	**6,816**	**(5,455)**	5,693	(6,280)
Cash flow hedges				
Foreign exchange rate related swaps	**2,331**	**(679)**	2,615	(1,371)
Interest rate related swaps	**734**	**(493)**	1,402	(794)
Equity related swaps	**4**	**(65)**	-	-
Total cash flow hedges	**3,069**	**(1,237)**	4,017	(2,165)
Net investment hedges				
Foreign exchange rate related forwards	**9**	**(9)**	4	(12)
Total net investment hedges	**9**	**(9)**	4	(12)
Total derivative assets/(liabilities) held for hedging	**9,894**	**(6,701)**	9,714	(8,457)

The majority of hedging derivatives are expected to be recovered or due to be settled more than 12 months after the Balance Sheet date.

5.4 Derivative Financial Instruments (continued)

				Bank
		30 Jun 18		30 Jun 17
Derivatives assets and liabilities	**Fair Value Asset $M**	**Fair Value Liability $M**	Fair Value Asset $M	Fair Value Liability $M
Held for trading				
Foreign exchange rate related contracts:				
Forwards	**8,081**	**(7,937)**	5,706	(6,014)
Swaps	**8,291**	**(9,197)**	8,356	(9,181)
Options	**460**	**(413)**	785	(830)
Derivatives held with controlled entities	**16**	**(1,734)**	688	(1,998)
Total foreign exchange rate related contracts	**16,848**	**(19,281)**	15,535	(18,023)
Interest rate related contracts:				
Swaps	**4,610**	**(3,226)**	5,963	(4,357)
Futures	**6**	**(57)**	55	(191)
Options	**531**	**(736)**	917	(1,047)
Derivatives held with controlled entities	**73**	**(87)**	110	(139)
Total interest rate related contracts	**5,220**	**(4,106)**	7,045	(5,734)
Credit related swaps	**46**	**(65)**	42	(72)
Equity related contracts:				
Swaps	**12**	**(40)**	18	(85)
Options	**1**	**(5)**	2	(9)
Total equity related contracts	**13**	**(45)**	20	(94)
Commodity related contracts:				
Swaps	**397**	**(386)**	452	(285)
Options	**146**	**(85)**	16	(34)
Total commodity related contracts	**543**	**(471)**	468	(319)
Identified embedded derivatives	**229**	**(58)**	190	(131)
Total derivative assets/(liabilities) held for trading	**22,899**	**(24,026)**	23,300	(24,373)

Held for trading derivatives are expected to be recovered or due to be settled within 12 months of the Balance Sheet date.

5.4 Derivative Financial Instruments (continued)

				Bank
		30 Jun 18		30 Jun 17
	Fair Value Asset $M	**Fair Value Liability $M**	Fair Value Asset $M	Fair Value Liability $M
Fair value hedges				
Foreign exchange rate related contracts:				
Swaps	**5,087**	**(3,052)**	4,337	(3,504)
Derivatives held with controlled entities	**35**	**(1,365)**	349	(789)
Total foreign exchange rate related contracts	**5,122**	**(4,417)**	4,686	(4,293)
Interest rate related contracts:				
Swaps	**213**	**(1,477)**	364	(1,895)
Derivatives held with controlled entities	**13**	**(27)**	2	(56)
Total interest rate related contracts	**226**	**(1,504)**	366	(1,951)
Total fair value hedges	**5,348**	**(5,921)**	5,052	(6,244)
Cash flow hedges				
Foreign exchange rate related contracts:				
Swaps	**2,007**	**(521)**	2,444	(948)
Derivatives held with controlled entities	**16**	**(30)**	11	(81)
Total foreign exchange rate related contracts	**2,023**	**(551)**	2,455	(1,029)
Interest rate related contracts:				
Swaps	**602**	**(299)**	1,253	(511)
Derivatives held with controlled entities	**-**	**-**	30	(4)
Total interest rate related contracts	**602**	**(299)**	1,283	(515)
Equity related swaps	**4**	**(65)**	-	-
Total cash flow hedges	**2,629**	**(915)**	3,738	(1,544)
Net investment hedges				
Foreign exchange rate related forward contracts	**9**	**(9)**	4	(12)
Total net investment hedges	**9**	**(9)**	4	(12)
Total derivative assets/(liabilities) held for hedging	**7,986**	**(6,845)**	8,794	(7,800)

The majority of hedging derivatives are expected to be recovered or due to be settled more than 12 months after the Balance Sheet date.

5.4 Derivative Financial Instruments (continued)

The table below shows the deferred gains and losses, which are expected to be transferred to the Income Statement in the period which the hedge forecast transaction takes place:

		Group Total		Bank Total
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Within 6 months	**(39)**	(72)	**(33)**	3
6 months - 1 year	**29**	(26)	**38**	15
1 - 2 years	**16**	133	**68**	131
2 - 5 years	**(131)**	(168)	**(25)**	(34)
After 5 years	**(95)**	(45)	**57**	(24)
Net deferred (losses)/gains	**(220)**	(178)	**105**	91

Accounting Policy

Derivatives Transacted for Hedging Purposes

Derivatives are initially measured at fair value. Subsequent to initial recognition, gains or losses on derivatives are recognised in the Income Statement, unless they are entered into for hedging purposes and designated into a cash flow hedge.

Fair Value Hedges

Fair value hedges are used by the Group to manage exposure to changes in the fair value of an asset, liability or unrecognised firm commitment. Changes in fair values can arise from fluctuations in interest or foreign exchange rates. The Group principally uses interest rate swaps, cross currency swaps and futures to protect against such fluctuations.

Changes in the value of fair value hedges are recognised in the Income Statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. All gains and losses associated with the ineffective portion of fair value hedge relationships are recognised immediately as 'Other Banking Income' in the Income Statement.

If the hedge relationship no longer meets the criteria for hedge accounting, it is discontinued. For fair value hedges of interest rate risk, the fair value adjustment to the hedged item is amortised to the Income Statement from the date of discontinuation over the period to maturity of the previously designated hedge relationship using the effective interest method. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the Income Statement.

Cash Flow Hedges

Cash flow hedges are used by the Group to manage exposure to variability in future cash flows, which could affect profit or loss and may result from fluctuations in interest and exchange rates or in commodity prices on financial assets, financial liabilities or highly probable forecast transactions. The Group principally uses interest rate swaps, cross currency swaps, futures and equity related swaps to protect against such fluctuations.

Changes in fair value associated with the effective portion of a cash flow hedge are recognised through Other Comprehensive Income in the Cash Flow Hedge Reserve within equity. Ineffective portions are recognised immediately in the Income Statement. Amounts deferred in equity are transferred to the Income Statement in the period in which the hedged forecast transaction takes place.

When a hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is reclassified to profit or loss in the period in which the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is recycled immediately to the Income Statement. Where it is appropriate, non-derivative financial assets and liabilities are also designated as hedging instruments in cash flow hedge relationships.

5.4 Derivative Financial Instruments (continued)

Accounting Policy (continued)

Derivatives Transacted for Hedging Purposes

Net Investment Hedges

Gains and losses on derivative contracts relating to the effective portion of the net investment hedge are recognised in the foreign currency translation reserve in equity. Ineffective portions are recognised immediately in the Income Statement. Gains and losses accumulated in equity are included in the Income Statement when the foreign subsidiary or branch is disposed of.

Embedded Derivatives

In certain instances, a derivative may be embedded within a host contract. It is accounted for separately as a stand-alone derivative at fair value, where:

- the host contract is not carried at fair value through the Income Statement; and
- the economic characteristics and risks of the embedded derivative are not closely related to the host contract.

5.5 Available-for-Sale Investments

	Group		Bank	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Government bonds, notes and securities	**46,363**	48,257	**44,701**	46,424
Corporate/financial institution bonds, notes and securities	**21,372**	22,129	**20,356**	21,199
Shares and equity investments	**298**	295	**45**	37
Covered bonds, mortgage backed securities and SSA (1)	**14,207**	12,854	**12,629**	11,359
Total available-for-sale investments	**82,240**	83,535	**77,731**	79,019

(1) Supranational, Sovereign and Agency Securities (SSA).

The amounts expected to be recovered within 12 months of the Balance Sheet date are $14,772 million (2017: $20,162 million) for the Group and $13,478 million (2017: $19,009 million) for the Bank. Comparative amounts have been restated to conform to presentation in the current period.

Maturity Distribution and Weighted Average Yield

										Group
	Maturity Period at 30 June 2018									
	0 to 1 Year		1 to 5 Years		5 to 10 Years		10 or more Years		Non-Maturing	**Total**
	$M	%	$M	%	$M	%	$M	%	$M	**$M**
Government bonds, notes and securities	**4,774**	**0. 85**	**15,424**	**2. 11**	**21,330**	**2. 59**	**4,835**	**2. 97**	**-**	**46,363**
Corporate/financial institution bonds, notes and securities	**6,902**	**1. 81**	**14,442**	**2. 86**	**28**	**3. 96**	**-**	**-**	**-**	**21,372**
Shares and equity investments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**298**	**298**
Covered bonds, mortgage backed securities and SSA	**1,099**	**3. 05**	**4,799**	**2. 47**	**1,542**	**3. 51**	**6,767**	**2. 98**	**-**	**14,207**
Total available-for sale investments	**12,775**	**-**	**34,665**	**-**	**22,900**	**-**	**11,602**	**-**	**298**	**82,240**

The maturity table is based on contractual terms.

Accounting Policy

Available-for-sale (AFS) investments are non-derivative financial assets that are not classified at fair value through the Income Statement or as loans and receivables. They primarily include public debt securities held as part of the Group's liquidity portfolio.

Subsequent to initial recognition, AFS investments are measured at fair value with unrealised gains and losses arising from changes in fair value recognised in the AFS investment reserve within equity, net of applicable income taxes until such investments are sold, collected, otherwise disposed of, or become impaired.

Interest, premiums and dividends are recognised in the Income Statement when earned. Foreign exchange gains and losses on AFS equity instruments are recognised directly in equity.

The Group assesses at each Balance Sheet date, whether there is any objective evidence of impairment as a result of one or more events which have an impact on the estimated future cash flows of the AFS investments that can be reliably estimated. For equity securities classified as an AFS investment, the main indicators of impairment are significant changes in the market, economic or legal environment and a significant or prolonged decline in fair value below cost.

If any such evidence exists for AFS investments, cumulative losses are removed from equity and recognised in the Income Statement. If, in a subsequent period, the fair value of an AFS debt security increases and the increase can be linked objectively to an event occurring after the impairment event, the impairment is reversed through the Income Statement.

Impairment losses on AFS equity securities are not reversed.

Upon disposal, the accumulated change in fair value within the AFS investments reserve is transferred to the Income Statement and reported within Other Banking Income.

6) Other Assets

Overview

The Group's other assets comprise assets not included in its lending, investing, trading and other banking activities. Other Assets include property, plant and equipment held for use and for lease through our asset finance businesses. Other assets also include software, brand names and goodwill. These assets support the Group's business activities.

6.1 Property, Plant and Equipment

	Group		Bank	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Land and Buildings (1)				
At 30 June valuation	**440**	471	**397**	426
Total land and buildings	**440**	471	**397**	426
Leasehold Improvements				
At cost	**1,580**	1,589	**1,357**	1,339
Accumulated depreciation	**(1,043)**	(1,024)	**(913)**	(885)
Closing balance	**537**	565	**444**	454
Equipment				
At cost	**2,164**	2,044	**1,773**	1,652
Accumulated depreciation	**(1,633)**	(1,496)	**(1,316)**	(1,188)
Closing balance	**531**	548	**457**	464
Total property, plant and equipment held for own use	**1,508**	1,584	**1,298**	1,344
Assets Held for Lease				
At cost	**1,360**	1,437	**193**	212
Accumulated depreciation	**(292)**	(319)	**(31)**	(62)
Closing balance	**1,068**	1,118	**162**	150
Other Property, Plant and Equipment (2)				
At cost	**-**	1,189	**-**	-
Accumulated depreciation	**-**	(18)	**-**	-
Closing balance	**-**	1,171	**-**	-
Total property, plant and equipment	**2,576**	3,873	**1,460**	1,494

(1) Had land and buildings been measured using the cost model rather than fair value, the carrying value would have been $229 million (2017: $243 million) for Group and $217 million (2017: $231 million) for Bank.

(2) Relates to property, plant and equipment held via a partly owned fund within the Group's life insurance businesses. The investment in the fund is used to back life insurance policy liabilities. As a result of the sale of the life insurance businesses this amount has been transferred to Assets Held for Sale. See Note 11.3.

The majority of the above items of Property, Plant and Equipment have expected useful lives longer than 12 months after the Balance Sheet date. There are no significant items of property, plant and equipment that are currently under construction.

6.1 Property, Plant and Equipment (continued)

Reconciliation of the carrying amounts of Property, Plant and Equipment is set out below:

	Group		Bank	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Land and Buildings				
Carrying amount at the beginning of the year	**471**	496	**426**	446
Additions	**10**	6	**10**	5
Disposals	**(40)**	(31)	**(40)**	(22)
Net revaluations	**34**	32	**33**	28
Depreciation	**(34)**	(32)	**(32)**	(31)
Foreign currency translation adjustment	**(1)**	-	**-**	-
Carrying amount at the end of the year	**440**	471	**397**	426
Leasehold Improvements				
Carrying amount at the beginning of the year	**565**	605	**454**	490
Additions	**138**	107	**116**	85
Disposals	**(18)**	(9)	**(14)**	(6)
Depreciation	**(133)**	(135)	**(113)**	(113)
Reclassification to assets held for sale	**(13)**	-	**-**	-
Foreign currency translation adjustment	**(2)**	(3)	**1**	(2)
Carrying amount at the end of the year	**537**	565	**444**	454
Equipment				
Carrying amount at the beginning of the year	**548**	485	**464**	396
Additions	**188**	259	**167**	225
Disposals	**(11)**	(22)	**(10)**	(13)
Depreciation	**(190)**	(174)	**(164)**	(144)
Reclassification to assets held for sale	**(1)**	-	**-**	-
Foreign currency translation adjustment	**(3)**	-	**-**	-
Carrying amount at the end of the year	**531**	548	**457**	464
Assets Held for Lease				
Carrying amount at the beginning of the year	**1,118**	1,287	**150**	171
Additions	**164**	229	**46**	6
Disposals	**(140)**	(304)	**(24)**	(12)
Impairment losses	**-**	(6)	**-**	(2)
Depreciation	**(74)**	(88)	**(10)**	(13)
Foreign currency translation adjustment	**-**	-	**-**	-
Carrying amount at the end of the year	**1,068**	1,118	**162**	150
Other Property, Plant and Equipment				
Carrying amount at the beginning of the year	**1,171**	1,067	**-**	-
Acquisitions attributed to business combinations	**-**	120	**-**	-
Additions	**34**	-	**-**	-
Disposals	**-**	-	**-**	-
Depreciation	**-**	(18)	**-**	-
Reclassification to assets held for sale (1)	**(1,211)**	-	**-**	-
Foreign currency translation adjustment	**6**	2	**-**	-
Carrying amount at the end of the year	**-**	1,171	**-**	-

(1) Relates to property, plant and equipment held via a partly owned fund within the Group's life insurance businesses. The investment in the fund is used to back life insurance policy liabilities. As a result of the sale of the life insurance businesses this amount has been transferred to Assets Held for Sale. See Note 11.3.

6.1 Property, Plant and Equipment (continued)

Accounting Policy

The Group measures its land and buildings at fair value, based on annual independent market valuations. Revaluation adjustments are reflected in the asset revaluation reserve, except to the extent they reverse a revaluation decrease of the same asset previously recognised in the Income Statement. Upon disposal, realised amounts in the asset revaluation reserve are transferred to retained profits.

Other property, plant and equipment assets are stated at cost, including direct and incremental acquisition costs less accumulated depreciation and impairment if required. Subsequent costs are capitalised where it enhances the asset. Depreciation is calculated using the straight-line method over the asset's estimated useful economic life.

The useful lives of major depreciable asset categories are as follows:

Land	Indefinite- not depreciated
Buildings	Up to 30 years
Equipment	3 – 8 years
Leasehold improvements	Lesser of unexpired lease term or lives as above
Assets held for lease	
Aircraft	25 years
Rail	35 – 40 years
Ships	25 – 40 years

Land and buildings are carried at fair value based on independent valuations performed during the year. These fair values fall under the Level 3 category of the fair value hierarchy as defined in Note 9.5.

Critical accounting judgements and estimates

The Group assesses at each Balance Sheet date useful lives and residual values and whether there is any objective evidence of impairment. If an asset's carrying amount is greater than its recoverable amount, the carrying amount is written down immediately to its recoverable amount.

6.2 Intangible Assets

	Group		Bank	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Goodwill				
Purchased goodwill at cost	**6,941**	7,872	**2,522**	2,522
Closing balance	**6,941**	7,872	**2,522**	2,522
Computer Software Costs				
Cost	**4,633**	4,329	**4,122**	3,792
Accumulated amortisation	**(2,814)**	(2,395)	**(2,440)**	(2,057)
Closing balance	**1,819**	1,934	**1,682**	1,735
Brand Names (1)				
Cost	**206**	190	**186**	186
Accumulated amortisation	**(1)**	(1)	**-**	-
Closing balance	**205**	189	**186**	186
Other Intangibles (2)				
Cost	**195**	154	**45**	38
Accumulated amortisation	**(137)**	(125)	**(36)**	(32)
Closing balance	**58**	29	**9**	6
Total Intangible assets	**9,023**	10,024	**4,399**	4,449

(1) Brand names predominantly represent the value of royalty costs foregone by the Group through acquiring the Bankwest brand name. The royalty costs that would have been incurred by an entity using the Bankwest brand name are based on an annual percentage of income generated by Bankwest. The Bankwest brand name has an indefinite useful life as there is no foreseeable limit to the period over which the brand name is expected to generate cash flows. This balance also includes the Aussie brand name ($16 million) which has an indefinite useful life. They are not subject to amortisation, but require annual impairment testing. No impairment was required this period. The Count Financial brand name ($4 million) is also included and amortised over the estimated useful life of 20 years.

(2) Other intangibles include the value of customer and credit card relationships acquired from Bankwest, Aussie and Count Financial franchise relationships. This value represents future net income generated from the relationships that existed at Balance Sheet date. The assets have a useful life of between 6 and 10 years based on the attrition rates of customers.

Impairment Tests for Goodwill and Intangible Assets with Indefinite Lives

To assess whether goodwill and other assets with indefinite useful lives are impaired, the carrying amount of a cash-generating unit or a group of cash-generating units are compared to the recoverable amount. The recoverable amount is determined based on fair value less cost to sell, using an earnings multiple applicable to that type of business. The category of this fair value is Level 3 as defined in Note 9.5.

Earnings multiples relating to the Group's Banking, Wealth Management and IFS cash-generating units are sourced from publicly available data associated with Australian businesses displaying similar characteristics to those cash-generating units, and are applied to current earnings. The key assumption is the Price-Earnings (P/E) multiple observed for these businesses, which for the Banking businesses (excluding IFS) were in the range of 10.9 - 11.2 (2017: 12.4 – 12.8), for the IFS businesses 6.3 - 13.0 (2017: 5.9 – 14.5) and for Wealth Management businesses were in the range of 11.0 - 19.0 (2017: 12.0 – 18.4).

Goodwill allocation to cash generating units

	Group	
	30 Jun 18 $M	30 Jun 17 $M
Retail Banking Services	**4,596**	4,149
Business and Private Banking	**297**	297
Wealth Management	**1,770**	2,678
New Zealand	**258**	697
IFS and Other	**20**	51
Total	**6,941**	7,872

6.2 Intangible Assets (continued)

Goodwill Allocation to Cash-Generating Units

Reconciliation of the carrying amounts of Intangible Assets is set out below:

	Group		Bank	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Goodwill				
Opening balance	**7,872**	7,925	**2,522**	2,522
Additions	**446**	16	**-**	-
Transfers/disposals/other adjustments (1)	**(1,377)**	(69)	**-**	-
Closing balance	**6,941**	7,872	**2,522**	2,522
Computer Software Costs				
Opening balance	**1,934**	2,228	**1,735**	2,061
Additions (1) (2)	**438**	491	**399**	404
Amortisation and write-offs (3)	**(553)**	(785)	**(452)**	(730)
Closing balance	**1,819**	1,934	**1,682**	1,735
Brand Names				
Opening balance	**189**	189	**186**	186
Additions	**16**	-	**-**	-
Closing balance	**205**	189	**186**	186
Other Intangibles				
Opening balance	**29**	42	**6**	9
Additions	**46**	2	**7**	-
Amortisation	**(17)**	(15)	**(4)**	(3)
Closing balance	**58**	29	**9**	6

(1) Includes reclassifications to assets held for sale and foreign currency revaluation.
(2) Primarily relates to internal development costs.
(3) Includes amounts associated with discontinued operations.

Accounting Policy

Intangible assets are identifiable non-monetary assets without physical substance. They are recognised only if it is probable the asset will generate future benefits for the Group. Those assets with an indefinite useful life are tested for impairment annually. All intangible assets must be tested for impairment when there is an indication that its carrying amount may be greater than its recoverable amount.

Goodwill

Goodwill arises on the acquisition of an entity and represents the excess of the consideration paid over the fair value of the net assets and liabilities acquired. Goodwill is tested for impairment annually through allocation to a group of Cash Generating Units (CGUs). The CGUs' recoverable amount is then compared to the carrying amount of goodwill and an impairment is recognised for any excess carrying value.

Computer Software Costs

Certain internal and external costs directly incurred in acquiring and developing software, net of specific project related grants, are capitalised and amortised over the estimated useful life. The majority of software projects are amortised over two to five years. The Group's core banking software is amortised over ten years. Software maintenance is expensed as incurred.

6.2 Intangible Assets (continued)

Accounting Policy (continued)

Brand Names

Brand names acquired in a business combination include Aussie, Bankwest and Count Financial Limited and these are initially recognised at fair value. The Aussie and Bankwest brand names are assessed as having an indefinite useful life as there is no foreseeable limit to the period over which the brand names are expected to generate cash flows. The remaining brand names are amortised over their useful life.

Other Intangibles

Other intangibles predominantly comprise customer relationships. Customer relationships acquired as part of a business combination are initially measured at fair value. They are subsequently measured at cost less accumulated amortisation and any impairment losses. Amortisation is calculated based on the timing of projected cash flows of the relationships over their estimated useful lives.

Critical accounting judgements and estimates

Goodwill is allocated to CGUs whose recoverable amount is calculated for the purpose of impairment testing. The recoverable amount calculation relies primarily on publicly available earnings multiples, which are disclosed on page 90.

6.3 Other Assets

		Group		Bank	
		30 Jun 18	30 Jun 17	**30 Jun 18**	30 Jun 17
	Note	**$M**	$M	**$M**	$M
Accrued interest receivable		**2,377**	2,326	**3,114**	3,097
Accrued fees/reimbursements receivable		**1,255**	1,348	**205**	137
Securities sold not delivered		**1,823**	2,352	**1,398**	1,833
Intragroup current tax receivable		**-**	-	**283**	302
Current tax assets		**24**	23	**3**	-
Prepayments		**320**	257	**210**	182
Life insurance other assets		**11**	524	**-**	-
Defined benefit superannuation plan surplus	10.2	**581**	426	**581**	426
Other		**600**	626	**485**	480
Total other assets		**6,991**	7,882	**6,279**	6,457

Except for the defined benefits superannuation plan surplus, the majority of the above amounts are expected to be recovered within 12 months of the Balance Sheet date.

Accounting Policy

Other assets include interest and fee receivables, current tax assets, prepayments receivables on unsettled trades and the surplus within defined benefit plans. Interest receivables are recognised on an accruals basis, fees and reimbursements receivable are recognised once the service is provided and trade date accounted securities sold not delivered are recognised between trade execution and final settlement. The remaining other assets are recognised on an accruals or service performed basis and amortised over the period in which the economic benefits from these assets are received. Further defined benefit plan details are provided in Note 10.2.

7) Other Liabilities

Overview

Other liabilities primarily represent provisions recognised, interest payable, fees and bills payable and unsettled trades. Other provisions principally cover annual leave and long service leave employee entitlements as well as general insurance claims, potential penalties, committed compliance costs and certain costs related to litigation investigations and reviews. They do not relate to individually assessed provisions or collective provisions recognised on impaired financial assets of the Group (such as impaired home loans).

Certain provisions involve significant judgement to determine the likely outcome of events as well as a reliable estimate of the outflow. Where future events are uncertain or where the outflow cannot be reliably determined, these are disclosed as contingent liabilities. Contingent liabilities are not recognised in the Group's Balance Sheet but disclosed in Note 12.1.

Commentary on certain provisions are given in Note 7.1.

7.1 Other Provisions

		Group			**Bank**
		30 Jun 18	30 Jun 17	**30 Jun 18**	30 Jun 17
	Note	**$M**	$M	**$M**	$M
Employee entitlements		**815**	847	**774**	757
General insurance claims		**219**	273	**-**	-
Self insurance and non-lending losses		**192**	232	**164**	224
Dividends	8.4	**113**	100	**113**	100
Compliance, programs and regulation		**283**	69	**283**	69
Restructuring costs		**14**	52	**11**	50
Other		**253**	207	**245**	172
Total other provisions		**1,889**	1,780	**1,590**	1,372

Maturity Distribution of Other Provisions

	Group			**Bank**
	30 Jun 18	30 Jun 17	**30 Jun 18**	30 Jun 17
	$M	$M	**$M**	$M
Less than twelve months	**1,635**	1,441	**1,381**	1,089
More than twelve months	**254**	339	**209**	283
Total other provisions	**1,889**	1,780	**1,590**	1,372

7.1 Other Provisions (continued)

	Group		Bank	
Reconciliation	**30 Jun 18 $M**	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
General insurance claims:				
Opening balance	**273**	260	**-**	-
Additional provisions	**530**	548	**-**	-
Amounts utilised during the year	**(584)**	(535)	**-**	-
Closing balance	**219**	273	**-**	-
Self insurance and non-lending losses:				
Opening balance	**232**	196	**224**	162
Additional provisions	**162**	73	**135**	73
Amounts utilised during the year	**(157)**	(37)	**(162)**	(11)
Release of provision	**(45)**	-	**(33)**	-
Closing balance	**192**	232	**164**	224
Compliance, programs and regulation:				
Opening balance	**69**	78	**69**	78
Additional provisions (1)	**389**	79	**389**	78
Amounts utilised during the year	**(175)**	(88)	**(175)**	(87)
Closing balance	**283**	69	**283**	69
Restructuring:				
Opening balance	**52**	28	**50**	27
Additional provisions	**15**	28	**11**	27
Amounts utilised during the year	**(30)**	(4)	**(27)**	(4)
Release of provision	**(23)**	-	**(23)**	-
Closing balance	**14**	52	**11**	50
Other:				
Opening balance	**207**	181	**172**	162
Additional provisions	**217**	127	**179**	93
Amounts utilised during the year	**(101)**	(76)	**(86)**	(60)
Release of provision	**(33)**	(25)	**(20)**	(23)
Reclassification to liabilities held for sale	**(37)**	-	**-**	-
Closing balance	**253**	207	**245**	172

(1) Compliance, programs and regulation include additional provisions for the year ended 30 June 2018 for Financial Crimes Compliance Program of Action, Royal Commission, ASIC investigation, APRA review, AUSTRAC proceedings and class action.

Accounting Policy

Provisions are recognised for present obligations arising from past events where a payment to settle the obligation is probable and can be reliably estimated. When payments to settle amounts are expected to be greater than one year in the future, they are then discounted using a market observable rate.

General Insurance Claims

This provision is to cover future claims on general insurance contracts that have been incurred but not reported. The provision will be realised upon settlement of claims whose maturities were uncertain at the reporting date.

Self Insurance and Non-Lending Losses

Self insurance provision relates to non-transferred insurance risks on lending products the Group originates. The self insurance provision is reassessed annually in accordance with actuarial advice.

This provision covers certain non-lending losses, including customer remediation, and represents losses that have not arisen as a consequence of an impaired credit decision.

7.1 Other Provisions (continued)

Accounting Policy (continued)

Compliance, Programs and Regulation

This provision relates to project and other administrative costs associated with certain compliance and regulatory programs of the Group.

Restructuring

Provisions are recognised for restructuring activities when a detailed plan has been developed and a valid expectation that the plan will be carried out is held by those affected by it. The majority of the provision is expected to be used within 12 months of the Balance Sheet date.

Provisions for employee entitlements (such as long service leave, annual leave and other employee benefits)

This provision is calculated based on expected payments. Where the payments are expected to be more than one year in the future, these factor in the expected period of service by employees, as well as salary increases. These future obligations are discounted using a market observable rate.

Critical accounting judgements and estimates

Provisions are held in respect of a range of future obligations, some of which involve significant judgement about the likely outcome of various events and estimated future cash flows.

Litigation, investigations and reviews

The Group is party to legal proceedings and the subject of investigations and reviews, these include the matters outlined below as at 30 June 2018. Provisions have been raised where indicated in line with the principles outlined in the accounting policy section of this note.

Litigation

AUSTRAC Civil Proceedings

On 3 August 2017, the Australian Transaction Reports and Analysis Centre (AUSTRAC) commenced civil penalty proceedings in the Federal Court of Australia against CBA. The AUSTRAC statement of claim alleged past and ongoing contraventions of four provisions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (AML/CTF Act).

On 4 June 2018 CBA announced that it had entered into an agreement with AUSTRAC to resolve the civil proceedings. The agreement followed the Court-ordered mediation between CBA and AUSTRAC. As part of the agreement:

- CBA agreed to pay a civil penalty of $700 million together with AUSTRAC’s legal costs.
- AUSTRAC’s civil proceedings otherwise be dismissed.

The proposed settlement was approved on 20 June 2018 by the Federal Court. Accordingly, CBA recognised a $700 million expense during the year.

CBA is committed to build on the significant changes made in recent years as part of a comprehensive program to improve operational risk management and compliance at the bank. CBA continues to make significant investment in AML/CTF compliance, including upgrading and enhancing its AML/CTF technology, updating its process documentation, investing in further resourcing and strengthening training of its personnel.

CBA has acted to strengthen financial crime capabilities, and has invested significantly recognising the crucial role that it plays, including through its Program of Action with coverage across all aspects of financial crime (including AML/CTF, sanctions and anti-bribery and corruption) and all business units.

The Program of Action is uplifting the Bank’s processes for monitoring, managing, reporting and controlling financial crime across all of its operations, including how the Bank engages with and informs AUSTRAC and other regulators, and the operating model of the Bank which relates specifically to financial crime to ensure increased confidence in managing this area of risk.

The Group has provided for certain costs of running the Program of Action.

ASIC’s investigation

On 11 August 2017, following the commencement of the civil proceedings against CBA by AUSTRAC, ASIC confirmed it would investigate the Group’s disclosure in respect of the allegations raised in connection with the AUSTRAC proceedings. ASIC is investigating, among other things, whether the officers and Directors at CBA complied with their continuous disclosure obligations under the Corporations Act 2001 (Cth). CBA continues to engage with ASIC in respect of the investigation and respond to requests made by ASIC. It is currently not possible to predict the ultimate outcome of this investigation, if any, on the Group. The Group has provided for the legal costs expected to be incurred in relation to this investigation.

Shareholder Class Actions

In October 2017 CBA was served with a shareholder class action proceeding filed in the Federal Court of Australia alleging breaches of CBA’s continuous disclosure obligations and misleading and deceptive conduct in relation to the subject matter of the AUSTRAC civil proceedings. It is alleged that CBA shareholders who acquired an interest in CBA shares between 1 July 2015 and 3 August 2017 suffered loss caused by the alleged conduct. In July 2018 a similar second shareholder class action in relation to the subject matter of the AUSTRAC civil proceedings was served on CBA on behalf of certain CBA shareholders who acquired an interest in CBA shares between 16 June 2014 and 3 August 2017.

7.1 Other Provisions (continued)

Litigation, investigations and reviews

Litigation

Shareholder Class Actions (continued)

It is currently not possible to determine the ultimate impact of these claims, if any, on the Group. The Group denies the allegations and intends to vigorously defend both claims. The Group has provided for legal costs expected to be incurred to defend these claims.

ASIC Bank Bill Swap Rate

On 30 January 2018, as part of the industry wide review into the trading activities of participants in the bank bill market, ASIC filed a claim against CBA alleging that on six occasions between 31 January 2012 and 31 October 2012, CBA's bills traders had engaged in market manipulation and unconscionable conduct. On 9 May 2018, CBA and ASIC agreed to settle the proceedings. The terms of settlement included an admission by CBA that its traders had attempted to engage in unconscionable conduct on 5 occasions in 2012 and that CBA's systems, training, policies and controls were inadequate to prevent the conduct from occurring. CBA agreed to a civil penalty of $5 million (which required the approval of the Federal Court) and to pay ASIC's costs of the investigation and legal costs in a combined amount of $5 million, and to make a community benefit payment of $15 million to Financial Literacy Australia. The agreed settlement was approved on 21 June 2018 by the Federal Court. CBA has also entered into an Enforceable Undertaking with ASIC to ensure that CBA's systems, training, policies and controls are strengthened to prevent a recurrence of the conduct. The Group recognised an expense during the year for the settlement.

Investigations and reviews

APRA's Prudential Inquiry into CBA

On 28 August 2017, APRA announced it would establish an independent prudential inquiry (the "Inquiry") into the Group with the goal of identifying shortcomings in the governance, culture and accountability frameworks. The Inquiry considered, amongst other things, whether the Group's organisational structure, governance, financial objectives, remuneration and accountability frameworks conflicted with sound risk management and compliance outcomes. A Panel was appointed on 8 September 2017 to conduct the Inquiry, comprising of Dr John Laker AO, Jillian Broadbent AO and Professor Graeme Samuel AC (the "Panel").

The Panel published a progress report on 1 February 2018 and its final report on 1 May 2018 ("Final Report"). The Final Report makes a number of findings regarding the complex interplay of organisational and cultural factors within the Group and the need for enhanced management of non-financial risks. In response to the Final Report, the Group has acknowledged that it will implement all of the recommendations and has agreed to adjust its minimum operational risk capital requirements by an additional $1 billion (risk weighted assets $12.5 billion) until such time as the recommendations are implemented to APRA's satisfaction.

CBA has entered into an Enforceable Undertaking under which CBA's remedial action in response to the Final Report would be agreed and monitored regularly by APRA. On 29 June 2018 CBA announced that APRA had endorsed CBA's Remedial Action Plan, which details CBA's response to the 35 recommendations of the Prudential Inquiry, released on 1 May 2018. The Remedial Action Plan provides a detailed program of change outlining how CBA will improve the way it runs its business, manages risk, and works with regulators. The Remedial Action Plan provides a comprehensive assurance framework, with Promontory Financial Group having been appointed as the independent reviewer. The Group has provided for costs expected to be incurred in relation to the conduct of the Inquiry.

The Royal Commission

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

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

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

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

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

The Group's Royal Commission Project team leads our engagement with the Royal Commission and manages the various requirements, including providing requested documents, supporting our witnesses, attending hearings, and preparing submissions. As at 30 June 2018, the Group had responded to 106 notices to produce documents from the Royal Commission, provided 47 witness statements and 10 submissions. In addition, Group executives had provided in-hearing evidence to the Royal Commission on 12 occasions. The Group provided for costs expected to be incurred in relation to the conduct of the Royal Commission.

7.2 Bills Payable and Other Liabilities

		Group		Bank	
		30 Jun 18	30 Jun 17	**30 Jun 18**	30 Jun 17
	Note	**$M**	$M	**$M**	$M
Bills payable		**931**	1,495	**827**	1,431
Accrued interest payable		**2,745**	2,633	**2,163**	1,920
Accrued fees, employee incentives and other items payable (1)		**3,165**	2,586	**2,494**	1,693
Defined benefit superannuation plan deficit	10.2	**-**	11	**-**	11
Securities purchased not delivered		**2,456**	2,771	**1,942**	2,297
Unearned income		**1,389**	1,430	**968**	1,007
Life insurance other liabilities and claims payable		**-**	297	**-**	-
Other		**910**	709	**1,722**	2,550
Total bills payable and other liabilities		**11,596**	11,932	**10,116**	10,909

(1) Includes payable for AUSTRAC civil penalty of $700 million,

Other than the defined benefit superannuation plan deficit, the majority of the amounts are expected to be settled within 12 months of the Balance Sheet date.

Accounting Policy

Bills Payable and Other Liabilities include accrued interest payable, accrued incentives payable, accrued fees payable and unearned income. Bills Payable and Other Liabilities are measured at the contractual amount payable. As most payables are short-term in nature, the contractual amount payable approximates fair value.

8) Our Capital, Equity and Reserves

Overview

The Group maintains a strong capital position in order to satisfy regulatory capital requirements, provide financial security to its depositors and creditors and adequate return to its shareholders. The Group's Shareholders' Equity includes issued ordinary shares, retained earnings and reserves.

This section provides analysis of the Group's Shareholder's Equity including changes during the period.

8.1 Capital Adequacy

The Bank is an Authorised Deposit-taking Institution (ADI) regulated by APRA under the authority of the Banking Act 1959. APRA has set minimum regulatory capital requirements for banks based on the Basel Committee on Banking Supervision (BCBS) guidelines.

The Basel III measurement and monitoring of capital has been effective from 1 January 2013. APRA has adopted a more conservative approach than the minimum standards published by the BCBS and also adopted an accelerated timetable for implementation. The requirements define what is acceptable as capital and provide methods of measuring the risks incurred by the Bank.

The regulatory capital requirements are measured for the Extended Licenced Entity Group (known as "Level 1", comprising the Bank and APRA approved subsidiaries) and for the Bank and all of its banking subsidiaries, which includes ASB Bank (known as "Level 2" or the "Group").

All entities which are consolidated for accounting purposes are included within the Group capital adequacy calculations except for:

- The insurance and funds management operating subsidiaries; and
- The entities through which securitisation of Group assets are conducted.

Regulatory capital is divided into Common Equity Tier 1 (CET1), Additional Tier 1 Capital and Tier 2 Capital. CET1 primarily consists of Shareholders' Equity, less goodwill and other prescribed adjustments. Additional Tier 1 Capital is comprised of high quality capital providing a permanent and unrestricted commitment of funds, is freely available to absorb losses, ranks behind the claims of depositors and other more senior creditors and provides for fully discretionary capital distributions. Tier 1 capital is the aggregate of CET1 and Additional Tier 1 capital. Tier 2 Capital is hybrid and debt instruments that fall short of necessary conditions to qualify as Additional Tier 1 to APRA. Total Capital is the aggregate of Tier 1 and Tier 2 Capital.

The tangible component of the investment in the insurance and funds management operations are deducted 100% from CET1.

Capital adequacy is measured by means of risk based capital ratios. The capital ratios reflect capital (CET1, Additional Tier 1, Tier 2 and Total Capital) as a percentage of total Risk Weighted Assets (RWA). RWA represents an allocation of risks associated with the Group's assets and other related exposures.

The Group has a range of instruments and methodologies available to effectively manage capital. These include share issues and buybacks, dividend and DRP policies, hybrid capital raising and dated and undated subordinated loan capital issues. All major capital related initiatives require approval of the Board.

The Group's capital position is monitored on a continuous basis and reported monthly to the Executive Leadership Team and at regular intervals throughout the year to the Board Risk Committee. Three-year capital forecasts are conducted on a quarterly basis with a detailed capital and strategic plan presented to the Board annually.

The Group's capital ratios throughout the 2016, 2017 and 2018 financial years were in compliance with both APRA minimum capital adequacy requirements and the Board approved minimums. The Group is required to inform APRA immediately of any breach or potential breach of its minimum prudential capital adequacy requirements, including details of remedial action taken or planned to be taken.

8.2 Loan Capital

				Group		Bank	
		Currency Amount (M)	**Endnotes**	**30 Jun 18 $M**	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Tier 1 Loan Capital							
Undated	FRN	USD 100	(1)	**135**	130	**135**	130
Undated	PERLS VI	AUD 2,000	(2)	**1,999**	1,994	**1,999**	1,994
Undated	PERLS VII	AUD 3,000	(2)	**2,978**	2,979	**2,978**	2,979
Undated	PERLS VIII	AUD 1,450	(2)	**1,436**	1,435	**1,436**	1,435
Undated	PERLS IX	AUD 1,640	(2)	**1,622**	1,622	**1,622**	1,622
Undated	PERLS X	AUD 1,365	(2)	**1,356**	-	**1,352**	-
Total Tier 1 Loan Capital				**9,526**	8,160	**9,522**	8,160
Tier 2 Loan Capital							
AUD denominated			(3)	**1,773**	1,773	**1,773**	1,773
USD denominated			(4)	**4,380**	3,047	**4,380**	3,047
JPY denominated			(5)	**896**	850	**896**	850
GBP denominated			(6)	**266**	254	**266**	254
NZD denominated			(7)	**729**	755	**-**	-
EUR denominated			(8)	**5,107**	3,338	**5,107**	3,338
Other currencies denominated			(9)	**309**	293	**309**	293
Total Tier 2 Loan Capital				**13,460**	10,310	**12,731**	9,555
Fair value hedge adjustments				**6**	256	**(4)**	244
Total Loan Capital (1)				**22,992**	18,726	**22,249**	17,959

(1) Loan Capital includes unrealised movements of $776 million in 2018 predominantly due to foreign exchange gains and losses.

As at the reporting date there are no securities of the Group and the Bank that are contractually due for redemption in the next 12 months (note the Group has the right to call some securities earlier than the contractual maturity date).

(1) USD100 million Floating Rate Notes

On 15 October 1986, the State Bank of Victoria issued USD125 million of floating rate notes, the current outstanding balance is USD100 million. The floating rate notes are perpetual but were able to be redeemed from October 1991. They were assigned to the Bank on 1 January 1991.

The Bank entered into an agreement with the Commonwealth of Australia on 31 December 1991 which provides that, if certain events occur, the Bank may either issue CBA ordinary shares to the Commonwealth of Australia, or (with the consent of the Commonwealth of Australia) conduct a renounceable rights issue for CBA ordinary shares to all shareholders. The capital raised must be used to pay any amounts due and payable on the floating rate notes.

The floating rate notes were issued into the international markets and are subject to English law. They qualify as Additional Tier 1 Capital of the Bank under the Basel III transitional arrangements for capital instruments as implemented by APRA.

2) PERLS VI, PERLS VII, PERLS VIII, PERLS IX and PERLS X

On 17 October 2012, the Bank issued $2,000 million of Perpetual Exchangeable Resaleable Listed Securities (PERLS VI). On 1 October 2014, the Bank issued $3,000 million of CommBank PERLS VII Capital Notes. (PERLS VII). On 30 March 2016, the Bank issued $1,450 million of CommBank PERLS VIII Capital Notes (PERLS VIII). On 31 March 2017, the Bank issued $1,640 million of CommBank PERLS IX Capital Notes (PERLS IX). On 6 April 2018, the Bank issued $1,365 million of CommBank PERLS X Capital Notes (PERLS X). PERLS VI, PERLS VII, PERLS VIII, PERLS IX and PERLS X are subordinated, unsecured notes.

PERLS VI, PERLS VII, PERLS VIII, PERLS IX and PERLS X are listed on the ASX and are subject to New South Wales law. They qualify as Additional Tier 1 Capital of the Bank under Basel III as implemented by APRA.

(3) AUD denominated Tier 2 Loan Capital issuances

- $25 million subordinated floating rate notes, issued April 1999, due April 2029;
- $1,000 million subordinated notes issued November 2014, due November 2024; and
- $750 million subordinated notes issued June 2016, due June 2026.

8.2 Loan Capital (continued)

(4) USD denominated Tier 2 Loan Capital issuances

- USD350 million subordinated fixed rate notes, issued June 2003, and redeemed in June 2018;
- USD1,250 million subordinated notes issued December 2015, due December 2025;
- USD750 million subordinated EMTN (Euro Medium Term Notes) issued October 2016, due October 2026; and
- USD 1,250 million subordinated notes issued January 2018, due in January 2048;

(5) JPY denominated Tier 2 Loan Capital issuances

- JPY20 billion perpetual subordinated EMTN, issued February 1999;
- JPY40 billion subordinated EMTNs issued December 2016 (three tranches JPY20 billion, JPY10 billion and JPY10 billion), due December 2026; and
- JPY13.3 billion subordinated EMTN issued March 2017, due March 2027.

(6) GBP denominated Tier 2 Loan Capital issuances

- GBP150 million subordinated EMTN, issued June 2003, due December 2023.

(7) NZD denominated Tier 2 Loan Capital issuances

- NZD400 million subordinated, unsecured notes, issued April 2014, due June 2024:

  On 17 April 2014, a wholly owned entity of the Bank (ASB Bank Limited) issued NZD400 million subordinated, unsecured notes (ASB Notes) with a face value of NZD1 each; and
- NZD400 million subordinated, unsecured notes, issued November 2016, due December 2026:

  On 30 November 2016, ASB Bank Limited issued NZD400 million subordinated, unsecured notes (ASB Notes 2) with a face value of NZD1 each.

ASB Notes and ASB Notes 2 are listed on the New Zealand Stock Exchange (NZX) debt market and are subject to New South Wales and New Zealand law. They qualify as Tier 2 Capital of the Bank and ASB under Basel III as implemented by APRA and the RBNZ.

(8) EUR denominated Tier 2 Loan Capital Issuances

- EUR1,000 million subordinated notes, issued August 2009, due August 2019;
- EUR1,250 million subordinated notes issued April 2015, due April 2027; and
- EUR 1,000 million subordinated EMTN, issued October 2017, due October 2029.

(9) Other foreign currency denominated Tier 2 Loan Capital Issuances

- CNY1,000 million subordinated notes issued March 2015, due March 2025; and
- HKD608 million subordinated EMTN issued March 2017, due March 2027.

All Tier 2 Capital securities issued prior to 1 January 2013 qualify as Tier 2 Capital of the Bank under the Basel III transitional arrangements for capital instruments as implemented by APRA. All Tier 2 Capital securities issued after 1 January 2013 qualify as Tier 2 Capital of the Bank under Basel III as implemented by APRA.

PERLS VI, PERLS VII, PERLS VIII, PERLS IX and PERLS X, and all Tier 2 Capital securities issued after 1 January 2013, are subject to Basel III, under which these securities must be exchanged for a variable number of CBA ordinary shares or written down if a capital trigger event (PERLS VI, PERLS VII, PERLS VIII, PERLS IX and PERLS X only) or a non-viability trigger event (all securities) occurs. Any exchange will occur as described in the terms of the applicable instrument documentation.

Accounting Policy

Loan capital are instruments issued by the Group, which qualify as regulatory capital under the Prudential Standards set by the Australian Prudential Regulation Authority (APRA) and the Reserve Bank of New Zealand (RBNZ). Loan capital is initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. Interest expense incurred is recognised in net interest income.

8.3 Shareholder's Equity

	Group		Bank	
	30 Jun 18	30 Jun 17	**30 Jun 18**	30 Jun 17
	$M	$M	**$M**	$M
Ordinary Share Capital				
Shares on issue:				
Opening balance	**35,266**	34,129	**35,262**	34,125
Issue of shares (net of issue costs) (1)	**164**	(6)	**164**	(6)
Dividend reinvestment plan (net of issue costs) (2)	**2,105**	1,143	**2,107**	1,143
	37,535	35,266	**37,533**	35,262
Less treasury shares:				
Opening balance	**(295)**	(284)	**-**	-
Purchase of treasury shares (3)	**(95)**	(92)	**-**	-
Sale and vesting of treasury shares (3)	**125**	81	**-**	-
	(265)	(295)	**-**	**-**
Closing balance	**37,270**	34,971	**37,533**	35,262

(1) During the year shares issued relate to the acquisition of the remaining 20% interest in AHL Holding Pty Limited.

(2) The determined dividend includes an amount attributable to the dividend reinvestment plan of $536 million (interim 2017/2018), $1,573 million (final 2016/2017), $558 million (interim 2016/2017) and $586 million (final 2015/2016). The value of shares issued under plans rules net of issue costs for the respective periods was $533 million, $1,572 million, $557 million and $586 million.

(3) The movement in treasury shares relate to amounts held within life Insurance Statutory Funds, and 1,132,108 shares acquired at an average price of $77.11 for satisfying the Company's obligations under various equity settled share plans. Other than shares purchased as part of the Non-Executive Director fee sacrifice arrangements disclosed in Note 10.3, shares purchased were not on behalf of or initially allocated to a director.

	Group		Bank	
	30 Jun 18	30 Jun 17	**30 Jun 18**	30 Jun 17
Number of shares on issue	**Shares**	Shares	**Shares**	Shares
Opening balance (excluding treasury shares deduction)	**1,729,868,161**	1,715,142,177	**1,729,868,161**	1,715,142,177
Issue of shares (1)	**2,087,604**	-	**2,087,604**	-
Dividend reinvestment plan issues:				
2015/2016 Final dividend fully paid ordinary shares $72.95	**-**	8,036,332	**-**	8,036,332
2016/2017 Interim dividend fully paid ordinary shares $83.21	**-**	6,689,652	**-**	6,689,652
2016/2017 Final dividend fully paid ordinary shares $75.73	**20,772,433**	-	**20,772,433**	-
2017/2018 Interim dividend fully paid ordinary shares $75.38	**7,114,732**	-	**7,114,732**	-
Closing balance (excluding treasury shares deduction)	**1,759,842,930**	1,729,868,161	**1,759,842,930**	1,729,868,161
Less: treasury shares (2)	**(3,225,310)**	(3,854,763)	**-**	-
Closing balance	**1,756,617,620**	1,726,013,398	**1,759,842,930**	1,729,868,161

(1) During the period, the number of shares issued relates to the acquisition of the remaining 20% interest in AHL Holdings Pty Limited.

(2) Relates to Treasury shares held within the life Insurance statutory funds and the employees share scheme trust.

Ordinary shares have no par value and the Company does not have a limited amount of share capital.

Ordinary shares entitle holders to receive dividends payable to ordinary shareholders and to participate in the proceeds available to ordinary shareholders on winding up of the Company in proportion to the number of fully paid ordinary shares held.

On a show of hands every holder of fully paid ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll one vote for each share held.

8.3 Shareholder's Equity (continued)

	Group		Bank	
Retained Profits	**30 Jun 18 $M**	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Opening balance (1)	**26,274**	23,379	**22,256**	20,374
Actuarial gains from defined benefit superannuation plans	**161**	175	**159**	175
Losses on liabilities at fair value due to changes in own credit risk	**(2)**	(3)	**(2)**	(3)
Realised gains and dividend income on treasury shares	**16**	26	**-**	-
Operating profit attributable to Equity holders of the Bank	**9,329**	9,928	**8,875**	8,979
Total available for appropriation	**35,778**	33,505	**31,288**	29,525
Transfers from/(to) general reserve	**47**	33	**(4)**	(2)
Transfers from asset revaluation reserve	**19**	(27)	**19**	(30)
Interim dividend - cash component	**(2,969)**	(2,871)	**(2,969)**	(2,871)
Interim dividend - Dividend Reinvestment Plan	**(536)**	(558)	**(536)**	(558)
Final dividend - cash component	**(2,406)**	(3,222)	**(2,406)**	(3,222)
Final dividend - Dividend Reinvestment Plan	**(1,573)**	(586)	**(1,573)**	(586)
Closing balance	**28,360**	26,274	**23,819**	22,256

(1) Comparative information has been restated to reflect the change in accounting policy to recognise deferred tax on brand names with indefinite useful lives acquired by the Group detailed in Note 1.1.

8.3 Shareholders' Equity (continued)

	Group		Bank	
Reserves	**30 Jun 18 $M**	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
General Reserve				
Opening balance	**906**	939	**580**	578
Appropriation (to)/from retained profits	**(47)**	(33)	**4**	2
Closing balance	**859**	906	**584**	580
Capital Reserve				
Opening balance	**-**	-	**1,254**	1,254
Closing balance	**-**	-	**1,254**	1,254
Asset Revaluation Reserve				
Opening balance	**223**	173	**196**	147
Revaluation of properties	**35**	32	**33**	28
Transfer to retained profits	**(19)**	27	**(19)**	30
Income tax effect	**(4)**	(9)	**(4)**	(9)
Closing balance	**235**	223	**206**	196
Foreign Currency Translation Reserve				
Opening balance	**457**	739	**35**	46
Currency translation adjustments of foreign operations	**(9)**	(315)	**39**	(23)
Currency translation on net investment hedge	**15**	14	**14**	12
Income tax effect	**(15)**	19	**-**	-
Closing balance	**448**	457	**88**	35
Cash Flow Hedge Reserve				
Opening balance	**(107)**	473	**66**	732
Gains and losses on cash flow hedging instruments:				
Recognised in other comprehensive income	**(260)**	(1,282)	**6**	(987)
Transferred to Income Statement:				
Interest income	**(960)**	(1,241)	**(975)**	(1,226)
Interest expense	**1,160**	1,684	**985**	1,258
Income tax effect	**7**	259	**(12)**	289
Closing balance	**(160)**	(107)	**70**	66
Employee Compensation Reserve				
Opening balance	**164**	132	**164**	132
Current period movement	**(19)**	32	**(25)**	32
Closing balance	**145**	164	**139**	164
Available-for-Sale Investments Reserve				
Opening balance	**226**	278	**261**	226
Net gains and (losses) on revaluation of available-for-sale investments	**(185)**	414	**(135)**	494
Net (gains) and losses on available-for-sale investments transferred to Income Statement on disposal	**87**	(464)	**87**	(447)
Income tax effect	**21**	(2)	**14**	(12)
Closing balance	**149**	226	**227**	261
Total Reserves	**1,676**	1,869	**2,568**	2,556

8.3 Shareholder's Equity (continued)

Accounting Policy

Shareholder's equity includes ordinary share capital, retained profits and reserves. Policies for each component are set out below:

Ordinary Share Capital:

Ordinary shares are recognised at the amount paid up per ordinary share, net of directly attributable issue costs. Where the Bank or entities within the Group purchase shares in the Bank, the consideration paid is deducted from total Shareholders' Equity and the shares are treated as treasury shares until they are subsequently sold, reissued or cancelled. Where such shares are sold or reissued, any consideration received is included in Shareholders' Equity.

Retained Profits:

Retained profits includes the accumulated profits for the Group including certain amounts recognised directly in retained profits less dividends paid.

Reserves:

General Reserve

The general reserve is derived from revenue profits and is available for dividend payments except for undistributable profits in respect of the Group's life insurance business.

Capital Reserve

The capital reserve held by the Bank relates to historic internal Group restructuring performed at fair value. The capital reserve is eliminated on consolidation.

Asset Revaluation Reserve

The asset revaluation reserve is used to record revaluation adjustments on the Group's property assets. Where an asset is sold or disposed of any balance in the reserve in relation to the asset is transferred directly to retained profits.

Foreign Currency Translation Reserve

Exchange differences arising on translation of the Group's foreign operations are accumulated in the foreign currency translation reserve. Specifically assets and liabilities are translated at the prevailing exchange rate at Balance Sheet date; revenue and expenses are translated at the transaction date; and all resulting exchange differences are recognised in the foreign currency translation reserve.

When a foreign operation is disposed of, exchange differences are recycled out of the reserve and recognised in the Income Statement.

Cash Flow Hedge Reserve

The cash flow hedge reserve is used to record fair value gains or losses associated with the effective portion of designated cash flow hedging instruments. Amounts are reclassified to profit or loss when the hedged transaction impacts profit or loss.

Employee Compensation Reserve

The employee compensation reserve is used to recognise the fair value of shares and other equity instruments issued to employees under the employee share plans and bonus schemes.

Available-for-Sale Investment Reserve

The available-for-sale investment reserve includes changes in the fair value of available-for-sale financial assets. These changes are transferred to profit or loss when the asset is derecognised or impaired.

8.4 Dividends

		Group			Bank	
		30 Jun 18	30 Jun 17	30 Jun 16	**30 Jun 18**	30 Jun 17
	Note	**$M**	$M	$M	**$M**	$M
Ordinary Shares						
Interim ordinary dividend (fully franked) (2018: 200 cents; 2017: 199 cents; 2016: 198 cents)						
Interim ordinary dividend paid - cash component only		**2,969**	2,871	2,829	**2,969**	2,871
Interim ordinary dividend paid - Dividend Reinvestment Plan		**536**	558	552	**536**	558
Total dividend paid		**3,505**	3,429	3,381	**3,505**	3,429
Other Equity Instruments						
Dividend paid		**-**	-	56	**-**	-
Total dividend provided for, reserved or paid		**3,505**	3,429	3,437	**3,505**	3,429
Other provision carried		**113**	100	90	**113**	100
Dividend proposed and not recognised as a liability (fully franked) (2018: 231 cents; 2017: 230 cents; 2016: 222 cents) (1)		**4,065**	3,979	3,808	**4,065**	3,979
Provision for dividends						
Opening balance		**100**	90	82	**100**	90
Provision made during the year		**7,484**	7,237	6,994	**7,484**	7,237
Provision used during the year		**(7,471)**	(7,227)	(6,986)	**(7,471)**	(7,227)
Closing balance	7.1	**113**	100	90	**113**	100

(1) The 2018 final dividend will be satisfied by cash disbursements with the Dividend Reinvestment Plan (DRP) anticipated to be satisfied by the issue of shares of approximately $622 million. The 2017 final dividend was satisfied by cash disbursements of $2,406 million and $1,573 million being reinvested by the participants through the DRP. The 2016 final dividend was satisfied by cash disbursements $3,222 million and $586 million being reinvested by the participants through the DRP.

Final Dividend

The Directors have declared a franked final dividend of 231 cents per share amounting to $4,065 million. The dividend will be payable on 28 September 2018 to shareholders on the register at 5pm AEST on 16 August 2018. The ex-dividend date is 15 August 2018.

The Board determines the dividends based on the Group's net profit after tax ("cash basis") per share, having regard to a range of factors including:

- Current and expected rates of business growth and the mix of business;
- Capital needs to support economic, regulatory and credit ratings requirements;
- Investments and/or divestments to support business development;
- Competitors comparison and market expectations; and
- Earnings per share growth.

Dividend Franking Account

After fully franking the final dividend to be paid for the year, the amount of credits available, at the 30% tax rate as at 30 June 2018 to frank dividends for subsequent financial years, is $1,464 million (2017: $1,067 million). This figure is based on the franking accounts of the Bank at 30 June 2018, adjusted for franking credits that will arise from the payment of income tax payable on profits for the year, franking debits that will arise from the payment of dividends proposed, and franking credits that the Bank may be prevented from distributing in subsequent financial periods.

The Bank expects that future tax payments will generate sufficient franking credits for the Bank to be able to continue to fully frank future dividend payments. These calculations have been based on the taxation law as at 30 June 2018.

8.4 Dividends (continued)

Dividend History

Half year ended	Cents Per Share	Payment Date	Half-year Payout Ratio (1) %	Full Year Payout Ratio (1) %	DRP Price $	DRP Participation Rate (2) %
31 December 2015	198	31/03/2016	73. 6	-	72. 68	16. 3
30 June 2016	222	29/09/2016	83. 1	78. 4	72. 95	15. 4
31 December 2016	199	04/04/2017	70. 1	-	83. 21	16. 3
30 June 2017	230	29/09/2017	79. 0	74. 6	75. 73	39. 5
31 December 2017	200	28/03/2018	71. 4	-	75. 38	15. 3
30 June 2018	231	28/09/2018	91. 9	81. 2	-	-

(1) Dividend Payout Ratio: dividends divided by statutory earnings (earnings are net of dividends on other equity instruments).
(2) DRP Participation Rate: the percentage of total issued share capital participating in the DRP.

Accounting Policy

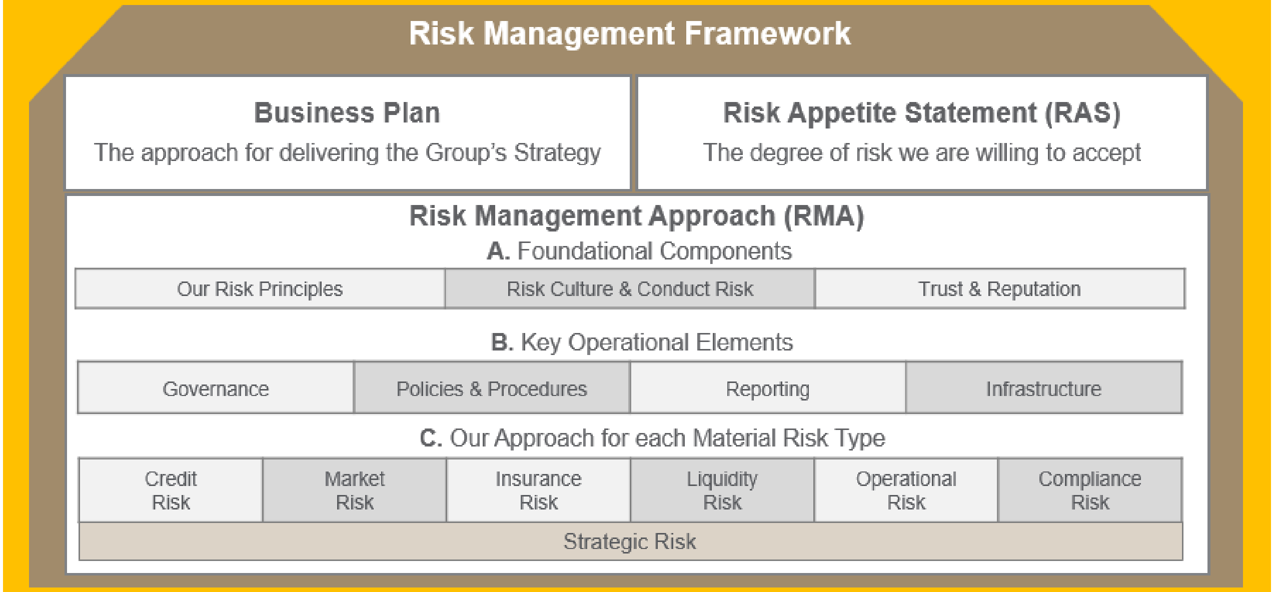
Dividends represent a distribution of profits that holders of ordinary shares receive from time to time. Dividends are not accrued as a liability until a dividend declaration is made by the Board of the Bank. The liability is reduced when the dividend is paid. The Board takes into consideration factors including the Group’s relative capital strength and the Group’s existing dividend payout ratio guidelines in determining the amount of dividends to be paid.

9) Risk Management

Overview

The Group is exposed to both financial and non-financial risks arising from its operations. The Group manages these risks through its Risk Management Framework (Framework) that evolves with emerging risks arising from the changing business environment, better practice approaches and regulatory and community expectations. The components of the Framework are illustrated below.

Following the publication in April of the Prudential Inquiry Panel report to APRA, the Group has committed to implement all of its recommendations. A number of the resulting actions will strengthen the Framework, particularly for the Operational and Compliance risk types. The Action Plan to deliver these changes has been endorsed by APRA and the changes will be embedded into the framework on the basis agreed.



Further details on each of the material risks, and how the Group manages them are outlined in this note.

9.1 Risk Management Framework

The Group's embedded Framework enables the appropriate development and implementation of strategies, policies and procedures to manage its risks. The Framework incorporates the requirements of APRA's prudential standard for risk management (CPS 220), and is supported by the three key documentary components:

- The Group Risk Appetite Statement (RAS) articulates the type and degree of risk the Board is prepared to accept (Risk Appetite) and the maximum level of risk that the institution must operate within (Risk Tolerances).
- The Group Risk Management Approach (RMA) describes how the Group ensures the comprehensive management of risks across the Group in support of achieving its strategic goals.
- The Group Business Plan (Plan) summarises the Group's approach to the implementation of its strategic objectives. The Plan has a rolling three year duration and reflects material risks arising from its implementation.

The Framework is underpinned by key foundational components, in particular:

Risk Culture and Conduct Risk

Risk Culture is the collection of values, ideas, skills and habits that equip Group employees and Directors to see and talk about risks, and make sound judgments in the absence of definitive rules, regulations or market signals. Culture is a key driver of conduct. The RAS requires business practices that are fair to the Group's customers and protects the fair and efficient operation of the market. This defines the Group's standard of good conduct. The Group's risk culture emphasises doing what is right, accountability, service, excellence and getting things done. APRA requires the CBA Board to form a view regarding the effectiveness of the institution's risk culture in keeping risk taking within appetite, and to take any corrective action that may be appropriate. The Board discusses culture and values on a continuous basis, and takes action whenever necessary.

9.1 Risk Management Framework (continued)

Trust and Reputation

The reputation of the Group and trust of stakeholders are significant assets. Damage to the Group's reputation arises from negative perception on the part of customers, counterparties, shareholders, investors, debt holders, market analysts, regulators and other relevant stakeholders of the Group. The Group's purpose and values combined with the organisational culture and our conduct as an organisation and as individuals form the framework which protects this asset. Potential adverse reputational impacts are managed as an outcome of the Group's material risks. In addition the Group has a corporate responsibility plan focused on driving positive change through education, innovation and good business practice.

The four key elements that operationalise the Framework are:

Risk Governance

The Group is committed to ensuring that its risk management practices reflect a high standard of governance. This enables Management to undertake, in an effective manner, prudent risk-taking activities.

The Board operates as the highest level of the Group's risk governance as specified in its Charter. In addition, an annual declaration is made by the chairs of the Board and Risk Committee to APRA on Risk Management as set out in the prudential standard (CPS220).

The Risk Committee oversees the Framework and helps formulate the Group's risk appetite for consideration by the Board. In particular it:

- Monitors the Group's risk profile (including identification of emerging risks);
- Reviews regular reports from Management on the measurement of risk and the adequacy and effectiveness of the Group's risk management and internal controls systems;
- Monitors the health of the Group's risk culture (via both formal reports and through its dialogues with the risk leadership team and executive management) and reports any significant issues to the Board; and
- Forms a view on the independence of the risk function by meeting with the Group Chief Risk Officer (CRO) at the will of the Risk Committee or the CRO.

The Group is rolling out a new Three Lines of Accountability (3LoA) model which places accountability for risk ownership with Line 1 Business Units (BUs) while focussing the mandate of Line 2 Risk Teams on appetite and framework, oversight, assurance, challenge and advice (and elevates Line 1 Profit and Loss owners as accountable for decision making and risk management).

Line 3 Audit provides independent assurance to the Board, regulators and other stakeholders of the effectiveness of risk management, internal controls and governance. This model recognises that the business is best positioned to make optimal long-term risk-reward decisions that consider the full end-to-end value chain.

Risk Policies & Procedures

Risk Policies and Procedures provide guidance to the business on the management of each material risk. They support the Framework by:

- Summarising the principles and practices to be used by the Group in identifying and assessing its material risks;
- Quantifying the financial operating tolerances for material risks; and
- Clearly stating the types of risk outcomes to which the Group is intolerant.

Risk Reporting

Regular management information is produced which allows financial and risk positions to be monitored against approved Risk Appetite and policy limits. At Board level, the majority of risk reporting is provided to the Board Risk Committee although select matters (e.g. regulatory relationships, strategic risk and reputational matters, capital, liquidity risk) are reported directly to the Board. Controls reporting is provided to the Audit Committee. The Chairs of the Board Risk and Audit Committees report to the Board following each Committee meeting.

Risk Management Infrastructure

The Framework is supported by systems and processes that together provide the infrastructure for the management of the Group's material risk types. The key risk management systems and processes in place include:

- A Management Information System to measure and aggregate risks across the Group;
- A Risk-Adjusted-Performance Measurement (RAPM) process which is a means of assessing the performance of a business after adjustment for its risks and is used as a basis for executive incentives; and
- An Internal Capital Adequacy Assessment Process (ICAAP) used in combination with other risk management practices (including stress testing), to understand, manage and quantify the Group's risks, the outcomes of which are used to inform risk decisions, set capital buffers and assist strategic planning.

9.1 Risk Management (continued)

Material Risks

A description of the material risk classes and the Group's approach to managing them is summarised in the following table:

Risk Type	Description	Governing Policies and Key Management Committees	Key Limits, Standards and Measurement Approaches
Credit Risk (refer to Note 9.2)	Credit risk is the potential for loss arising from the failure of a counterparty to meet their contractual obligations to the Group. At a portfolio level, credit risk includes concentration risk arising from interdependencies between customers, and concentrations of exposures to geographical regions and industry sectors	**Governing Policies:** ▪ Group Credit Risk Principles, Framework and Governance ▪ Group and Business Unit Credit Risk Policies **Key Management Committee**: Executive Risk Committee	The following credit concentration frameworks set credit portfolio concentration limits: ▪ Large Credit Exposure Policy; ▪ Country Risk Exposure Policy; and ▪ Industry Sector Concentration Policy. Credit quality metrics with associated limits are set in the Group RAS for corporate and retail exposures and cascaded to BUs. Group and BU Credit Risk Policies cover the credit risk exposure cycle. The measurement of credit risk is primarily based on the APRA accredited Advanced Internal Ratings Based (AIRB) approach.
Market Risk (including Equity Risk) (refer to Note 9.3)	Market risk is the risk that market rates and prices will change and that this may have an adverse effect on the profitability and/or net worth of the Group. This includes changes in interest rates, foreign exchange rates, equity and commodity prices, credit spreads, and the resale value of operating leased assets at maturity (lease residual value risk).	**Governing Policies:** ▪ The Group Market Risk Policy **Key Management Committee**: Asset and Liability Committee	The Group Market Risk Policy sets limits and standards with respect to the following: ▪ Traded Market Risk; ▪ Interest Rates Risk in the Banking Book (IRRBB); ▪ Residual Value Risk; ▪ Non-traded Equity Risk; and ▪ Market Risk in Insurance Businesses. The respective measurement approaches for these risks include: ▪ Value at Risk, Stress Testing; ▪ Market Value Sensitivity, Net Interest Earnings at Risk; ▪ Aggregate Residual Value Risk Weighted Exposure, Aggregate Residual Value Risk Margin; ▪ Aggregate Portfolio Limit; and ▪ Value at Risk.
Liquidity and Funding Risk (refer to Note 9.4)	Liquidity risk is the combined risks of not being able to meet financial obligations as they fall due (funding liquidity risk), and that liquidity in financial markets, such as the market for debt securities, may reduce significantly (market liquidity risk).	**Governing Policies:** ▪ Group Liquidity Risk Management Policy **Key Management Committee:** Asset and Liability Committee	The Group Liquidity Risk Management Policy and Strategy sets limits and standards with respect to the following: ▪ The Liquidity Coverage Ratio, which requires liquid assets exceed modelled 30 day stress outflows; ▪ The Net Stable Funding Ratio, which encourages stable funding of core assets; ▪ Market and idiosyncratic stress test scenarios; and ▪ Limits that set tolerances for the sources and tenor of funding. The measurement of liquidity risk uses scenario analysis, covering both adverse and ordinary operating circumstances.

9.1 Risk Management (continued)

Risk Type	Description	Governing Policies and Key Management Committees	Key Limits, Standards and Measurement Approaches
Operational Risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	**Governing Policies:** ▪ Operational Risk Management Framework (ORMF) ▪ Group and Business Unit Operational Risk Policies **Key Management Committee:** Executive Leadership Team Non- Financial Risk Committee.	▪ Group Risk Appetite Statement- Operational Risk metric in respect of: ▪ Losses; ▪ Residual Risk; ▪ Internal Control environment; and ▪ Issues. ▪ The measurement of operational risk capital is based on an APRA accredited Advanced Measurement Approach. The approach combines internal and external loss experience and business judgements captured through scenario analysis.
Compliance Risk	Compliance risk is the risk of sanctions, financial loss, or reputational damage we may suffer as a result of the Group's failure to comply with laws, regulations, rules, statements of regulatory policy, and codes of conduct applicable to its business activities (not including operational risk failures) and includes societal expectations. Financial crime represents a sub-component of Compliance Risk and covers risks including Anti Money Laundering, Counter Terrorism Financing, Anti-Bribery and Corruption, and sanctions.	**Governing Policies:** ▪ Group Compliance Risk Management Framework (CRMF) ▪ Group and Business Unit Compliance Policies **Key Management Committee:** Executive Leadership Team Non- Financial Risk Committee.	The CRMF sets the standards on how the Group identifies, assesses, manages, monitors and reports on Compliance Risk. The CRMF is supported by a number of key policies which are set out in the Group Risk Management Approach (RMA). Compliance Risk Measures are included in the Group RAS.
Insurance Risk	Insurance risk is the risk of loss due to increases in policy benefits arising from variations in the incidence or severity of insured events. In the life insurance business this arises primarily through mortality (death) or morbidity (illness or injury) claims being greater than expected. In the general insurance business, variability arises mainly through weather related incidents and similar events, as well as general variability in home, motor and travel insurance claim amounts. Insurance risk also covers inadequacy in product design, pricing, underwriting, claims management and reinsurance management, as well as variations in policy lapses, servicing expenses, and option take up rates.	**Governing Policies:** ▪ Product Management Policy ▪ Underwriting Policy ▪ Claims Management Policy ▪ Reinsurance Management Policy **Key Management Committee:** Executive Committees of insurance writing businesses	The key limits and standards with respect to insurance risk are set via the end-to-end policies of insurance writing businesses. The major methods include: ▪ Sound product design and pricing to ensure that customers understand the extent of their cover and that premiums are sufficient to cover the risk involved; ▪ Regular review of insurance experience, so that product design, policy liabilities and pricing remains sound; ▪ Claims management to ensure that claims are paid within the agreed policy terms and that genuine claims are paid as soon as possible after documentation is received and reasonable investigations are undertaken; and ▪ Transferring a proportion of insurance risk to reinsurers to keep within risk appetite. Insurance risk is measured using actuarial techniques which are used to establish the likelihood and severity of possible insurance claims. Insurance risk is further monitored with key financial and performance metrics, such as loss ratios, new business volumes and lapse rates.

9.1 Risk Management (continued)

Risk Type	Description	Governing Policies and Key Management Committees	Key Limits, Standards and Measurement Approaches
Strategic Risk	Strategic Risk is the risk of material value destruction or less than planned value creation arising from changes in the business environment (caused by macro-economic conditions, competitive forces at work, technology, regulatory, political and social trends, customer preference and the environment or internal weaknesses, such as a poorly implemented or flawed strategy).	**Governing Policies:** ▪ The management of Strategic Risks is intrinsically interconnected with business management and is driven by the Group's Strategic Planning Cycle. **Key Management Committee:** Executive Leadership Team	Strategic risks are overseen by the Board. The Group's approach to managing Strategic Risks is to select a strategy that is expected to maximise long-term value for shareholders. While considering Group and BU strategic plans, the Board considers the most significant risks (current and emerging) arising from these plans. Strategic risk is assessed by using scenario analysis and stress testing to understand the potential impacts of changes in the external operating environment. The findings from these assessments are used to inform mitigating actions, including incorporating contingency (where appropriate) into the strategic and financial plans. Potential adverse climate change impacts are measured and managed as an outcome of all other material risks. In support of our commitment to limiting climate change in line with the Paris Agreement and the responsible global transition to net zero emissions by 2050 we: ▪ Develop scenario analyses to understand the impacts of both transition and physical climate-related risks in our business and the implications for strategic and tactical portfolio decisions; and ▪ Have developed strong policy frameworks which consider Environmental, Social and Governance (ESG) issues, including climate change impacts in assessing our relationships with customers and suppliers. In addition, Corporate Responsibility programs: ▪ Outline our objectives for safeguarding the environment, whilst supporting economic growth and development; and ▪ Provide guidelines in monitoring and reducing our own greenhouse gas emissions and energy use.

9.2 Credit Risk

Credit Risk Management Principles and Portfolio Standards

The Group has clearly defined credit policies for the approval and management of credit risk. Credit policies apply to all credit risks, with specific portfolio standards applying to all major lending areas. These set the minimum requirements in assessing the integrity and ability of counterparties to meet their contracted financial obligations for repayment, acceptable forms of collateral and security and the frequency of credit reviews.

The Group's credit policies and frameworks include concentration limits which are designed to achieve portfolio outcomes that are consistent with the Group's risk appetite and risk/return expectations.

The Credit Portfolio Assurance unit, part of Group Audit and Assurance, reviews credit portfolios and business unit compliance with credit policies, frameworks, application of credit risk ratings and other key practices on a regular basis.

The credit risk portfolio has two major segments:

(i) Retail Managed Segment

This segment has sub-segments covering housing loans, credit cards, personal loans, some leasing products, some unsecured commercial lending and most secured commercial lending up to $1 million.

Auto-decisioning is used to approve credit applications for eligible counterparties in this segment. Auto-decisioning uses a scorecard approach based on the Group's historical experience on similar applications, information from a credit reference bureau and the Group's existing knowledge of a counterparties behaviour and updated information provided by the counterparty.

Loan applications that do not meet scorecard Auto-decisioning requirements may be referred to a Personal Credit Approval Authority (PCAA) for manual decisioning.

After loan origination, these portfolios are managed using behavioural scoring systems and a delinquency band approach, e.g. actions taken when loan payments are greater than 30 days past due differ from actions when payments are greater than 60 days past due. Loans past due are reviewed by the relevant Risk Management/ Business Unit Arrears Management or Financial Assistance Team.

(ii) Risk-Rated Segment

This segment comprises commercial exposures, including bank and sovereign exposures. Each exposure is assigned an internal Credit Risk-Rating (CRR) based on Probability of Default (PD) and Loss Given Default (LGD).

Either a PD Rating Tool or expert judgement is used to determine the PD for customers in this segment. Expert judgement is used where the complexity of the transaction and/or the counterparty is such that it is inappropriate to rely completely on a statistical model. External ratings may be used for benchmarking in the expert judgement assessment.

The CRR is designed to:

- Aid in assessing changes to counterparty credit quality;
- Influence decisions on approval, management and pricing of individual credit facilities; and
- Provide the basis for reporting details of the Group's credit portfolio.

Credit risk-rated exposures are generally reviewed on an individual basis, at least annually, and fall within the following categories:

- "Pass" – these credit facilities qualify for approval of new or increased exposure on normal commercial terms; and
- "Troublesome or Impaired Assets (TIAs)" – these credit facilities are not eligible for new or increased exposure, unless it will protect or improve the Group's position (maximising recovery prospects) or facilitate rehabilitation to "pass grade". Where a counterparty is in default but the facility is well secured, the facility may be classed as troublesome but not impaired. Where a counterparty's facility is not well secured and a loss is expected, the facility is classed as impaired. Restructured facilities, where the original contractual arrangements have been modified to provide concessions for the customer's financial difficulties, are classified as impaired.

Default is usually consistent with one or more of the following:

- The customer is 90 days or more overdue on a scheduled credit repayment; or
- The customer is unlikely to repay their credit obligation to the Group in full without taking action, such as realising on available security.

Credit Risk Measurement

The measurement of credit risk uses analytical tools to calculate both: (i) Expected, and (ii) Unexpected Loss probabilities for the credit portfolio. The use of analytical tools is governed by the Credit Rating Governance Committee.

(i) Expected Loss

Expected Loss (EL) is the product of:

- PD;
- Exposure at Default (EAD); and
- LGD.

The PD, expressed as a percentage, is the estimate of the probability that a client will default within the next 12 months.

9.2 Credit Risk (continued)

Credit Risk Measurement (continued)

EAD is the estimate of the amount of a facility that will be outstanding under a facility in the event of default. Estimates are based on a downturn in economic conditions. The estimate is based on the actual amount outstanding, plus the undrawn amount multiplied by a credit conversion factor (CCF). The CCF represents the potential rate of conversion from undrawn 12 months prior to default to drawn at default. For most committed facilities, the Group applies a CFF of 100% to the undrawn amount.

For uncommitted facilities the EAD will generally be the drawn balance only. For defaulted facilities it is the actual amount outstanding at default. For retail exposures, a modelling approach can be used based on factors including limit usage, arrears and loan type to segment accounts into homogeneous pools to calculate EAD.

LGD expressed as a percentage, is the estimated proportion of a facility likely to be lost in the event of default. LGD is impacted by

- Type and level of any collateral held;
- Liquidity and volatility of collateral;
- Carrying costs (effectively the costs of providing a facility that is not generating an interest return); and
- Realisation costs.

Various factors are considered when calculating PD, EAD and LGD. Considerations include the potential for default by a borrower due to economic, management, industry and other risks, and the mitigating benefits of any collateral held as security.

(ii) Unexpected Loss

In addition to EL, a more stressed loss amount is calculated. This Unexpected Loss estimate directly affects the calculation of regulatory and internal economic capital requirements. Refer to the Performance Overview section and Note 8.1 for information relating to regulatory capital.

Credit Risk Mitigation, Collateral and Other Credit Enhancements

The Group has policies and procedures in place setting out the circumstances where acceptable and appropriate collateral is to be taken to mitigate credit risk. These include valuation parameters, review frequency and independence of valuation.

The general nature of collateral that may be taken, and the balances held, are summarised below by financial asset classes.

Cash and Liquid Assets

Collateral is not usually sought on the majority of cash and liquid asset balances as these types of exposures are generally considered low risk. However, securities purchased under agreement to resell are collateralised by highly liquid debt securities. The collateral related to agreements to resell has been legally transferred to the Group subject to an agreement to return them for a fixed price.

The Group's cash and liquid asset balance included $21,148 million (2017: $20,307 million) deposited with central banks and is considered to carry less credit risk.

Receivables Due from Other Financial Institutions

Collateral is usually not sought on these balances as exposures are generally considered to be of low risk. The exposures are mainly short term and to investment grade banks.

Trading Assets at Fair Value through Income Statement and Available-for-Sale (AFS) Investments

These assets are carried at fair value, which accounts for the credit risk. Collateral is not generally sought from the issuer or counterparty however collateral may be implicit in the terms of the instrument (e.g. asset-backed security).

Insurance Assets

These assets are carried at fair value, which accounts for the credit risk. Collateral is not generally sought or provided on these types of assets, other than a fixed charge over properties backing Australian mortgage investments. In most cases the credit risk of insurance assets is borne by policyholders. However, on certain insurance contracts the Group retains exposure to credit risk.

Other Assets at Fair Value through Income Statement

These assets are carried at fair value, which accounts for the credit risk.

Derivative Assets

The Group's use of derivative contracts is outlined in Note 5.4. The Group is exposed to counterparty credit risk on derivative contracts. The counterparty credit risk is affected by the nature of the trades, the counterparty, netting, and collateral arrangements. Credit risk from derivatives is mitigated where possible (typically for financial institutions counterparties, but less frequently for corporate or government counterparties) through netting agreements, whereby derivative assets and liabilities with the same counterparty can be offset and cleared with Central Counterparties (CCPs). The International Swaps and Derivatives Association (ISDA) Master Agreement (or other derivative agreements) are used by the Group as an agreement for documenting Over-the-Counter (OTC) derivatives. The fair value of collateral held and the potential effect of offset obtained by applying master netting agreements are disclosed in Note 9.7.

9.2 Credit Risk (continued)

Due from Controlled Entities

Collateral is not generally taken on these intergroup balances.

Credit Commitments and Contingent Liabilities

The Group applies fundamentally the same risk management policies for off Balance Sheet risks as it does for its on Balance Sheet risks. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction. Of the Group's off Balance Sheet exposures, $100,110 million (2017: $100,078 million) are secured.

Loans, Bills Discounted and Other Receivables

The principal collateral types for loans and receivable balances are:

- Mortgages over residential and commercial real estate; and
- Charges over business assets such as cash, shares, inventory, fixed assets and accounts receivables.

Collateral security is generally taken except for government, bank and corporate counterparties that are often externally risk-rated and of strong financial standing. Longer term consumer finance, such as housing loans, are generally secured against real estate, while short term revolving consumer credit is generally not secured by formal collateral.

The collateral mitigating credit risk of the key lending portfolios is addressed in the table 'Collateral held against Loans, Bills Discounted and Other Receivables' within this note.

9.2 Credit Risk (continued)

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements

Group

At 30 June 2018

	Sovereign $M	Agri-culture $M	Bank and Other Financial $M	Home Loans $M	Constr-uction $M	Other Personal $M	Asset Financ-ing $M	Other Comm and Indust. $M	Other $M	Total $M
Australia										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	4,461	-	10,974	-	-	-	-	-	-	15,435
Receivables due from other financial institutions	-	-	2,644	-	-	-	-	-	-	2,644
Assets at fair value through Income Statement:										
Trading	15,917	-	2,780	-	-	-	-	10,223	-	28,920
Other	49	-	209	-	-	-	-	-	-	258
Derivative assets	1,371	45	20,865	-	4	-	-	1,736	-	24,021
Available-for-sale investments	39,906	-	26,525	-	-	-	-	298	-	66,729
Loans, bills discounted and other receivables (1)	16,823	8,998	12,951	451,367	3,028	23,658	8,581	118,681	-	644,087
Bank acceptances	-	2	-	-	2	-	-	35	-	39
Other assets (2)	1,030	4	4,272	-	1	7	-	237	15,100	20,651
Assets held for sale	1,521	-	4,585	-	-		-	4,172	3,136	13,414
Total on Balance Sheet Australia	81,078	9,049	85,805	451,367	3,035	23,665	8,581	135,382	18,236	816,198
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	44	18	991	6	307	-	-	3,059	-	4,425
Loan commitments	907	1,750	7,837	66,483	2,439	21,783	-	34,995	-	136,194
Other commitments	54	22	736	1	1,357	-	10	3,021	-	5,201
Total Australia	82,083	10,839	95,369	517,857	7,138	45,448	8,591	176,457	18,236	962,018
Overseas										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	16,688	-	4,294	-	-	-	-	-	-	20,982
Receivables due from other financial institutions	-	-	6,578	-	-	-	-	-	-	6,578
Assets at fair value through Income Statement:										
Trading	2,161	-	1,085	-	-	-	-	88	-	3,334
Insurance	358	-	14	-	-	-	-	-	-	372
Other	-	-	-	-	-	-	-	-	-	-
Derivative assets	348	16	4,586	-	-	-	-	3,162	-	8,112
Available-for-sale investments	12,515	-	2,995	-	-	-	-	1	-	15,511
Loans, bills discounted and other receivables (1)	1,571	9,930	7,075	50,298	638	1,844	457	32,129	-	103,942
Bank acceptances	-	-	-	-	-	-	-	340	-	340
Other assets (2)	30	-	798	2	-	3	10	43	1,334	2,220
Assets held for sale	-	-	1,788	-	-	-	-	-	452	2,240
Total on Balance Sheet overseas	33,671	9,946	29,213	50,300	638	1,847	467	35,763	1,786	163,631
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	1	9	1,486	-	40	-	-	304	-	1,840
Loan commitments	349	1,007	4,266	7,268	230	1,977	-	10,799	-	25,896
Other commitments	9	5	607	-	1	-	-	1,018	-	1,640
Total overseas	34,030	10,967	35,572	57,568	909	3,824	467	47,884	1,786	193,007
Total gross credit risk	116,113	21,806	130,941	575,425	8,047	49,272	9,058	224,341	20,022	1,155,025

(1) Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income in line with Note 3.1.

(2) For the purpose of reconciling to the Balance Sheet, "Other Assets" predominantly comprises assets which do not give rise to credit exposure, including Property, plant and equipment, Investment in Associates and Joint Ventures, Intangible Assets, Deferred tax assets and Other assets.

9.2 Credit Risk (continued)

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements (continued)

Group (1)
At 30 June 2017

	Sovereign $M	Agri-culture $M	Bank and Other Financial $M	Home Loans $M	Constr-uction $M	Other Personal $M	Asset Financ-ing $M	Other Comm and Indust. $M	Other $M	Total $M
Australia										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	4,711	-	21,929	-	-	-	-	-	-	**26,640**
Receivables due from other financial institutions	-	-	2,565	-	-	-	-	-	-	**2,565**
Assets at fair value through Income Statement:										
Trading	18,107	-	1,545	-	-	-	-	8,811	-	**28,463**
Insurance	2,131	-	5,806	-	-	-	-	3,535	-	**11,472**
Other	51	-	607	-	-	-	-	453	-	**1,111**
Derivative assets	1,181	56	20,037	-	53	-	-	4,668	-	**25,995**
Available-for-sale investments	41,323	-	27,126	-	-	-	-	294	-	**68,743**
Loans, bills discounted and other receivables (2)	18,085	8,784	15,425	436,184	3,765	23,183	7,872	120,638	-	**633,936**
Bank acceptances	-	2	-	-	1	-	-	38	-	**41**
Other assets (3)	1,460	16	4,073	-	4	6	-	359	17,056	**22,974**
Total on Balance Sheet Australia	87,049	8,858	99,113	436,184	3,823	23,189	7,872	138,796	17,056	**821,940**
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	50	16	1,092	8	510	-	-	4,321	-	**5,997**
Loan commitments	795	1,967	7,439	66,869	2,973	22,495	-	39,467	-	**142,005**
Other commitments	42	30	1,040	1	962	-	10	1,849	-	**3,934**
Total Australia	87,936	10,871	108,684	503,062	8,268	45,684	7,882	184,433	17,056	**973,876**
Overseas										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	15,595	-	3,615	-	-	-	-	-	-	**19,210**
Receivables due from other financial institutions	109	-	7,363	-	-	-	-	-	-	**7,472**
Assets at fair value through Income Statement:										
Trading	2,264	-	1,712	-	-	-	-	265	-	**4,241**
Insurance	354	-	1,843	-	-	-	-	-	-	**2,197**
Other	-	-	-	-	-	-	-	-	-	**-**
Derivative assets	412	19	3,037	-	-	-	-	2,261	-	**5,729**
Available-for-sale investments	11,832	-	2,959	-	-	-	-	1	-	**14,792**
Loans, bills discounted and other receivables (2)	1,900	9,848	5,775	49,673	634	1,713	464	32,596	-	**102,603**
Bank acceptances	-	-	-	-	-	-	-	422	-	**422**
Other assets (3)	41	-	413	-	-	3	8	57	2,023	**2,545**
Total on Balance Sheet overseas	32,507	9,867	26,717	49,673	634	1,716	472	35,602	2,023	**159,211**
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	1	2	1,086	-	37	-	-	301	-	**1,427**
Loan commitments	284	881	6,335	7,414	196	2,017	-	14,423	-	**31,550**
Other commitments	26	5	1	-	-	-	-	187	-	**219**
Total overseas	32,818	10,755	34,139	57,087	867	3,733	472	50,513	2,023	**192,407**
Total gross credit risk	120,754	21,626	142,823	560,149	9,135	49,417	8,354	234,946	19,079	**1,166,283**

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

(2) Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income in line with Note 3.1.

(3) For the purpose of reconciling to the Balance Sheet, "Other Assets" predominantly comprises assets which do not give rise to credit exposure, including Property, plant and equipment, Investment in Associates and Joint Ventures, Intangible Assets, Deferred tax assets and Other assets.

9.2 Credit Risk (continued)

Large Exposures

Concentrations of exposure to any counterparty or counterparty group are controlled by a large credit exposure policy, which defines a graduated limit framework that restricts credit limits based on the internally assessed CRR, the type of client, and facility tenor. All exposures outside the policy limits require approval by the Executive Risk Committee and are reported to the Board Risk Committee.

The following table shows the number of the Group's Corporate and Industrial aggregated counterparty exposures (including direct and contingent exposures), which individually were greater than 5% of the Group's capital resources (Tier 1 and Tier 2 capital):

	Group	
	30 Jun 18 Number	30 Jun 17 Number
5% to less than 10% of the Group's capital resources	**-**	-
10% to less than 15% of the Group's capital resources	**-**	-

The Group has a high quality, well diversified credit portfolio, with 60% of the gross loans and other receivables in domestic mortgage loans and a further 7% in overseas mortgage loans, primarily in New Zealand. Overseas loans account for 14% of loans and advances.

Distribution of Financial Assets by Credit Classification

When doubt arises as to the collectability of a credit facility, the financial instrument is classified and reported as impaired. Provisions for impairment are raised where there is objective evidence of impairment and for an amount adequate to cover assessed credit related losses. The Group regularly reviews its financial assets and monitors adherence to contractual terms. Credit risk-rated portfolios are assessed, at least at each Balance Sheet date, to determine whether the financial asset or portfolio of assets is impaired.

Distribution of Financial Instruments by Credit Quality

The table below segregates financial instruments into neither past due nor impaired, past due but not impaired and impaired. An asset is considered to be past due when a contracted amount, including principal or interest, has not been met when due or it is otherwise outside contracted arrangements. Excluding some retail portfolios, the amount included as past due is the entire contractual balance, rather than the overdue portion.

9.2 Credit Risk (continued)

Distribution of Financial Instruments by Credit Quality (continued)

						Group 30 Jun 18
	Neither Past Due nor Impaired $M	Past due but not Impaired $M	Impaired Assets $M	Gross $M	Total Provisions for Impairment Losses $M	Net $M
Cash and liquid assets	**36,417**	**-**	**-**	**36,417**	**-**	**36,417**
Receivables due from other financial institutions	**9,222**	**-**	**-**	**9,222**	**-**	**9,222**
Assets at fair value through Income Statement:						
Trading	**32,254**	**-**	**-**	**32,254**	**-**	**32,254**
Insurance	**372**	**-**	**-**	**372**	**-**	**372**
Other	**258**	**-**	**-**	**258**	**-**	**258**
Derivative assets	**32,081**	**-**	**52**	**32,133**	**-**	**32,133**
Available-for-sale investments	**82,240**	**-**	**-**	**82,240**	**-**	**82,240**
Loans, bills discounted and other receivables:						
Australia	**628,865**	**13,071**	**2,151**	**644,087**	**(3,178)**	**640,909**
Overseas	**100,904**	**2,152**	**886**	**103,942**	**(427)**	**103,515**
Bank acceptances	**379**	**-**	**-**	**379**	**-**	**379**
Assets held for sale	**11,999**	**-**	**-**	**11,999**	**-**	**11,999**
Credit related commitments	**175,106**	**-**	**90**	**175,196**	**(28)**	**175,168**
Total	**1,110,097**	**15,223**	**3,179**	**1,128,499**	**(3,633)**	**1,124,866**

						Group 30 Jun 17
	Neither Past Due nor Impaired $M	Past Due but not Impaired $M	Impaired Assets $M	Gross $M	Total Provisions for Impairment Losses $M	Net $M
Cash and liquid assets	45,850	-	-	45,850	-	45,850
Receivables due from other financial institutions	10,037	-	-	10,037	-	10,037
Assets at fair value through Income Statement:						
Trading	32,704	-	-	32,704	-	32,704
Insurance	13,669	-	-	13,669	-	13,669
Other	1,111	-	-	1,111	-	1,111
Derivative assets	31,717	-	7	31,724	-	31,724
Available-for-sale investments	83,535	-	-	83,535	-	83,535
Loans, bills discounted and other receivables:						
Australia	619,072	12,543	2,321	633,936	(3,271)	630,665
Overseas	99,245	2,634	724	102,603	(422)	102,181
Bank acceptances	463	-	-	463	-	463
Credit related commitments	184,997	-	135	185,132	(34)	185,098
Total	1,122,400	15,177	3,187	1,140,764	(3,727)	1,137,037

9.2 Credit Risk (continued)

Distribution of Financial Instruments by Credit Quality (continued)

						Bank 30 Jun 18
	Neither Past Due nor Impaired $M	**Past Due but not Impaired $M**	**Impaired Assets $M**	**Gross $M**	**Total Provisions for Impairment Losses $M**	**Net $M**
Cash and liquid assets	**33,581**	**-**	**-**	**33,581**	**-**	**33,581**
Receivables due from other financial institutions	**8,376**	**-**	**-**	**8,376**	**-**	**8,376**
Assets at fair value through Income Statement:						
Trading	**29,993**	**-**	**-**	**29,993**	**-**	**29,993**
Insurance	**-**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**
Derivative assets	**30,834**	**-**	**51**	**30,885**	**-**	**30,885**
Available-for-sale investments	**77,731**	**-**	**-**	**77,731**	**-**	**77,731**
Loans, bills discounted and other receivables:						
Australia	**620,641**	**13,066**	**2,130**	**635,837**	**(3,171)**	**632,666**
Overseas	**24,681**	**23**	**326**	**25,030**	**(90)**	**24,940**
Bank acceptances	**379**	**-**	**-**	**379**	**-**	**379**
Shares in and loans to controlled entities	**118,252**	**-**	**-**	**118,252**	**-**	**118,252**
Credit related commitments	**159,521**	**-**	**85**	**159,606**	**(28)**	**159,578**
Total	**1,103,989**	**13,089**	**2,592**	**1,119,670**	**(3,289)**	**1,116,381**

						Bank 30 Jun 17
	Neither Past Due nor Impaired $M	**Past Due but not Impaired $M**	**Impaired Assets $M**	**Gross $M**	**Total Provisions for Impairment Losses $M**	**Net $M**
Cash and liquid assets	42,814	-	-	42,814	-	42,814
Receivables due from other financial institutions	8,678	-	-	8,678	-	8,678
Assets at fair value through Income Statement:						
Trading	31,127	-	-	31,127	-	31,127
Insurance	-	-	-	-	-	-
Other	796	-	-	796	-	796
Derivative assets	32,088	-	6	32,094	-	32,094
Available-for-sale investments	79,019	-	-	79,019	-	79,019
Loans, bills discounted and other receivables:						
Australia	611,624	12,541	2,290	626,455	(3,262)	623,193
Overseas	25,056	40	242	25,338	(83)	25,255
Bank acceptances	463	-	-	463	-	463
Shares in and loans to controlled entities	101,337	-	-	101,337	-	101,337
Credit related commitments	169,418	-	130	169,548	(34)	169,514
Total	1,102,420	12,581	2,668	1,117,669	(3,379)	1,114,290

9.2 Credit Risk (continued)

Credit Quality of Loans, Bills Discounted and Other Receivables which were Neither Past Due nor Impaired

For the analysis below, financial assets that are neither past due nor impaired have been segmented into investment, pass and weak classifications. This segmentation of loans in retail and risk-rated portfolios is based on the mapping of a counterparty's internally assessed PD to S&P Global ratings, reflecting a counterparty's ability to meet their credit obligations. In particular, retail PD pools have been aligned to the Group's PD grades which are consistent with rating agency views of credit quality segmentation. Investment grade is representative of lower assessed default probabilities with other classifications reflecting progressively higher default risk. No consideration is given to LGD, the impact of any recoveries or the potential benefit of mortgage insurance.

					Group 30 Jun 18
Credit grading	**Home Loans $M**	**Other Personal $M**	**Asset Financing $M**	**Other Commercial and Industrial $M**	**Total $M**
Australia					
Investment	**307,993**	**4,608**	**643**	**71,525**	**384,769**
Pass	**124,371**	**13,863**	**7,435**	**83,185**	**228,854**
Weak	**7,567**	**4,045**	**243**	**3,387**	**15,242**
Total Australia	**439,931**	**22,516**	**8,321**	**158,097**	**628,865**
Overseas (1)					
Investment	**15,471**	**-**	**9**	**23,837**	**39,317**
Pass	**32,327**	**1,544**	**424**	**26,078**	**60,373**
Weak	**888**	**-**	**-**	**326**	**1,214**
Total overseas	**48,686**	**1,544**	**433**	**50,241**	**100,904**
Total loans which were neither past due nor impaired	**488,617**	**24,060**	**8,754**	**208,338**	**729,769**

					Group 30 Jun 17
Credit grading	**Home Loans $M**	**Other Personal $M**	**Asset Financing $M**	**Other Commercial and Industrial $M**	**Total $M**
Australia					
Investment	296,466	4,249	300	77,407	378,422
Pass	121,035	14,362	7,172	83,758	226,327
Weak	7,791	3,416	164	2,952	14,323
Total Australia	425,292	22,027	7,636	164,117	619,072
Overseas (1)					
Investment	15,200	-	10	23,696	38,906
Pass	31,530	1,356	438	25,363	58,687
Weak	934	-	-	718	1,652
Total overseas	47,664	1,356	448	49,777	99,245
Total loans which were neither past due nor impaired	472,956	23,383	8,084	213,894	718,317

(1) For New Zealand Housing Loans, PDs reflect Reserve Bank of New Zealand requirements resulting in higher PDs on average and lower grading.

9.2 Credit Risk (continued)

Credit Quality of Loans, Bills Discounted and Other Receivables which were Neither Past Due nor Impaired (continued)

Credit grading	Home Loans $M	Other Personal $M	Asset Financing $M	Other Commercial and Industrial $M	Bank 30 Jun 18 Total $M
Australia					
Investment	**307,974**	**4,603**	**641**	**70,727**	**383,945**
Pass	**117,245**	**13,847**	**7,386**	**83,066**	**221,544**
Weak	**7,539**	**4,039**	**243**	**3,331**	**15,152**
Total Australia	**432,758**	**22,489**	**8,270**	**157,124**	**620,641**
Overseas					
Investment	**65**	**-**	**1**	**18,711**	**18,777**
Pass	**295**	**2**	**-**	**5,544**	**5,841**
Weak	**-**	**-**	**-**	**63**	**63**
Total overseas	**360**	**2**	**1**	**24,318**	**24,681**
Total loans which were neither past due nor impaired	**433,118**	**22,491**	**8,271**	**181,442**	**645,322**

Credit grading	Home Loans $M	Other Personal $M	Asset Financing $M	Other Commercial and Industrial $M	Bank 30 Jun 17 Total $M
Australia					
Investment	296,403	4,240	285	76,598	377,526
Pass	114,974	14,331	7,114	83,380	219,799
Weak	7,793	3,408	163	2,935	14,299
Total Australia	419,170	21,979	7,562	162,913	611,624
Overseas					
Investment	87	-	-	18,015	18,102
Pass	388	7	-	6,320	6,715
Weak	-	-	-	239	239
Total overseas	475	7	-	24,574	25,056
Total loans which were neither past due nor impaired	419,645	21,986	7,562	187,487	636,680

9.2 Credit Risk (continued)

Other Financial Assets which were Neither Past Due nor Impaired

The majority of all other financial assets of the Group and the Bank that were neither past due nor impaired as of 30 June 2018 and 30 June 2017 were of investment grade.

Age Analysis of Loans, Bills Discounted and Other Receivables that are Past Due but Not Impaired

For the purposes of this analysis an asset is considered to be past due when any payment under the contractual terms has been missed.

Past due loans are not classified as impaired if no loss to the Group is expected. Unsecured consumer loans are impaired at 90 days past due and may be classified as impaired earlier if non-commercial repayment arrangements are agreed or a related loan is classified as impaired.

					Group 30 Jun 18
Loans which were past due but not impaired	**Home Loans $M**	**Other Personal (1) $M**	**Asset Financing $M**	**Other Commercial and Industrial $M**	**Total $M**
Australia					
Past due 1 - 29 days	4,703	550	146	1,170	6,569
Past due 30 - 59 days	1,770	180	38	199	2,187
Past due 60 - 89 days	1,005	121	11	93	1,230
Past due 90 - 179 days	1,410	-	2	140	1,552
Past due 180 days or more	1,292	2	-	239	1,533
Total Australia	**10,180**	**853**	**197**	**1,841**	**13,071**
Overseas					
Past due 1 - 29 days	1,227	205	13	268	1,713
Past due 30 - 59 days	162	44	4	7	217
Past due 60 - 89 days	63	19	1	8	91
Past due 90 - 179 days	45	14	2	15	76
Past due 180 days or more	26	7	-	22	55
Total overseas	**1,523**	**289**	**20**	**320**	**2,152**
Total loans which were past due but not impaired	**11,703**	**1,142**	**217**	**2,161**	**15,223**

(1) Included in these balances are credit card facilities and other unsecured portfolio managed facilities up to 90 days past due. At 90 days past due all unsecured portfolio managed facilities are classified as impaired.

9.2 Credit Risk (continued)

Age Analysis of Loans, Bills Discounted and Other Receivables that are Past Due but Not Impaired (continued)

					Group 30 Jun 17
Loans which were past due but not impaired	**Home Loans $M**	**Other Personal (1) $M**	**Asset Financing $M**	**Other Commercial and Industrial $M**	**Total $M**
Australia					
Past due 1 - 29 days	5,004	568	87	1,147	6,806
Past due 30 - 59 days	1,675	180	55	145	2,055
Past due 60 - 89 days	922	121	23	98	1,164
Past due 90 - 179 days	1,136	-	-	132	1,268
Past due 180 days or more	1,048	4	-	198	1,250
Total Australia	9,785	873	165	1,720	12,543
Overseas					
Past due 1 - 29 days	1,623	263	-	255	2,141
Past due 30 - 59 days	185	45	6	15	251
Past due 60 - 89 days	53	15	2	21	91
Past due 90 - 179 days	41	16	2	24	83
Past due 180 days or more	18	5	-	45	68
Total overseas	1,920	344	10	360	2,634
Total loans which were past due but not impaired	11,705	1,217	175	2,080	15,177

					Bank 30 Jun 18
Loans which were past due but not impaired	**Home Loans $M**	**Other Personal (1) $M**	**Asset Financing $M**	**Other Commercial and Industrial $M**	**Total $M**
Australia					
Past due 1 - 29 days	**4,701**	**550**	**146**	**1,170**	**6,567**
Past due 30 - 59 days	**1,769**	**180**	**38**	**199**	**2,186**
Past due 60 - 89 days	**1,005**	**121**	**11**	**93**	**1,230**
Past due 90 - 179 days	**1,409**	**-**	**2**	**140**	**1,551**
Past due 180 days or more	**1,291**	**2**	**-**	**239**	**1,532**
Total Australia	**10,175**	**853**	**197**	**1,841**	**13,066**
Overseas					
Past due 1 - 29 days	**20**	**-**	**-**	**-**	**20**
Past due 30 - 59 days	**2**	**-**	**-**	**-**	**2**
Past due 60 - 89 days	**-**	**-**	**-**	**-**	**-**
Past due 90 - 179 days	**-**	**-**	**-**	**-**	**-**
Past due 180 days or more	**-**	**-**	**-**	**1**	**1**
Total overseas	**22**	**-**	**-**	**1**	**23**
Total loans which were past due but not impaired	**10,197**	**853**	**197**	**1,842**	**13,089**

(1) Included in these balances are credit card facilities and other unsecured portfolio managed facilities up to 90 days past due. At 90 days past due all unsecured portfolio managed facilities are classified as impaired.

9.2 Credit Risk (continued)

Age Analysis of Loans, Bills Discounted and Other Receivables that are Past Due but Not Impaired (continued)

					Bank 30 Jun 17
Loans which were past due but not impaired	**Home Loans $M**	**Other Personal (1) $M**	**Asset Financing $M**	**Other Commercial and Industrial $M**	**Total $M**
Australia					
Past due 1 - 29 days	5,003	568	87	1,147	6,805
Past due 30 - 59 days	1,674	180	55	145	2,054
Past due 60 - 89 days	922	121	23	98	1,164
Past due 90 - 179 days	1,136	-	-	132	1,268
Past due 180 days or more	1,048	4	-	198	1,250
Total Australia	9,783	873	165	1,720	12,541
Overseas					
Past due 1 - 29 days	31	1	-	2	34
Past due 30 - 59 days	2	-	-	2	4
Past due 60 - 89 days	-	-	-	1	1
Past due 90 - 179 days	-	-	-	1	1
Past due 180 days or more	-	-	-	-	-
Total overseas	33	1	-	6	40
Total loans which were past due but not impaired	9,816	874	165	1,726	12,581

(1) Included in these balances are credit card facilities and other unsecured portfolio managed facilities up to 90 days past due. At 90 days past due all unsecured portfolio managed facilities are classified as impaired.

Impaired Assets by Classification

Assets in credit risk rated portfolios and retail managed portfolios are assessed for objective evidence that the financial asset is impaired.

Impaired assets are split into the following categories:

- Non-Performing Facilities;
- Restructured Facilities; and
- Unsecured retail products 90 days or more past due.

Non-performing facilities are facilities against which an individually assessed provision for impairment has been raised and facilities where loss of principal or interest is anticipated. Interest income on these facilities is reserved and taken to the Income Statement only if paid in cash or if a recovery is made.

Restructured facilities are facilities where the original contractual terms have been modified to non-commercial terms due to financial difficulties of the borrower. Interest on these facilities is taken to the Income Statement. Failure to comply fully with the modified terms will result in immediate reclassification to non-performing.

Unsecured retail products 90 days or more past due are credit cards, personal loans and other unsecured retail products which are 90 days or more past due. These loans are collectively provided for.

The Group does not manage credit risk based solely on arrears categorisation, but also uses credit risk rating principles as described earlier in this note.

9.2 Credit Risk (continued)

Impaired Assets by Classification (continued)

	Group				
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	30 Jun 15 $M	30 Jun 14 $M
Australia					
Non-Performing assets:					
Gross balances	**1,711**	1,962	2,002	1,940	2,134
Less individual provisions for impairment	**(694)**	(817)	(807)	(775)	(1,035)
Net non-performing assets	**1,017**	1,145	1,195	1,165	1,099
Restructured assets:					
Gross balances	**264**	174	221	144	361
Less provisions for impairment (1)	**(4)**	-	-	-	-
Net restructured assets	**260**	174	221	144	361
Unsecured retail products 90 days or more past due:					
Gross balances	**254**	251	252	251	236
Less provisions for impairment (1)	**(161)**	(157)	(169)	(130)	(131)
Net unsecured retail products 90 days or more past due	**93**	94	83	121	105
Net Australia impaired assets	**1,370**	1,413	1,499	1,430	1,565
Overseas					
Non-Performing assets:					
Gross balances	**695**	686	560	454	377
Less individual provisions for impairment	**(176)**	(163)	(138)	(112)	(92)
Net non-performing assets	**519**	523	422	342	285
Restructured assets:					
Gross balances	**242**	101	67	54	248
Less provisions for impairment (1)	**(20)**	-	-	-	-
Net restructured assets	**222**	101	67	54	248
Unsecured retail products 90 days or more past due:					
Gross balances	**13**	13	14	12	11
Less provisions for impairment (1)	**(13)**	(12)	(13)	(9)	(8)
Net unsecured retail products 90 days or more past due	**-**	1	1	3	3
Net overseas impaired assets	**741**	625	490	399	536
Total net impaired assets	**2,111**	2,038	1,989	1,829	2,101

(1) Collective provisions are held for these portfolios.

9.2 Credit Risk (continued)

Impaired Assets by Size

	Group					
Impaired assets by size	**Australia 30 Jun 18 $M**	**Overseas 30 Jun 18 $M**	**Total 30 Jun 18 $M**	Australia 30 Jun 17 $M	Overseas 30 Jun 17 $M	Total 30 Jun 17 $M
Less than $1 million	**1,418**	**139**	**1,557**	1,338	114	1,452
$1 million to $10 million	**569**	**197**	**766**	666	260	926
Greater than $10 million	**242**	**614**	**856**	383	426	809
Total	**2,229**	**950**	**3,179**	2,387	800	3,187

Movement in Impaired Assets

	Group				
Movement in gross impaired assets	**30 Jun 18 $M**	30 Jun 17 $M	30 Jun 16 $M	30 Jun 15 $M	30 Jun 14 $M
Gross impaired assets - opening balance	**3,187**	3,116	2,855	3,367	4,330
New and increased	**2,136**	2,164	2,370	2,095	2,393
Balances written off	**(1,196)**	(1,225)	(1,328)	(1,355)	(1,697)
Returned to performing or repaid	**(1,666)**	(1,637)	(1,460)	(1,903)	(2,303)
Portfolio managed - new/increased/return to performing/repaid	**718**	769	679	651	644
Gross impaired assets - closing balance	**3,179**	3,187	3,116	2,855	3,367

9.2 Credit Risk (continued)

Impaired Assets by Industry and Status

							Group 30 Jun 18
Industry	**Total Balance $M**	**Gross Impaired Assets $M**	**Total Provisions for Impaired Assets $M**	**Net Impaired Assets $M**	**Write-offs (1) $M**	**Recoveries (1) $M**	**Net (1) Write-offs $M**
Loans - Australia							
Sovereign	16,823	-	-	-	-	-	-
Agriculture	8,998	94	(56)	38	28	-	28
Bank and other financial	12,951	7	(16)	(9)	3	(1)	2
Home loans	451,367	1,256	(236)	1,020	126	(2)	124
Construction	3,028	16	(21)	(5)	13	-	13
Other personal	23,658	289	(171)	118	764	(165)	599
Asset financing	8,581	63	(16)	47	23	(5)	18
Other commercial and industrial	118,681	426	(343)	83	179	(14)	165
Total loans - Australia	644,087	2,151	(859)	1,292	1,136	(187)	949
Loans - Overseas							
Sovereign	1,571	-	-	-	-	-	-
Agriculture	9,930	365	(25)	340	3	-	3
Bank and other financial	7,075	9	-	9	5	-	5
Home loans	50,298	89	(5)	84	2	(1)	1
Construction	638	1	(1)	-	1	(1)	-
Other personal	1,844	11	(33)	(22)	65	(10)	55
Asset financing	457	4	-	4	-	-	-
Other commercial and industrial	32,129	407	(145)	262	207	(2)	205
Total loans - overseas	103,942	886	(209)	677	283	(14)	269
Total loans	748,029	3,037	(1,068)	1,969	1,419	(201)	1,218
Other balances - Australia							
Credit commitments	145,820	75	-	75	-	-	-
Derivatives	24,021	3	-	3	-	-	-
Total other balances - Australia	169,841	78	-	78	-	-	-
Other balances - Overseas							
Credit commitments	29,376	15	-	15	-	-	-
Derivatives	8,112	49	-	49	-	-	-
Total other balances - overseas	37,488	64	-	64	-	-	-
Total other balances	207,329	142	-	142	-	-	-
Total	955,358	3,179	(1,068)	2,111	1,419	(201)	1,218

(1) Write off, recoveries and net write-offs are not recognised against credit commitments or derivatives as these exposures are closed out and converted to loans and receivables on impairment. Write-offs and recoveries take place subsequent to this conversion.

9.2 Credit Risk (continued)

Impaired Assets by Industry and Status (continued)

							Group 30 Jun 17
Industry	Total Balance $M	Gross Impaired Assets $M	Total Provisions for Impaired Assets $M	Net Impaired Assets $M	Write-offs (1) $M	Recoveries (1) $M	Net (1) Write-offs $M
Loans - Australia							
Sovereign	18,085	-	-	-	-	-	-
Agriculture	8,784	87	(47)	40	17	-	17
Bank and other financial	15,425	24	(27)	(3)	1	(1)	-
Home loans	436,184	1,107	(249)	858	115	(3)	112
Construction	3,765	48	(25)	23	16	(1)	15
Other personal	23,183	283	(166)	117	792	(170)	622
Asset financing	7,872	71	(18)	53	41	(7)	34
Other commercial and industrial	120,638	701	(442)	259	210	(12)	198
Total loans - Australia	633,936	2,321	(974)	1,347	1,192	(194)	998
Loans - Overseas							
Sovereign	1,900	-	-	-	-	-	-
Agriculture	9,848	279	(25)	254	15	-	15
Bank and other financial	5,775	9	-	9	5	-	5
Home loans	49,673	89	(4)	85	4	(1)	3
Construction	634	1	(1)	-	8	(1)	7
Other personal	1,713	13	(12)	1	60	(11)	49
Asset financing	464	6	(10)	(4)	-	-	-
Other commercial and industrial	32,596	327	(114)	213	64	(3)	61
Total loans - overseas	102,603	724	(166)	558	156	(16)	140
Total loans	736,539	3,045	(1,140)	1,905	1,348	(210)	1,138
Other balances - Australia							
Credit commitments	151,936	61	-	61	-	-	-
Derivatives	25,995	5	-	5	-	-	-
Total other balances - Australia	177,931	66	-	66	-	-	-
Other balances - Overseas							
Credit commitments	33,196	74	(9)	65	-	-	-
Derivatives	5,729	2	-	2	-	-	-
Total other balances - overseas	38,925	76	(9)	67	-	-	-
Total other balances	216,856	142	(9)	133	-	-	-
Total	953,395	3,187	(1,149)	2,038	1,348	(210)	1,138

(1) Write-off, recoveries and net write-offs are not recognised against credit commitments or derivatives as these exposures are closed out and converted to loans and receivables on impairment. Write-offs and recoveries take place subsequent to this conversion.

9.2 Credit Risk (continued)

Collateral held against Loans, Bills Discounted and Other Receivables

					Group 30 Jun 18
	Home Loans	**Other Personal**	**Asset Financing**	**Other Commercial and Industrial**	**Total**
Maximum exposure ($M)	501,665	25,502	9,038	211,824	**748,029**
Collateral classification:					
Secured (%)	99. 1	12. 4	99. 4	44. 7	**81. 2**
Partially secured (%)	0. 9	-	0. 6	15. 3	**4. 9**
Unsecured (%)	-	87. 6	-	40. 0	**13. 9**

					Group 30 Jun 17
Maximum exposure ($M)	485,857	24,896	8,336	217,450	736,539
Collateral classification:					
Secured (%)	99. 2	12. 7	99. 3	42. 0	79. 8
Partially secured (%)	0. 8	-	0. 7	15. 4	5. 0
Unsecured (%)	-	87. 3	-	42. 6	15. 2

					Bank 30 Jun 18
Maximum exposure ($M)	444,583	23,633	8,531	184,120	**660,867**
Collateral classification:					
Secured (%)	99. 1	13. 4	99. 2	40. 7	**79. 6**
Partially secured (%)	0. 9	-	0. 8	14. 7	**4. 8**
Unsecured (%)	-	86. 6	-	44. 6	**15. 6**

					Bank 30 Jun 17
Maximum exposure ($M)	430,575	23,143	7,801	190,274	651,793
Collateral classification:					
Secured (%)	99. 1	13. 4	99. 2	40. 5	79. 5
Partially secured (%)	0. 9	-	0. 8	14. 6	4. 8
Unsecured (%)	-	86. 6	-	44. 9	15. 7

A facility is determined to be secured where its ratio of exposure to the estimated value of collateral (adjusted for lending margins) is less than or equal to 100%. A facility is deemed to be partly secured when this ratio exceeds 100% but not more than 250%, and unsecured when either no security is held (e.g. can include credit cards, personal loans, small business loans, and exposures to highly rated corporate entities), or where the secured loan to estimated value of collateral exceeds 250%.

Home Loans

Home loans are generally secured by fixed charges over borrowers' residential properties, other properties (including commercial and broad acre), or cash (usually in the form of a charge over a deposit). Further, with the exception of some relatively small portfolios, for loans with a Loan to Valuation Ratio (LVR) of higher than 80% either a Low Deposit Premium or margin is levied, or Lenders Mortgage Insurance (LMI) is taken out to cover the difference between the principal plus interest owing and the net amount received from selling the collateral post default. Impaired home loans are classified as partially secured.

Personal Lending

Personal lending (such as credit cards and personal loans) are predominantly unsecured, whilst margin lending is secured.

9.2 Credit Risk (continued)

Collateral held against Loans, Bills Discounted and Other Receivables (continued)

Asset Finance

The Group leases assets to corporate and retail clients. When the title to the underlying assets is held by the Group as collateral, the balance is deemed fully secured. In other instances, a client's facilities may be secured by collateral valued at less than the carrying amount of the credit exposure. These facilities are deemed partly secured or unsecured.

Other Commercial and Industrial Lending

The Group's main collateral types for other commercial and industrial lending consists of secured rights over specified assets of the borrower in the form of: commercial property; land rights; cash (usually in the form of a charge over a deposit); guarantees by company Directors; a charge over a company's assets (including debtors, inventory and work in progress); or a charge over shares. In other instances, a client's facilities may be secured by collateral with value less than the carrying amount of the credit exposure. These facilities are deemed partly secured or unsecured.

9.3 Market Risk

Market Risk Measurement

The Group uses Value-at-Risk (VaR) as one of the measures of Traded and Non-traded market risk. VAR measures potential loss using historically observed market movements and correlation between different markets.

VaR is modelled at a 97.5% confidence level. This means that there is a 97.5% probability that the loss will not exceed the VaR estimate on any given day.

The VaR measured for Traded market risk uses two years of daily movement in market rates. The VaR measure for Non-traded Banking Book market risk uses six years of daily movement in market rates.

A 1-day holding period is used for trading book positions. A 20- day holding period is used for Interest Rate Risk in the Banking Book, insurance business market risk and Non-traded equity risk.

VaR is driven by historical observations and is not an estimate of the maximum loss that the Group could experience from an extreme market event. As a result of this limitation, management also uses stress testing to measure the potential for economic loss at confidence levels significantly higher than 97.5%. Management then uses these results in decisions to manage the economic impact of market risk positions.

Total Market Risk VaR (1-day 97.5% confidence)	**Average June 2018 (1) $M**	**As at June 2018 $M**	Average June 2017 (1) $M	As at June 2017 $M
Traded Market Risk	**11. 1**	**13. 3**	10. 6	11. 1
Non-Traded Interest Rate Risk (2) (3)	**43. 1**	**37. 6**	57. 7	53. 9
Non-Traded Equity Risk (2)	**5. 3**	**4. 7**	6. 6	5. 8
Non-Traded Insurance Market Risk (2)	**5. 4**	**5. 6**	5. 1	5. 0

(1) Average VaR calculated for each 12 month period.

(2) The risk of these exposures has been represented in this table using a one day holding period. In practice however, these 'non-traded' exposures are managed to a longer holding period.

(3) The scope of the internal model for AUD Non-Traded Interest Rate Risk has been broadened to include a measurement of the risk of the change in spreads between swap rates and bond yields for Debt Securities held in the Banking Book. Prior periods have been restated to reflect this change in scope. NZD numbers remain unchanged.

Traded Market Risk

Traded market risk is generated through the Group's participation in financial markets to service its customers. The Group trades and distributes interest rate, foreign exchange, debt, equity and commodity products, and provides treasury, capital markets and risk management services to its customers globally.

The Group maintains access to markets by quoting bid and offer prices with other market makers and carries an inventory of treasury, capital market and risk management instruments, including a broad range of securities and derivatives.

Traded Market Risk VaR (1-day 97.5% confidence)	**Average June 2018 (1) $M**	**As at June 2018 $M**	Average June 2017 (1) $M	As at June 2017 $M
Interest rate risk	**8. 4**	**12. 5**	8. 9	6. 7
Foreign exchange risk	**2. 2**	**2. 7**	1. 8	1. 1
Equities risk	**0. 2**	**0. 1**	0. 5	0. 1
Commodities risk	**3. 2**	**3. 6**	3. 0	3. 3
Credit spread risk	**2. 0**	**1. 4**	3. 3	2. 8
Diversification benefit	**(7. 7)**	**(9. 4)**	(9. 3)	(5. 1)
Total general market risk	**8. 3**	**10. 9**	8. 2	8. 9
Undiversified risk	**2. 5**	**2. 3**	2. 2	2. 1
ASB Bank	**0. 3**	**0. 1**	0. 2	0. 1
Total	**11. 1**	**13. 3**	10. 6	11. 1

(1) Average VaR calculated for each 12 month period.

Non-Traded Market Risk

Interest Rate Risk in the Banking Book

Interest rate risk is the current and prospective impact to the Group's financial condition due to adverse changes in interest rates to which the Group's Balance Sheet is exposed. The maturity transformation activities of the Group create mismatches in the repricing terms of assets and liabilities positions. These mismatches may have undesired earnings and value outcomes depending on the interest rate movements. The Group's objective is to manage interest rate risk to achieve stable and sustainable net interest income in the long-term.

The Group measures and manages the impact of interest rate risk in two ways:

(a) Next 12 months' earnings

Interest rate risk from an earnings perspective is the impact based on changes to the net interest income over the next 12 months.

The risk to net interest income over the next 12 months from changes in interest rates is measured on a monthly basis.

Earnings risk is measured through sensitivity analysis, which applies an instantaneous 100 basis point parallel shock in interest rates across the yield curve.

The prospective change to the net interest income is measured by using an Asset and Liability Management simulation model which incorporates both existing and anticipated new business in its assessment. The change in the Balance Sheet product mix, growth, funding and pricing strategies is incorporated.

Assets and liabilities that reprice directly from observable market rates are measured based on the full extent of the rate shock that is applied.

9.3 Market Risk (continued)

Non-Traded Market Risk (continued)

Products that are priced based on Group administered or discretionary interest rates and that are impacted by customer behaviour are measured by taking into consideration the historic repricing strategy of the Group and repricing behaviours of customers. In addition to considering how the products have been repriced in the past the expected change in price based on both the current and anticipated competitive market forces are also considered in the sensitivity analysis.

The figures in the following table represent the potential unfavourable change to the Group's net interest earnings during the year based on a 100 basis point parallel rate shock.

Net Interest Earnings at Risk		**June 2018 $M**	June 2017 $M
Average monthly exposure	AUD	**229. 2**	284. 7
	NZD (1)	**23. 3**	25. 4
High monthly exposure	AUD	**311. 5**	352. 3
	NZD (1)	**44. 3**	33. 5
Low monthly exposure	AUD	**120. 2**	248. 9
	NZD (1)	**4. 3**	17. 4
As at balance date	AUD	**231. 4**	304. 4
	NZD (1)	**10. 5**	18. 5

(1) Net interest earnings at risk for NZD decreased during the period due to an update to products classified as sensitive to interest rate changes.

(b) Economic Value

Interest rate risk from the economic value perspective is based on a 20-day 97.5% VaR measure.

Measuring the change in the economic value of equity is an assessment of the long-term impact to the earnings potential of the Group present valued to the current date. The Group assesses the potential change in its economic value of equity through the application of the VaR methodology.

A 20-day 97.5% VaR measure is used to capture the net economic value impact over the long-term or total life of all Balance Sheet assets and liabilities to adverse changes in interest rates.

The impact of customer prepayments on the contractual cash flows for fixed rate products is included in the calculation. Cash flows for discretionary priced products are behaviourally adjusted and repriced at the resultant profile.

The figures in the following table represent the net present value of the expected change in the Group's future earnings in all future periods for the remaining term of all existing assets and liabilities.

Non-Traded Interest Rate VaR (20 day 97.5% confidence) (2)	**Average June 2018 (1) $M**	Average June 2017 (1) $M
AUD Interest rate risk (3)	**192. 9**	257. 9
NZD Interest rate risk (4)	**3. 3**	4. 5

(1) Average VaR calculated for each 12 month period.
(2) VaR is only for entities that have material risk exposure.
(3) The scope of the internal model for AUD Non-Traded Interest Rate Risk has been broadened to include a measurement of the risk of the change in spreads between swap rates and bond yields for Debt Securities held in the Banking Book. Prior periods have been restated to reflect this change in scope. NZD numbers remain unchanged.
(4) ASB data (expressed in NZD) is for the month-end date

Non-Traded Equity Risk

The Group retains Non-Traded equity risk primarily through business activities in Wealth Management.

A 20-day, 97.5% confidence VaR is used to measure the economic impact of adverse changes in value.

Non-Traded Equity VaR (20 day 97.5% confidence)	**As at June 2018 $M**	As at June 2017 $M
VaR	**21. 2**	26. 0

Market Risk in Insurance Businesses

There are two main sources of market risk in the life insurance businesses: (i) market risk arising from guarantees made to policyholders; and (ii) market risk arising from the investment of Shareholders' capital.

Guarantees (to Policyholders)

All financial assets within the life Insurance Statutory Funds directly support either the Group's life insurance or life investment contracts. Market risk arises for the Group on contracts where the liabilities to policyholders are guaranteed by the Group. The Group manages this risk by having an asset and liability management framework which includes the use of hedging instruments. The Group also monitors the risk on a monthly basis.

Shareholders' Capital

A portion of financial assets held within the Insurance business, both within the Statutory Funds and in the Shareholder Funds of the life insurance company represents shareholder (Group) capital. Market risk also arises for the Group on the investment of this capital. Shareholders' funds in the Australian life insurance businesses are invested 99% in income assets (cash and fixed interest) and 1% in growth assets as at 30 June 2018.

A 20-day 97.5% VaR measure is used to capture the Non-traded market risk exposures.

Non-Traded VaR in Australian Life Insurance Business (20 day 97.5% confidence)	**Average June 2018 (1) $M**	Average June 2017 (1) $M
Shareholder funds (2)	**1. 1**	1. 3
Guarantees (to Policyholders) (3)	**23. 6**	22. 3

(1) Average VaR calculated for each 12 month period.
(2) VaR in relation to the investment of shareholder funds.
(3) VaR in relation to product portfolios where the Group has guaranteed liabilities to policyholders.

The Group announced the sale of its life insurances businesses during the period.

9.3 Market Risk (continued)

Structural Foreign Exchange Risk

Structural foreign exchange risk is the risk that movements in foreign exchange rates may have an adverse effect on the Group's Australian dollar earnings and economic value when the Group's foreign currency denominated earnings and capital are translated into Australian dollars. The Group's only material exposure to this risk arises from its New Zealand banking and insurance, Asian and US operations.

Lease Residual Value Risk

The Group takes lease residual value risk on assets such as industrial, mining, rail, aircraft, marine, technology, healthcare and other equipment. A lease residual value guarantee exposes the Group to the movement in second-hand prices of these assets.

Commonwealth Bank Group Super Fund

The Commonwealth Bank Group Super Fund (the Fund) has a defined benefit portion that creates market risk for the Group.

Wealth Risk Management and Human Resources provide oversight of the market risks of the Fund held and managed on behalf of the employees receiving defined benefit pension funds on behalf of the Group (refer to Note 10.2).

9.4 Liquidity and Funding Risk

Overview

The Group's liquidity and funding policies are designed to ensure it will meet its obligations as and when they fall due by ensuring it is able to borrow funds on an unsecured basis, has sufficient liquid assets to borrow against on a secured basis, or sell to raise immediate funds without adversely affecting the Group's net asset value.

The Group's liquidity policies are designed to ensure it maintains sufficient cash balances and liquid asset holdings to meet its obligations to customers, in both ordinary market conditions and during periods of extreme stress. These policies are intended to protect the value of the Group's operations during periods of unfavourable market conditions.

The Group's funding policies are designed to achieve diversified sources of funding by product, term, maturity date, investor type, investor location, currency and concentration, on a cost effective basis. This objective applies to the Group's wholesale and retail funding activities.

Liquidity and Funding Risk Management Framework

The CBA Board is ultimately responsible for the sound and prudent management of liquidity risk across the Group. The Group's liquidity and funding policies, structured under a formal Group Liquidity and Funding Risk Management Framework, are approved by the Board and agreed with APRA. The Group has an Asset and Liability Committee (ALCO) the charter of which includes reviewing the management of assets and liabilities, reviewing liquidity and funding policies and strategies, as well as regularly monitoring compliance with those policies across the Group. Group Treasury manages the Group's liquidity and funding positions in accordance with the Group's liquidity policies and has ultimate authority to execute liquidity decisions should the Group Contingent Funding Plan be activated. Group Risk Management provides oversight of the Group's liquidity and funding risks and compliance with Group policies and manages the Group's relationship with prudential regulators.

Subsidiaries within the Colonial Holding Company Group apply their own liquidity and funding strategies to address their specific needs. The Group's New Zealand banking subsidiary, ASB Bank, manages its own domestic liquidity and funding needs in accordance with its own liquidity policies and the policies of the Group. ASB's liquidity policy is also overseen by the Reserve Bank of New Zealand.

Liquidity and Funding Policies and Management

The Group's liquidity and funding policies provide that:

- An excess of liquid assets over the minimum prescribed under APRA's Liquidity Coverage Ratio (LCR) requirement is maintained. Australian ADIs are required to meet a 100% LCR, calculated as the ratio of high quality liquid assets to 30 day net cash outflows projected under a prescribed stress scenario;
- A surplus of stable funding from various sources, as measured by APRA's Net Stable Funding Ratio (NSFR), is maintained. The NSFR was introduced by APRA on 1 January 2018 and requires Australian ADIs to fund core assets with stable sources of funding. The NSFR is calculated by applying APRA prescribed factors to assets and liabilities to determine a ratio of required stable funding to available stable funding which must be greater than 100%;
- Additional internal funding and liquidity metrics are also calculated and stress tests additional to the LCR are run;
- Short and long-term wholesale funding limits are established, monitored and reviewed regularly;
- The Group's wholesale funding market capacity is regularly assessed and used as a factor in funding strategies;
- Balance Sheet assets that cannot be liquidated quickly are funded with stable deposits or term borrowings that meet minimum maturity requirements with appropriate liquidity buffers;
- Liquid assets are held in Australian dollar and foreign currency denominated securities in accordance with expected requirements;
- The Group has three categories of liquid assets within its domestic liquid assets portfolio. The first includes cash, government and Australian semi-government securities. The second includes Negotiable Certificates of Deposit, bank bills, bank term securities, supranational bonds, Australian Residential Mortgage-backed Securities (RMBS) and securities that meet certain Reserve Bank of Australia (RBA) criteria for purchases under reverse repo. The final category is internal RMBS, being mortgages that have been securitised but retained by the Bank, that are repo-eligible with the RBA under stress; and
- Offshore branches and subsidiaries adhere to liquidity policies and hold appropriate foreign currency liquid assets to meet required obligations. All securities are central bank repo-eligible under normal market conditions.

9.4 Liquidity and Funding Risk (continued)

Liquidity and Funding Policies and Management (continued)

The Group's key funding tools include:

- Its consumer retail funding base, which includes a wide range of retail transaction accounts, savings accounts and term deposits for individual consumers;
- Its small business customer and institutional deposit base; and
- Its wholesale international and domestic funding programs which include its Australian dollar Negotiable Certificates of Deposit; Australian dollar bank bills; Asian Transferable Certificates of Deposit program; Australian, U.S. and Euro Commercial Paper programs; US Extendible Notes programs; Australian dollar Domestic Debt Program; U.S.144a and 3a2 Medium-Term Note Programs; Euro Medium-Term Note Program; multi jurisdiction Covered Bond program; and its Medallion securitisation program.

The Group's key liquidity tools include:

- A regulatory liquidity management reporting system delivering granular customer and product type information to inform business decision making, product development and resulting in a greater awareness of the liquidity risk adjusted value of banking products;
- A liquidity management model similar to a "maturity ladder" or "liquidity gap analysis", that allows forecasting of liquidity needs on a daily basis;
- An additional liquidity management model that implements the agreed prudential liquidity policies. This model is calibrated with a series of "stress" liquidity crisis scenarios, incorporating both systemic and idiosyncratic crisis assumptions, such that the Group will have sufficient liquid assets available to ensure it meets all of its obligations as and when they fall due;
- Central bank repurchase agreement facilities including the RBA's open-ended Committed Liquidity Facility that provide the Group with the ability to borrow funds on a secured basis, even when normal funding markets are unavailable; and
- A robust Contingent Funding Plan that is regularly tested so that it can be activated in case of need due to a liquidity event.

9.4 Liquidity and Funding Risk (continued)

Maturity Analysis of Monetary Liabilities

Amounts shown in the tables below are based on contractual undiscounted cash flows for the remaining contractual maturities.

						Group
				Maturity Period as at 30 June 2018		
	0 to 3 Months $M	3 to 12 Months $M	1 to 5 Years $M	Over 5 Years $M	Not Specified $M	Total $M
Monetary liabilities						
Deposits and other public borrowings (1)	**502,021**	**103,788**	**17,587**	**489**	**-**	**623,885**
Payables due to other financial institutions	**18,064**	**2,827**	**-**	**44**	**-**	**20,935**
Liabilities at fair value through Income Statement	**6,622**	**1,747**	**524**	**1,441**	**-**	**10,334**
Derivative financial instruments:						
Held for trading	**21,346**	**-**	**-**	**-**	**-**	**21,346**
Held for hedging purposes (net-settled)	**19**	**145**	**1,256**	**942**	**-**	**2,362**
Held for hedging purposes (gross-settled):						
Outflows	**886**	**15,504**	**38,593**	**24,176**	**-**	**79,159**
Inflows	**(804)**	**(13,761)**	**(36,432)**	**(22,539)**	**-**	**(73,536)**
Bank acceptances	**331**	**48**	**-**	**-**	**-**	**379**
Insurance policy liabilities	**-**	**-**	**-**	**-**	**451**	**451**
Debt issues and loan capital	**18,597**	**43,784**	**96,080**	**46,296**	**-**	**204,757**
Managed funds units on issue	**-**	**-**	**-**	**-**	**-**	**-**
Other monetary liabilities	**6,582**	**874**	**96**	**23**	**-**	**7,575**
Liabilities held for sale	**182**	**572**	**274**	**143**	**12,886**	**14,057**
Total monetary liabilities	**573,846**	**155,528**	**117,978**	**51,015**	**13,337**	**911,704**
Guarantees (2)	**6,265**	**-**	**-**	**-**	**-**	**6,265**
Loan commitments (2)	**162,090**	**-**	**-**	**-**	**-**	**162,090**
Other commitments (2)	**6,841**	**-**	**-**	**-**	**-**	**6,841**
Total off Balance Sheet items	**175,196**	**-**	**-**	**-**	**-**	**175,196**
Total monetary liabilities and off Balance Sheet items	**749,042**	**155,528**	**117,978**	**51,015**	**13,337**	**1,086,900**

						Group
				Maturity Period as at 30 June 2017		
	0 to 3 Months $M	3 to 12 Months $M	1 to 5 Years $M	Over 5 Years $M	Not Specified $M	Total $M
Monetary liabilities						
Deposits and other public borrowings (1)	509,615	98,303	20,132	272	-	628,322
Payables due to other financial institutions	24,508	3,964	-	-	-	28,472
Liabilities at fair value through Income Statement	6,188	1,553	1,168	1,682	-	10,591
Derivative financial instruments:						
Held for trading	21,283	-	-	-	-	21,283
Held for hedging purposes (net-settled)	77	204	1,595	1,201	-	3,077
Held for hedging purposes (gross-settled):						
Outflows	5,724	6,923	65,799	19,905	-	98,351
Inflows	(5,018)	(6,159)	(62,248)	(18,940)	-	(92,365)
Bank acceptances	205	258	-	-	-	463
Insurance policy liabilities	-	-	-	-	12,018	12,018
Debt issues and loan capital	20,894	37,882	100,824	28,713	-	188,313
Managed funds units on issue	-	-	-	-	2,577	2,577
Other monetary liabilities	6,304	1,794	731	323	-	9,152
Total monetary liabilities	589,780	144,722	128,001	33,156	14,595	910,254
Guarantees (2)	7,424	-	-	-	-	7,424
Loan commitments (2)	173,555	-	-	-	-	173,555
Other commitments (2)	4,153	-	-	-	-	4,153
Total off Balance Sheet items	185,132	-	-	-	-	185,132
Total monetary liabilities and off Balance Sheet items	774,912	144,722	128,001	33,156	14,595	1,095,386

(1) Includes deposits that are contractually at call, customer savings and cheque accounts. These accounts provide a stable source of long-term funding.

(2) All of Balance Sheet items are included in the 0 to 3 months maturity band to reflect their earliest possible maturity

9.4 Liquidity and Funding Risk (continued)

Maturity Analysis of Monetary Liabilities (continued)

						Bank
	Maturity Period as at 30 June 2018					
	0 to 3 Months $M	3 to 12 Months $M	1 to 5 Years $M	Over 5 Years $M	Not Specified $M	Total $M
Monetary liabilities						
Deposits and other public borrowings (1)	**464,588**	**88,005**	**14,496**	**468**	**-**	**567,557**
Payables due to other financial institutions	**17,197**	**2,808**	**-**	**44**	**-**	**20,049**
Liabilities at fair value through Income Statement	**5,480**	**1,747**	**524**	**1,441**	**-**	**9,192**
Derivative financial instruments:						
Held for trading	**21,175**	**-**	**-**	**-**	**-**	**21,175**
Held for hedging purposes (net-settled)	**5**	**52**	**1,022**	**932**	**-**	**2,011**
Held for hedging purposes (gross-settled):						
Outflows	**644**	**17,441**	**45,661**	**32,583**	**-**	**96,329**
Inflows	**(614)**	**(15,421)**	**(42,679)**	**(29,927)**	**-**	**(88,641)**
Bank acceptances	**331**	**48**	**-**	**-**	**-**	**379**
Debt issues and loan capital	**15,333**	**37,730**	**78,067**	**39,379**	**-**	**170,509**
Due to controlled entities	**6,174**	**6,070**	**24,411**	**68,672**	**-**	**105,327**
Other monetary liabilities	**6,274**	**750**	**65**	**10**	**-**	**7,099**
Total monetary liabilities	**536,587**	**139,230**	**121,567**	**113,602**	**-**	**910,986**
Guarantees (2)	**5,835**	**-**	**-**	**-**	**-**	**5,835**
Loan commitments (2)	**147,098**	**-**	**-**	**-**	**-**	**147,098**
Other commitments (2)	**6,673**	**-**	**-**	**-**	**-**	**6,673**
Total off Balance Sheet items	**159,606**	**-**	**-**	**-**	**-**	**159,606**
Total monetary liabilities and off Balance Sheet items	**696,193**	**139,230**	**121,567**	**113,602**	**-**	**1,070,592**

						Bank
	Maturity Period as at 30 June 2017					
	0 to 3 Months $M	3 to 12 Months $M	1 to 5 Years $M	Over 5 Years $M	Not Specified $M	Total $M
Monetary liabilities						
Deposits and other public borrowings (1)	471,711	83,962	16,997	88	-	572,758
Payables due to other financial institutions	24,113	3,964	-	-	-	28,077
Liabilities at fair value through Income Statement	4,899	1,437	1,168	1,682	-	9,186
Derivative financial instruments:						
Held for trading	21,050	-	-	-	-	21,050
Held for hedging purposes (net-settled)	51	105	1,348	1,201	-	2,705
Held for hedging purposes (gross-settled):						
Outflows	3,683	5,385	71,013	24,902	-	104,983
Inflows	(3,042)	(4,629)	(65,902)	(22,973)	-	(96,546)
Bank acceptances	205	258	-	-	-	463
Debt issues and loan capital	17,155	31,674	80,618	24,344	-	153,791
Due to controlled entities	6,273	5,877	23,743	55,329	-	91,222
Other monetary liabilities	5,935	2,091	120	9	-	8,155
Total monetary liabilities	552,033	130,124	129,105	84,582	-	895,844
Guarantees (2)	7,037	-	-	-	-	7,037
Loan commitments (2)	158,567	-	-	-	-	158,567
Other commitments (2)	3,944	-	-	-	-	3,944
Total off Balance Sheet items	169,548	-	-	-	-	169,548
Total monetary liabilities and off Balance Sheet items	721,581	130,124	129,105	84,582	-	1,065,392

(1) Includes deposits that are contractually at call, customer savings and cheque accounts. Historical experience is that such accounts provide a stable source of long-term funding for the Group.

(2) All off Balance Sheet items are included in the 0 to 3 months maturity band to reflect their earliest possible maturity.

9.5 Disclosures about Fair Values

Fair Value Hierarchy for Financial Assets and Liabilities Measured at Fair Value

The classification in the fair value hierarchy of the Group's and the Bank's financial assets and liabilities measured at fair value is presented in the tables below. An explanation of how fair values are calculated and the levels in the fair value hierarchy are included in the accounting policy within this note.

								Group
	Fair Value as at 30 June 2018				Fair Value as at 30 June 2017			
	Level 1 $M	**Level 2 $M**	**Level 3 $M**	**Total $M**	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets measured at fair value on a recurring basis								
Assets at fair value through Income Statement:								
Trading	22,078	10,176	-	**32,254**	24,657	8,047	-	32,704
Insurance (1)	-	372	-	**372**	3,519	8,620	1,530	13,669
Other	49	209	-	**258**	51	1,060	-	1,111
Derivative assets	42	31,998	93	**32,133**	63	31,594	67	31,724
Available-for-sale investments	74,234	7,941	65	**82,240**	75,050	8,346	139	83,535
Bills discounted	4,280	-	-	**4,280**	7,486	-	-	7,486
Assets held for sale (1)	2,012	8,061	1,818	**11,891**	-	-	-	-
Total financial assets measured at fair value	102,695	58,757	1,976	**163,428**	110,826	57,667	1,736	170,229
Financial liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement	1,724	8,523	-	**10,247**	2,525	7,867	-	10,392
Derivative liabilities	57	28,075	340	**28,472**	192	30,036	102	30,330
Life investment contracts (1)	-	337	-	**337**	-	7,374	565	7,939
Liabilities held for sale (1)	5	6,985	353	**7,343**	-	-	-	-
Total financial liabilities measured at fair value	1,786	43,920	693	**46,399**	2,717	45,277	667	48,661

(1) As at 30 June 2018 Assets and Liabilities of the Group's life insurance businesses have been presented as held for sale.

								Bank
	Fair Value as at 30 June 2018				Fair Value as at 30 June 2017			
	Level 1 $M	**Level 2 $M**	**Level 3 $M**	**Total $M**	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets measured at fair value on a recurring basis								
Assets at fair value through Income Statement:								
Trading	20,813	9,180	-	**29,993**	23,866	7,261	-	31,127
Other	-	-	-	**-**	-	796	-	796
Derivative assets	41	30,751	93	**30,885**	55	31,972	67	32,094
Available-for-sale investments	69,988	7,678	65	**77,731**	71,206	7,674	139	79,019
Bills Discounted	4,280	-	-	**4,280**	7,486	-	-	7,486
Total financial assets measured at fair value	95,122	47,609	158	**142,889**	102,613	47,703	206	150,522
Financial liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement	1,724	7,382	-	**9,106**	2,525	6,464	-	8,989
Derivative liabilities	57	30,474	340	**30,871**	192	31,878	103	32,173
Total financial liabilities measured at fair value	1,781	37,856	340	**39,977**	2,717	38,342	103	41,162

9.5 Disclosures about Fair Value (continued)

Analysis of Movements between Fair Value Hierarchy Levels

During the year ended 30 June 2018 there have been $1,722 million reclassifications of trading securities (30 June 2017: $20 million) from Level 2 to Level 1, due to changes in the observability of inputs. There have been no reclassifications of available for sale securities (30 June 2017: $752 million) from Level 2 to Level 1. There have been no reclassifications of insurance assets (30 June 2017: $488 million) from Level 1 to Level 2. The tables below summarise movements in Level 3 balance during the year. Transfers have been reflected as if they had taken place at the end of the reporting periods. Transfers in and out of Level 3 were due to changes in the observability of inputs.

Level 3 Movement Analysis for the year ended 30 June 2018

							Group
	Financial Assets				Financial Liabilities		
	Insurance Assets $M	Derivative Assets $M	Available for Sale Investments $M	Assets held for sale $M	Derivative Liabilities $M	Life Investment Contracts $M	Liabilities held for Sale $M
As at 1 July 2016	-	60	301	-	(64)	-	-
Purchases	-	3	-	-	-	-	-
Sales/settlements	-	-	(160)	-	29	-	-
Gains/(losses) in the period:							
Recognised in the Income Statement	-	(4)	-	-	6	-	-
Recognised in the Statement of Comprehensive Income	-	-	(2)	-	-	-	-
Transfers in	1,530	8	-	-	(73)	(565)	-
Transfers out	-	-	-	-	-	-	-
As at 30 June 2017	1,530	67	139	-	(102)	(565)	-
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2017	-	(4)	-	-	6	-	-
As at 1 July 2017	1,530	67	139	-	(102)	(565)	-
Purchases	618	-	-	-	-	-	-
Sales/ settlements [1]	(208)	(18)	(100)	-	14	212	-
Gains/(losses) in the period:							
Recognised in the Income Statement	(122)	(15)	-	-	(144)	-	-
Recognised in the Statement of Comprehensive Income	-	-	-	-	-	-	-
Transfers in	-	59	26	1,818	(108)	-	(353)
Transfers out	(1,818)	-	-	-	-	353	-
As at 30 June 2018	-	93	65	1,818	(340)	-	(353)
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2018	(103)	(15)	-	-	(144)	-	-

(1) Sales/ settlements includes the impact of changing fund ownership percentage held via the Group's life insurance operations.

The valuation of insurance assets directly impacts the life investment contracts they are backing. The Group's exposure to other financial instruments measured at fair value based in full or in part or non-market observable inputs is restricted to a small number of financial instruments, which comprise an insignificant component of the portfolios to which they belong. As such, changes in fair value assumptions on all these instruments due to size or backing by policy holder funds generally have minimal impact on the Group's Income Statement and Shareholders' Equity.

9.5 Disclosures about Fair Value (continued)

Analysis of Movements between Fair Value Hierarchy Levels (continued)

Level 3 Movement Analysis for the year ended 30 June 2018 (continued)

			Bank
	Financial Assets		**Financial Liabilities**
	Derivative Assets $M	**Available for Sale Investments $M**	**Derivative Liabilities $M**
As at 1 July 2016	60	301	(70)
Purchases	3	-	-
Sales/settlements	-	(160)	32
Gains/(losses) in the period:			
Recognised in the Income Statement	(4)	-	8
Recognised in the Statement of Comprehensive Income	-	(2)	-
Transfers in	8	-	(73)
Transfers out	-	-	-
As at 30 June 2017	67	139	(103)
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2017	(4)	-	8
As at 1 July 2017	67	139	(103)
Purchases	-	-	-
Sales/settlements	(18)	(100)	15
Gains/(losses) in the period:			
Recognised in the Income Statement	(15)	-	(144)
Recognised in the Statement of Comprehensive Income	-	-	-
Transfers in	59	26	(108)
Transfers out	-	-	-
As at 30 June 2018	93	65	(340)
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2018	(15)	-	(144)

9.5 Disclosures about Fair Value (continued)

Fair Value Information for Financial Instruments not measured at Fair Value

The estimated fair values and fair value hierarchy of the Group's and the Bank's financial instruments not measured at fair value as at 30 June 2018 are presented below:

					Group 30 Jun 18
	Carrying value	Fair value			
	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets not measured at fair value on a recurring basis					
Cash and liquid assets	**36,417**	22,896	13,521	-	**36,417**
Receivables due from other financial institutions	**9,222**	-	9,222	-	**9,222**
Loans and other receivables	**739,085**	-	-	739,545	**739,545**
Bank acceptances of customers	**379**	379	-	-	**379**
Other assets	**5,455**	1,823	3,630	2	**5,455**
Assets held for sale	**192**	107	85	-	**192**
Total financial assets	**790,750**	25,205	26,458	739,547	**791,210**
Financial liabilities not measured at fair value on a recurring basis					
Deposits and other public borrowings	**622,234**	-	622,327	-	**622,327**
Payables due to other financial institutions	**20,899**	-	20,899	-	**20,899**
Bank acceptances	**379**	379	-	-	**379**
Debt issues	**172,294**	-	173,895	-	**173,895**
Managed funds units on issue	**-**	-	-	-	**-**
Bills payable and other liabilities	**9,271**	2,459	6,812	-	**9,271**
Loan capital	**22,992**	9,566	14,131	-	**23,697**
Liabilities held for sale	**2,621**	13	923	1,685	**2,621**
Total financial liabilities	**850,690**	12,417	838,987	1,685	**853,089**
Financial guarantees, loan commitments and other off Balance Sheet instruments	**170,586**	-	-	170,586	**170,586**

					Group 30 Jun 17
	Carrying value	Fair value			
	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets not measured at fair value on a recurring basis					
Cash and liquid assets	45,850	23,117	22,733	-	45,850
Receivables due from other financial institutions	10,037	-	10,037	-	10,037
Loans and other receivables	724,276	-	-	724,271	724,271
Bank acceptances of customers	463	463	-	-	463
Other assets	6,026	2,371	3,655	-	6,026
Total financial assets	786,652	25,951	36,425	724,271	786,647
Financial liabilities not measured at fair value on a recurring basis					
Deposits and other public borrowings	626,655	-	626,924	-	626,924
Payables due to other financial institutions	28,432	-	28,432	-	28,432
Bank acceptances	463	463	-	-	463
Debt issues	167,571	-	167,752	-	167,752
Managed funds units on issue	2,577	1,547	1,030	-	2,577
Bills payable and other liabilities	9,485	2,795	6,690	-	9,485
Loan capital	18,726	8,278	10,428	-	18,706
Total financial liabilities	853,909	13,083	841,256	-	854,339
Financial guarantees, loan commitments and other off Balance Sheet instruments	182,999	-	-	182,999	182,999

9.5 Disclosures about Fair Value (continued)

Fair Value Information for Financial Instruments not measured at Fair Value (continued)

Bank
30 Jun 18

	Carrying value	Fair value			
	Total $M	**Level 1 $M**	**Level 2 $M**	**Level 3 $M**	**Total $M**
Financial assets not measured at fair value on a recurring basis					
Cash and liquid assets	**33,581**	21,351	12,230	-	**33,581**
Receivables due from other financial institutions	**8,376**	-	8,376	-	**8,376**
Loans and other receivables	**652,370**	-	-	652,794	**652,794**
Bank acceptances of customers	**379**	379	-	-	**379**
Loans to controlled entities	**106,431**	-	-	106,509	**106,509**
Other assets	**4,717**	1,398	3,317	2	**4,717**
Total financial assets	**805,854**	23,128	23,923	759,305	**806,356**
Financial liabilities not measured at fair value on a recurring basis					
Deposits and other public borrowings	**566,200**	-	566,200	-	**566,200**
Payables due to other financial institutions	**20,014**	-	20,014	-	**20,014**
Bank acceptances	**379**	379	-	-	**379**
Due to controlled entities	**105,327**	-	-	105,309	**105,309**
Debt issues	**139,984**	-	142,064	-	**142,064**
Bills payable and other liabilities	**7,400**	1,942	5,458	-	**7,400**
Loan capital	**22,249**	9,561	13,373	-	**22,934**
Total financial liabilities	**861,553**	11,882	747,109	105,309	**864,300**
Financial guarantees, loan commitments and other off Balance Sheet instruments	**155,012**	-	-	155,012	**155,012**

Bank
30 Jun 17

	Carrying value	Fair value			
	Total $M	**Level 1 $M**	**Level 2 $M**	**Level 3 $M**	**Total $M**
Financial assets not measured at fair value on a recurring basis					
Cash and liquid assets	42,814	20,949	21,865	-	42,814
Receivables due from other financial institutions	8,678	-	8,678	-	8,678
Loans and other receivables	640,017	-	-	640,114	640,114
Bank acceptances of customers	463	463	-	-	463
Loans to controlled entities	90,765	-	-	90,797	90,797
Other assets	5,067	1,833	3,234	-	5,067
Total financial assets	787,804	23,245	33,777	730,911	787,933
Financial liabilities not measured at fair value on a recurring basis					
Deposits and other public borrowings	571,353	-	571,505	-	571,505
Payables due to other financial institutions	28,038	-	28,038	-	28,038
Bank acceptances	463	463	-	-	463
Due to controlled entities	91,222	-	-	91,222	91,222
Debt issues	134,966	-	135,621	-	135,621
Bills payable and other liabilities	7,341	2,297	5,044	-	7,341
Loan capital	17,959	8,277	9,642	-	17,919
Total financial liabilities	851,342	11,037	749,850	91,222	852,109
Financial guarantees, loan commitments and other off Balance Sheet instruments	167,415	-	-	167,415	167,415

9.5 Disclosures about Fair Value (continued)

Accounting Policy

Valuation

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. On initial recognition, the transaction price generally represents the fair value of the financial instrument, unless there is observable information from an active market that provides a more appropriate fair value.

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

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

The fair value of Over-the-Counter (OTC) derivatives includes credit valuation adjustments (CVA) for derivative assets to reflect the credit worthiness of the counterparty. Fair value of uncollateralised derivative assets and uncollateralised derivative liabilities incorporate funding valuation adjustments (FVA) to reflect funding costs and benefits to the Group. These adjustments are applied after considering any relevant collateral or master netting arrangements.

Fair Value Hierarchy

The Group utilises various valuation techniques and applies a hierarchy for valuation inputs that maximise the use of observable market data, if available.

Under AASB 13 'Fair Value Measurement' all financial and non-financial assets and liabilities measured or disclosed at fair value are categorised into one of the following three fair value hierarchy levels:

Quoted Prices in Active Markets – Level 1

This category includes assets and liabilities for which the valuation is determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Financial instruments included in this category are liquid government bonds, financial institution and corporate bonds, certificates of deposit, bank bills, listed equities and exchange traded derivatives.

Valuation Technique Using Observable Inputs – Level 2

This category includes assets and liabilities that have been valued using inputs other than quoted prices as described for Level 1, but which are observable for the asset or liability, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.

Financial instruments included in this category are commercial papers, mortgage-backed securities and OTC derivatives including interest rate swaps, cross currency swaps and FX options.

Valuation Technique Using Significant Unobservable Inputs – Level 3

This category includes assets and liabilities where the valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally derived and extrapolated from observable inputs to match the risk profile of the financial instrument, and are calibrated against current market assumptions, historic transactions and economic models, where available. These inputs may include the timing and amount of future cash flows, rates of estimated credit losses, discount rates and volatility. Financial instruments included in this category for the Group and Bank are assets backing insurance liabilities held through infrastructure funds, certain exotic OTC derivatives and certain asset-backed securities valued using unobservable inputs.

9.5 Disclosures about Fair Value (continued)

Accounting Policy (continued)

Critical accounting judgements and estimates (continued)

Valuation techniques are used to estimate the fair value of securities. When using valuation techniques the Group makes maximum use of market inputs and relies as little as possible on entity specific inputs. It incorporates all factors that the Group believes market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Data inputs that the Group relies upon when valuing financial instruments relate to counterparty credit risk, volatility, correlation and extrapolation.

Periodically, the Group calibrates its valuation techniques and tests them for validity using prices from any observable current market transaction in the same instruments (i.e. without modification or repackaging) and any other available observable market data.

9.6 Collateral Arrangements

Collateral Accepted as Security for Assets

The Group takes collateral where it is considered necessary to support both on and off Balance Sheet financial instruments. The Group evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral taken, if deemed necessary, is based on management's credit evaluation of the counterparty. The Group has the right to sell, re-pledge, or otherwise use some of the collateral received. At Balance Sheet date the carrying value of cash accepted as collateral (and recognised on the Group's and the Bank's Balance Sheets) and the fair value of securities accepted as collateral (but not recognised on the Group's or the Bank's Balance Sheets) were as follows:

	Group		Bank	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Cash	**6,884**	7,280	**6,155**	7,042
Securities	**13,520**	22,733	**12,230**	21,865
Collateral held	**20,404**	30,013	**18,385**	28,907
Collateral held which is re-pledged or sold	**-**	-	**-**	-

Assets Pledged

As part of standard terms of transactions with other banks, the Group has provided collateral to secure liabilities. At Balance Sheet date, the carrying value of assets pledged as collateral to secure liabilities were as follows:

	Group		Bank	
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Cash	**6,064**	6,307	**5,679**	5,607
Securities (1)	**15,495**	16,360	**15,604**	16,591
Assets pledged	**21,559**	22,667	**21,283**	22,198
Asset pledged which can be re-pledged or re-sold by counterparty	**15,495**	16,360	**15,604**	16,591

(1) These balances include assets sold under repurchase agreements. The liabilities related to these repurchase agreements are disclosed in Note 4.1.

The Group and the Bank have pledged collateral as part of entering repurchase and derivative agreements. These transactions are governed by standard industry agreements.

9.7 Offsetting Financial Assets and Financial Liabilities

The table below identifies amounts that have been offset on the Balance Sheet and amounts covered by enforceable netting arrangements or similar agreements that do not qualify for set off. Cash settled derivatives that trade on an exchange are deemed to be economically settled and therefore outside the scope of these disclosures.

								Group 30 Jun 18
	Subject to Enforceable Master Netting or Similar Agreements							
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
Financial Instruments	**Gross Balance Sheet Amount $M**	**Amount offset $M**	**Reported on the Balance Sheet $M**	**Financial Instruments (1) $M**	**Financial Collateral (Received)/ Pledged (1) $M**	**Net Amount $M**	**Not subject to Netting Agreements $M**	**Total Balance Sheet amount $M**
Derivative assets	36,923	(6,794)	30,129	(19,344)	(6,770)	4,015	2,004	**32,133**
Securities purchased under agreements to resell	13,520	-	13,520	(765)	(12,755)	-	-	**13,520**
Equity securities sold not delivered	516	(230)	286	-	-	286	-	**286**
Total financial assets	50,959	(7,024)	43,935	(20,109)	(19,525)	4,301	2,004	**45,939**
Derivative liabilities	(37,466)	10,149	(27,317)	19,344	4,567	(3,406)	(1,155)	**(28,472)**
Securities sold under agreements to repurchase	(14,696)	-	(14,696)	765	13,931	-	-	**(14,696)**
Equity securities purchased not delivered	(656)	230	(426)	-	-	(426)	-	**(426)**
Total financial liabilities	(52,818)	10,379	(42,439)	20,109	18,498	(3,832)	(1,155)	**(43,594)**

(1) For the purpose of this disclosure, the related amounts of financial instruments and financial collateral not set off on the Balance Sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/(liabilities) reported on the Balance Sheet, i.e. over collateralisation, where it exists, is not reflected in the tables. As a result, the above collateral balances will not correspond to the tables in Note 9.6.

9.7 Offsetting Financial Assets and Financial Liabilities (continued)

	Subject to Enforceable Master Netting or Similar Agreements							Group 30 Jun 17
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
Financial Instruments	Gross Balance Sheet Amount $M	Amount offset $M	Reported on the Balance Sheet $M	Financial Instruments [1] $M	Financial Collateral (Received)/ Pledged [1] $M	Net Amount $M	Not subject to Netting Agreements $M	Total Balance Sheet amount $M
Derivative assets	33,909	(5,501)	28,408	(18,147)	(6,236)	4,025	3,316	31,724
Securities purchased under agreements to resell	22,733	-	22,733	(1,257)	(21,289)	187	-	22,733
Equity securities sold not delivered	568	(213)	355	-	-	355	-	355
Total financial assets	57,210	(5,714)	51,496	(19,404)	(27,525)	4,567	3,316	54,812
Derivative liabilities	(35,832)	8,383	(27,449)	18,147	5,448	(3,854)	(2,881)	(30,330)
Securities sold under agreements to repurchase	(16,270)	-	(16,270)	1,257	15,013	-	-	(16,270)
Equity securities purchased not delivered	(630)	213	(417)	-	-	(417)	-	(417)
Total financial liabilities	(52,732)	8,596	(44,136)	19,404	20,461	(4,271)	(2,881)	(47,017)

(1) For the purpose of this disclosure, the related amounts of financial instruments and financial collateral not set off on the Balance Sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/(liabilities) reported on the Balance Sheet, i.e. over collateralisation, where it exists, is not reflected in the tables. As a result the above collateral balances will not correspond to the tables in Note 9.6.

9.7 Offsetting Financial Assets and Financial Liabilities (continued)

								Bank 30 Jun 18
	Subject to Enforceable Master Netting or Similar Agreements							
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
Financial Instruments	Gross Balance Sheet Amount $M	Amount offset $M	Reported on the Balance Sheet $M	Financial Instruments [1] $M	Financial Collateral (Received)/ Pledged [1] $M	Net Amount $M	Not subject to Netting Agreements $M	Total Balance Sheet amount $M
Derivative assets	35,483	(6,794)	28,689	(18,887)	(5,955)	3,847	2,196	**30,885**
Securities purchased under agreements to resell	12,230	-	12,230	(765)	(11,465)	-	-	**12,230**
Total financial assets	47,713	(6,794)	40,919	(19,652)	(17,420)	3,847	2,196	**43,115**
Derivative liabilities	(39,785)	10,149	(29,636)	18,887	4,375	(6,374)	(1,235)	**(30,871)**
Securities sold under agreements to repurchase	(14,806)	-	(14,806)	765	14,041	-	-	**(14,806)**
Total financial liabilities	(54,591)	10,149	(44,442)	19,652	18,416	(6,374)	(1,235)	**(45,677)**

(1) For the purpose of this disclosure, the related amounts of financial instruments and financial collateral not set off on the Balance Sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/(liabilities) reported on the Balance Sheet, i.e. over collateralisation, where it exists, is not reflected in the tables. As a result the above collateral balances will not correspond to the tables in Note 9.6.

9.7 Offsetting Financial Assets and Financial Liabilities (continued)

Bank
30 Jun 17

	Subject to Enforceable Master Netting or Similar Agreements							
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet				
Financial Instruments	**Gross Balance Sheet Amount $M**	**Amount offset $M**	**Reported on the Balance Sheet $M**	**Financial Instruments [1] $M**	**Financial Collateral (Received)/ Pledged [1] $M**	**Net Amount $M**	**Not subject to Netting Agreements $M**	**Total Balance Sheet amount $M**
Derivative assets	34,517	(5,501)	29,016	(18,936)	(6,133)	3,947	3,078	32,094
Securities purchased under agreements to resell	21,865	-	21,865	(1,285)	(20,420)	160	-	21,865
Total financial assets	56,382	(5,501)	50,881	(20,221)	(26,553)	4,107	3,078	53,959
Derivative liabilities	(37,450)	8,383	(29,067)	18,936	4,702	(5,429)	(3,106)	(32,173)
Securities sold under agreements to repurchase	(16,501)	-	(16,501)	1,285	15,216	-	-	(16,501)
Total financial liabilities	(53,951)	8,383	(45,568)	20,221	19,918	(5,429)	(3,106)	(48,674)

(1) For the purpose of this disclosure, the related amounts of financial instruments and financial collateral not set off on the Balance Sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/(liabilities) reported on the Balance Sheet, i.e. over collateralisation, where it exists, is not reflected in the tables. As a result the above collateral balances will not correspond to the tables in Note 9.6.

Related Amounts not Set Off on the Balance Sheet

Derivative Assets and Liabilities

The "Financial Instruments" column identifies financial assets and liabilities that are subject to set off under netting agreements, such as the ISDA Master Agreement. All outstanding transactions with the same counterparty can be offset and close-out netting applied if an event of default or other predetermined events occur. Financial collateral refers to cash and non-cash collateral obtained to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

Repurchase and Reverse Repurchase Agreements and Security Lending Agreements

The "Financial Instruments" column identifies financial assets and liabilities that are subject to set off under netting agreements, such as global master repurchase agreements and global master securities lending agreements. Under these netting agreements, all outstanding transactions with the same counterparty can be offset and close-out netting applied if an event of default or other predetermined events occur. Financial collateral typically comprises highly liquid securities which are legally transferred and can be liquidated in the event of counterparty default.

Accounting Policy

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

10. Employee Benefits

Overview

The Group employs over 50,000 people across multiple jurisdiction and remunerates its employees through both fixed and variable arrangements. This section outlines details of the share based payment and superannuation components of employee remuneration and provides an overview of key management personnel arrangements.

10.1 Share-Based Payments

The Group operates a number of cash and equity settled share plans as detailed below.

Group Leadership Reward Plan (GLRP)

The GLRP is the Group's Long-Term Variable Remuneration (LTVR) plan for the CEO and Group Executives. The GLRP focuses efforts on achieving superior performance for key stakeholders – being shareholders, customers, our people and the community–creating sustainable long-term shareholder value.

Participants are awarded a maximum number of Reward Rights, which may convert into CBA shares on a 1-for-1 basis. The Board has discretion to apply a cash equivalent.

The Reward Rights may vest at the end of a performance period of up to four years subject to the satisfaction of performance hurdles as follows:

For awards up to and including the 2017 period:

- 25% of the award is assessed against Customer Satisfaction (CS) compared to ANZ, NAB, Westpac and other key competitors for our wealth management business by reference to independent external surveys; and
- 75% of the award is assessed against Total Shareholder Return (TSR) compared the 20 largest companies listed on the ASX (by market capitalisation) at the beginning of each respective performance period, excluding resource companies and CBA.

For awards made in the 2018 period:

- 75% of the award is assessed against TSR compared the 20 largest companies listed on the ASX (by market capitalisation) at the beginning of each respective performance period, excluding resource companies and CBA.
- 12.5% of the award is assessed against a Relative Trust and Reputation measure; and
- 12.5% of the award is assessed against an Absolute Employee Engagement measure.

A positive TSR gateway applies to the Trust and Reputation and Employee Engagement measures. Refer to the Remuneration Report for further details on the GLRP.

The following table provides details of outstanding Reward Rights granted under the GLRP.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June	Expense ($'000)
30 Jun 18	**1,174,899**	**215,356**	**(174,139)**	**(537,315)**	**678,801**	**4,329**
30 Jun 17	1,250,589	295,725	(75,442)	(295,973)	1,174,899	15,658

The fair value at the grant date for TSR was $36.94 and $57.11 for both Trust and Reputation and Employee Engagement Reward Rights issued during the year (2017: $65.76 for TSR and $83.71 for CS). The fair value of the Reward Rights granted during the period has been independently calculated at grant date using a Monte Carlo pricing model based on market information and excluding the impact of non-market performance conditions. The assumptions included in the valuation of the 2018 financial year award include a risk-free interest rate of 2.12%, a 5.17% dividend yield on the Bank's ordinary shares and a volatility in the Bank share price of 15%.

Group Rights Plan (GRP) and Employee Equity Plan (EEP)

The GRP and EEP facilitate mandatory short-term variable remuneration deferral, sign-on incentives and retention awards. Participants are awarded rights or restricted shares that vest provided the participant remains in employment of the Group until vesting date. The following table provides details of outstanding awards of rights and shares granted under the GRP and EEP.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June	Expense ($'000)
30 Jun 18	**2,125,927**	**1,045,179**	**(849,508)**	**(75,394)**	**2,246,204**	**67,725**
30 Jun 17	1,795,728	1,067,588	(673,224)	(64,165)	2,125,927	70,455

The average fair value at grant date of the awards issued during the year was $75.67 (2017: $72.07).

10.1 Share-Based Payments (continued)

Employee Share Acquisition Plan (ESAP)

Under the ESAP eligible employees have the opportunity to receive up to $1,000 worth of shares each year if the Group meets the required performance hurdle of growth in the Group's net profit after tax ("cash basis"). If the hurdle is not met, the Board has discretion to determine whether a full award, a partial award or no award is made.

The number of shares a participant receives is calculated by dividing the award amount by the average price paid for CBA shares purchased during the purchase period preceding the grant date. Shares granted are restricted from sale until the earlier of three years or until such time as the participant ceases employment with the Group. Participants receive full dividend entitlements and voting rights attached to those shares.

The Group achieved the performance target for 2017 resulting in shares being awarded to each eligible employee during the financial year ended 30 June 2018. The following table provides details of shares granted under the ESAP.

Period	Allocation date	Participants	Number of Shares Allocated per Participant	Total Number of Shares Allocated	Issue Price $	Total Fair Value $
30 Jun 18	**8 Sep 2017**	**31,780**	**12**	**381,360**	**79.11**	**30,169,390**
30 Jun 17	9 Sep 2016	32,049	13	416,637	71.89	29,952,034

It is estimated that approximately $18.7 million of CBA shares will be purchased on market at the prevailing market price for the 2018 grant.

Other Employee Awards

A number of other plans are operated by the Group, including:

- The Employee Share (Performance Unit) Plan and Employee Equity Plan (EEP) Cash Settled Rights are cash-based versions of the GRP; and
- The International Employee Share Acquisition Plan which is the cash-based version of the ESAP.

The following table provides a summary of the movement in awards during the year.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June	Expense ($'000)
30 Jun 18	**458,764**	**251,284**	**(168,925)**	**(31,196)**	**509,927**	**21,405**
30 Jun 17	298,693	269,766	(77,300)	(32,395)	458,764	17,913

The average fair value at grant date of the awards issued during the year was $75.70 (2017: $71.83).

Salary Sacrifice Arrangements

The Group facilitates the purchase of CBA shares via salary sacrifice as follows:

Type	Arrangements
Salary Sacrifice	▪ Australian based employees and Non-Executive Directors can elect to sacrifice between $2,000 and $5,000 p.a. of their fixed remuneration and/or annual STVR or fees (in the case of Non-Executive Directors) ▪ Restricted from sale for a minimum of two years and a maximum of seven years or earlier, if the employee ceases employment with the Group.
Non-Executive Directors	▪ Required to defer 20% of post-tax fees until a minimum shareholding requirement of 5,000 shares is reached. ▪ Restricted from sale for ten years or when the Non-Executive Director retires from the Board if earlier.

Shares are purchased on market at the prevailing market price at that time and receive full dividend entitlements and voting rights. The following table provides details of shares granted under the Employee Salary Sacrifice Share Plan (ESSSP).

Period	Participants	Number of shares purchased	Average purchase price $	Total purchase consideration $
30 Jun 18	**983**	**41,390**	**77.68**	**3,215,222**
30 Jun 17	828	37,310	77.14	2,878,131

During the year four (2017: two) Non-Executive Directors applied $74,991 in fees (2017: $43,427) to purchase 988 shares (2017: 564 shares).

10.2 Retirement Benefit Obligations

Name of Plan	Type	Form of Benefit	Date of Last Actuarial Assessment of the Fund
Commonwealth Bank Group Super	Defined Benefits and Accumulation(1)	Indexed pension and lump sum	30 June 2015 (2)
Commonwealth Bank of Australia (UK) Staff Benefits Scheme (CBA (UK) SBS)	Defined Benefits and Accumulation(1)	Indexed pension and lump sum	30 June 2016

(1) The defined benefit formulae are generally comprised of final salary, or final average salary, and service.

(2) The actuarial assessment of the Fund as at 30 June 2018 is due to be finalised by 31 December 2018.

Regulatory Framework

Both plans operate under trust law with the assets of the plans held separately in trust. The Trustee of Commonwealth Bank Group Super is Commonwealth Bank Officers Superannuation Corporation Pty Limited. The Trustee of CBA (UK) SBS is Commonwealth Bank of Australia (UK) Staff Benefits Scheme Trustee Company Limited. Both Trustees are wholly owned subsidiaries of the Group. The Trustees do not conduct any business other than trusteeship of the plans. The plans are managed and administered on behalf of the members in accordance with the terms of each trust deed and relevant legislation. The funding of the plans complies with regulations in Australia and the UK respectively.

Funding and Contributions

An actuarial assessment as at 30 June 2015 showed Commonwealth Bank Group Super remained in funding surplus. The Bank agreed to continue contributions of $20 million per month to the plan. Employer contributions paid to the plan are subject to tax at the rate of 15% in the plan.

An actuarial assessment of the CBA (UK) SBS as at 30 June 2016 was completed in September 2017. It confirmed a funding deficit of GBP26.2 million ($44.8 million). The Bank agreed to pay deficit reduction contributions of GBP5 million ($8.7 million) per annum, paid monthly from 1 January 2018 to 31 December 2022. Deficit recovery contributions of GBP15 million ($26.6 million) per annum were paid until 31 December 2017. The Group’s expected contributions to the Commonwealth Bank Group Super and the CBA (UK) SBS for the year ended 30 June 2019 are $240 million and GBP7.6 million ($13.5 million) respectively.

10.2 Retirement Benefit Obligations (continued)

Defined Benefit Superannuation Plan

		Commonwealth Bank Group Super		CBA(UK)SBS		Total	
	Note	30 Jun 18 $M	30 Jun 17 $M	30 Jun 18 $M	30 Jun 17 $M	30 Jun 18 $M	30 Jun 17 $M
Present value of funded obligations		(2,826)	(2,910)	(645)	(656)	(3,471)	(3,566)
Fair value of plan assets		3,355	3,336	697	645	4,052	3,981
Net pension assets/(liabilities) as at 30 June		529	426	52	(11)	581	415
Amounts in the Balance Sheet:							
Assets	6.3	529	426	52	-	581	426
Liabilities	7.2	-	-	-	(11)	-	(11)
Net assets/(liabilities)		529	426	52	(11)	581	415
The amounts recognised in the Income Statement are as follows:							
Current service cost		(36)	(38)	(6)	(7)	(42)	(45)
Net interest income/(expense)		13	6	-	(1)	13	5
Employer financed benefits within accumulation division (1)		(289)	(275)	-	-	(289)	(275)
Total included in superannuation plan expense		(312)	(307)	(6)	(8)	(318)	(315)
Changes in the present value of the defined benefit obligation are as follows:							
Opening defined benefit obligation		(2,910)	(3,114)	(656)	(656)	(3,566)	(3,770)
Current service cost		(36)	(38)	(6)	(7)	(42)	(45)
Interest cost		(122)	(105)	(17)	(18)	(139)	(123)
Member contributions		(6)	(7)	-	-	(6)	(7)
Actuarial gains/(losses) from changes in demographic assumptions		-	-	-	41	-	41
Actuarial gains/(losses) from changes in financial assumptions		(25)	175	29	(84)	4	91
Actuarial gains/(losses) from changes in other assumptions		57	(9)	-	(4)	57	(13)
Payments from the plan		216	188	35	32	251	220
Exchange differences on foreign plans		-	-	(30)	40	(30)	40
Closing defined benefit obligation		(2,826)	(2,910)	(645)	(656)	(3,471)	(3,566)
Changes in the fair value of plan assets are as follows:							
Opening fair value of plan assets		3,336	3,375	645	605	3,981	3,980
Interest income		135	111	17	17	152	128
Return on plan assets (excluding interest income)		143	66	17	63	160	129
Member contributions		6	7	-	-	6	7
Employer contributions		240	240	22	29	262	269
Employer financed benefits within accumulation division		(289)	(275)	-	-	(289)	(275)
Payments from the plan		(216)	(188)	(35)	(32)	(251)	(220)
Exchange differences on foreign plans		-	-	31	(37)	31	(37)
Closing fair value of plan assets		3,355	3,336	697	645	4,052	3,981

(1) Represents superannuation contributions required by the Bank to meet its obligations to members of the defined contribution division of Commonwealth Bank Group Super.

10.2 Retirement Benefit Obligations (continued)

Economic Assumptions

	Commonwealth Bank Group Super		CBA(UK)SBS	
Economic assumptions	**30 Jun 18 %**	30 Jun 17 %	**30 Jun 18 %**	30 Jun 17 %
The above calculations were based on the following assumptions:				
Discount rate	**4. 20**	4. 20	**2. 70**	2. 60
Inflation rate	**2. 10**	2. 00	**3. 30**	3. 50
Rate of increases in salary	**2. 90**	3. 00	**4. 30**	4. 50

In addition to financial assumptions, the mortality assumptions for pensioners can materially impact the defined benefit obligations. These assumptions are age related and allowances are made for future improvement in mortality. The expected life expectancies (longevity) for pensioners are set out below:

	Commonwealth Bank Group Super		CBA(UK)SBS	
Expected life expectancies for pensioners	**30 Jun 18 Years**	30 Jun 17 Years	**30 Jun 18 Years**	30 Jun 17 Years
Male pensioners currently aged 60	**28. 8**	28. 7	**27. 6**	27. 8
Male pensioners currently aged 65	**23. 8**	23. 7	**23. 1**	23. 0
Female pensioners currently aged 60	**33. 1**	33. 0	**29. 8**	29. 7
Female pensioners currently aged 65	**28. 1**	28. 0	**25. 0**	24. 9

Sensitivity to Changes in Assumptions

The table below sets out the sensitivities of the present value of defined benefit obligations at 30 June to a change in the principal actuarial assumptions:

	Commonwealth Bank Group Super	CBA(UK)SBS
Impact of change in assumptions on liabilities	**30 Jun 18 %**	**30 Jun 18 %**
0.25% decrease in discount rate	**3. 40**	**4. 90**
0.25% increase in inflation rate	**2. 70**	**3. 30**
0.25% increase to the rate of increases in salary	**0. 50**	**0. 30**
Longevity increase of 1 year	**4. 50**	**3. 70**

Average Duration

The average duration of defined benefit obligation at 30 June is as follows:

	Commonwealth Bank Group Super	CBA(UK)SBS
	30 Jun 18 Years	**30 Jun 18 Years**
Average duration at balance date	**12**	**20**

Risk Management

The pension plans expose the Group to longevity risk, currency risk, interest rate risk, inflation risk and market risk. The Trustees perform Asset-Liability Matching (ALM) exercises to ensure the plan assets are well matched to the nature and maturities of the defined benefit obligations.

10.2 Retirement Benefit Obligations (continued)

Risk Management (continued)

The Commonwealth Bank Group Super's investment strategy comprises 40% growth and 60% defensive assets. Inflation and interest rate risks are partly mitigated by investing in long dated fixed interest securities which better match the average duration of liabilities and entering into inflation and interest rate swaps.

The allocation of assets backing the defined benefit portion of the Commonwealth Bank Group Super is as follows:

	Commonwealth Bank Group Super			
	30 Jun 18		30 Jun 17	
Asset allocations	**Fair value $M**	**% of plan asset**	Fair value $M	% of plan asset
Cash	**81**	**2. 4**	144	4. 3
Equities - Australian (1)	**253**	**7. 5**	307	9. 2
Equities - Overseas (1)	**570**	**17. 0**	520	15. 6
Bonds - Commonwealth Government (1)	**679**	**20. 2**	648	19. 4
Bonds - Semi-Government (1)	**1,179**	**35. 1**	1,107	33. 2
Bonds - Corporate and other (1)	**79**	**2. 4**	62	1. 9
Real Estate (2)	**334**	**10. 0**	367	11. 0
Derivatives (2)	**(17)**	**(0. 5)**	(18)	(0. 6)
Other (3)	**197**	**5. 9**	199	6. 0
Total fair value of plan assets	**3,355**	**100. 0**	3,336	100. 0

(1) Values based on prices or yields quoted in an active market.
(2) Values based on non-quoted information.
(3) These are alternative investments which are not included in the traditional asset classes of equities, fixed interest securities, real estate and cash. They include multi-asset investments, liquid alternative investments and hedge funds.

The Australian equities fair value includes $15 million of Commonwealth Bank shares. The real estate fair value includes $1.5 million of property assets leased to the Bank. The bonds – corporate and other fair value includes $0.1 million of Commonwealth Bank debt securities. The other asset allocation includes $0.3 million of Commonwealth Bank shares and $0.1 million debt securities held in a multi-asset fund.

10.3 Key Management Personnel

Detailed remuneration disclosures by Key Management Personnel (KMP) are provided in the Remuneration Report of the Directors' Report on pages 10 to 33 and have been audited.

	Group		Bank	
Key Management Personnel compensation	**30 Jun 18 $'000**	30 Jun 17 (1) $'000	**30 Jun 18 $'000**	30 Jun 17 (1) $'000
Short-term benefits	**23,089**	18,205	**23,089**	18,205
Post-employment benefits	**421**	438	**421**	438
Long-term benefits	**854**	359	**854**	359
Share-based payments	**11,234**	15,966	**11,234**	15,966
Total	**35,598**	34,968	**35,598**	34,968

(1) Comparatives have been restated to include the provision of partner travel costs (including associated fringe benefits tax).

10.3 Key Management Personnel (continued)

Security holdings

Details of the aggregate security holdings of KMP are set out below.

	Class [1]	Balance 1 July 17	Acquired/ Granted as Remuneration	Previous Years Awards Vested [2]	Net Change Other [3]	Balance 30 June 18 [4]
Non-Executive Directors	Ordinary [5]	171,693	1,617	-	(34,904)	**138,406**
	PERLS	11,070	-	-	(2,470)	**8,600**
Executives [6]	Ordinary	505,701	-	-	(338,120)	**167,581**
	LTVR - Reward Rights	1,029,620	215,356	(125,841)	(738,987)	**380,148**
	Deferred Rights	29,609	2,896	(14,798)	38,816	**56,523**
	PERLS	-	-	-	330	**330**

(1) LTVR reward rights are subject to performance hurdles. Deferred rights represent the deferred STVR awarded under Executive General Manager arrangements, sign-on and retention awards received as rights. PERLS include cumulative holdings of all PERLS securities issued by the Group.

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

(3) Net change other incorporates changes resulting from purchases, sales, forfeitures and appointment or departure of KMP during the year. It also includes a portion of deferred rights and/or LTVR reward rights forfeited as a result of individual and collective accountability in relation to the APRA Prudential Inquiry.

(4) 30 June 18 balances represent aggregate shareholdings of all KMP at balance date.

(5) Non-Executive Directors who hold fewer than 5,000 Commonwealth Bank shares are required to receive 20% of their total after-tax base fees as CBA shares. These shares are subject to a 10-year trading restriction (the shares will be released earlier if the director leaves the Board).

(6) Anna Lenahan holds 2,000 Capital Notes.

Loans to KMP

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

Details of aggregate loans to KMP are set out below:

	30 Jun 18 $'000	30 Jun 17 $'000
Loans	**12,914**	12,145
Interest charged	**476**	406

Other transactions of KMP

Financial Instrument Transactions

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

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

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

Transactions other than Financial Instrument Transactions of Banks

All other transactions with KMP and their related entities and other related parties are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. These transactions principally involve the provision of financial and investment services by entities not controlled by the Group. A related party of an Executive who has also been employed by the Group, and is remunerated in a manner consistent with normal employee relationships.

Services Agreements

The maximum contingent liability for termination benefits in respect of service agreements with the Chief Executive Officer and other Group KMP at 30 June 2018 was $3,096,820 (2017: $5,614,191).

11. Group Structure

Overview

The Group Structure includes the Bank legal entity and its interests in operating and special purpose subsidiaries, joint ventures and associates. These entities were either acquired or established and their classification is driven by the Bank's level of control or influence.

These entities operating activities include banking, advice, funds management, specialised customer financing and asset backed financing across multiple jurisdictions.

11.1 Investments in Subsidiaries and Other Entities

Subsidiaries

The key subsidiaries of the Bank are:

Entity Name	Entity Name
Australia	
(a) Banking	
CBA Covered Bond Trust	Medallion Trust Series 2015-1
Commonwealth Securities Limited	Medallion Trust Series 2015-2
Medallion Trust Series 2008-1R	Medallion Trust Series 2016-1
Medallion Trust Series 2011-1	Medallion Trust Series 2016-2
Medallion Trust Series 2013-1	Medallion Trust Series 2017-1
Medallion Trust Series 2013-2	Medallion Trust Series 2017-1P
Medallion Trust Series 2014-1	Medallion Trust Series 2017-2
Medallion Trust Series 2014-2	Residential Mortgage Group Pty Ltd
(b) Insurance and Funds Management	
Capital 121 Pty Limited	Commonwealth Insurance Limited
Colonial Holding Company Limited	The Colonial Mutual Life Assurance Society Limited (1)
Commonwealth Insurance Holdings Limited	

All the above subsidiaries are 100% owned and incorporated in Australia.

Entity Name	**Extent of Beneficial Interest if not 100%**	**Incorporated in**
New Zealand and Other Overseas		
(a) Banking		
ASB Bank Limited		New Zealand
ASB Covered Bond Trust		New Zealand
ASB Finance Limited		New Zealand
ASB Holdings Limited		New Zealand
ASB Term Fund		New Zealand
CommBank Europe Limited		Malta
Medallion NZ Series Trust 2009-1R		New Zealand
PT Bank Commonwealth	99%	Indonesia
(b) Insurance and Funds Management		
ASB Group (Life) Limited (1)		New Zealand
PT Commonwealth Life	80%	Indonesia
Sovereign Assurance Company Limited (1)		New Zealand

(1) These Subsidiaries are part of the Group's discontinued operations and include the Group's Life Insurance businesses in Australia and New Zealand.

11.1 Investments in Subsidiaries and Other Entities (continued)

Subsidiaries (continued)

The Group also consolidates a number of unit trusts and other companies as part of the ongoing investment activities of the life insurance and wealth businesses. These investment vehicles are excluded from the above list.

Significant Judgements and Assumptions

Control and Voting Rights

Holding more than 50% of an entity's voting rights typically indicates that the Group has control over the entity. Significant judgement is involved where the Group either holds more than 50% of the voting rights but does not control an entity, or where the Group is deemed to control an entity despite holding less than 50% of the voting rights.

Agent or principal

The Group is deemed to have power over an investment fund when it holds either the responsible entity (RE) and/or the manager function of that fund. Whether that power translates to control depends on whether the Group is deemed to act as an agent or a principal of that fund. Management have determined that the Group acts as a principal and controls a fund when it cannot be easily removed as a manager or RE by investors and when its economic interest in that fund is substantial compared to the economic interest of other investors. In all other cases the Group acts as agent and does not control the fund.

Non-Controlling Interests

	Group	
	30 Jun 18	30 Jun 17
	$M	$M
Shareholders' Equity	**554**	546
Total non-controlling interests	**554**	546

The share capital above comprises predominantly New Zealand Perpetual Preference Shares (PPS) of AUD505 million.

On 10 December 2002, ASB Capital Limited, a New Zealand subsidiary, issued NZD200 million (AUD182 million) of PPS. The PPS were issued into the New Zealand capital markets and are subject to New Zealand law. These shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly based on the New Zealand one year swap rate plus a margin of 1.3% and are non-cumulative. The payments of dividends are subject to a number of conditions including the satisfaction of solvency tests and the ability of the Board to cancel payments.

On 22 December 2004, ASB Capital No.2 Limited, a New Zealand subsidiary, issued NZD350 million (AUD323 million) of PPS. The PPS were issued into the New Zealand capital markets and are subject to New Zealand law. These shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly on the New Zealand one year swap rate plus a margin of 1.0% and are non-cumulative. The payments of dividends are subject to a number of conditions including the satisfaction of solvency tests and the ability of the Board to cancel payments.

ASB Capital Limited and ASB Capital No.2 Limited have advanced proceeds from the above public issues to ASB Funding Limited, a New Zealand subsidiary. ASB Funding Limited in turn invested the proceeds in PPS issued by ASB Limited (ASB PPS), also a New Zealand subsidiary. In relation to ASB Capital No.2 Limited, if an APRA Event occurs, the loan to ASB Funding Limited will be repaid and ASB Capital No.2 Limited will become the holder of the corresponding ASB PPS.

The PPS may be purchased by a Commonwealth Bank subsidiary exercising a buy-out right five years or more after issue, or on the occurrence of regulatory or tax events.

Significant Restrictions

There were no significant restrictions on the ability to transfer cash or other assets, pay dividends or other capital distributions, provide or repay loans and advances between the entities within the Group. There were also no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group resulting from protective rights of non-controlling interests.

Associates and Joint Ventures

There were no individually significant investments in associates or joint ventures held by the Group as at 30 June 2018 and 30 June 2017. In addition, there were no significant restrictions on the ability of associates or joint ventures to transfer funds to the Bank or its subsidiaries in the form of cash dividends or to repay loans or advances made.

11.1 Investments in Subsidiaries and Other Entities (continued)

The Group's investments in associates and joint ventures are shown in the table below.

							Group
	30 Jun 18 $M	30 Jun 17 $M	**30 Jun 18 Ownership Interest %**	30 Jun 17 Ownership Interest %	Principal Activities	Country of Incorporation	Balance Date
AHL Holdings Pty Limited (1)	**-**	288	**-**	80	Mortgage Broking	Australia	30-Jun
Bank of Hangzhou Co., Ltd	**1,680**	1,412	**18**	18	Commercial Banking	China	31-Dec
BoCommLife Insurance Company Limited (2)	**-**	151	**38**	38	Insurance	China	31-Dec
First State European Diversified Infrastructure Fund FCP-SIF	**121**	116	**3**	3	Funds Management	Luxembourg	31-Dec
Qilu Bank Co., Ltd	**638**	445	**18**	20	Commercial Banking	China	31-Dec
Vietnam International Commercial Joint Stock Bank	**210**	186	**20**	20	Commercial Banking	Vietnam	31-Dec
Other	**193**	180	**Various**	Various	Various	Various	Various
Carrying amount of investments in associates and joint ventures	**2,842**	2,778					

(1) On 25 August 2017, the Group acquired the remaining 20% holding in AHL Holdings Pty Limited (trading as Aussie Home Loans) (AHL). Further information is set out in Note 11.4. In the prior period, the Group's 80% interest in AHL (trading as Aussie Home Loans) was jointly controlled, as the key financial and operating decisions required the unanimous consent of all Directors. The Group's maximum exposure to loss in relation to its investment was its carrying value, The total assets of Aussie Home Loans in 2017 were $292 million.

(2) On 23 May 2018, the Group entered an agreement to dispose of its stake in BoCommLife. The investment of $401 million has been reclassified as held for sale subject to the completion of the sale.

		Group
Share of Associates' and Joint Ventures profits (1)	**30 Jun 18 $M**	30 Jun 17 $M
Operating profits before income tax	**321**	354
Income tax expense	**(52)**	(81)
Operating profits after income tax (2)	**269**	273

(1) Excludes information concerning associates and joint ventures classified as held for sale.

(2) This amount is recognised within Note 2.3 in the share of profits of associates and joint ventures net of impairment.

Structured Entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on the Group's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases it may sponsor or have exposure to such an entity but not consolidate it.

Consolidated Structured Entities

The Group has the following contractual arrangements which require it to provide financial support to its structured entities.

Securitisation Structured Entities

The Group provides liquidity facilities to Medallion, Medallion NZ and Swan structured entities. The liquidity facilities can only be drawn to cover cash flow shortages relating to mismatches in timing of cash inflows due from securitised asset pools and cash outflows due to note holders. These 'timing mismatch' facilities rank pari passu with other senior secured creditors. The facilities limit is $857 million (2017: $773 million).

The Group has no contractual obligations to purchase assets from its securitisation structured entities.

Covered Bonds Trust

The Group provides funding and support facilities to CBA Covered Bond Trust and ASB Covered Bond Trust (the 'Trusts'). The Trusts are bankruptcy remote SPVs that guarantee any debt obligations owing under the US$30 billion CBA Covered Bond Programme and the EUR7 billion ASB Covered Bond Programme, respectively. The funding facilities allow the Trusts to hold sufficient residential mortgage loans to support the guarantees provided to the Covered Bonds. The Group also provides various swaps to the Trusts to hedge any interest rate and currency mismatches. The Group, either directly or via its wholly owned subsidiaries, Securitisation Advisory Services Pty Limited and Securitisation Management Services Limited, provides various services to the Trusts including servicing and monitoring of the residential mortgages.

11.1 Investments in Subsidiaries and Other Entities (continued)

Consolidated Structured Entities (continued)

Structured Asset Finance Structured Entities

The Group has no contractual obligation to provide financial support to any of its Structured Asset Finance structured entities.

During the year ended 30 June 2018, the Bank entered into a debt forgiveness arrangement with three wholly owned structured entities for the total of $17 million (2017: $11 million). The financial impact of the debt forgiveness was fully eliminated on consolidation.

Unconsolidated Structured Entities

The Group has exposure to various securitisation vehicles via Residential Mortgage-backed Securities (RMBS) and Asset-backed Securities (ABS). The Group may also provide derivatives and other commitments to these vehicles. The Group also has exposure to Investment Funds and other financing vehicles.

Securitisations

Securitisations involve transferring assets into an entity that sells beneficial interests to investors through the issue of debt and equity notes with varying levels of subordination. The notes are collateralised by the assets transferred to these vehicles and pay a return based on the returns of those assets, with residual returns paid to the most subordinated investor.

The Group may trade or invest in RMBS and ABS which are backed by Commercial Properties, Consumer Receivables, Equipment and Auto Finance. The Group may also provide lending, derivatives, liquidity and commitments to these securitisation entities.

Other Financing

Asset-backed entities are used to provide tailored lending for the purchase or lease of assets transferred by the Group or its clients. The assets are normally pledged as collateral to the lenders. The Group engages in raising finance for assets such as aircraft, trains, vessels and other infrastructure. The Group may also provide lending, derivatives, liquidity and commitments to these entities.

Investment Funds

The Group conducts investment management and other fiduciary activities as responsible entity, trustee, custodian, advisor or manager for investment funds and trusts, including superannuation and approved deposit funds, wholesale and retail trusts. The Group's exposure to Investment Funds includes holding units in the investment funds and trusts, providing lending facilities, derivatives and receiving fees for services.

The nature and extent of the Group's interests in these entities are summarised below. Interests do not include plain vanilla derivatives (e.g. interest rate swaps and currency swaps) and positions where the Group creates rather than absorbs variability of the Structured Entity, for example deposits. These have been excluded from the below table.

					30 Jun 18
Exposures to unconsolidated structured entities	**RMBS $M**	**ABS $M**	**Other Financing $M**	**Investment Funds $M**	**Total $M**
Assets at fair value through income statement - trading	**22**	**-**	**-**	**43**	**65**
Available-for-sale investments	**7,233**	**652**	**-**	**224**	**8,109**
Loans, bills discounted and other receivables	**3,056**	**1,576**	**2,892**	**8,089**	**15,613**
Other assets	**-**	**-**	**-**	**401**	**401**
Assets held for sale	**-**	**-**	**-**	**824**	**824**
Total on Balance Sheet exposures	**10,311**	**2,228**	**2,892**	**9,581**	**25,012**
Total notional amounts of off Balance Sheet exposures (1)	**2,027**	**674**	**454**	**4,302**	**7,457**
Total maximum exposure to loss	**12,338**	**2,902**	**3,346**	**13,883**	**32,469**
Total assets of the entities (2)	**52,230**	**9,869**	**12,032**	**332,443**	**406,574**

(1) Relates to undrawn facilities.

(2) Size of the entities is generally the total assets of the entities, except for Real Estate Investment Trusts where the size is based on the Group's credit exposure of $9.7 billion.

11.1 Investments in Subsidiaries and Other Entities (continued)

Unconsolidated Structured Entities (continued)

					30 Jun 17
Exposures to unconsolidated structured entities	**RMBS $M**	**ABS $M**	**Other Financing $M**	**Investment Funds $M**	**Total $M**
Assets at fair value through income statement - trading	10	-	-	828	838
Available-for-sale investments	6,824	701	-	212	7,737
Loans, bills discounted and other receivables	2,573	1,589	2,589	7,410	14,161
Other assets (1)	-	-	-	419	419
Total on Balance Sheet exposures	9,407	2,290	2,589	8,869	23,155
Total notional amounts of off Balance Sheet exposures (2)	1,348	1,658	668	5,837	9,511
Total maximum exposure to loss	10,755	3,948	3,257	14,706	32,666
Total assets of the entities (3)	62,805	19,017	9,736	325,941	417,499

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Relates to undrawn facilities
(3) Size of the entities is generally the total assets of the entities, except for Real Estate Investment Trusts where the size is based on the Group's credit exposure of $10.7 billion.

The Group's exposure to loss depends on the level of subordination of the interest which indicates the extent to which other parties are obliged to absorb credit losses before the Group. An overview of the Group's interests, relative ranking and external credit rating, for vehicles that have credit subordination in place, is summarised in the table below, and include securitisation vehicles and other financing.

				30 Jun 18
Ranking and credit rating of exposures to unconsolidated structured entities	**RMBS $M**	**ABS $M**	**Other Financing $M**	**Total $M**
Senior (1)	12,254	2,902	3,346	**18,502**
Mezzanine (2)	84	-	-	**84**
Total maximum exposure to loss	12,338	2,902	3,346	**18,586**

(1) All ABS exposures, $12,240 million of RMBS exposures and $1,647 million of other financing exposures are rated investment grade. $14 million of RMBS and $1,699 million of other financing exposures are sub-investment grade.
(2) All RMBS and ABS exposures are rated investment grade.

				30 Jun 17
Ranking and credit rating of exposures to unconsolidated structured entities	**RMBS $M**	**ABS $M**	**Other Financing $M**	**Total $M**
Senior (1)	10,727	3,936	3,257	17,920
Mezzanine (2)	13	12	-	25
Subordinated (3)	15	-	-	15
Total maximum exposure to loss	10,755	3,948	3,257	17,960

(1) All RMBS and ABS exposures, and $1,776 million of other financing exposures are rated investment grade, $1,481 million of other financing exposures are sub-investment grade.
(2) All RMBS and ABS exposures are rated investment grade.
(3) All exposures are rated sub-investment grade.

11.1 Investments in Subsidiaries and Other Entities (continued)

Unconsolidated Structured Entities (continued)

Sponsored Unconsolidated Structured Entities

For the purposes of this disclosure, the Group sponsors an entity when it manages or advises the entity's program, places securities into the market on behalf of the entity, provides liquidity and/or credit enhancements to the entity, or the Group's name appears in the Structured Entity.

As at 30 June 2018, the Group has not sponsored any unconsolidated structured entities.

Accounting Policy

Subsidiaries

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

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

Consolidation of Structured Entities

The Group exercises judgement at inception and periodically thereafter, to assess whether that structured entity should be consolidated based on the Bank's power over the relevant activities of the entity and the significance of its exposure to variable returns of the structured entity. Such assessments are predominately required for the Group's securitisation program, structured transactions and involvement with investment funds.

Transactions between subsidiaries in the Group are eliminated. Non-controlling interests and the related share of profits in subsidiaries are shown separately in the consolidated Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, and Balance Sheet. Subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated when control ceases. Subsidiaries are accounted for at cost less accumulated impairments at the Bank level.

Business Combinations

Business combinations are accounted for using the acquisition method. At the acquisition date, the cost of the business is the fair value of the purchase consideration, measured as the aggregate of the fair values of assets transferred, equity instruments issued, or liabilities incurred or assumed at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at fair value on the acquisition date. Goodwill represents the excess of the fair value of the purchase consideration over the fair value of the Group's share of assets acquired and liabilities and contingent liabilities assumed on the date of acquisition. If there is a deficit instead, this discount on acquisition is recognised directly in the consolidated Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Investments in Associates and Joint Ventures

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

The Group assesses, at each Balance Sheet date, whether there is any objective evidence of impairment. The main indicators of impairment are as for equity securities classified as available-for-sale (Note 5.5). If there is an indication that an investment may be impaired, then the entire carrying amount of the investment in associate or joint venture is tested for impairment by comparing the recoverable amount (higher of value in use and fair value less disposal costs) with the carrying amount. Impairment losses recognised in the Income Statement are subsequently reversed through the Income Statement if there has been a change in the estimates used to determine recoverable amount since the impairment loss was recognised.

11.2 Related Party Disclosures

A number of banking transactions are entered into with related parties in the normal course of business on an arm's length basis. These include loans, deposits and foreign currency transactions, upon which some fees and commissions may be earned. Details of amounts paid or received from related parties, in the form of dividends or interest, are set out in Note 8.4 and 2.1.

The Bank's aggregate investments in, and loans to controlled entities are disclosed in the table below. Amounts due to controlled entities are disclosed in the Balance Sheet of the Bank.

		Bank
	30 Jun 18 $M	30 Jun 17 $M
Shares in controlled entities	**11,821**	10,572
Loans to controlled entities	**106,431**	90,765
Total shares in and loans to controlled entities	**118,252**	101,337

The Group also receives fees on an arm's length basis of $118 million (2017: $53 million) from funds classified as associates.

The Bank provides letters of comfort to other entities within the Group on standard terms. Guarantees include a $175 million (2017: $50 million) guarantee to AFS license holders in respect of excess compensation claims.

The Bank is the head entity of the tax consolidated group and has entered into tax funding and tax sharing agreements with its eligible Australian resident subsidiaries. The terms and conditions of these agreements are set out in Note 2.5. The amount receivable by the Bank under the tax funding agreement with the tax consolidated entities is $283 million as at 30 June 2018 (2017: $302 million receivable). This balance is included in 'Other assets' in the Bank's separate Balance Sheet.

All transactions between Group entities are eliminated on consolidation.

Accounting Policy

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or a separate party controls both. The definition includes subsidiaries, associates, joint ventures, pension plans as well as other persons.

11.3 Discontinued Operations and Operations under Strategic Review

Discontinued Operations

During the 2018 financial year the Group announced the sale of 100% of its life insurance businesses in Australia (CommInsure Life) and New Zealand (Sovereign) to AIA Group Limited (AIA) for $3.8 billion.

The sale agreement includes a 20-year partnership with AIA for the provision of life insurance products to customers in Australia and New Zealand. The sale of Sovereign completed on 2 July 2018, resulting in a total post tax gain of $102 million (inclusive of separation costs and subject to final tax calculations and purchase price adjustments). This has also been reported as a subsequent event.

The sale of CommInsure Life remains subject to certain conditions and regulatory approvals, and is expected to be completed later in calendar year 2018.

On 23 May 2018 CBA announced the sale of its 37.5% equity interest in BoComm Life Insurance Company Limited (BoComm Life) to Mitsui Sumitomo Insurance Co. Ltd (MSI). Completion of the sale is subject to regulatory approvals in China, and is a condition precedent to completion of the CommInsure Life sale.

The Group is currently exploring options for the most suitable long-term structure for TymeDigital with African Rainbow Capital, a minority shareholder in TymeDigital.

CommInsure Life currently forms part of the Wealth Management segment, Sovereign forms part of the New Zealand segment while BoComm Life and TymeDigital form part of the IFS and Other segment. All are discontinued operations within each segment. The comparative Income Statement and Statement of Comprehensive Income of the Group have been restated to disclose discontinued operations separately from continuing operations.

11.3 Discontinued Operations and Operations under Strategic Review

Operations under Strategic Review

On 25 June 2018, CBA announced its intention to demerge its wealth management and mortgage broking businesses, and will undertake a strategic review of its general insurance business, including a potential sale. The demerged business (NewCo) will include Colonial First State, Colonial First State Global Asset Management (CFSGAM), Count Financial, Financial Wisdom and Aussie Home Loans (AHL) and the Group's minority interests in Mortgage Choice and Countplus. The implementation of the demerger is subject to final CBA Board, shareholder and regulatory approvals under a scheme of arrangement. If approved, the demerger is expected to be implemented in calendar year 2019. Due to the uncertain timing of the completion of the demerger, NewCo is included in continuing operations.

Financial Impact of Discontinued Operations on the Group

The performance and net cash flows of the Group's interest in CommInsure Life, Sovereign, BoComm Life and TymeDigital are set out in the tables below. The balance sheet of the Group's interest in CommInsure Life, Sovereign and BoComm Life are set out in the table on page 163. TymeDigital is a discontinued operation but has not been classified as held for sale.

	Full Year Ended (1)		
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M
Net interest income	**1**	(9)	(2)
Other banking income	**15**	17	13
Net banking operating income	**16**	8	11
Net funds management operating income	**109**	123	145
Net insurance operating income	**676**	604	805
Net operating income before operating expenses	**801**	735	961
Operating expenses (2)	**(554)**	(456)	(477)
Net profit before tax	**247**	279	484
Corporate tax expense	**(98)**	(81)	(105)
Policyholder tax	**(59)**	(32)	(101)
Net profit after tax and before transaction and separation costs	**90**	166	278
Transaction and separation costs	**(136)**	-	-
Non-controlling interests	**-**	(4)	-
Net profit after income tax from discontinued operations attributable to equity holders of the Bank	**(46)**	162	278

(1) Comparative information has been restated to conform to presentation in the current period.
(2) Includes impairment due to the reclassification of TymeDigital as a discontinued operation.

	Full Year Ended (1)		
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M
Net cash used in operating activities	**(801)**	(1,132)	(759)
Net cash from investing activities	**862**	1,205	1,060
Net cash used in financing activities	**(82)**	(6)	(287)
Net cash inflows/(outflows) from discontinued operations	**(21)**	67	14

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

11.3 Discontinued Operations and Operations under Strategic Review (continued)

Discontinued Operations

	As at (1) 30 June 18 $M
Assets held for sale	
Cash and liquid assets	**108**
Insurance assets at fair value through Income Statement	**11,867**
Intangible assets	**1,372**
Property, plant and equipment	**1,225**
Investment in associates and joint ventures	**401**
Other assets	**653**
Total assets (2)	**15,626**
Liabilities held for sale	
Insurance policy liabilities	**11,188**
Deferred tax liabilities	**763**
Deposits and other public borrowings	**871**
Managed funds units on issue	**1,698**
Other liabilities	**380**
Total liabilities	**14,900**

(1) Intragroup balances have been eliminated; however will impact the final gain/loss on disposal of the discontinued operations.

(2) Excludes businesses or assets that are held for sale, which do not form part of the Group's discontinued operations.

11.4 Acquisition of Controlled Entities

On 25 August 2017, the Group acquired the remaining 20% of the issued share capital of AHL Holdings Pty Limited ("AHL") for $164 million purchase consideration in the form of CBA shares. Following acquisition of the remaining 20% issued share capital of AHL, the Group controls and consolidates AHL. AHL is the parent of the "Aussie" group of entities. Aussie predominantly operates as a mortgage broker and originator.

On 23 February 2018, the Group completed the acquisition of eChoice's operating assets and intellectual property for $5 million.

The fair value of the identifiable assets acquired and liabilities assumed as at the acquisition date for both AHL and eChoice are as follows:

			Group
	30 Jun 18 **$M**	30 Jun 17 $M	30 Jun 16 $M
Net identifiable assets at fair value (1)	**55**	16	553
Add: Goodwill	**446**	16	304
Less: Fair value of previously held interests (2)	**(332)**	-	-
Purchase consideration	**169**	32	857
Less: Cash and cash equivalents acquired	**(31)**	(1)	-
Less: Non-cash consideration	**(164)**	-	-
Net cash (inflow)/outflow on acquisition for cash flow statement (3)	**(26)**	31	857

(1) This balance includes $67 million of acquired intangible assets in the form of Aussie customer-broker relationships and the Aussie Brand name, $19 million of deferred tax liabilities relating to intangible assets, $4 million of software related to eChoice and $7 million of tangible assets related to Aussie. The Aussie Brand has an indefinite useful life. The carrying value of all acquired net tangible assets approximate their fair values.

(2) As a result of remeasuring its equity interest in AHL to fair value, the Group recognised a gain of $58 million calculated as the difference between the carrying value of the 80% investment ($274 million) and the fair value ($332 million) of this previously held interest.

(3) For the purpose of the statements of cash flow, presentation of cash inflows will be positive and outflows negative.

12. Other Information

Overview

This section includes other information about the Group's operations that is disclosed to provide a more complete view of our business. It includes customer related commitments and contingent liabilities that arise in the ordinary course of business through certain lending arrangements. In addition, it covers the impact of adopting new accounting standards, notes to the statement of cash flows, lease commitments and remuneration of auditors. Finally, details of events that have taken place subsequent to the balance sheet date are provided.

12.1 Contingent Liabilities, Contingent Assets and Commitments arising from the banking business

Details of contingent liabilities and off Balance Sheet instruments are presented below and in Note 7.1 Other Provisions-Litigations, investigations and reviews. The face (contract) value represents the maximum potential amount that could be lost if the counterparty fails to meet its financial obligations. The credit equivalent amounts are a measure of potential loss to the Group in the event of non-performance by the counterparty. The credit commitments shown in the table below also constitute contingent assets. These commitments would be classified as loans and other assets in the Balance Sheet should they be drawn upon by the customer.

				Group
		Face Value		**Credit Equivalent**
Credit risk related instruments	**30 Jun 18 $M**	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Guarantees	**6,265**	7,424	**5,185**	7,424
Documentary letters of credit	**761**	1,183	**753**	1,168
Performance related contingents	**4,610**	2,133	**2,531**	2,127
Commitments to provide credit	**162,090**	173,555	**157,636**	167,205
Other commitments	**1,470**	837	**1,470**	835
Total credit risk related instruments	**175,196**	185,132	**167,575**	178,759

				Bank
		Face Value		**Credit Equivalent**
Credit risk related instruments	**30 Jun 18 $M**	30 Jun 17 $M	**30 Jun 18 $M**	30 Jun 17 $M
Guarantees	**5,835**	7,037	**4,754**	7,037
Documentary letters of credit	**720**	1,098	**715**	1,086
Performance related contingents	**4,593**	2,133	**2,514**	2,127
Commitments to provide credit	**147,098**	158,567	**144,102**	153,638
Other commitments	**1,360**	713	**1,360**	711
Total credit risk related instruments	**159,606**	169,548	**153,445**	164,599

12.1 Contingent Liabilities, Contingent Assets and Commitments arising from the banking business (continued)

Accounting Policy

Credit default financial guarantees are unconditional undertakings given to support the obligations of a customer to third parties. Other forms of financial guarantees include documentary letters of credit which are undertakings by the Group to pay or accept drafts drawn by a supplier of goods against presentation of documents in the event of payment default by a customer. Financial guarantees are recognised within other liabilities and initially measured at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Income Statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is recorded in the Income Statement. The premium received is recognised in the Income Statement in other operating income on a straight line basis over the life of the guarantee.

Performance related contingents are undertakings that oblige the Group to pay third parties should a customer fail to fulfil a contractual non-monetary obligation. Performance related contingents are performance guarantees and do not meet the definition of a financial guarantee, because they do not transfer credit risk. Performance guarantees are recognised when it is probable that an obligation has arisen. The amount of any provision is the best estimate of the amount required to fulfil the obligation.

Commitments to provide credit include all obligations on the part of the Group to provide credit facilities (unutilised credit lines or undrawn portions of credit lines) against which clients can borrow money under defined terms and conditions. As facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. Loan commitments that are cancellable by the Group are not recognised on the Balance Sheet. Upon a loan drawdown by the counterparty, the amount of the loan is accounted for in accordance with accounting policies for loans and receivables. Irrevocable loan commitments are not recorded in the Balance Sheet, but a provision is recognised if it is probable that a loss has been incurred and a reliable estimate of the amount can be made. Other commitments to provide credit include commitments with certain drawdowns, standby letters of credit and bill endorsements.

12.2 Lease Commitments

		Group		Bank
	30 Jun 18	30 Jun 17	**30 Jun 18**	30 Jun 17
	$M	$M	**$M**	$M
Lease Commitments - Property, Plant and Equipment				
Due within one year	**681**	662	**619**	603
Due after one year but not later than five years	**1,764**	1,826	**1,593**	1,641
Due after five years	**1,811**	2,160	**1,658**	1,951
Total lease commitments - property, plant and equipment	**4,256**	4,648	**3,870**	4,195

Lease Arrangements

Operating leases are entered into to meet the business needs of entities in the Group. Leases are primarily over commercial and retail premises and plant and equipment.

Lease rentals are determined in accordance with market conditions when leases are entered into or on rental review dates.

The total expected future sublease payments to be received are $88 million as at 30 June 2018 (2017: $99 million).

12.3 Notes to the Statements of Cash Flows

(a) Reconciliation of Net Profit after Income Tax to Net Cash provided by/ (used in) Operating Activities

	Group			Bank	
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Net profit after income tax	**9,348**	9,952	9,243	**8,875**	8,979
Increase in interest receivable	**(62)**	(14)	(148)	**(17)**	21
Increase/(decrease) in interest payable	**112**	(26)	(312)	**243**	(5)
Net decrease/(increase) in assets at fair value through Income Statement (excluding life insurance)	**1,536**	2,788	(8,538)	**2,079**	3,372
Net loss/(gain) on sale of controlled entities and associates	**184**	(2)	-	**172**	-
Net movement in derivative assets/liabilities	**3,381**	(492)	5,988	**4,830**	(3,509)
Net loss/(gain) on sale of property, plant and equipment	**17**	(6)	21	**17**	3
Equity accounting profit	**(287)**	(292)	(289)	**7**	-
Loan impairment expense	**1,079**	1,095	1,256	**963**	1,040
Depreciation and amortisation (including asset write downs)	**968**	1,229	857	**777**	1,035
(Decrease)/increase in liabilities at fair value through Income Statement (excluding life insurance)	**(258)**	121	1,651	**(41)**	1,550
Increase/(decrease) in other provisions	**156**	114	(78)	**205**	113
(Decrease)/increase in income taxes payable	**(461)**	603	486	**(484)**	570
Increase/(decrease) in deferred tax liabilities	**400**	(14)	(162)	**-**	-
(Increase)/decrease in deferred tax assets	**(538)**	(573)	66	**(106)**	(587)
Decrease/(increase) in accrued fees/reimbursements receivable	**20**	(238)	137	**(68)**	20
Increase/(decrease) in accrued fees and other items payable	**631**	18	(150)	**801**	(62)
Decrease in life insurance contract policy liabilities	**(836)**	(1,240)	(991)	**-**	-
Cash flow hedge ineffectiveness	**(4)**	(20)	5	**4**	3
(Gain)/loss on changes in fair value of hedged items	**(765)**	799	(642)	**(763)**	1,829
Dividend received - controlled entities	**-**	-	-	**(2,085)**	(1,200)
Changes in operating assets and liabilities arising from cash flow movements	**(15,461)**	(15,228)	(13,640)	**(15,771)**	(14,907)
Other	**1,949**	619	679	**1,953**	552
Net cash provided by/(used in) operating activities	**1,109**	(807)	(4,561)	**1,591**	(1,183)

(b) Reconciliation of Cash

For the purposes of the Statements of Cash Flows, cash includes cash and money at short call.

	Group			Bank	
	30 Jun 18 $M	30 Jun 17 $M	30 Jun 16 $M	**30 Jun 18 $M**	30 Jun 17 $M
Notes, coins and cash at banks	**17,110**	14,836	12,103	**15,586**	12,782
Other short-term liquid assets	**5,895**	8,281	2,344	**5,765**	8,167
Cash and cash equivalents at end of year	**23,005**	23,117	14,447	**21,351**	20,949

12.3 Notes to the Statements of Cash Flows (continued)

(c) Non-cash Financing and Investing Activities

			Group
	30 Jun 18 **$M**	30 Jun 17 $M	30 Jun 16 $M
Shares issued under the Dividend Reinvestment Plan	**2,105**	1,143	1,209

12.4 Remuneration of Auditors

During the financial year, the following fees were paid or payable for services provided by the auditor of the Group and the Bank, and its network firms:

		Group		Bank
	30 Jun 18 **$'000**	30 Jun 17 $'000	**30 Jun 18** **$'000**	30 Jun 17 $'000
a) Audit and audit related services				
Audit services				
PricewaterhouseCoopers Australian firm	**21,292**	16,643	**14,040**	10,758
Network firms of PricewaterhouseCoopers Australian firm	**5,939**	5,167	**1,027**	705
Total remuneration for audit services	**27,231**	21,810	**15,067**	11,463
Audit related services				
PricewaterhouseCoopers Australian firm	**4,416**	5,765	**3,736**	4,952
Network firms of PricewaterhouseCoopers Australian firm	**2,133**	981	**145**	178
Total remuneration for audit related services	**6,549**	6,746	**3,881**	5,130
Total remuneration for audit and audit related services	**33,780**	28,556	**18,948**	16,593
b) Non-audit services				
Taxation services				
PricewaterhouseCoopers Australian firm	**757**	617	**561**	197
Network firms of PricewaterhouseCoopers Australian firm	**1,508**	1,601	**481**	834
Total remuneration for tax related services	**2,265**	2,218	**1,042**	1,031
Other Services				
PricewaterhouseCoopers Australian firm	**10,955**	4,347	**10,933**	4,300
Network firms of PricewaterhouseCoopers Australian firm	**66**	534	**-**	-
Total remuneration for other services	**11,021**	4,881	**10,933**	4,300
Total remuneration for non-audit services	**13,286**	7,099	**11,975**	5,331
Total remuneration for audit and non-audit services (1)	**47,066**	35,655	**30,923**	21,924

(1) An additional amount of $11,850,256 (2017: $10,728,963) was paid to PricewaterhouseCoopers by way of fees for entities not consolidated into the Financial Statements. Of this amount, $8,093,111 (2017: $8,401,175) relates to audit and audit-related services.

The Audit Committee has considered the non-audit services provided by PricewaterhouseCoopers and is satisfied that the services and the level of fees are compatible with maintaining auditors' independence. All such services were approved by the Audit Committee in accordance with pre-approved policies and procedures.

Audit related services principally includes assurance and attestation reviews relating to comfort levels over financing programmes, reviews of systems and processes as well as reviews of internal controls reports.

Taxation services included the assistance with tax returns and submissions, and advice regarding Australian/foreign tax legislation.

Other services include benchmarking and process reviews on the Bank's response to APRA and the Royal Commission as well as IT security assessments.

12.5 New accounting standards adopted on 1 July 2018

AASB 9 'Financial Instruments'

In December 2014, the AASB issued the Australian Accounting Standard AASB 9 'Financial Instruments' which has replaced AASB 139 'Financial Instruments: Recognition and Measurement'. The standard covers three broad topics: Impairment, Classification and Measurement and Hedging.

The Group adopted AASB 9 Classification and Measurement and Impairment requirements on 1 July 2018. The Group has currently elected an accounting policy choice in AASB 9 to retain AASB 139 hedge accounting requirements. The Group can commence applying IFRS 9 hedging at the beginning of any reporting period in the future. This choice is available until the amended standard resulting from IASB's project on macro hedging is effective at which point IFRS 9 hedging requirements will become mandatory.

AASB 9 Classification and Measurement and Impairment requirements have been applied on a retrospective basis. The Group has adjusted the carrying amounts of financial instruments resulting from adoption of AASB 9 through opening retained earnings and reserves on 1 July 2018 as if it has always applied the new requirements. As permitted by AASB 9, the Group will not restate the prior period comparative financial statements.

The key changes to the Group's accounting policies and the impacts resulting from the adoption of AASB 9 are described below.

Impairment

AASB 9 introduced an expected credit loss ('ECL') impairment model which differs significantly from the incurred loss approach under AASB 139. The ECL model is forward looking and does not require evidence of an actual loss event for impairment provisions to be recognised.

The implementation of AASB 9 required management to make a number of judgements and assumptions and has had a significant impact on the Group's impairment methodology. A description of the key components of the Group's AASB 9 impairment methodology is provided below.

Expected credit loss ('ECL') model

The ECL model uses a three-stage approach to ECL recognition. Financial assets migrate through these stages based on changes in credit risk since origination:

- *Stage 1 – 12 months ECL – Performing loans*

  On origination financial assets recognise an impairment provision equivalent to 12 month's ECL. 12 month's ECL is the credit losses expected to arise from defaults occurring over the next 12 months.
- *Stage 2 – Lifetime ECL – Performing loans that have experienced a significant increase in credit risk ('SICR')*

  Financial assets that have experienced a SICR since origination are transferred to Stage 2 and recognise an impairment provision equivalent to lifetime ECL. Lifetime ECL is the credit losses expected to arise from defaults occurring over the remaining life of financial assets. If credit quality improves in a subsequent period such that the increase in credit risk since origination is no longer considered significant the exposure is reclassified to Stage 1 and the impairment provision reverts to 12 month's ECL.
- *Stage 3 – Lifetime ECL – Non-performing*

  Credit impaired financial assets recognise an impairment provision equivalent to lifetime expected credit losses.

Financial assets in stage 1 and stage 2 are assessed for impairment collectively, whilst those in stage 3 are subjected to either collective or individual impairment assessment.

Interest revenue is recognised on gross carrying amounts for financial assets in Stage 1 and Stage 2, and gross carrying value net of impairment provisions for financial assets in Stage 3.

The ECL model applies to all financial assets measured at amortised cost, debt securities measured at fair value through OCI, lease receivables, loan commitments and financial guarantee contracts not measured at fair value through Income Statement.

Significant increase in credit risk ('SICR')

SICR is assessed by comparing the risk of default occurring over the expected life of the financial asset at reporting date to the corresponding risk of default at origination. The Group considers all available qualitative and quantitative information that is relevant to assessing SICR.

For non-retail portfolios, such as the corporate risk rated portfolio and the asset finance portfolio, the risk of default is defined using the existing Risk Rated Probability of Default (PD) Masterscale. The PD Masterscale is used in internal credit risk management and includes 23 risk grades that are assigned at a customer level using rating tools reflecting customer specific financial and non-financial information and management experienced credit judgement. Internal credit risk ratings are updated regularly on the basis of the most recent financial and non-financial information.

The Group has developed a Retail Masterscale for use in the ECL measurement on personal loans, credit cards, home loan and SME retail portfolios. The Retail Masterscale has 15 risk grades that are assigned to retail accounts based on their credit quality scores determined through a credit quality scorecard. Risk grades for retail exposures are updated monthly as credit quality scorecards are recalculated based on the new behavioural information.

For significant portfolios, the primary indicator of SICR is a significant deterioration in an exposure's internal credit rating grade between origination and reporting date. Application of the primary SICR indicator uses a sliding threshold such that an exposure with a higher credit quality at origination would need to experience a more significant downgrade compared to a lower credit quality exposures before SICR is triggered. The levels of downgrade required to trigger SICR for each origination grade have been defined for each significant portfolio.

The Group also uses the following secondary SICR indicators as backstops in combination with the primary SICR indicator:

- 30 days past due arrears information;
- A retail exposure entering a financial hardship status;
- A non-retail exposure referral to Group Credit Structuring.

12.5 New accounting standards adopted on 1 July 2018 (continued)

AASB 9 'Financial Instruments' (continued)

Significant increase in credit risk ('SICR') (continued)

For a number of small portfolios which are not considered significant individually or in combination the Group applies simplified provisioning approaches that differ from the description below. 30 days past due is used as a primary indicator of SICR on exposures in these portfolios.

Definition of default, credit impaired assets and write-offs

The definition of default used in measuring ECL is aligned to the definition used for internal credit risk management purposes across all portfolios. This definition is also in line with the regulatory definition of default. Default occurs when there are indicators that a debtor is unlikely to meet contractual credit obligations to the Group in full, or the exposure is 90 days past due.

Financial assets, including those that are well secured, are considered credit impaired when they default. Loans are written-off when there is no realistic probability of recovery which is consistent with the Group's write-off policy under AASB 139.

ECL Measurement

ECL is a probability weighted expected credit loss estimated by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions.

The Group uses the following AASB 9 collective provisioning models in calculating ECL:

- Retail lending: Personal Loans model, Credit Cards model, Home Loans model; Retail SME model.
- Non-retail lending: Corporate Risk rated model, Asset Finance model.

For each *significant portfolio ECL is calculated as a product of the following credit risk factors at a facility level:*

- *Probability of default (PD*): The likelihood that a debtor will be unable to pay its obligations in full without having to take actions such as realising on security or that the debtor will become 90 days overdue on obligation or contractual commitment;
- *Exposure at default (EAD):* Expected balance sheet exposure at default. The Group generally calculates EAD as the higher of the drawn balance and total credit limit, except for the credit cards portfolio, for which EAD calculation also takes into account the probability of unused limits being drawn down; and
- *Loss given default (LGD):* The amount that is not expected to be recovered following default.

Secured retail exposures with expected loss in excess of $20,000 and defaulted non-retail exposures that are not well secured are assessed for impairment through an Individually Assessed Provisions ('IAP') process. Impairment provisions on these exposures are calculated directly as the difference between the defaulted asset's carrying value and the present value of expected future cash flows including cash flows from realisation of collateral, where applicable.

Forward-looking information

Credit risk factors of PD and LGD used in ECL calculation are point-in-time estimates based on current conditions and adjusted to include the impact of multiple probability-weighted future forecast economic scenarios.

The Group uses the following four alternative macro-economic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

- *Central scenario:* This scenario reflects the Group's base case assumptions used in business planning and forecasting;
- *Upside and Downside scenarios:* These scenarios are set relative to the central scenario based on reasonably possible alternative macro-economic conditions. The upside and downside scenarios reflect macro-economic conditions that generate the lowest and highest impairment losses for a particular portfolio over an approximate 10 year economic cycle, respectively.
- *Severe Downside scenario:* This scenario has been included to account for a potentially severe impact of less likely extremely adverse economic conditions. It reflects macro-economic conditions that generate the highest impairment losses for a particular portfolio over a longer horizon such as a 30 year economic cycle.

Forward looking PD and LGD factors are modelled for each significant portfolio based on macro-economic factors that are most closely correlated with credit losses in the relevant portfolios. Each of the four scenarios includes a forecast of relevant macro-economic variables which differ by portfolio:

- *Retail portfolios:* Cash rate, unemployment rate, GDP per capita and House price index.
- *Non-retail lending:* Unemployment rate, business investment index, ASX 200 and the AUD/ USD exchange rate.

New Zealand equivalents of the above macro-economic variables are used for credit exposures originated in New Zealand.

12.5 New accounting standards adopted on 1 July 2018 (continued)

AASB 9 'Financial Instruments' (continued)

Forward-looking information (continued)

The four scenarios are probability weighted according to management's best estimate of their relative likelihood based on historical frequency, current trends and conditions. The same future forecast scenarios and probability weights apply across all portfolios.

The Group's assessment of SICR also incorporates the impact of multiple probability-weighted future forecast economic scenarios on exposures' internal risk grades using the same four forecast macro-economic scenarios as described above.

In estimating impairment provisions on individually significant defaulted exposures, the Group generally applies conservative assumptions in estimating recovery cash flows. Incorporating multiple forecast economic scenarios in estimates is not expected to significantly effect the level of impairment provisions on these credit exposures.

Lifetime of an exposure

For exposures in Stage 2 impairment provisions are determined as a lifetime expected loss. The Group used a range of approaches to estimate expected lives of financial instruments subject to ECL requirements:

- *Non-revolving products in corporate portfolios*: Expected life is determined as a maximum contractual period over which the Group is exposed to credit risk;
- *Non-revolving retail products*: For fixed term products such as personal loans and home loans, expected life is determined using behavioural term analysis and does not exceed the maximum contractual period; and
- *Revolving products in corporate and retail portfolios:* For revolving products that include both a loan and an undrawn commitment such as, credit cards and corporate lines of credit, the Group's contractual ability to cancel the undrawn limits and demand repayments does not limit the exposure to credit losses to the contractual notice period. For such products, ECL is measured over the behavioural life.

Incorporation of experienced credit judgement

Management exercises credit judgement in assessing if an exposure has experienced SICR and in determining the amount of impairment provisions at each reporting date. Where applicable, model adjustments are made to incorporate reasonable and supportable information about known or expected risks that have not been considered in the modelling process. This includes but is not limited to information about emerging risk at an industry, geographical location or a particular portfolio segment level.

Governance

The Group's Loan Loss Provisioning Committee (LLPC) is responsible for approving forecast economic scenarios and their associated probability weights. In addition, LLPC is responsible for approving all model adjustments including those required to account for situations where all relevant information has not been considered in the modelling process.

The Group's loan loss provisions, loan impairment expense and any areas of judgement are reported to the Group's Board Audit Committee.

Classification and Measurement

Under AASB 9 the Group is required to differentiate between financial asset debt instruments and financial asset equity instruments, as follows:

Financial assets- debt instruments

There are three classification models for financial asset debt instruments under AASB 9:

- *Amortised Cost:* Financial assets with contractual cash flows that comprise the payment of principal and interest only and which are held in a business model whose objective is to collect their cash flows are measured at amortised cost;
- *Fair value through other comprehensive income (FVOCI):* Financial assets with contractual cash flows that comprise the payment of principal and interest only and which are held in a business model whose objective is to both collect their cash flows and sell them are measured at FVOCI; and
- *Fair value through profit or loss (FVTPL):* Other financial assets are measured at FVTPL.

Financial assets - equity instruments

Similar to AASB 139, AASB 9 requires equity instruments to be measured at FVTPL but permits non-traded equity investments to be designated at FVOCI on an instrument by instrument basis. Unlike AASB 139, should this election be made under AASB 9, gains or losses are not reclassified from other comprehensive income to profit or loss on disposal of the investment. However, the gains or losses may be reclassified within equity.

Financial liabilities

The Group adopted the AASB 9 requirement to recognise changes in the fair value of financial liabilities designated at fair value through the Income Statement that are attributable to changes in own credit risk in other comprehensive income on 1 January 2014. There were no other changes to the classification and measurement of financial liabilities as a result of adoption of AASB 9.

12.5 New accounting standards adopted on 1 July 2018 (continued)

Hedging

The Group has currently elected the accounting policy choice to continue applying hedge accounting under AASB 139. The Group can commence applying IFRS 9 hedging at the beginning of any reporting period in the future.

AASB 9 Implementation Program

In November 2015 the Group established AASB 9 Program (the “Program”) to ensure a high quality implementation of AASB 9. The Program is jointly owned by Finance and Risk with a steering committee comprising senior management to provide oversight. Progress on each of the areas during the financial year ended 30 June 2018 is set out below:

Impairment

The Group has developed and tested AASB 9 models to address all material portfolios. All the models have been independently validated and approved by the Group’s LLPC and the Group Board Audit Committee. Prior to adoption on 1 July 2018, the Group completed parallel runs of the models which included testing, calibration and analysis of models, processes and outputs. The Group is in the process of implementing changes required to finance systems and controls to ensure compliance with the disclosure requirements introduced by AASB 9.

Classification and Measurement

The Group has completed the accounting analysis of the Group’s financial assets and implemented changes to finance systems and controls required to ensure financial asset measurement and presentation is compliant with external reporting requirements.

AASB 15 ‘Revenue from contracts with customers’

The Group has adopted AASB 15 ‘Revenue from Contracts with Customers’ from 1 July 2018, replacing the previous standard, AASB 118 ‘Revenue’. Under AASB 118 revenue is recognised when risks and rewards have transferred from the seller to the buyer. AASB 15 has introduced a single, principle-based five- step recognition and measurement model for revenue recognition. The five steps are:

1. Identify the contract with a customer;
2. Identify the separate performance obligations;
3. Determine the transaction price;
4. Allocate the transaction price to each performance obligation identified in Step 2; and
5. Recognise revenue when a performance obligation is satisfied.

Where there is variable consideration in calculating a transaction price, revenue will only be recognised if it is highly probable that a significant revenue reversal will not subsequently occur. AASB 15 applies to contracts with customers except for revenue arising from items such as financial instruments, insurance contracts and leases.

The Group has used the modified retrospective approach in adopting AASB 15 which recognises the cumulative effect of initial application through opening retained earnings as at 1 July 2018. The Group will not restate the comparative period financial statements. The modified retrospective approach applied to contracts not completed at 30 June 2018.

The significant changes to the Group as a result of adopting AASB 15 are:

- *Trail commissions:* Certain trail commission income and expenses that were previously recognised over time by the Group, will be recognised at the start of a contract when the performance obligation has been provided. This will result in the Group recognising the net present value of expected future trail commission income and expenses. For investment referral services, the Group is unable to forecast the trail commission revenue in line with the highly probable test in AASB 15. Therefore trail commission revenue and expenses on investment referral balances will be recognised when received or paid; and
- *Upfront fees:* Certain fees in relation to lending, lease and guarantees arrangements are no longer recognised upfront but when the performance obligation to the customer is delivered, which is generally over the life of these contractual arrangements. Where the performance obligation is the Group providing a loan, lease arrangement or guarantee over a contractual period, these fees previously recognised upfront will be amortised over the expected life of the contracts. This will also result in a reclassification from other banking income to interest income.

Impacts of adopting AASB 9 and AASB 15

The following table summarises the adjustments arising on adoption of the new accounting standards. The adjustments have been recognised against the Group’s opening retained profits and reserves as at 1 July 2018.

12.5 New accounting standards adopted on 1 July 2018 (continued)

Impacts of adopting AASB 9 and AASB 15

										Group
		AASB 9 Classification and Measurement					AASB 9 Impairment	AASB 15 Revenue		
Assets	**30 Jun 18 $M**	**High Quality Liquid Assets (HQLAs) $M**	**NZD Liquid Assets $M**	**Non-Traded Equities $M**	**Loans with Embedded Features $M**	**NZD Certificates of Deposit $M**	**$M**	**Trail Commission $M**	**Upfront Fees $M**	**1 Jul 18 $M**
Assets at fair value through Income Statement	**32,884**	-	(2,148)	235	65	-	-	-	-	**31,036**
Derivative assets	**32,133**	-	-	-	(56)	-	-	-	-	**32,077**
Available-for-sale investments	**82,240**	(78,145)	(3,797)	(298)	-	-	-	-	-	**-**
Investment securities								-	-	**-**
At amortised cost	**-**	7,121	-	-	-	-	-	-	-	**7,121**
At fair value through OCI	**-**	71,020	5,945	63	-	-	-	-	-	**77,028**
Loans, bills discounted and other receivables	**743,365**	-	-	-	(10)	-	(968)	-	(156)	**742,231**
Intangible assets	**9,023**	-	-	-	-	-	-	(72)	-	**8,951**
Deferred tax assets	**1,439**	1	-	-	-	-	320	64	72	**1,896**
Other assets	**6,991**	-	-	-	-	-	(10)	351	(3)	**7,329**
Other financial and non-financial assets	**67,090**	-	-	-	-	-	-	-	-	**67,090**
Total assets	**975,165**	(3)	-	-	(1)	-	(658)	343	(87)	**974,759**
Liabilities										
Deposits and other public borrowings	**622,234**	-	-	-	-	1,141	-	-	-	**623,375**
Liabilities at fair value through Income Statement	**10,247**	-	-	-	-	(1,141)	-	-	-	**9,106**
Derivative liabilities	**28,472**	-	-	-	(1)	-	-	-	-	**28,471**
Deferred tax liabilities	**-**	-	-	-	-	-	-	104	(1)	**103**
Other provisions	**1,889**	-	-	-	-	-	87	-	-	**1,976**
Bills payable and other liabilities	**11,596**	-	-	-	-	-	-	214	123	**11,933**
Other financial and non-financial liabilities	**232,867**	-	-	-	-	-	-	-	-	**232,867**
Total liabilities	**907,305**	-	-	-	(1)	-	87	318	122	**907,831**
Shareholders' Equity										
Share capital	**37,270**	-	-	-	-	-	-	-	-	**37,270**
Reserves	**1,676**	(3)	-	-	-	-	3	-	-	**1,676**
Retained profits	**28,360**	-	-	-	-	-	(748)	25	(209)	**27,428**
Non-controlling interest	**554**	-	-	-	-	-	-	-	-	**554**
Total Shareholders' equity	**67,860**	(3)	-	-	-	-	(745)	25	(209)	**66,928**

12.5 New accounting standards adopted on 1 July 2018 (continued)

AASB 9 Classification and Measurement

High quality liquid assets ('HQLA'): under AASB 139, $78,145 million of the Group's HQLA were included in Available-for-Sale investments. $7,121 million of HQLA previously included in Available-for-Sale assets are held within the business model held to collect and have been reclassified to Investment securities at amortised cost under AASB 9. These financial assets have been restated to amortised cost and $4 million of unrealised gains (before tax) previously recognised in the Available-for-sale revaluation reserve have been reversed against the carrying value of the assets on 1 July 2018. This also led to a reversal of the deferred tax previously recognised in relation to unrealised gains on these securities through reserves. The Group's deferred tax asset have increased by $1 million and the reserves have decreased by $3 million.

$71,020 million of HQLA previously included in Available-for-Sale assets are held within the business model held to collect and sell and have been reclassified to Investment securities at fair value through Other Comprehensive Income under AASB 9. The reclassification did not have an impact on retained earnings or reserves.

NZD liquid assets: under AASB 139, $3,797 million of the Group's NZD liquid assets were included in Available-for-Sale investments with the remaining $2,148 million measured at fair value through the Income Statement. These financial assets are held within the business model held to collect and sell and have been reclassified to Investment securities at fair value through Other Comprehensive Income under AASB 9. The reclassification did not have a material impact on retained earnings or reserves.

Non-traded equity instruments: the Group has $298 million of non-traded equity instruments included in Available-for-sale investment under AASB 139. One of the equity securities of $235 million was reclassified to Assets at Fair Value through Income Statement under AASB 9. The remaining $63 million of equity securities have been reclassified to Investment securities at fair value through Other Comprehensive Income under AASB 9. The reclassifications did not have a material impact on retained earnings or reserves.

Loans with embedded derivatives: the Group issued loans with embedded derivative features. Under AASB 139, the embedded derivatives were bifurcated and accounted for as standalone derivatives at fair value through the Income Statement; the host loan contracts were measured at amortised cost and included in Loans, bills discounted and other receivables on the Balance sheet. The contractual cash flows on these instruments are not solely payments of principal and interest and they have been reclassified to Assets at Fair Value through Income Statement together with the related embedded derivative features. The reclassification did not have an impact on retained earnings.

NZD Certificate of Deposits (CD): Under AASB 9, $1,141 million of NZD CDs have been reclassified from liabilities at fair value through income statement to liabilities at amortised cost, as the CDs are not held for trading. The reclassification did not have a material impact on retained earnings or reserves.

AASB 15 'Revenue from contracts with customers'

Trail commission: Other assets and Bills payable and other liabilities have increased by $351 million and $214 million, respectively, to reflect the recognition of trail commission receivable and payable across various trail commission arrangements across the Group. This reflects the upfront recognition of certain future trail commission income and expenses when a performance obligation has been met, e.g. a new customer is introduced into a product. This change also led to a $72 million decrease in goodwill on the acquisition of Aussie Home Loans, a $64 million and $104 million increase in deferred tax assets and deferred tax liabilities, respectively. The impact of this change on retained earnings as at 1 July 2018 was an increase of $25 million.

Upfront fees: Upfront fees in relation to lending lease and guarantee arrangements are no longer recognised upfront. Instead, income is recognised over the life of the contractual arrangements. Establishment fees on financing facilities will be deferred on the Group's Balance Sheet in Loans, bills discounted and other receivables, and amortised to interest income over the expected life of the loan in accordance with AASB 9. From 1 July 2018, this will also result in a reclassification of income from other banking income to interest income. In addition, other annual fees will be deferred on Balance Sheet in Bills payable and other liabilities when received and recognised in other banking income on a straight-line basis throughout the year. The impact at 1 July 2018 includes a reduction in Loans, Bills Discounted and Other Receivables of $156 million, a reduction in Other assets of $3 million, and an increase in Bills payable and other liabilities of $123 million. The deferral of upfront fees from existing customer contracts resulted in a one-off increase in deferred tax assets of $72 million and a decrease in deferred tax liabilities of $1 million. The impact of this change on retained earnings as at 1 July 2018 was a reduction of $209 million.

12.5 New accounting standards adopted on 1 July 2018 (continued)

AASB 9 Impairment

The adoption of AASB 9 impairment requirements has resulted in $1,058 million increase in collective provisions. This includes $968 million for loans, bills discounted and other receivables, $87 million for off- balance sheet instruments (recognised in other provisions), and $3 million for investment securities at fair value through OCI (recognised in reserves). In addition, the Group recognised a $10 million provision on non-lending assets that are not in scope of IFRS 9 CP models. The transition resulted in $320 million increase in deferred tax assets and a corresponding $748 million decrease in retained earnings as at 1 July 2018.

The increase in impairment provisions has been driven by the AASB 9 requirement to hold provisions equivalent to lifetime expected losses for all loans that have experienced a significant increase in credit risk since origination and the impact of forward looking factors on expected credit losses estimates.

The table below presents the Group's total impairment provisions on lending assets by ECL stage as at 1 July 2018.

	1 July 2018				
	Impairment provisions $M				
	Stage 1	Stage 2	Stage 3		
	12 months ECL	Lifetime ECL	Lifetime ECL		
Portfolio [1]	**Collectively assessed**	**Collectively assessed**	**Collectively assessed**	**Individually assessed**	**Total**
Retail					
Secured lending	206	410	113	247	**976**
Unsecured lending	525	847	233	3	**1,608**
Total retail	731	1,257	346	250	**2,584**
Non-retail					
Corporate and business lending, banks and sovereign	145	1,268	74	620	**2,107**
Total	876	2,525	420	870	**4,691**

(1) Exposures subject to impairment provisions include drawn balances, undrawn credit commitments, financial guarantees and debt securities classified at fair value through OCI.

12.6 Subsequent Events

The Bank expects the DRP for the final dividend for the year ended 30 June 2018 will be satisfied by the issue of shares of approximately $622 million.

Completion of sale of New Zealand Life Insurance Business (Sovereign)

During the 2018 financial year the Group announced the sale of 100% of its life insurance businesses in Australia (“CommInsure Life”) and New Zealand (“Sovereign”) to AIA Group Limited (“AIA”) for $3.8 billion.

The sale agreement includes a 20-year partnership with AIA for the provision of life insurance products to customers in Australia and New Zealand. The sale of Sovereign completed on 2 July 2018, resulting in a total post tax gain of $102 million (inclusive of separation costs and subject to final tax calculations and purchase price adjustments).

Sale of Commonwealth Bank of South Africa (Holding Company) Limited (“TymeDigital”)

The CBA Board has approved the sale of Commonwealth Bank of South Africa (Holding Company) Limited (“TymeDigital”) to the minority shareholder, African Rainbow Capital. The sale is subject to regulatory approval and potential sale price adjustments. As a result, the financial effect of the sale currently cannot be reliably estimated, however, it is not expected to have a material impact on the Group’s results.

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

Directors' declaration

The Directors of the Commonwealth Bank of Australia declare that in their opinion:

(a) the consolidated financial statements and notes for the year ended on 30 June 2018, as set out on pages 37 to 175, are in accordance with the *Corporations Act 2001*, including:

  (i) complying with the Accounting Standards and any further requirements in the *Corporations Regulations 2001*; and

  (ii) giving a true and fair view of the Group's financial position as at 30 June 2018 and its performance for the year ended 30 June 2018;

(b) there are reasonable grounds to believe that the Commonwealth Bank of Australia will be able to pay its debts as and when they become due and payable.

Note 1.1 of the consolidated financial statements includes a statement of compliance with the International Financial Reporting Standards.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the Directors.

C.B. Livingstone

Catherine Livingstone AO
Chairman
7 August 2018

Matt Comyn
Managing Director and Chief Executive Officer
7 August 2018

Independent auditor's report

To the members of Commonwealth Bank of Australia

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Commonwealth Bank of Australia (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the Company's and Group's financial positions as at 30 June 2018 and of their financial performance for the year then ended

b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Company and Group financial report comprises:

- the Consolidated and Company balance sheets as at 30 June 2018;
- the Consolidated and Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Company statements of changes in equity for the year then ended;
- the Consolidated and Company statements of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies; and
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company and the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

Group audit scope

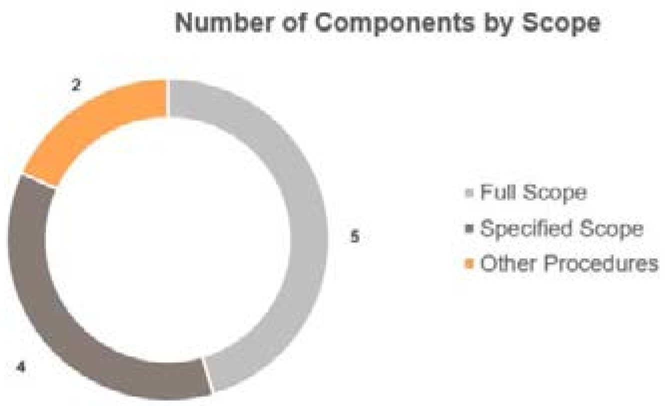
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Company and Group, its accounting processes and controls and the industries in which it operates. We also ensured that the audit team had the appropriate skills and competencies needed for the audit of a complex financial services group. This included industry expertise in retail, business and institutional banking, and insurance and wealth management services, as well as specialists and experts in IT, actuarial, tax, treasury and valuation.

The Group is structured into 7 business segments being Retail Banking Services (RBS), Business and Private Banking (B&PB), Institutional Banking and Markets (IB&M), Wealth Management (WM), New Zealand (NZ), Bankwest (BW), International Financial Services and Other (IFS and Other).

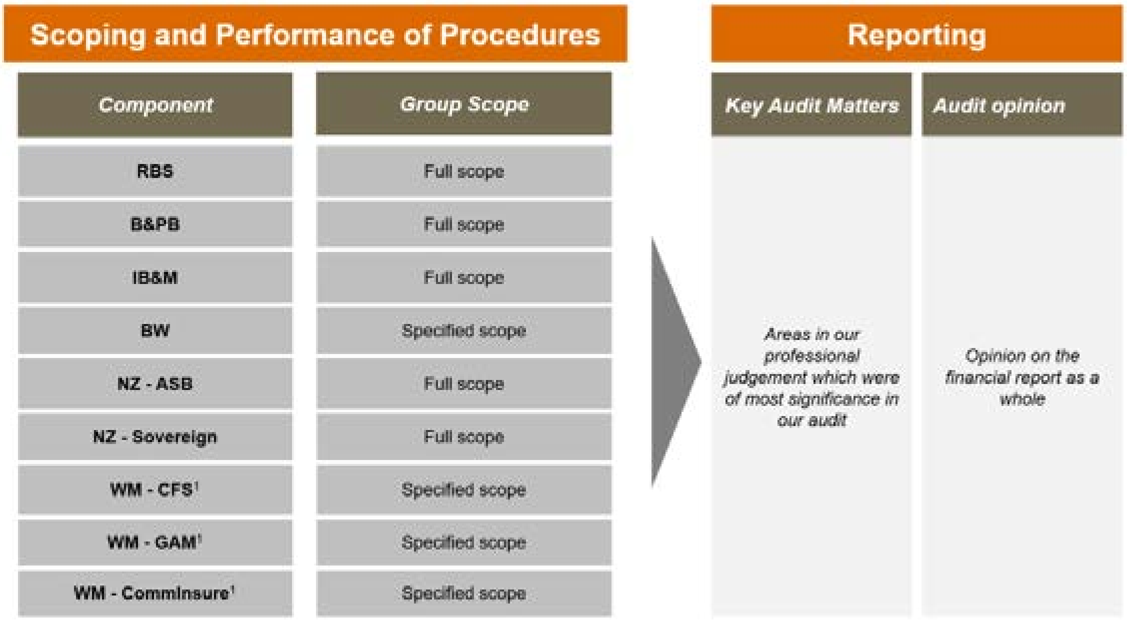
In designing our scope we considered the structure of the Group and identified those entities or business activities (referred to as components) for which the Group prepares financial information for inclusion in the financial report.

The nature, timing and extent of audit work performed for each component was determined by the components' risk characteristics and financial significance to the Group and consideration of whether sufficient evidence had been obtained for our opinion on the financial report as a whole. This involved either:

- an audit of the complete financial information of a component (full scope),
- an audit of one or more of the component's account balances, classes of transactions or disclosures (specified scope),
- analytical procedures performed at the Group level, or
- further audit procedures at a Group level, including over the consolidation of the Group's reporting units and the preparation of the financial report.



Set out on the next page is an overview of our Group audit approach highlighting key aspects of our audit.



Scoping and Performance of Procedures

Component	Group Scope
RBS	Full scope
B&PB	Full scope
IB&M	Full scope
BW	Specified scope
NZ - ASB	Full scope
NZ - Sovereign	Full scope
WM - CFS[1]	Specified scope
WM - GAM[1]	Specified scope
WM - CommInsure[1]	Specified scope

Reporting

Key Audit Matters	Audit opinion
Areas in our professional judgement which were of most significance in our audit	*Opinion on the financial report as a whole*

[1] Specified scope procedures are performed for the purposes of the Group audit. However, full scope audits are performed for the purposes of standalone legal entity statutory financial statements as required.

Group materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Items are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of the financial report.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial report, which we have set out in the table below:

Overall Group materiality	$615 million (2017: $606 million)
How we determined it	Approximately 5% of 2018 financial year profit before tax (PBT) (2017: approximately 5% of 2017 financial year PBT) for the Company.
Rationale for the materiality benchmark applied	We chose net profit before income tax because, in our view, it is the metric against which the performance of the Group is most commonly measured and is a generally accepted benchmark in the banking industry. We performed our audit over both the Group and Company financial information concurrently. We apply the lower of materiality calculated based on Group and Company PBT in order to avoid duplication of work. As the Company has a lower PBT, we have calculated materiality based on the Company PBT. We selected 5% based on our professional judgement noting that it is also within the range of commonly acceptable quantitative materiality measures.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. We describe each key audit matter and include a summary of the principal audit procedures we performed to address those matters in the table below.

The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters, amongst other relevant topics, to the Audit Committee. The key audit matters identified below relate to both the Company and Group audit with the exception of the valuation of insurance policy holder liabilities which relates only to the Group.

Key audit matter	How our audit addressed the key audit matter
Loan impairment provisions *(Relevant components: RBS, B&PB, IB&M, BW, NZ - ASB)*	
We considered this a key audit matter due to the subjective judgements made by the Group in determining when to recognise impairment provisions against lending assets and in estimating the size of such provisions. Provisions for impairment of loans that exceed specific thresholds are individually assessed by the Group. These provisions are established based on the expected future cash repayments and estimated proceeds from the value of the collateral held by the Group in respect of those loans. During the financial year ended 30 June 2018, the majority of the Group's individually assessed provisions for specific lending assets related primarily to business and corporate loans. If an individually assessed loan is not impaired, it is then included in a group of loans with similar risk characteristics and, along with those loans below the specific thresholds noted above, is collectively assessed on a portfolio basis using models developed by the Group. These models use assumptions in their calculations which are based on the Group's historical loss experience including both the frequency of defaults and the losses incurred where loans have defaulted. Adjustments or overlays to the provisions are applied by the Group to take account of emerging trends and where models may fail to fully capture all risks in the loan portfolio.	We developed an understanding of the controls relevant to our audit over the following areas and assessed whether they were appropriately designed and were operating effectively throughout the year: · Identification of impaired loans; · Reliability and integrity of credit information maintained in the Group's systems; · Transfer of data from the underlying source systems to the impairment provisioning models; and · The Group's assessment of the integrity of these models. For a selection of **individually assessed provisions** for specific lending assets, we performed the following audit procedures, amongst others: · Examined the Group's cashflow forecasts supporting the impairment calculation by assessing key judgements (in particular the amount and timing of recoveries) made by the Group in the context of the borrowers' circumstances based on the detailed loan and counterparty information known by the Group; and · Compared key inputs in the Group's estimates (such as valuation of collateral held) to external information where available. To test the **collectively assessed**

Key audit matter	How our audit addressed the key audit matter
Loan impairment provisions *(Relevant components: RBS, B&PB, IB&M, BW, NZ - ASB)*	
An example of an overlay is one which allows for the impact of the current macroeconomic environment (such as residential and consumer lending in mining towns). These overlays require significant judgement. ***Relevant references in the financial report*** Refer notes 1.1 and 3.2 for further information.	**provisions**, we together with our independent modelling experts, performed the following audit procedures, amongst others: · Tested the completeness and accuracy of key data being transferred between the Group's systems and its collective provisioning models; · Compared the Group's key assumptions to supporting evidence and market practices; and · Compared the modelled calculations to our own calculated expectations on a sample basis. To assess the **overlays to the provisions**, we performed the following audit procedures, amongst others: · Considered the Group's rationale for the recognition of overlays by considering the potential for impairment to be affected by events not captured by the Group's models; and · Assessed the Group's estimate of ranges on key drivers of credit loss using sensitivity analysis. As part of this work, we considered local and global external data to provide objective support.
AASB 9 expected credit loss AASB 9 *Financial Instruments* will be adopted by the Group for the financial year beginning 1 July 2018. In periods prior to adoption of new accounting standards, Australian Accounting Standards require disclosure of known or reasonably estimable information that the application of the new standard will have on the Group's financial report. AASB 9 introduces an expected credit loss ('ECL') impairment model which takes into account forward-looking information reflecting potential future economic events. This has resulted in the Group developing new models which are reliant on large volumes of data, as well as a number of significant estimates at adoption including	To determine the appropriateness of the AASB 9 framework implemented by the Group, including the reasonableness of the models developed for the purposes of determining ECL, and the inputs and assumptions used in the models, we along with PwC modelling and economic experts, performed the following audit procedures, amongst others: · Assessed the methodology inherent within the ECL models against the requirements of the new accounting standard. · Considered management's judgements and the reasonableness of forward-

Key audit matter	How our audit addressed the key audit matter
Loan impairment provisions *(Relevant components: RBS, B&PB, IB&M, BW, NZ - ASB)*	
the impact of multiple economic scenarios. We considered this a key audit matter because: · the models used to calculate ECLs (ECL models) are inherently complex and judgement is applied in determining the correct construct of model to be applied; · judgement is applied in determining the most appropriate information and datasets to be used as inputs to the models; and, · there are a number of key assumptions made by the Group concerning the values of inputs to the models (e.g. statistical assumptions used to determine forward looking loan probability of default and discount rates) and how inputs correlate with one another. ***Relevant references in the financial report*** Refer notes 1.1 and 12.5 for further information.	looking information incorporated into the ECL models by assessing the forecasts, assumptions and probability weightings applied in the multiple economic scenarios, and comparing on a sample basis against supporting evidence where applicable,. · Considered the integrity of data used as input into the models by tracing a sample of inputs used in the models to source systems and calculations. · Considered the accuracy and reasonableness of the modelled calculations by re-performing the ECL calculations, on a sample basis. · Developed an understanding of the key transition controls related to the calculation, review and approval of the estimated ECL calculation and corresponding disclosures. · Compared the estimated transitional impact amount disclosed in the financial report to the underlying calculations and assessed the adequacy of the disclosures against the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter
Judgemental valuation of financial instruments *(Group and Company level with additional testing by relevant components: IB&M, NZ – ASB)*	
The Group holds financial instruments measured at fair value representing 17% of the total assets and 5% of the total liabilities of the Group. The financial instruments held at fair value include: · Derivative assets and liabilities; · Available-for-sale investments; · Life insurance assets and liabilities; and · Bills discounted and other assets and liabilities designated at fair value. The majority of the Group's financial instruments are considered to be non-complex in nature as fair value is based on prices and rates that can be easily observed	We developed an understanding of the controls relevant to our financial statement audit over the following areas and assessed whether they were appropriately designed and were operating effectively throughout the year: · Valuation model governance control framework; · Completeness and accuracy of data inputs; including sourcing independent market data inputs; · Methodology for the determination of fair value adjustments; and · The Group's assessment of its own models used to measure fair value. In relation to the fair value of financial

Key audit matter	How our audit addressed the key audit matter
Judgemental valuation of financial instruments *(Group and Company level with additional testing by relevant components: IB&M, NZ – ASB)*	
in the relevant markets. On this basis the majority of the Group's financial instruments are classified under Australian Accounting Standards as either 'Level 1' (i.e. where key inputs to the valuation is based on quoted prices in the market) or 'Level 2' (i.e. where key inputs to the valuation is based on observable prices in the market). We considered these Level 1 and Level 2 financial instruments to be a key audit matter due to their financial significance to the Group. The Group also holds a limited number of financial instruments considered to be 'Level 3' under Australian Accounting Standards in nature (i.e. where key inputs to the valuation require additional judgement as observable inputs are not available in the market due to market illiquidity or complexity of the product) primarily in respect to complex derivatives, certain asset-backed securities and infrastructure funds. While the Group's holdings of such instruments is limited relative to total financial instrument holdings, we considered their valuation to be a key audit matter because there is more judgement involved in determining their value. ***Relevant references in the financial report*** Refer notes 1.1, 4.2, 5.3, 5.4, 5.5 and 9.5 for further information.	instruments as at 30 June 2018, together with our valuation experts, we compared the Group's calculation of fair value to our own independent calculation across a sample of financial instruments. This involved sourcing independent inputs from market data providers and using our own valuation models. We considered the results to assess whether there was evidence of systemic bias or error in the Group's calculation of fair value.

Key audit matter	How our audit addressed the key audit matter
Provision for conduct risk and regulator action *(Group and Company level)*	
The Group has assessed the need to raise provisions in relation to certain legal proceedings, investigations and reviews from its regulators including in relation to AUSTRAC's civil proceedings, the Royal Commission into banking misconduct in the banking, superannuation and financial services industry and APRA's Enforceable Undertaking, amongst others. We considered this a key audit matter due to the subjective judgements required by the Group in determining: · the probability of financial outcomes based on available information, and · the estimate of the amounts which may be paid under each of the proceedings, investigation and reviews. ***Relevant references in the financial report*** Refer notes 1.1 and 7.1 for further information.	We developed an understanding of the Group's processes for identifying and assessing the impact of conduct risk, legal and regulatory matters. We read the minutes of the Group's key governance meetings (i.e. Audit Committee, Risk Committee and Board of Directors), attended the Group's Audit and Risk Committee meetings and considered key correspondence with relevant regulatory bodies. We discussed ongoing legal and regulatory matters with the directors and management. We obtained written representations from the Group Chief Executive Office, Chief Financial Officer and Group General Counsel and obtained access to relevant documents in order to develop our understanding of the matters. We considered the Group's judgement as to whether there is potential material financial exposure for the Group, and if so, the amount of any provision required. This included inspecting the Group's underlying calculations and assumptions made against available information and, for a sample of legal settlements, agreed amounts booked to payments made. We have considered the Group's assessment of whether provisions should be recognised in respect of AUSTRAC's civil proceedings and the ASIC Bank Bill Swap Rate Enforceable Undertaking in addition to the payables already recognised in the financial report. Where the Group determined that they were unable to reliably estimate the possible financial impact of a legal or regulatory action, we assessed the appropriateness of their conclusion. We assessed the adequacy of related disclosures against the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance policyholder liabilities *(Relevant components: WM - CommInsure, NZ - Sovereign)*	
We considered this a key audit matter because the Group's valuation of the provisions for the settlement of future insurance claims involves complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can result in a material impact to the valuation of these liabilities. The Group's insurance policyholder liabilities relate to the life insurance businesses. In determining the valuation of the liabilities, the key actuarial assumptions made by the Group's experts include: · Expected amount, timing and duration of claims and/or policy payments, likely lapse rates of policies by policyholders, mortality and morbidity rates, acquisition and maintenance expenses; and · Long term economic assumptions including inflation rates. ***Relevant references in the financial report*** Refer note 1.1 and 11.3 for further information. Both WM-CommInsure and NZ-Sovereign business segments were classified as discontinued operations as at 30 June 2018.	To assess the assumptions used to determine the value of insurance policyholder liabilities, we along with our independent actuarial experts performed the following audit procedures, amongst others: · Compared the methodology and models used by the Group to those commonly applied in the industry and recognised by regulatory standards; · Developed an understanding of and evaluated the controls the Group has in place over key processes relating to the valuation. This included the Group's use of models, the quality of oversight and controls over key assumptions within those models, and the Group's preparation of the manually calculated components of the liability; · Compared key inputs (for example inflation rates) used by the Group in the calculation to relevant supporting evidence, such as external market data; · Considered the impact of key changes in assumptions and methodologies over the year and compared these to industry practice; and · Compared the underlying supporting data relating to policyholder information used in the Group's valuation to source documentation on a sample basis.

Key audit matter	How our audit addressed the key audit matter
Operation of financial reporting Information Technology (IT) systems and controls *(Relevant components: All)*	
We focused on this area because the Group's operations and financial reporting processes are heavily dependent on IT systems, including automated accounting procedures, IT dependent manual controls and controls preventing unauthorised access to systems and data. The Group's controls over IT systems include: · The framework of governance over IT systems; · Program development and changes; · Access to process, data and IT operations; and · Governance over generic and privileged user accounts.	Our procedures included evaluating and testing the design and operating effectiveness of certain controls over the continued integrity of the IT systems that are relevant to financial reporting. We also carried out direct tests, on a sample basis, of system functionality that was key to our audit testing in order to assess the accuracy of certain system calculations, the generation of certain reports and the operation of certain system enforced access controls. Where we noted design or operating effectiveness matters relating to IT systems and applications controls relevant to our audit, we performed alternative or additional audit procedures.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, including *Strategic report, Performance overview, Corporate governance, Directors' report and Other information*, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal controls as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company and the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or the Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Our opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 33 of the directors’ report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Commonwealth Bank of Australia for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn	Sydney
Partner	7 August 2018

Other information

Shareholding information

Top 20 Holders of Fully Paid Ordinary Shares as at 30 July 2018

Rank	Name of Holder	Number of Shares	%
1	HSBC Custody Nominees (Australia) Limited	370,746,865	21.07
2	J P Morgan Nominees Australia Limited	228,386,048	12.98
3	Citicorp Nominees Pty Limited	98,454,740	5.59
4	National Nominees Limited	57,172,719	3.25
5	BNP Paribas Noms Pty Limited	51,468,942	2.92
6	Bond Street Custodians Limited	14,656,952	0.83
7	Australian Foundation Investment Company limited	7,900,000	0.45
8	Navigator Australia Limited	3,670,568	0.21
9	Argo Investments Limited	3,203,731	0.18
10	Milton Corporation Limited	3,119,505	0.18
11	Netwealth Investments Limited	2,956,624	0.17
12	Nulis Nominees (Australia) Limited	2,142,125	0.12
13	Mr. Barry Martin Lambert	1,643,613	0.09
14	Invia Custodian Pty Limited	1,592,260	0.09
15	IOOF Investment Management Limited	1,499,545	0.09
16	McCusker Holdings Pty Ltd	1,470,000	0.08
17	ANZ Executors & Trustee	1,328,789	0.08
18	RBC Dexia Investor Services Australia Nominees Pty Limited	1,243,309	0.07
19	Australian Executor Trustees Limited	1,228,937	0.07
20	Joy Wilma Lambert	1,068,250	0.06

The top 20 shareholders hold 854,953,522 shares which is equal to 48.58% of the total shares on issue.

Substantial Shareholding

The following organisation has disclosed a substantial shareholding notice to ASX.

Name	Number of Shares	Percentage of Voting Power
BlackRock Group (1)	86,557,665	5.00

(1) Substantial shareholder notice dated 16 May 2017.

Stock Exchange Listing

The shares of the Commonwealth Bank of Australia (Bank) are listed on the Australian Securities Exchange under the trade symbol CBA, with Sydney being the home exchange.

Details of trading activity are published in most daily newspapers, generally under the abbreviation of CBA or C'wealth Bank. The Bank is not currently in the market conducting an on market buy-back of its shares.

Range of Shares (Fully Paid Ordinary Shares and Employee Shares) as at 30 July 2018

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1 – 1,000	591,209	73.01	186,153,941	10.58
1,001 – 5,000	190,162	23.48	395,673,395	22.48
5,001 – 10,000	19,815	2.45	134,818,887	7.66
10,001 – 100,000	8,433	1.04	158,583,477	9.01
100,001 and over	186	0.02	884,613,230	50.27
Total	809,805	100.00	1,759,842,930	100.00
Less than marketable parcel of $500	15,346	1.90	45,921	0.00

Voting Rights

Under the Bank's Constitution, each person who is a voting Equity holder and who is present at a general meeting of the Bank in person or by proxy, attorney or official representative is entitled:

- On a show of hands – to one vote; and
- On a poll – to one vote for each share held or represented. Every voting Equity holder who casts a vote by direct vote, shall also have one vote for each share held or represented.

If a person present at a general meeting represents personally or by proxy, attorney or official representative more than one Equity holder, on a show of hands the person is entitled to one vote even though he or she represents more than one Equity holder.

If an Equity holder is present in person and votes on a resolution, any proxy or attorney of that Equity holder is not entitled to vote.

If more than one official representative or attorney is present for an Equity holder:

- None of them is entitled to vote on a show of hands; and

- On a poll only one official representative may exercise the Equity holder's voting rights and the vote of each attorney shall be of no effect unless each is appointed to represent a specified proportion of the Equity holder's voting rights, not exceeding in aggregate 100%.
- If an Equity holder appoints two proxies and both are present at the meeting:
- If the appointment does not specify the proportion or number of the Equity holder's votes each proxy may exercise, then each proxy may exercise one half of the Equity holder's votes;
- Neither proxy shall be entitled to vote on a show of hands; and
- On a poll each proxy may only exercise votes in respect of those shares or voting rights the proxy represents.

Top 20 Holders of Perpetual Exchangeable Resalable Listed Securities VI ("PERLS VI") as at 30 July 2018

Rank	Name of Holder	Number of Securities	%
1	HSBC Custody Nominees (Australia) Limited	997,275	4.99
2	Bond Street Custodians Limited	422,489	2.11
3	IOOF Investment Management Limited	252,642	1.26
4	National Nominees Limited	241,231	1.21
5	Netwealth Investments Limited	241,217	1.21
6	BNP Paribas Nominees Pty Ltd	224,874	1.12
7	J P Morgan Nominees Australia Limited	173,696	0.87
8	Nulis Nominees (Australia) Limited	168,709	0.84
9	Citicorp Nominees Pty Limited	118,024	0.59
10	Navigator Australia Limited	117,797	0.59
11	Dimbulu Pty Limited	100,000	0.50
12	Eastcote Pty Limited	100,000	0.50
13	Australian Executor Trustees Limited	90,923	0.45
14	V S Access Pty Limited	80,000	0.40
15	Invia Custodian Pty Limited	65,945	0.33
16	Marento Pty Ltd	52,916	0.26
17	Mutual Trust Pty Limited	51,228	0.26
18	Edgelake Proprietary Limited	49,267	0.25
19	Kaptock Pty Limited	48,730	0.24
20	Junax Capital Pty Ltd	47,000	0.24

The top 20 PERLS VI security holders hold 3,643,963 securities which is equal to 18.22% of the total securities on issue.

Stock Exchange Listing

PERLS VI are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPC. Details of trading activity are published in some daily newspapers.

Range of Securities (PERLS VI) as at 30 July 2018

Range	Number of Security Holders	Percentage of Security Holders	Number of Securities	Percentage of Issued Capital
1 – 1,000	25,239	89.29	8,263,689	41.31
1,001 – 5,000	2,723	9.63	5,517,381	27.59
5,001 – 10,000	194	0.69	1,441,572	7.21
10,001 – 100,000	100	0.35	2,308,079	11.54
100,001 and over	11	0.04	2,469,279	12.35
Total	28,267	100.00	20,000,000	100.00
Less than marketable parcel of $500	9	0.03	22	0.00

Voting Rights

PERLS VI do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 189 and 190 for the Bank's ordinary shares.

Shareholding information

Top 20 Holders of CommBank PERLS VII Capital Notes ("PERLS VII") as at 30 July 2018

Rank	Name of Holder	Number of Securities	%
1	HSBC Custody Nominees (Australia) Limited	2,403,303	8.01
2	BNP Paribas Noms Pty Limited	965,593	3.22
3	Netwealth Investments Limited	507,694	1.69
4	Bond Street Custodians Limited	371,713	1.24
5	J P Morgan Nominees Australia Limited	313,843	1.05
6	National Nominees Limited	300,007	1.00
7	IOOF Investment Management Limited	282,085	0.94
8	Citicorp Nominees Pty Limited	252,287	0.84
9	Nulis Nominees (Australia) Limited	202,216	0.67
10	Navigator Australia Limited	185,200	0.62
11	Australian Executor Trustees Limited	130,665	0.44
12	Dimbulu Pty Limited	100,000	0.33
13	Invia Custodian Pty Limited	96,444	0.32
14	Tandom Pty Limited	90,000	0.30
15	Randazzo C & G Developments Pty Limited	84,286	0.28
16	Tsco Pty Limited	80,000	0.27
17	Simply Brilliant Pty Limited	75,000	0.25
18	Mutual Trust Pty Limited	74,362	0.25
19	Seymour Group Pty Limited	73,700	0.25
20	Willimbury Pty Limited	70,673	0.24

The top 20 PERLS VII security holders hold 6,659,071 securities which is equal to 22.21% of the total securities on issue.

Stock Exchange Listing

PERLS VII are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPD. Details of trading activity are published in some daily newspapers.

Range of Securities (PERLS VII) as at 30 July 2018

Range	Number of Security holders	Percentage of Security holders	Number of Securities	Percentage of Issued Capital
1 – 1,000	27,875	86.13	9,670,068	32.24
1,001 – 5,000	3,974	12.28	8,004,918	26.68
5,001 – 10,000	300	0.92	2,145,521	7.15
10,001 – 100,000	203	0.63	4,810,090	16.03
100,001 and over	13	0.04	5,369,403	17.90
Total	32,365	100.00	30,000,000	100.00
Less than marketable parcel of $500	8	0.02	27	0.00

Voting Rights

PERLS VII do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 189 and 190 for the Bank's ordinary shares.

Top 20 Holders of CommBank PERLS VIII Capital Notes ("PERLS VIII") as at 30 July 2018

Rank	Name of Holder	Number of Securities	%
1	BNP Paribas Noms Pty Limited	3,178,248	21.92
2	HSBC Custody Nominees (Australia) Limited	943,954	6.51
3	Goodridge Nominees Pty Ltd	208,870	1.44
4	J P Morgan Nominees Australia Limited	127,344	0.88
5	Mr. Walter Lawton & Mr. Brett Lawton	108,573	0.75
6	G Harvey Nominees Pty Ltd	100,000	0.69
7	Piek Holdings Pty Ltd	93,000	0.64
8	Netwealth Investments Limited	90,418	0.62
9	National Nominees Limited	79,158	0.55
10	Snowside Pty Limited	79,083	0.55
11	Bond Street Custodians Limited	71,560	0.49
12	Nulis Nominees (Australia) Limited	70,476	0.49
13	Citicorp Nominees Pty Limited	65,420	0.45
14	V S Access Pty Limited	62,482	0.43
15	Navigator Australia Limited	57,610	0.40
16	Dimbulu Pty Limited	50,000	0.34
17	Mifare Pty Limited	50,000	0.34
18	Randazzo C & G Developments Pty Limited	50,000	0.34
19	Adirel Holdings Pty Limited	47,000	0.32
20	Resthaven Incorporated	45,500	0.31

The top 20 PERLS VIII security holders hold 5,578,696 securities which is equal to 38.46% of the total securities on issue.

Stock Exchange Listing

PERLS VIII are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPE. Details of trading activity are published in some daily newspapers.

Range of Securities (PERLS VIII) as at 30 July 2018

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1 – 1,000	13,149	89.37	4,250,053	29.31
1,001 – 5,000	1,374	9.34	2,945,723	20.32
5,001 – 10,000	120	0.82	888,629	6.13
10,001 – 100,000	64	0.43	1,963,409	13.54
100,001 and over	6	0.04	4,452,186	30.70
Total	14,713	100.00	14,500,000	100.00
Less than marketable parcel of $500	3	0.02	7	0.00

Voting Rights

PERLS VIII do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 189 and 190 for the Bank's ordinary shares.

Shareholding information

Top 20 Holders of CommBank PERLS IX Capital Notes (“PERLS IX”) as at 30 July 2018

Rank	Name of Holder	Number of Securities	%
1	BNP Paribas Nominees Pty Ltd	2,504,391	15.27
2	HSBC Custody Nominees (Australia) Limited	1,246,863	7.60
3	Bond Street Custodians Limited	234,797	1.43
4	Navigator Australia Limited	218,318	1.33
5	Dimbulu Pty Limited	147,700	0.90
6	Citicorp Nominees Pty Limited	147,080	0.90
7	J P Morgan Nominees Australia Limited	125,468	0.77
8	Netwealth Investments Limited	109,516	0.67
9	Mutual Trust Pty Limited	103,145	0.63
10	G Harvey Investments Pty Limited	100,000	0.61
11	IOOF Investment Management Limited	97,716	0.60
12	Nulis Nominees (Australia) Limited	93,452	0.57
13	National Nominees Limited	84,614	0.52
14	Australian Executor Trustees Limited	71,800	0.44
15	Ranamok Pty Limited	71,365	0.44
16	Invia Custodian Pty Limited	62,613	0.38
17	Ernron Pty Ltd	34,530	0.21
18	J C Family Investments Pty Limited	33,264	0.20
19	Sir Moses Montefiore Jewish Home	30,660	0.19
20	Pendant Realty Pty Ltd	30,000	0.18

The top 20 PERLS IX security holders hold 5,526,649 securities which is equal to 33.67% of the total securities on issue.

Stock Exchange Listing

PERLS IX are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPF. Details of trading activity are published in some daily newspapers.

Range of Securities (PERLS IX) as at 30 July 2018

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1 – 1,000	18,090	90.31	5,723,191	34.90
1,001 – 5,000	1,737	8.67	3,619,443	22.07
5,001 – 10,000	129	0.64	969,294	5.91
10,001 – 100,000	66	0.33	1,733,427	10.57
100,001 and over	9	0.05	4,354,645	26.55
Total	20,031	100.00	16,400,000	100.00
Less than marketable parcel of $500	3	0.01	4	0.00

Voting Rights

PERLS IX do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 189 and 190 for the Bank’s ordinary shares.

Top 20 Holders of CommBank PERLS X Capital Notes ("PERLS X") as at 30 July 2018

Rank	**Name of Holder**	**Number of Securities**	**%**
1	HSBC Custody Nominees (Australia) Limited	1,308,096	9.58
2	BNP Paribas Nominees Pty Ltd	1,068,430	7.83
3	Citicorp Nominees Pty Limited	394,146	2.89
4	J P Morgan Nominees Australia Limited	116,377	0.85
5	Bond Street Custodians Limited	107,237	0.79
6	Dimbulu Pty Limited	100,000	0.73
7	Tandom Pty Limited	100,000	0.73
8	Randazzo C & G Developments Pty Limited	80,000	0.59
9	Rakio Pty Limited	77,000	0.56
10	Ernron Pty Ltd	74,428	0.55
11	Nora Goodridge Investments Pty Limited	70,000	0.51
12	Netwealth Investments Limited	69,888	0.51
13	Hanson Tsai Pty Limited	60,000	0.44
14	Navigator Australia Limited	57,362	0.42
15	Eastcote Pty Limited	50,000	0.37
16	Federation University Australia	50,000	0.37
17	Harriette & Co Pty Limited	50,000	0.37
18	National Nominees Limited	42,121	0.31
19	Invia Custodian Pty Limited	34,215	0.25
20	Raffy Holdings Pty Limited	29,910	0.22

The top 20 PERLS X security holders hold 3,939,210 securities which is equal to 28.87% of the total securities on issue.

Stock Exchange Listing

PERLS X are subordinated unsecured notes issued by the Bank. They are listed on the Australian Securities Exchange under the trade symbol CBAPG. Details of trading activity are published in some daily newspapers.

Range of Securities (PERLS X) as at 30 July 2018

Range	**Number of Security holders**	**Percentage of Security holders**	**Number of Securities**	**Percentage of Issued Capital**
1 – 1,000	13,340	88.57	4,585,925	33.60
1,001 – 5,000	1,513	10.05	3,303,894	24.20
5,001 – 10,000	130	0.86	1,009,841	7.40
10,001 – 100,000	74	0.49	1,956,444	14.33
100,001 and over	5	0.03	2,793,896	20.47
Total	15,062	100.00	13,650,000	100.00
Less than marketable parcel of $500	2	0.01	9	0.00

Voting Rights

PERLS X do not confer any voting rights in the Bank but if they are exchanged for ordinary shares of the Bank in accordance with their terms of issue, then the voting rights of the ordinary shares will be as set out on pages 189 and 190 for the Bank's ordinary shares.

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Corporate directory

132 221 General Enquiries

For your everyday banking including paying bills using BPAY® our automated service is available 24 hours a day, 7 days a week.

132 221 Lost, Stolen or Damaged Cards

To report a lost or stolen card 24 hours a day, 7 days a week.

From overseas call +61 2 9999 3283. Operator assistance is available 24 hours a day, 7 days a week.

® Registered to BPAY Pty Ltd ABN 69 079 137 518

132 224 Home Loans and Investment Home Loans

To apply for a new home loan or investment home loan or to maintain an existing loan. Available from 8am to 8pm, 7 days a week.

131 431 Personal Loan Sales

To apply for a new personal loan.

Available from 8am to 8pm, 7 days a week.

1800 805 605 Customer Relations

If you would like to pay us a compliment or are dissatisfied with any aspect of the service you have received.

Internet Banking

You can apply for a home loan, credit card, personal loan, term deposit or a savings account on the internet by visiting our website at www.commbank.com.au available 24 hours a day, 7 days a week.

Do your everyday banking on our internet banking service NetBank at www.commbank.com.au/netbank available 24 hours a day, 7 days a week.

To apply for access to NetBank, call 132 221.

Available 24 hours a day, 7 days a week.

Do your business banking on our Business Internet Banking Service CommBiz at www.commbank.com.au/CommBiz available 24 hours a day, 7 days a week.

To apply for access to CommBiz, call 132 339.

Available 24 hours a day, 7 days a week.

Special Telephony Services

Customers who are hearing or speech impaired can contact us via the National Relay Service (www.relayservice.com.au) available 24 hours a day, 7 days a week.

- Telephone Typewriter (TTY) service users can be connected to any of our telephone numbers via 133 677.
- Speak and Listen (speech-to-speech relay) users can also connect to any of our telephone numbers by calling 1300 555 727.
- Internet relay users can be connected to our telephone numbers via National Relay Service.

131 519 CommSec (Commonwealth Securities)

For enquiries about CommSec products and services visit www.commsec.com.au.

Available from 8am to 7pm (Sydney Time), Monday to Friday, for share trading and stock market enquiries, and 8am to 7pm 7 days a week for CommSec Cash Management. A 24 hour lost and stolen card line is available 24 hours, 7 days a week.

131 709 CommSec Margin Loan

Enables you to expand your portfolio by borrowing against your existing shares and managed funds. To find out more simply call 131 709 8am to 6pm (Sydney Time) Monday to Friday or visit www.commsec.com.au.

1800 019 910 Corporate Financial Services

For a full range of financial solutions for medium-size and larger companies.

Available from 8am to 6pm (Sydney Time), Monday to Friday.

131 998 Local Business Banking

A dedicated team of Business Banking Specialists, supporting a network of branch business bankers, will help you with your financial needs.

Available 24 hours a day, 7 days a week or visit www.commbank.com.au/lbb.

1300 772 968 (1300 AGLINE) AgriLine

A dedicated team of Agribusiness Specialists will help you with your financial needs. With our Business Banking team living in regional and rural Australia, they understand the challenges you face. Available 24 hours a day, 7 days a week.

Colonial First State

Existing investors can call 131 336 from 8am to 7pm (Sydney Time) Monday to Friday.

New investors without a financial adviser can call 1300 360 645. Financial advisers can call 131 836.

Alternatively, visit www.colonialfirststate.com.au.

1300 362 081 Commonwealth Private

Commonwealth Private offers clients with significant financial resources a comprehensive range of services, advice and opportunities to meet their specific needs. For a confidential discussion about how Commonwealth Private can help you, call 1300 362 081 between 8am to 5:30pm (Sydney time), Monday to Friday or visit www.commbank.com.au/commonwealthprivate

132 015 Commonwealth Financial Services

For enquiries on retirement and superannuation products, or managed investments. Available from 8.30am to 6pm (Sydney Time), Monday to Friday.

Unit prices are available 24 hours a day, 7 days a week.

CommInsure

For all your general insurance needs call 132 423 8am to 8pm (Sydney Time), Monday to Friday and 8am to 5pm (Sydney Time) on Saturday.

For all your life insurance needs call 131 056 8am to 8pm (Sydney Time), Monday to Friday.

Alternatively, visit www.comminsure.com.au.

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Taryn Morton

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Australian Securities Exchange Listing

CBA

Annual Report

To request a copy of the Annual Report, please call Link Market Services Limited on 1800 022 440 or by email at cba@linkmarketservices.com.au.
Electronic versions of Commonwealth Bank's past and current Annual Reports are available on www.commbank.com.au/investors.