

**Financial Report (U.S. Version)
Year ended 30 June 2015**

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Contents

Introduction	2
Directors' Report	3
Financial Statements	35
Income Statements	36
Statements of Comprehensive Income	37
Balance Sheets	38
Statements of Changes in Equity	39
Statements of Cash Flows	41
Notes to the Financial Statements	43
Directors' Declaration	145
Independent Auditor's Report	146

Introduction

The Commonwealth Bank of Australia Financial Report (US Version) - Year Ended 30 June 2015, which contains the financial statements for the year ended 30 June 2013, 2014 and 2015 and as of 30 June 2014 and 2015 (the “2015 Financial Report”) should be read in conjunction with:

- The Commonwealth Bank of Australia Financial Report (US version) – Year Ended 30 June 2014, which contains the Financial Statements for the years ended 30 June 2012, 2013 and 2014 and as at 30 June 2013 and 2014 (the “2014 Financial Report”); and
- The Commonwealth Bank of Australia Basel III Pillar 3 Capital Adequacy and Risk Disclosures as at 30 June 2015, in each case, as found on the US Investor Website located at: www.commbank.com.au/usinvestors (the “US Investor Website”).

The Directors of the Commonwealth Bank of Australia submit their report, together with the financial report of the Commonwealth Bank of Australia (the Bank) and of the Group, being the Bank and its controlled entities, for the year ended 30 June 2015.

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

David Turner, Chairman

Director of the Bank since August 2006.

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

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

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

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

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

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

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

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

Ian Narev, Managing Director and Chief Executive Officer

Director of the Bank since December 2011.

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

He was a member of the Risk Committee during the 2015 financial year (ceased August 2014).

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

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

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

Other directorships: Commonwealth Bank Foundation (Chairman), and Financial Markets Foundation for Children.

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

Mr. Narev is a resident of New South Wales. Age 48.

Sir John Anderson, KBE

Director of the Bank since March 2007.

Sir John Anderson is a member of the Risk Committee and the Board Performance and Renewal Committee. He is also a member of the Audit Committee (from August 2014).

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

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

Other directorships: APN News & Media Limited (since March 2015), PGG Wrightson Limited (Chairman; ceased October 2013), NPT Limited (Chairman), Steel & Tube Holdings Ltd (Chairman from October 2012) and T&G Global Limited (Deputy Chairman from December 2012).

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

Sir John is a resident of Wellington, New Zealand. Age 70.

Directors' Report

Shirish Apte

Director of the Bank since June 2014.

Shirish Apte is a member of the Risk Committee and the Audit Committee.

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

He has more than 32 years' experience with Citi, including as CEO of Central & Eastern Europe, Middle East & Africa (CEEMEA) and, before that, as Country Manager and Deputy President of Citibank Handlowy, Poland.

Other directorships: IHH Healthcare Bhd., Crompton Greaves Ltd, Citibank Japan and member of the Supervisory Board of Citibank Handlowy, Poland.

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

Mr. Apte is a resident of Singapore. Age 62.

Jane Hemstritch

Director of the Bank since October 2006.

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

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

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

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

Other directorships: Herbert Smith Freehills (member of Global Council), Lend Lease Corporation Limited, Santos Ltd, Tabcorp Holdings Ltd, and Victorian Opera Company Ltd (Chairman from February 2013).

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

Ms Hemstritch is a resident of Victoria. Age 61.

Sir David Higgins (Appointed 1 September 2014)

Director of the Bank since September 2014.

Sir David Higgins is a member of the Audit Committee (from March 2015) and the Remuneration Committee (from October 2014).

He is the Chairman of High Speed Two (HS2) Ltd, the company responsible for developing and promoting the UK's new high speed rail network. Prior to that, he was Chief Executive of Network Rail Infrastructure Ltd which is involved in the maintenance and development of railway infrastructure throughout the UK.

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

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

Other directorships: High Speed Two (HS2) Ltd (Chairman).

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

Sir David is a resident of United Kingdom. Age 60.

Launa Inman

Director of the Bank since March 2011.

Launa Inman is a member of the Audit Committee and the Remuneration Committee (from August 2014). She was a member of the Risk Committee during the 2015 financial year (ceased August 2014).

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

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

Other directorships: Bellamy's Australia Limited (since February 2015), Virgin Australia Melbourne Fashion Festival, The Alannah and Madeline Foundation and Billabong International Limited (Managing Director; ceased August 2013).

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

Ms Inman is a resident of Victoria. Age 59.

Brian Long

Director of the Bank since September 2010.

Brian Long is Chairman of the Audit Committee and a member of the Risk Committee.

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

Other directorships: Brambles Limited, Ten Network Holdings Limited (Deputy Chairman) and Cantarella Bros Pty Ltd.

Qualifications: Fellow of Chartered Accountants Australia and New Zealand.

Mr. Long is a resident of New South Wales. Age 69.

Andrew Mohl

Director of the Bank since July 2008.

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

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

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

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

Other directorships: Federal Government Export Finance and Insurance Corporation (Efic) (Chairman; ceased December 2014).

Qualifications: BEc (Hons), Monash.

Mr. Mohl is a resident of New South Wales. Age 59.

Directors' Report

Wendy Stops (Appointed 9 March 2015)

Director of the Bank since March 2015.

Wendy Stops is a member of the Remuneration Committee.

She was Senior Managing Director, Technology – Asia Pacific for Accenture Limited from 2012 until her retirement in June 2014. In this role she had responsibility for over 11,000 professional personnel spanning all industry groups and technology disciplines across 13 countries in Asia Pacific.

Other recent senior leadership positions held prior to this time included Global Managing Director, Technology Quality & Risk Management (2009 to 2012), Global Managing Director, Outsourcing Quality & Risk Management (2008 to 2009) and Director of Operations, Asia Pacific (2006 to 2008).

She also served on Accenture's Global Leadership Council from 2008 until her retirement. Ms. Stops career at Accenture spanned 32 years.

Other directorships: Nil.

Qualifications: Bachelor of Applied Science (Information Technology)

Ms. Stops is a resident of Victoria. Age 54.

Harrison Young

Director of the Bank since February 2007.

Harrison Young is Chairman of the Risk Committee and a member of the Audit Committee and the Board Performance and Renewal Committee.

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

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

Other directorships: Nil.

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

Mr. Young is a resident of Victoria. Age 70.

Carolyn Kay (Retired 31 March 2015)

Director of the Bank from March 2003 until March 2015.

Carolyn Kay was a member of the Audit Committee and the Remuneration Committee. She was a member of the Risk Committee during the 2015 financial year (ceased August 2014).

She has over 30 years' experience in finance, particularly in International finance, including working as a banker and as a lawyer at Morgan Stanley, JP Morgan and Linklaters & Paines in London, New York and Australia. Through her executive and non-executive career, she has had experience across a broad range of sectors including mining, healthcare, logistics, infrastructure, banking and finance, funds management, packaging, beverages and government.

Other directorships: Allens Linklaters, Brambles Limited, John Swire & Sons Pty Limited, Sydney Institute, The Future Fund (from April 2015) and General Sir John Monash Foundation.

Qualifications: BA (Melb), LLB (Melb), GDM (AGSM) and Fellow of the Australian Institute of Company Directors.

Ms. Kay is a resident of New South Wales. Age 54.

Other Directorships

The Directors held the following directorships in other listed companies in the three years prior to the end of the 2015 financial year:

Director	Company	Date Appointed	Date of Ceasing (if applicable)
Jane Hemstritch	Tabcorp Holdings Limited	13/11/2008	
	Santos Limited	16/02/2010	
	Lend Lease Corporation Limited	01/09/2011	
Launa Inman	Billabong International Limited	14/05/2012	02/08/2013
	Bellamy's Australia Limited	18/02/2015	
Carolyn Kay	Brambles Limited	21/08/2006	
Brian Long	Ten Network Holdings Limited	01/07/2010	
	Brambles Limited	01/07/2014	
Sir John Anderson	APN News & Media Limited	26/03/2015	

Directors' Meetings

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

Director	No. of Meetings Held ⁽¹⁾	No. of Meetings Attended
David Turner	12	12
Ian Narev	12	12
John Anderson	12	10
Shirish Apte	12	12
Jane Hemstritch	12	12
David Higgins ⁽²⁾	8	8
Launa Inman	12	12
Carolyn Kay ⁽³⁾	10	10
Brian Long	12	11
Andrew Mohl	12	12
Wendy Stops ⁽⁴⁾	3	3
Harrison Young	12	12

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

(1) David Higgins commenced effective 1 September 2014.

(2) Carolyn Kay retired effective 31 March 2015.

(3) Wendy Stops commenced effective 9 March 2015.

Directors' Report

Committee Meetings

Director	Risk Committee		Audit Committee		Remuneration Committee	
	No. of Meetings Held ⁽¹⁾	No. of Meetings Attended	No. of Meetings Held ⁽¹⁾	No. of Meetings Attended	No. of Meetings Held ⁽¹⁾	No. of Meetings Attended
David Turner	7	7	-	-	7	7
Ian Narev	1	1	-	-	-	-
John Anderson	7	7	7	7	-	-
Shirish Apte	7	7	7	7	-	-
Jane Hemstritch	7	7	-	-	7	7
David Higgins ⁽²⁾	-	-	2	2	4	4
Launa Inman	1	1	7	7	5	5
Carolyn Kay ⁽³⁾	1	1	6	6	6	6
Brian Long	7	7	7	7	-	-
Andrew Mohl	7	7	-	-	7	7
Wendy Stops ⁽⁴⁾	-	-	-	-	1	1
Harrison Young	7	7	7	7	-	-

Board Performance and Renewal Committee

Director	No. of Meetings Held ⁽¹⁾	No. of Meetings Attended
	David Turner	8
John Anderson	8	8
Harrison Young	8	8

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

(5) David Higgins commenced effective 1 September 2014.

(6) Carolyn Kay retired effective 31 March 2015.

(7) Wendy Stops commenced effective 9 March 2015.

Principal Activities

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

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

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

Consolidated Profit

The Group's net profit after income tax and non-controlling interests for the year ended 30 June 2015 was \$9,063 million (2014: \$8,631 million).

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

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

Operating expenses increased due to underlying inflationary pressures, the impact of foreign exchange and the cost of growing regulatory, compliance and remediation

programs, partly offset by the incremental benefit generated from productivity initiatives.

Loan impairment expense increased in line with portfolio growth in a relatively stable economic environment. Provisioning levels remain prudent and overlays remain largely unchanged on the prior year.

Dividends

The Directors have determined a fully franked (at 30%) final dividend of 222 cents per share amounting to \$3,613 million. The dividend will be payable on 1 October 2015 to shareholders on the register at 5pm EST on 20 August 2015.

Dividends paid in the year ended 30 June 2015 were as follows:

- In respect of the year to 30 June 2014, a fully franked final dividend of 218 cents per share amounting to \$3,534 million was paid on 2 October 2014. The payment comprised direct cash disbursements. The Dividend Reinvestment Plan (DRP) in respect of the final dividend was satisfied in full by the on market purchase of shares; and
- In respect of the year to 30 June 2015, a fully franked interim dividend of 198 cents per share amounting to \$3,210 million was paid on 2 April 2015. The payment comprised direct cash disbursements of \$2,636 million with \$574 million being reinvested by participants through the DRP.

Review of Operations

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

Changes in State of Affairs

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

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

Events Subsequent to Balance Sheet Date

The Bank expects the DRP for the final dividend for the year ended 30 June 2015 will be satisfied by the issue of shares of approximately \$700 million.

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

Business Strategies and Future Developments

The Group's Strategy

Anchored firmly to the Group's vision to 'excel at securing and enhancing the financial wellbeing of people, businesses and communities', the Group's strategy is focussed on creating long-term value for its customers, shareholders and people.

The Group's overarching priority is customer focus supported by four market-leading capabilities: people, productivity, technology and strength.

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

The strategy is split into three elements:

- An overarching objective of Customer Focus to drive consistency in business unit strategy and execution. The Group is steadfast in its commitment to achieving its vision through continually improving its customer focus. Customers remain the Group's foremost priority with the goal to be number one in customer satisfaction across all segments;
- Four capabilities that the Group invests in and leverages, to reinforce and enhance its competitive advantage, namely People, Productivity, Technology and Strength; and
- Three growth opportunities that define the most significant opportunities for the Group to create shareholder value, namely One CommBank where the Group aims to meet more of its customers' financial needs; continued growth in business and institutional banking; and disciplined capability-led growth outside Australia.

Environmental Reporting

The Group is subject to the Federal Government's National Greenhouse and Energy Reporting (NGER) scheme. The scheme makes it mandatory for controlling corporations to report annually on greenhouse gas emissions, energy production and energy consumption, if they exceed certain threshold levels. As a result of a long history in voluntary

environmental reporting, the Group is well placed to meet the NGER requirements.

The Group is not subject to any other particular or significant environmental regulation under any law of the Commonwealth or of a State or Territory, but can incur environmental liabilities as a lender. The Group has a number of policies in place to ensure the risk is managed appropriately.

Directors' Shareholdings and Options

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

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

Options Outstanding

As at the date of this Report there are no employee options outstanding in relation to Commonwealth Bank ordinary shares.

Directors' Interests in Contracts

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

Directors' and Officers' Indemnity

The Directors, as named on pages 3 to 6 of this report, and the Secretaries of the Bank, being named on page 10 of this Report, are indemnified under the Constitution of Commonwealth Bank of Australia (the Constitution), as are all senior managers of the Bank.

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

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

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

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

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

Directors' Report

- person who, at the request of a related body corporate of the Bank, acts as a member of the compliance committee of a registered scheme for which the related body corporate of the Bank is the responsible entity.

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

Directors' and Officers' Insurance

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

Proceedings on behalf of the Bank

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

Rounding and Presentation of Amounts

Unless otherwise indicated, the Bank has rounded off amounts in this Directors' Report and the accompanying financial statements to the nearest million dollars in accordance with ASIC Class Order 98/100.

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

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

Corporate Governance Statement

The Bank is committed to ensuring that its policies and practices reflect a high standard of corporate governance. The Board has adopted a comprehensive framework of Corporate Governance Guidelines, designed to balance performance and conformance.

The Directors possess a range of skills which, as a group, enable the Board to discharge its obligations effectively, challenge management and contribute to the Bank's strategic debate. Every Director has had considerable exposure to current corporate governance practices and all Directors possess significant financial acumen, with five of the Directors being qualified accountants.

The following table summarises the key skills and experience of the Directors:

Skills and Experience	No. of Directors
Retail and Corporate Banking/ Financial Institutions	5
Financial Acumen	11
New Media and Technology	4
Experience as a non-executive director of at least two other listed entities	7
General management exposure to international operations	11
Held CEO or similar position in non-financial organisation	6
Expert experience in financial regulation	5

The Board currently comprises 11 Directors: 10 Non-Executive Directors and 1 Executive Director, being the CEO.

Throughout the 2015 financial year, the Bank's governance arrangements were consistent with the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

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

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

Company Secretaries

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

David Cohen was appointed as Company Secretary of the Bank in February 2015. David commenced as Group General Counsel in June 2008 and took on the role of leading Group Corporate Affairs in early 2012. He advises the CEO and the Board on legal matters and is also responsible for the Group's external and internal affairs, communications, sustainability and corporate governance. Previously he was General Counsel of AMP and a partner with Allens Arthur Robinson for 12 years.

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

Margaret Taylor was Company Secretary of the Bank from August 2013 until February 2015. Before joining the Bank, she held the position of Group General Counsel and Company Secretary of Boral Limited. Prior to that, she was Regional Counsel Australia/Asia with BHP Billiton, and prior to that a partner with law firm Minter Ellison, specialising in corporate and securities laws. She holds Bachelor Degrees in Law (Hons) and Arts from the University of Queensland. She is a Fellow of the Governance Institute of Australia and a Graduate of the Australian Institute of Company Directors.

Message from the Remuneration Committee Chairman

Dear Shareholder,

I am pleased to present the CBA Group's 2015 Remuneration Report.

The Group delivered a strong performance in 2015, maintaining its number one ranking for customer satisfaction amongst retail and business customers, including equalling the highest score ever recorded by a major bank. We advanced our technology strategy through the TYME (Take Your Money Everywhere) acquisition, opening of the Innovation Lab, and delivery of market leading products like Albert and BizLoan. The Group continued to deliver on our diversity and inclusion goals while our culture remained strong, with the 2015 People & Culture Survey showing that our people are highly engaged in line with global best in class benchmark organisations. We expanded our role in the community in areas such as education, expanding Start Smart, our school financial skills program, to reach more than 500,000 students each year, and committing \$50 million over the next three years to help strengthen Australian schools. Overall we delivered sound growth, solid profits and dividends, and created long-term value for our customers, shareholders, people and community.

The year's strong performance and progress on longer term strategic initiatives resulted in executives, in aggregate, receiving above target short-term incentive awards.

The Long-Term Incentive (LTI) grant awarded in the 2012 financial year vested at 86.25% of the maximum level, reflecting a Total Shareholder Return (TSR) outcome over the last four years which was at the 70th percentile and strong customer satisfaction, with CBA ranked first in two of three surveys (retail and business banking).

During 2015, the CEO and some Group Executives received modest fixed remuneration increases, with others receiving no increases.

There were three new Group Executive appointments during the period, each receiving remuneration levels at or below previous incumbents. All appointments were internal which reflects the Group's strong focus on talent development and strength of our internal capability.

A review of Board and Committee fees, the first since 2012, resulted in a market-aligned increase for Non-Executive Director and Chairman fees, effective 1 January 2015.

During 2015, the Committee continued to review its approach to Executive remuneration. Our strategy has served us well in aligning rewards to our executive team for achieving sound profitable growth and delivering value for shareholders. In a rapidly changing market, we need to ensure it continues to do so. Although no changes are being proposed for the 2016 financial year, our review is ongoing so final outcomes of the review will be considered in relation to the 2017 financial year.

Effective governance is important, so in preparing this year's Remuneration Report, we have focused on providing greater clarity on CBA's policy and principles, including the linkage between performance and remuneration outcomes.

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



Jane Hemstrich
Committee Chairman
11 August 2015

Directors' Report – Remuneration Report

2015 Remuneration Report

This Remuneration Report details the approach to remuneration frameworks, outcomes and performance, for the Commonwealth Bank of Australia (CBA) and its Key Management Personnel (KMP) for the year ended 30 June 2015.

In the 2015 financial year, KMP included the Non-Executive Directors, CEO and Group Executives listed in the table below. The table also includes movements during the 2015 financial year. The key changes to the Executive team included:

- Michael Harte resigned from the role of Group Executive, Enterprise Services and Chief Information Officer effective 11 July 2014;
- David Whiteing was appointed to the role of Group Executive, Enterprise Services and Chief Information Officer from 14 July 2014;
- Simon Blair ceased as a KMP effective 31 October 2014;
- Robert Jesudason was appointed to the role of Group Executive, International Financial Services from 1 November 2014;
- Grahame Petersen ceased as a KMP effective 11 January 2015 and retired from the Group effective 6 February 2015;
- Adam Bennett was appointed to the role of Group Executive, Business and Private Banking from 12 January 2015; and
- Vittoria Shortt was appointed to the role of Group Executive, Marketing and Strategy from 2 March 2015.

Name	Position	Term as KMP
Non-Executive Directors		
David Turner	Chairman	Full Year
John Anderson	Director	Full Year
Shirish Apte	Director	Full Year
David Higgins	Director (from 1 September 2014)	Part Year
Jane Hemstritch	Director	Full Year
Launa Inman	Director	Full Year
Brian Long	Director	Full Year
Andrew Mohl	Director	Full Year
Wendy Stops	Director (from 9 March 2015)	Part Year
Harrison Young	Director	Full Year
Former Non-Executive Director		
Carolyn Kay	Director (until 31 March 2015)	Part Year
Managing Director and CEO		
Ian Narev	Managing Director and CEO	Full Year
Group Executives		
Kelly Bayer Rosmarin	Group Executive, Institutional Banking and Markets	Full Year
Adam Bennett	Group Executive, Business and Private Banking (from 12 January 2015)	Part Year
David Cohen	Group General Counsel and Group Executive, Group Corporate Affairs	Full Year
Matthew Comyn	Group Executive, Retail Banking Services	Full Year
David Craig	Group Executive, Financial Services and Chief Financial Officer	Full Year
Robert Jesudason	Group Executive, Group Strategic Development (until 31 October 2014) Group Executive, International Financial Services (from 1 November 2014)	Full Year
Melanie Laing	Group Executive, Human Resources	Full Year
Vittoria Shortt	Group Executive, Marketing and Strategy (from 2 March 2015)	Part Year
Annabel Spring	Group Executive, Wealth Management	Full Year
Alden Toevs	Group Chief Risk Officer	Full Year
David Whiteing	Group Executive, Enterprise Services and Chief Information Officer (from 14 July 2014)	Part Year
Former Executives		
Simon Blair	Group Executive, International Financial Services (ceased as KMP on 31 October 2014)	Part Year
Michael Harte	Group Executive, Enterprise Services and Chief Information Officer (resigned 11 July 2014)	Part Year
Grahame Petersen	Group Executive, Business and Private Banking (ceased as KMP 11 January 2015)	Part Year

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

1. Remuneration Governance

1.1 Remuneration Committee

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

As at 30 June 2015, the Committee is made up of independent Non-Executive Directors and consists of the following members:

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

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

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

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

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

- The appointment and relocation arrangements for Robert Jesudason in the role of Group Executive, International Financial Services, effective 1 November 2014;
- The appointment of Adam Bennett to the role of Group Executive, Business and Private Banking, effective 12 January 2015, following the retirement of Grahame Petersen;
- The appointment of Vittoria Shortt to the role of Group Executive, Marketing and Strategy, effective 2 March 2015, following Robert Jesudason's appointment to the role of Group Executive, International Financial Services;
- A review of incentive arrangements for financial advisors within Wealth Management to independently confirm compliance with regulatory requirements;
- The annual review of the Group Remuneration Policy in December 2014, and a subsequent review in June 2015;
- A review of the existing Executive remuneration framework to ensure it continues to deliver long-term value to shareholders and a strong risk culture, while reflecting dynamic business strategies and a changing external landscape;
- A comprehensive review of the Group's reward strategy to ensure it enables talent, culture and

business objectives, and can flexibly respond to future needs;

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

Our Independent Remuneration Consultant

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

Throughout the 2015 financial year, the main information received from the Committee's remuneration consultant related to:

- Regulatory reforms;
- Current market practices; and
- Information to support the Committee's review of existing remuneration arrangements of the CEO and Group Executives.

EY provides information to assist the Committee in making remuneration decisions. EY has not made any remuneration decisions or recommendations during the 2015 financial year. The Committee is solely responsible for making decisions within the terms of its Charter.

1.2 Our Remuneration Philosophy

Our remuneration philosophy is the backbone of our remuneration framework, policies and processes. In summary, our remuneration philosophy for our CEO and Group Executives is to:

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

1.3 Remuneration and Risk Management

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

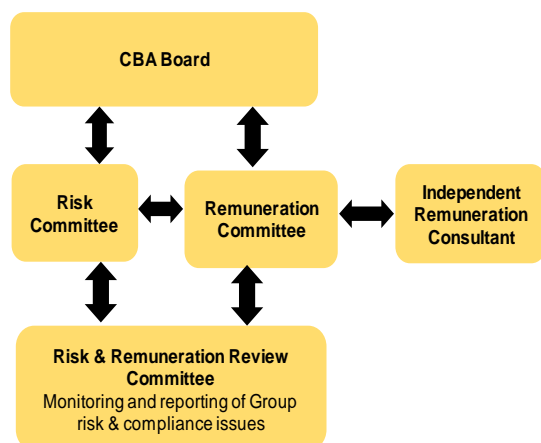
- Takes note of any material risk issues impacting remuneration, with issues raised by the Committee provided to the Board's Risk Committee for noting;
- Considers issues and recommendations raised by the Risk and Remuneration Review Committee, a management committee that monitors material risk and compliance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

Directors' Report – Remuneration Report

1.3 Remuneration and Risk Management (continued)

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

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



1.4 Non-Executive Directors Remuneration

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

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

To assist in keeping Non-Executive Directors remuneration arrangements market competitive, following a comprehensive review, the Board approved the following fee increases, effective from 1 January 2015:

- Board Chairman fee increased from \$849,800 to \$870,000 per annum;
- Board Non-Executive Directors fees increased from \$236,400 to \$242,000 per annum;
- For both the Audit Committee and Risk Management Committee, the Committee Chairman fee increased from \$56,300 to \$65,000 per annum and Committee member fees increased from \$28,100 to \$32,500 per annum;
- For the Remuneration Committee, the Committee Chairman fee increased from \$56,300 to \$60,000 per annum and Committee member fees increased from \$28,100 to \$30,000 per annum; and for the Board Performance and Renewal Committee, both Committee Chairman and member fees increased from \$11,300 to \$11,600 per annum.

Non-Executive Directors fees include statutory superannuation contributions and were last increased in 2012.

The following table outlines the Non-Executive Directors fees for the main Board and the Committees as at 30 June 2015:

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

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

The total amount of Non-Executive Directors fees is capped at a maximum pool that is approved by shareholders. The current fee pool remains at \$4 million, which was approved by shareholders at the Annual General Meeting (AGM) on 13 November 2008.

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

The statutory table on page 25 provides the individual remuneration expense for each Non-Executive Director in relation to the 2015 financial year.

2. Remuneration Framework

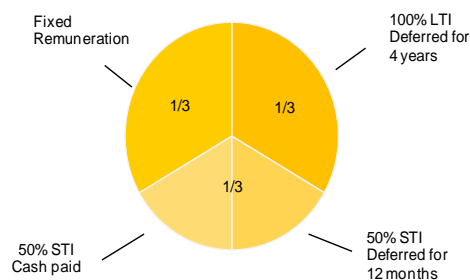
The remuneration arrangements for the CEO and Group Executives are made up of both fixed and at risk remuneration. This is composed of the following three elements:

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

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

2.1 Total Target Remuneration

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



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

In setting target remuneration levels we aim to remain competitive by attracting and retaining highly talented Executives. We do this by considering the experience of

Directors' Report – Remuneration Report

2.1 Total Target Remuneration (continued)

the Executive, the size and scope of role responsibilities, and level of market competitive remuneration sourced from remuneration market surveys and disclosed data.

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

2.2 Fixed Remuneration

- Fixed remuneration is made up of base remuneration and superannuation. Base remuneration includes cash salary and any salary sacrifice items;
- The Board, with recommendations from the Committee, determines an appropriate level of fixed remuneration for the CEO and Group Executives with consideration of incumbent, role and market factors; and
- Fixed remuneration is reviewed annually, following the end of the 30 June performance year. For the 2015 financial year the average fixed remuneration increase for Executives who did not change roles was 1.4%.

2.3 Short-Term Incentive

- The CEO and Group Executives have an STI target equal to 100% of their fixed remuneration. STI outcomes reflect the Executive's performance against a balanced scorecard and CBA's overall performance;
- STI outcomes for the CEO and Group Executives may be awarded between zero and 150% of their STI target depending on performance;
- Executives receive 50% of their STI payment as cash following the Group's year-end results. The remaining 50% of the STI payment is deferred for one year and earns interest at the CBA one year term deposit rate;
- The CEO and Group Executives will forfeit the deferred portion of their STI if they resign or are dismissed from the Group before the end of the deferral period, unless the Board determines otherwise;
- The deferral assists in managing the risk of losing key Executive talent. It also allows the Board to reduce or cancel the deferred component of the STI where business outcomes are materially lower than expected or with consideration of other circumstances; and
- STI payments are made within a funding cap which is determined by the Board after consideration of Group performance in the year. The Board retains discretion to adjust remuneration outcomes up or down to ensure consistency with the Group's remuneration philosophy and to prevent any inappropriate reward outcomes.

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

2.4 Long-Term Incentive

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

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

2.5 Mandatory Shareholding Policy

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

2.6 Sign-on and Retention Awards

- Sign-on awards may be offered to new Executives to compensate for existing incentive arrangements that they will forgo due to the termination of their non-CBA employment before the end of the vesting period.
- Retention awards are pre-determined future payments that may be awarded to Executives at a defined future date to encourage retention.
- No sign-on or retention awards were made to David Whiteing, Adam Bennett or Vittoria Shortt following their appointment to Executive roles, or to any other Executives during the 2015 performance year.

Directors' Report – Remuneration Report

3. Linking Remuneration to Performance

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

3.1 Short-Term Performance 2015

The table below provides the Board's assessment of the Group's overall performance for the year ended 30 June 2015 and highlights key financial and non-financial performance outcomes. Performance categories have been assessed as above, on, or below target.

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

Risk is also an important factor in accounting for short-term performance. We use Profit After Capital Charge, a risk-adjusted measure, as one of our key measures of financial performance. It takes into account not just the profit achieved, but also considers the risk to capital that was taken to achieve it. Executives are also required to comply with the relevant Group or Business Unit Risk Appetite Statement and provide leadership of strong risk culture. STI awards are adjusted downwards where material risk issues occur. Risk is also managed through the compulsory 50% deferral of the CEO and Group Executives' STI awards. Under the Group's Remuneration Policy, the Board has discretion to make adjustments to deferred remuneration in various circumstances. Adjustments can include partial reductions or complete forfeiture of deferred STI awards.

Performance 2015 Key Achievements

Customer Focus Continuing to build a vibrant customer focused culture – Above-Target

The Group's continued commitment to its customer focused culture resulted in the Group maintaining the number one major bank ranking for customer satisfaction among retail and business customers. Specifically:

- For Retail Banking, CBA finished the financial year ranked number one in Main Financial Institution (MFI) customer satisfaction⁽¹⁾. During this time, CBA equalled the highest score ever recorded by a major bank at 84.2%;
- In Business Banking, CBA ended the financial year in equal first position in MFI customer satisfaction⁽¹⁾ among the major banks in all of its key business segments;
- In Institutional Banking, CBA continues to perform strongly and has ranked either in outright or equal first position in MFI customer satisfaction⁽¹⁾ for the past 12 months; and
- Wealth Management's platforms were ranked second for adviser satisfaction among the four major banks and other key competitors.

Strength Maintain a strong, flexible Balance Sheet – On-Target

- The Group maintained a strong capital position with capital ratios well in excess of regulatory minimum capital requirements and Board approved minimum levels at all times throughout the year ended 30 June 2015;
- The group preserved its well-diversified funding base including:
 - Customer deposits accounting for 63% of total funding at 30 June 2015 (2014: 64%); and
 - Short-term wholesale funding accounted for 49% of total wholesale funding at 30 June 2015, up from 45% in the prior year.
- The Group continues to hold a high quality, well diversified liquid asset portfolio of \$132 billion at 30 June 2015, to prudently meet Balance Sheet liquidity needs and regulatory requirements introduced from 1 January 2015; and
- The Group continues to manage growth by assessing opportunities that will generate sustainable returns for the long-term, demonstrated in the 2015 financial year by a 5% increase in profit after tax including:
 - A 5% increase in net interest income; and
 - Low levels of lending losses for the period.

Productivity Group-wide commitment to continually improving and streamlining processes with a focus on simplicity and an enhanced experience for the Group's customers and employees - On-Target

- Having built substantial productivity capability and scale over the past three years, central team resources are now transferred and embedded into business and support units to ensure productivity efforts directly contribute to business and support unit expense goals. Business and support unit initiatives and improvement projects are part of a rolling two year Productivity Plan that includes minimum expense benefit targets set by the Group and embedded in overall business plans;
- Productivity capability has grown through the acceleration of leadership-focused courses to assist managers in the full utilisation of embedded resources and expert capability, as well as continually refreshed Productivity training for new and existing employees;

Directors' Report – Remuneration Report

Productivity (continued)	<ul style="list-style-type: none">Four Productivity Habits are established as a foundation across the Group, supported by an accreditation process to encourage continued evolution and capability of business and support units in making things simpler and easier for the Group's customers and employees; andProjects continue to be executed across all business and support units delivering financial and customer benefit, as well as an increased focus on simplifying and standardising processes to support the Group's process centricity and digitisation efforts.
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Technology	<p>Technology programs designed to enhance the customer experience through more innovative systems and processes, and improve efficiency levels – Above-Target</p> <p>Commonwealth Bank continued to provide new and innovative technology services to our customers both in Australia as well as overseas.</p> <p>For consumers we provided:</p> <ul style="list-style-type: none">The ability to cancel and replace cards via the CommBank app or NetBank;International Money Transfer to an existing payee or transfer to a new payee in the CommBank app;The ability for Android customers to use their device and the CommBank app to Tap & Pay;Touch-ID for Apple iPhone customers to login to CommBank app;Smartwatch applications for the CommBank and CommSec apps; andThe ability to conduct a full property settlement on the new PEXA platform, the first bank in Australia to provide this. <p>For our business clients we:</p> <ul style="list-style-type: none">Launched our new Albert EFTPOS payments terminal; andLaunched the ability to access and manage trade finance, foreign exchange and cash management positions through our leading CommBiz online platform. <p>Internationally in Indonesia we introduced:</p> <ul style="list-style-type: none">Cashflow app that helps entrepreneurs manage their customers, suppliers and cash;BizLoan app to simplify borrowing for entrepreneurs;Workflow app (in Indonesia and Vietnam) that helps entrepreneurs manage employees, track employee loans and simplify payroll; andWe also completed the two-year build of the Indonesian banking technology platform, covering mobile banking, internet banking, branch teller and core banking platforms, as well as a new data warehouse. <p>In addition to these, we opened our new Innovation Lab in Sydney allowing our people to work on new products and services for our customers. We acquired TYME (Take Your Money Everywhere), a South African company that provides access to regulated bank accounts using the latest technology to under-serviced customers.</p>
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People	<p>Continuing to build an effective workforce, aligned to business need, performing at its best – Above-Target</p> <ul style="list-style-type: none">Our people continued to be highly engaged during the 2015 financial year, with the Group employee engagement score remaining at 81%;The Group remains committed to gender diversity and as at 30 June 2015, the Group achieved its target of 35% of women in leadership roles. To continue the Group's focus on increasing the percentage of women in executive roles, a new gender diversity target will be set;In January 2015, the 2015-2017 Diversity and Inclusion Strategy was launched. The strategy has been cascaded to each business unit. We are strengthening our approach to deliver the strategy through a combination of self-determination by the respective employee communities whilst embedding diversity into everyday business with a focus on enhancing a culture of inclusion;To support our culture, the Group has continued to invest in leadership development at every level of the organisation, embedding its long-term customer-centric culture and adding stronger productivity and risk lenses;A number of technology initiatives were implemented during 2015 making people processes simple and easy for our employees. These include Sidekick, a global mobile app enabling real-time access to HR data, dashboards and services, and HR Now, a digital solution for people-related transactions providing easy access anytime anywhere; andThe Group remains committed to not offshoring jobs.
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(1) Customer satisfaction is measured by three separate surveys. For the Retail Bank, it is measured by Roy Morgan Research. Roy Morgan Research MFI Retail Customer Satisfaction measures the percentage of the Australian population 14+, % "Very Satisfied" or "Fairly Satisfied" with their relationship with that MFI, based on a 6 month rolling average to June 2015. CBA excludes Bankwest. Rank refers to CBA's position relative to NAB, ANZ and Westpac. For Business Banking and Institutional Banking, MFI customer satisfaction is measured by DBM Business Financial Services Monitor which takes the average satisfaction rating of business customers' MFI, using an 11 point scale where 0 is Extremely Dissatisfied and 10 is Extremely Satisfied based on a 6 month rolling average to June 2015. Institutional Banking includes businesses with turnover of \$100 million and above. For Wealth Management, customer satisfaction is measured by the Wealth Insights 2015 Service Level Report, Platforms. This survey measures satisfaction with the service of master trusts/wraps in Australia, by financial advisers. It includes Colonial First State's FirstChoice and FirstWrap platforms.

Directors' Report – Remuneration Report

3.2 Long-Term Performance

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

2012 GLRP Award

The GLRP award granted during the 2012 financial year reached the end of its four year performance period on 30 June 2015. The 2012 GLRP award was weighted against two performance hurdles, relative TSR (75% of the award) and relative Customer Satisfaction (25% of the award). At the end of the performance period, the results against these measures were strong and included:

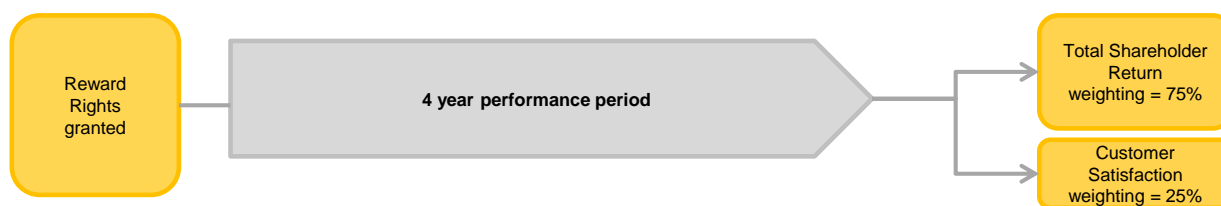
- 90% vesting against the TSR hurdle;
- 75% vesting against the Customer Satisfaction hurdle;
- In line with the plan rules for this award, 86.25% of the total award vested; and
- The Board reviewed the measurement outcomes of this award and concluded that the above vesting appropriately reflects performance over the four year performance period.

Overview of Unvested LTI Awards

Equity Plan	Performance Period Ends	Performance Hurdles
2013 GLRP	30 June 2016	Each reward is split and tested:
2014 GLRP	30 June 2017	<ul style="list-style-type: none"> ▪ 75% TSR ranking relative to peer group
2015 GLRP	30 June 2018	<ul style="list-style-type: none"> ▪ 25% Customer Satisfaction average ranking relative to peer group

2015 GLRP Award

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



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

Feature	Description
Instrument	Reward Rights. Each Reward Right entitles the Executive to receive one CBA share in the future, subject to meeting the performance hurdles set out below. The number of rights that vest will not be known until the end of the performance period.
Determining the number of Reward Rights	The number of Reward Rights allocated depends on each Executive's LTI Target (see diagram on page 15 for explanation of target remuneration). The number of Reward Rights allocated aligns the Executive's LTI Target to the expected value at the end of the performance period, in today's dollars.
Performance Period	The performance period commences at the beginning of the financial year in which the award is granted. For the GLRP award granted in the 2015 financial year, the performance period started on 1 July 2014 and ends after four years on 30 June 2018. Any vesting will result in participants receiving shares during the first available trading window following the end of the performance period.
Performance Hurdles	<ul style="list-style-type: none"> ▪ 75% of each award is subject to a performance hurdle, that measures the Group's TSR performance relative to a set peer group.⁽¹⁾ This is made up of the 20 largest companies on the Australian Securities Exchange (ASX) by market capitalisation at the beginning of the performance period, excluding resources companies and Commonwealth Bank of Australia. The next five largest companies listed on the ASX by market capitalisation will form a reserve bench of companies. A reserve bench company will be substituted (in order of market capitalisation as at the beginning of the performance period) into the peer group when a peer group Company ceases to be listed on the ASX as a result of an acquisition, merger or other relevant corporate action or delisting; and ▪ 25% of each award is subject to a performance hurdle that measures the Group's Customer Satisfaction outcomes relative to a peer group of Australia & New Zealand Banking Group Limited (ANZ), National Australia Bank Limited (NAB), Westpac Banking Corporation (WBC), and other key competitors for the wealth business.

Directors' Report – Remuneration Report

Vesting Framework	<p>TSR (75% of the award)</p> <ul style="list-style-type: none">100% vesting is achieved if the Group's TSR is ranked in the top quarter of the peer group (i.e. 75th percentile or higher) ⁽¹⁾;If the Group is ranked at the median, 50% of the Reward Rights will vest;Vesting occurs on a sliding scale if the Group is ranked between the median and the 75th percentile; andNo Reward Rights in this part of the award will vest if the Group's TSR is ranked below the median of the peer group. <p>Customer Satisfaction (25% of the award)</p> <ul style="list-style-type: none">100% vesting applies if the weighted average ranking for the Group over the performance period is 1st;50% will vest if the Group's weighted average ranking is 2nd;Vesting of between 50% and 100% will occur on a pro-rata straight line basis if the Group's weighted average ranking is between 2nd and 1st; andNo Reward Rights in this part of the award will vest if the Group's weighted average ranking is less than 2nd.
Calculation of the Performance Results	<ul style="list-style-type: none">TSR is calculated independently by Orient Capital.Customer Satisfaction is measured with reference to the three independent surveys below:<ul style="list-style-type: none">Roy Morgan Research (measuring customer satisfaction across Retail Banking);DBM, Business Financial Services Monitor (measuring customer satisfaction across Business Banking); andWealth Insights Service Level Report, Platforms (measuring customer satisfaction across Wealth Management).
Board Discretion	The Board also retains sole discretion to determine the amount and form of any award that may vest (if any) to prevent any unintended outcomes, or in the event of a corporate restructuring or capital event.
Expiry	At the end of the applicable performance period, any Reward Rights that have not vested will expire.

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

Hedging of Unvested Equity Awards

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

Directors' Report – Remuneration Report

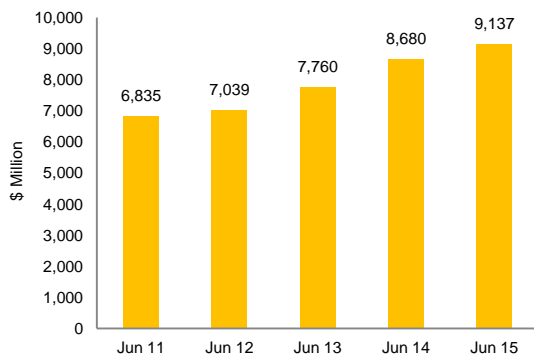
Long-Term Performance against Key Measures.

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

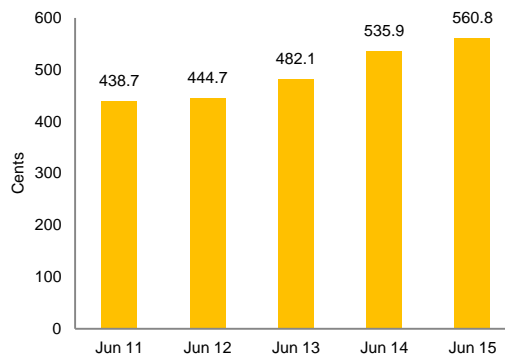
Financial Performance

The following graphs show the Group's cash Net Profit after Tax (cash NPAT), cash Earnings per Share (cash EPS), share price movement and full-year dividend results over the past five financial years (including 2015). The solid performance has delivered sound returns to shareholders.

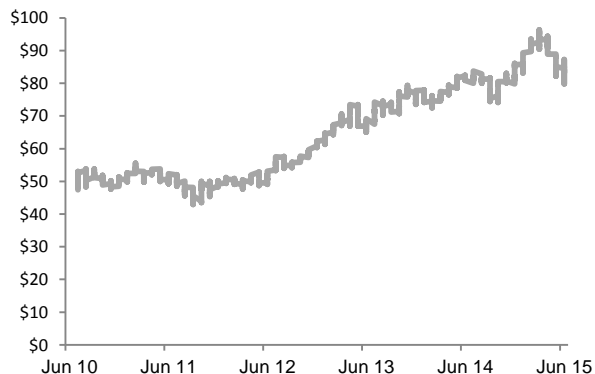
Cash Net Profit after Tax (Cash NPAT)



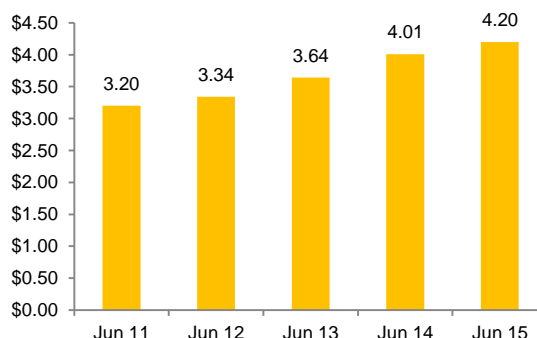
Cash EPS



Share Price



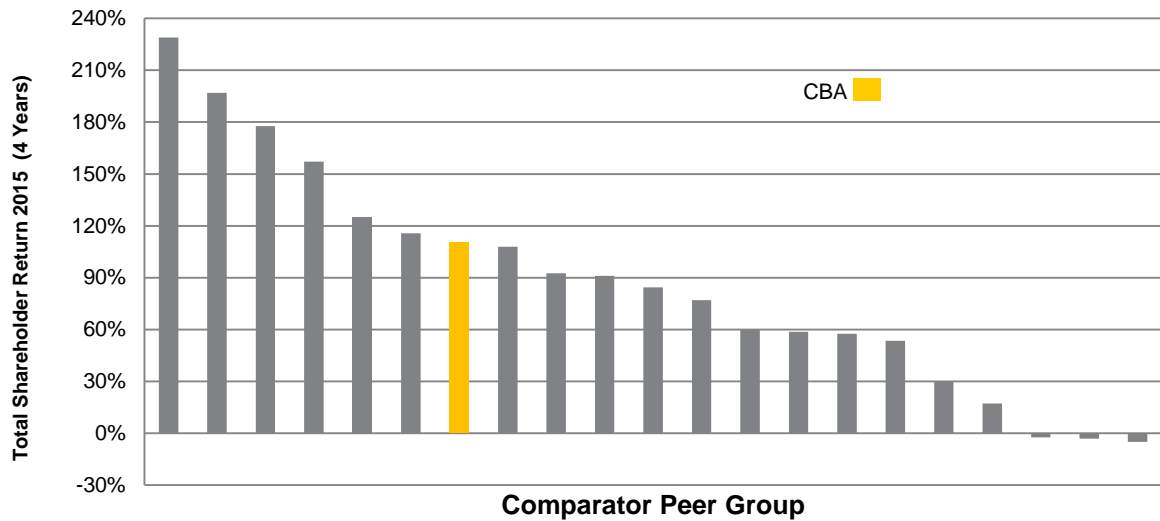
Dividends per Share



Directors' Report – Remuneration Report

Relative TSR Performance against the Group's Peers

The graph below represents CBA's TSR performance against the comparator peer group for the period 1 July 2011 to 30 June 2015. The Group was ranked at the 70th percentile of the peer group⁽¹⁾ at the end of the period. TSR is calculated by Orient Capital.

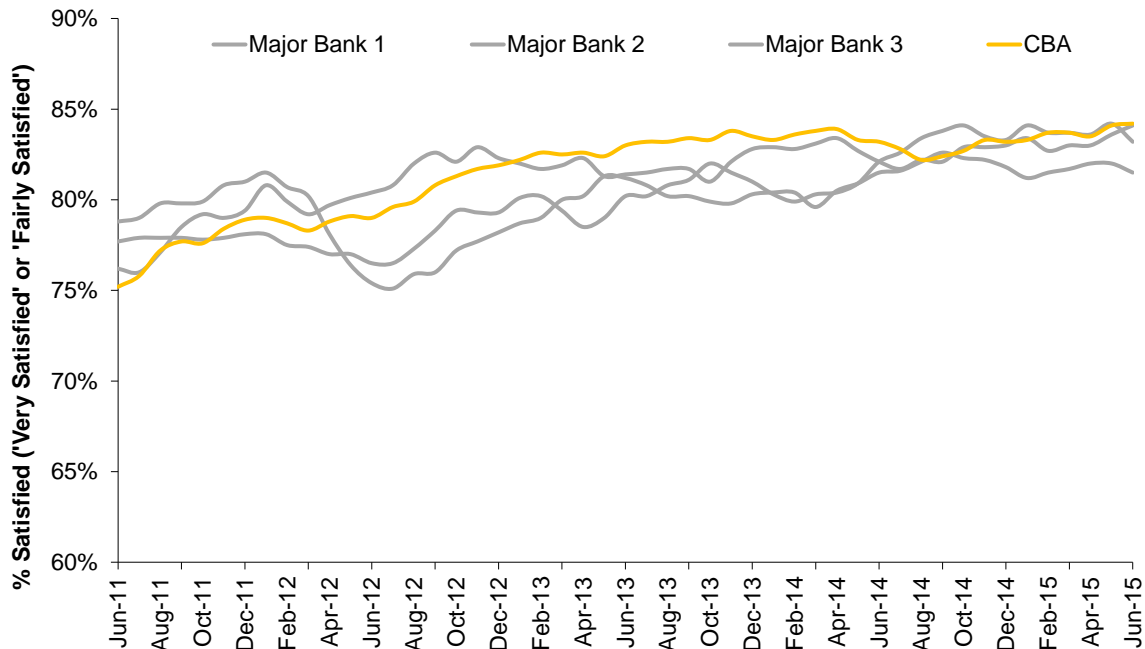


(1) For the 2012 GLRP, the peer group (at the end of the performance period) for the TSR performance hurdle comprised Amcor Limited, AMP Limited, Australia and New Zealand Banking Group Limited, Brambles Limited, CIMIC Group Limited, Coca-Cola Amatil Limited, Crown Limited, CSL Limited, Insurance Australia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

Performance against Customer Satisfaction

The following graphs show CBA's customer satisfaction performance across Retail, Business and Wealth Management. As at 30 June 2015, CBA maintained the number one ranking among the major banks in MFI customer satisfaction and ended the financial year in equal first position in MFI customer satisfaction among the major banks in all of its key business segments. The Wealth Management results ranked the Group second for adviser satisfaction among the four major banks and other key competitors.

Retail Main Financial Institution Customer Satisfaction - Competitive Context

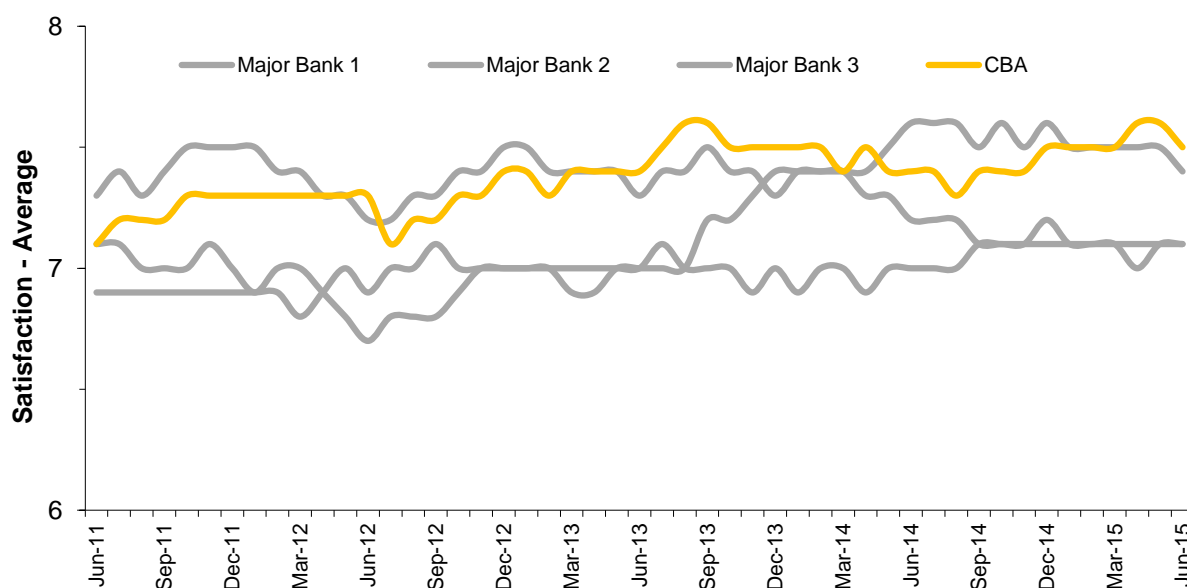


Source: Roy Morgan Research
6 month rolling average⁽¹⁾

(1) Roy Morgan Research Main Financial Institution (MFI) Retail Customer Satisfaction. Australian population 14+, % "Very Satisfied" or "Fairly Satisfied" with relationship with that MFI. 6 month rolling average to June 2015. CBA excludes Bankwest. Rank refers to CBA's position relative to NAB, ANZ and Westpac.

Directors' Report – Remuneration Report

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



Source: DBM, Business Financial Services Monitor
6 month rolling average⁽²⁾

- (1) CBA and Major Bank 1 are ranked equal 1st (DBM Business Financial Services Monitor, June 2015) as the difference in average satisfaction rating is not considered to be statistically significant.
 (2) DBM Business Financial Services Monitor (June 2015), average satisfaction rating of each financial institution's MFI business customers across all Australian businesses, 6 month rolling average.

Wealth Management Customer Satisfaction

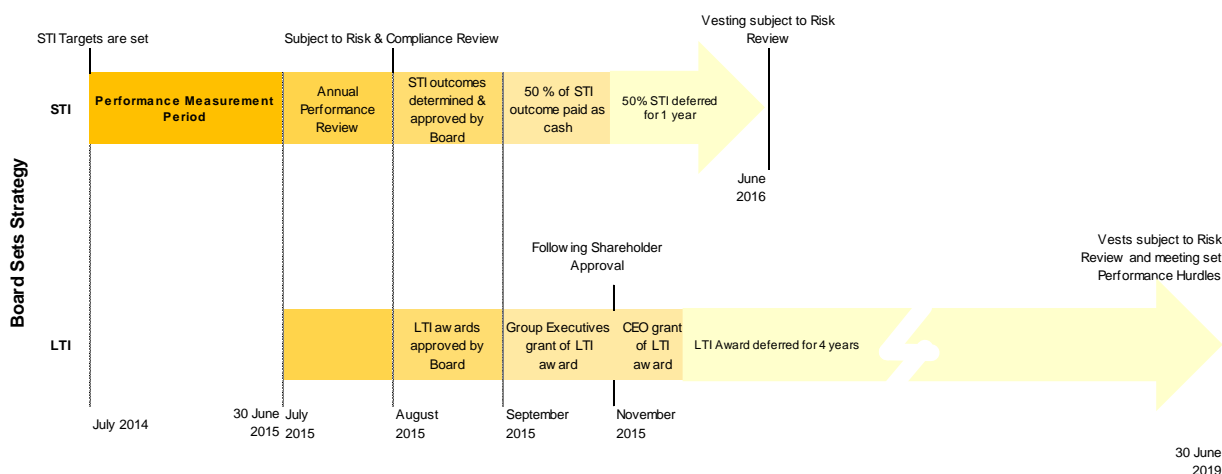
	30-Jun-15	30-Jun-14	30-Jun-13	30-Jun-12 ⁽¹⁾	30-Jun-11 ⁽²⁾
Score ⁽³⁾	7.75	7.94	8.32	7.86	7.74
CBA Rank	2nd	1st	1st	1st	1st

- (1) In the 2012 year, the satisfaction score was calculated on a straight average of FirstChoice and FirstWrap. Due to the change in calculation of the satisfaction score in 2013, historical results have been restated. As a result, the score and ranking for 2012 has changed from 7.69 (2nd) to 7.86 (1st). For remuneration purposes the ranking of 2nd has been applied.
 (2) For 2011 the ranking remains unchanged but average satisfaction result changed from 7.79 to 7.74. Prior to 2011, results remain unchanged despite change in calculation methodology.
 (3) For Wealth Management, customer satisfaction is measured by the Wealth Insights 2015 Service Level Report, Platforms.

3.3 Performance Timeline of At Risk Remuneration Outcomes

The Performance Management framework supports decisions in awarding appropriate annual STI outcomes for Executives. The balanced scorecard performance objectives are communicated to Executives at the beginning of the financial year. Executive annual performance evaluations are conducted following the end of the financial year. For 2015, the evaluations were conducted in July 2015.

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



Directors' Report – Remuneration Report

3.4 CEO and Group Executive Remuneration Received in the year ended 30 June 2015

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

Total statutory remuneration recognised for the CEO and Group Executives for the 2015 financial year was \$41.3 million and is the total of the values for each executive shown in the statutory remuneration table on page 25. Statutory remuneration disclosures are prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards. Total cash remuneration received by the CEO and Group Executives in relation to the 2015 performance year was \$20.7 million. The total cash remuneration received is used to present a clear view of the Group's remuneration payments made to the CEO and Group Executives during the performance year.

Table (a) below shows remuneration received in relation to the 2015 financial year. The total cash payments received are made up of base remuneration and superannuation (fixed remuneration), and the portion of the 2015 STI award which is not deferred. This table also includes the value of previous years' deferred STI and LTI awards which vested during 2015.

(a) Remuneration in relation to the 2015 Financial Year

	Fixed Remuneration ⁽¹⁾	Cash STI ⁽²⁾	Total cash in relation to 2015	Previous years' deferred cash awards vested during 2015 ⁽³⁾	Previous years' deferred equity awards vested during 2015 ⁽³⁾	Total remuneration received during 2015	Previous years' awards forfeited or lapsed during 2015 ⁽⁴⁾
	\$	\$	\$	\$	\$	\$	\$
Managing Director and CEO							
Ian Narev	2,650,000	1,590,000	4,240,000	1,525,681	2,200,502	7,966,183	(62,860)
Current Executives ⁽⁵⁾							
Kelly Bayer Rosmarin	1,020,000	612,957	1,632,957	340,642	476,834	2,450,433	-
Adam Bennett ⁽⁶⁾	456,438	253,580	710,018	-	-	710,018	-
David Cohen	900,000	582,750	1,482,750	476,445	2,115,050	4,074,245	(60,346)
Matthew Comyn	1,030,000	618,966	1,648,966	695,798	612,083	2,956,847	-
David Craig	1,380,000	852,150	2,232,150	917,186	3,300,844	6,450,180	(94,250)
Robert Jesudason ⁽⁷⁾	947,767	575,295	1,523,062	592,948	-	2,116,010	-
Melanie Laing	845,000	495,382	1,340,382	521,752	-	1,862,134	-
Vittoria Shortt ⁽⁶⁾	280,123	166,674	446,797	-	-	446,797	-
Annabel Spring	1,030,000	662,084	1,692,084	640,734	662,922	2,995,741	-
Alden Toevs	1,430,000	845,488	2,275,488	961,469	3,423,023	6,659,980	(97,738)
David Whiteing ⁽⁶⁾	916,164	531,375	1,447,539	-	-	1,447,539	-

(1) Fixed remuneration includes base remuneration and superannuation.

(2) This is the 50% of the 2015 STI for performance during the 12 months to 30 June 2015 (payable September 2015). The remaining 50% is deferred until 1 July 2016. Deferred STI awards are subject to Board review at the time of payment.

(3) The value of all deferred cash and/or equity awards that vested during 2015 financial year. This includes the value of the award that vested, plus any interest and/or dividends accrued during the vesting period. A portion of Ian Narev's deferred equity award was delivered in the form of cash, which was paid to registered charities pursuant to an option that the Board made available.

(4) The value of any deferred cash and/or equity awards that were forfeited/lapsed during the 2015 financial year.

(5) Group Executives as at 30 June 2015.

(6) David Whiteing commenced in the KMP role on 14 July 2014, Adam Bennett commenced in the KMP role on 12 January 2015 and Vittoria Shortt commenced in the KMP role on 2 March 2015. Remuneration reflects time in the KMP role.

(7) Robert Jesudason was in the Group Executive, Group Strategic Development role from 1 July 2014 to 31 October 2014 and was appointed to the Group Executive, International Financial Services role from 1 November 2014. Robert's 2015 remuneration reflects an increase received on changing roles.

(b) CEO Reconciliation Table of Cash Payments from Table (a) and Statutory Remuneration Table on Page 25

	2015	Financial Year
	\$	Award Vests
Cash remuneration received in relation to 2015 - refer to table (a) above	4,240,000	n/a
2015 STI deferred for 12 months at risk	1,590,000	FY2016
Annual leave and long service leave accruals	137,005	n/a
Other Payments	59,812	n/a
Share based payments: accounting expense for 2015 for LTI awards made over the past 4 years		
2012 GLRP: Expense for 1 award that may vest subject to customer satisfaction performance	(169,330)	FY2016
2012 GLRP: Expense for 1 award that may vest subject to relative TSR performance	533,272	FY2016
2013 GLRP: Expense for 1 award that may vest subject to customer satisfaction performance	179,791	FY2017
2013 GLRP: Expense for 1 award that may vest subject to relative TSR performance	509,212	FY2017
2014 GLRP: Expense for 1 award that may vest subject to customer satisfaction performance	150,360	FY2018
2014 GLRP: Expense for 1 award that may vest subject to relative TSR performance	643,999	FY2018
2015 GLRP: Expense for 1 award that may vest subject to customer satisfaction performance	110,912	FY2019
2015 GLRP: Expense for 1 award that may vest subject to relative TSR performance	333,255	FY2019
Total Statutory Remuneration as per page 58	8,318,288	

Directors' Report – Remuneration Report

4. KMP Disclosure Tables

4.1 Non-Executive Directors Statutory Remuneration

The statutory table below details individual statutory remuneration for the Non-Executive Directors for the year ended 30 June 2015 and the previous financial year.

	Short-Term	Post Employment	Share Based	Total
	Benefits	Benefits	payments	
	Cash ⁽¹⁾	Super- annuation ⁽²⁾	Non-Executive Directors' Share Plan ⁽³⁾	Statutory Remuneration
	\$	\$	\$	\$
Chairman				
David Turner				
2015	841,034	18,783	-	859,817
2014	832,025	17,775	-	849,800
Non-Executive Directors				
John Anderson				
2015	289,173	18,783	-	307,956
2014	258,025	17,775	-	275,800
Shirish Apte				
2015	296,395	4,753	-	301,148
2014	13,704	886	-	14,590
Jane Hemstritch				
2015	308,810	18,783	-	327,593
2014	303,025	17,775	-	320,800
David Higgins ⁽⁴⁾				
2015	217,848	15,593	-	233,441
Launa Inman				
2015	251,185	18,783	28,533	298,501
2014	245,419	17,775	29,406	292,600
Brian Long				
2015	311,290	18,783	-	330,073
2014	303,025	17,775	-	320,800
Andrew Mohl				
2015	279,718	18,783	-	298,501
2014	274,825	17,775	-	292,600
Wendy Stops ⁽⁴⁾				
2015	79,087	5,867	-	84,954
Harrison Young				
2015	322,739	18,783	-	341,522
2014	314,325	17,775	-	332,100
Former Non-Executive Director				
Carolyn Kay ⁽⁵⁾				
2015	211,718	14,100	-	225,818
2014	302,925	17,775	-	320,700

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

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

(3) The values shown in the table represent the post-tax portion of fees received as shares.

(4) David Higgins was appointed as a Non-Executive Director on 1 September 2014 and Wendy Stops was appointed as a Non-Executive Director on 9 March 2015. Their remuneration has been prorated accordingly. To comply with the Non-Executive Director shareholding requirement, shares for both David Higgins and Wendy Stops were purchased during the 2015 financial year.

(5) Carolyn Kay retired from the Group on 31 March 2015 and her remuneration has been prorated accordingly.

4.2 Executive Statutory Remuneration

The following statutory tables detail the statutory accounting expense of all remuneration related items for the CEO and all Group Executives. This includes remuneration costs in relation to both the 2014 and 2015 performance years. The tables are different to the cash table on page 23, which shows the remuneration received in 2015 rather than the accrual amounts on the statutory accounting basis, as outlined in these statutory tables.

The tables have been developed and audited against the relevant accounting standards. Refer to the footnotes below each table for more detail on each remuneration component.

Directors' Report – Remuneration Report

4.2 Executive Statutory Remuneration (continued)

	Fixed Remuneration ⁽¹⁾		Other Short-Term Benefits			Long-Term Benefits	Share Based Payments	Total Statutory Remuneration ⁽⁹⁾	
	Base Remuneration ⁽²⁾	Superannuation	Non Monetary ⁽³⁾	Cash STI (at risk) ⁽⁴⁾	Deferred STI (at risk) ⁽⁵⁾	Other ⁽⁶⁾	Long-Term ⁽⁷⁾		Reward Rights (at risk) ⁽⁸⁾
	\$	\$	\$	\$	\$	\$	\$		\$
Managing Director and CEO									
Ian Narev									
2015	2,625,000	25,000	14,756	1,590,000	1,590,000	59,021	123,040	2,291,471	8,318,288
2014	2,550,000	25,000	14,600	1,480,625	1,480,625	(21,633)	18,140	2,375,294	7,922,651
Group Executives									
Kelly Bayer Rosmarin									
2015	995,000	25,000	14,756	612,957	612,957	5,228	354,416	329,371	2,949,685
2014	515,438	13,494	7,880	330,582	330,582	(1,150)	226,913	63,510	1,487,249
Adam Bennett ⁽¹⁰⁾									
2015	444,794	11,644	7,041	253,580	253,580	33,624	250,647	56,549	1,311,459
David Cohen									
2015	875,000	25,000	14,756	582,750	582,750	32,072	34,785	737,041	2,884,154
2014	875,000	25,000	14,600	462,375	462,375	39,387	(19,559)	987,395	2,846,573
Matthew Comyn									
2015	1,005,000	25,000	13,652	618,966	618,966	48,121	132,653	703,776	3,166,134
2014	975,000	25,000	13,486	675,250	675,250	38,336	247,359	508,664	3,158,345
David Craig									
2015	1,355,000	25,000	14,756	852,150	852,150	86,446	55,686	1,129,795	4,370,983
2014	1,355,000	25,000	14,600	890,100	890,100	35,173	(30,865)	1,517,052	4,696,160
Robert Jesudason ⁽¹¹⁾									
2015	930,552	17,215	6,050	575,295	575,295	230,592	164,243	594,821	3,094,063
2014	800,000	25,000	14,600	575,437	575,437	2,080	365,520	417,265	2,775,339
Melanie Laing									
2015	820,000	25,000	14,756	495,382	495,382	50,875	16,155	705,309	2,622,859
2014	800,000	25,000	14,600	506,344	506,344	(5,800)	27,648	671,452	2,545,588
Vittoria Shortt ⁽¹⁰⁾									
2015	271,835	8,288	5,025	166,674	166,674	8,272	108,772	10,885	746,425
Annabel Spring									
2015	1,005,000	25,000	13,652	662,084	662,084	38,164	28,352	838,730	3,273,066
2014	975,000	25,000	13,486	621,812	621,812	38,859	153,511	795,932	3,245,412
Alden Toevs									
2015	1,405,000	25,000	14,756	845,488	845,488	(7,527)	60,989	1,170,640	4,359,834
2014	1,405,000	25,000	14,600	933,075	933,075	47,396	(39,018)	1,577,942	4,897,070
David Whiteing ⁽¹⁰⁾									
2015	898,049	18,115	13,167	531,375	531,375	16,211	61,424	158,131	2,227,847
Former Executives									
Simon Blair									
2015	278,014	8,425	4,864	133,767	133,767	39,176	37,392	184,331	819,736
2014	825,000	25,000	14,600	527,425	527,425	7,264	(23,146)	915,947	2,819,515
Michael Harte									
2015	31,644	753	-	n/a	(194,094)	4,313	(167,924)	(1,612,313)	(1,937,621)
2014	1,050,000	25,000	13,486	665,694	665,694	105,106	17,794	1,183,807	3,726,581
Grahame Petersen ⁽¹²⁾									
2015	614,384	13,356	7,813	326,896	326,896	17,665	39,036	1,762,454	3,108,500
2014	1,150,000	25,000	14,600	644,928	644,928	(27,955)	34,290	1,295,598	3,781,389

(1) Fixed Remuneration comprises Base Remuneration and Superannuation (post-employment benefit). From 23 February 2015, superannuation contributions for Robert Jesudason are made in line with Hong Kong Mandatory Provident Fund regulations.

(2) Base Remuneration is the total cost of salary including cash salary, short-term compensated absences and any salary sacrificed benefits.

(3) Non-Monetary represents the cost of car parking (including associated fringe benefits tax).

(4) This is 50% of the 2015 STI for performance during the 12 months to 30 June 2015 (payable September 2015).

(5) Deferred STI represents 50% of the 2015 STI award that is deferred until 1 July 2016. Deferred STI awards are subject to Board review at the time of payment. For Michael Harte, this reflects partial forfeiture of the 2014 deferred STI award following his resignation.

(6) Other short-term benefits relate to company funded benefits (including associated fringe benefits tax where applicable). This item also includes interest accrued and adjustments in relation to the 2014 STI deferred award, which vested on 1 July 2015, and the net change in accrued annual leave over the year. For Robert Jesudason, costs in relation to his relocation to Hong Kong in February 2015 are also included.

(7) Includes long service entitlements accrued during the year as well as the impact of changes to long service leave valuation assumptions, which are determined in line with Australian Accounting Standards. For Kelly Bayer Rosmarin, Adam Bennett, Matthew Comyn, Robert Jesudason, Vittoria Shortt and David Whiteing this also includes amounts relating to deferred STI payments awarded under Executive General Manager arrangements and/or equity sign-on awards. These equity awards are subject to forfeiture if the Executive ceases to be employed by the Group due to his or her resignation in any circumstances.

Directors' Report – Remuneration Report

4.2 Executive Statutory Remuneration (continued)

- (8) This includes the 2015 expense for Reward Rights awarded during the 2012, 2013, 2014 and 2015 financial years under the GLRP. For Michael Harte, this value reflects forfeitures of awards upon resignation.
- (9) The percentage of 2015 remuneration related to performance was: Ian Narev 66%, Kelly Bayer Rosmarin 53%, Adam Bennett 43%, David Cohen 66%, Matthew Comyn 61%, David Craig 65%, Robert Jesudason 56%, Melanie Laing 65%, Vittoria Shortt 46%, Annabel Spring 66%, Alden Toevs 66%, David Whiteing 55%, Simon Blair 55%, Michael Harte 0% and Grahame Petersen 78%.
- (10) David Whiteing commenced in the KMP role on 14 July 2014, Adam Bennett commenced in the KMP role on 12 January 2015 and Vittoria Shortt commenced in the KMP role on 2 March 2015. Remuneration reflects time in the KMP role.
- (11) Robert Jesudason was in the Group Executive, Group Strategic Development role from 1 July 2014 to 31 October 2014 and was appointed to the Group Executive, International Financial Services role from 1 November 2014. Robert's 2015 remuneration reflects an increase received on changing roles.
- (12) Grahame Petersen ceased as a KMP on 11 January 2015 and his remuneration has been prorated accordingly. The LTI Reward Rights value reflects the disclosable accruals for all previously granted LTI awards that remain unvested following Grahame Petersen's retirement on 6 February 2015 up to the end of each performance period. This means that up to three years of each unvested LTI award has been disclosed in the 2015 financial year, including those amounts which would otherwise have been included in future year disclosures. These LTI awards may or may not vest and still remain subject to the relevant performance hurdles. No new LTI grants have been or will be made to Grahame Petersen following his retirement from the Group.

4.3 Executive STI Allocations for 2015

	STI Target	Maximum STI ⁽¹⁾		Cash STI ⁽²⁾		Deferred STI ⁽³⁾	
	\$	%	%	\$	%	\$	
Managing Director and CEO							
Ian Narev	2,650,000	150%	50%	1,590,000	50%	1,590,000	
Group Executives							
Kelly Bayer Rosmarin	1,020,000	150%	50%	612,957	50%	612,957	
Adam Bennett ⁽⁴⁾	456,438	150%	50%	253,580	50%	253,580	
David Cohen	900,000	150%	50%	582,750	50%	582,750	
Matthew Comyn	1,030,000	150%	50%	618,966	50%	618,966	
David Craig	1,380,000	150%	50%	852,150	50%	852,150	
Robert Jesudason ⁽⁵⁾	947,767	150%	50%	575,295	50%	575,295	
Melanie Laing	845,000	150%	50%	495,382	50%	495,382	
Vittoria Shortt ⁽⁴⁾	280,123	150%	50%	166,674	50%	166,674	
Annabel Spring	1,030,000	150%	50%	662,084	50%	662,084	
Alden Toevs	1,430,000	150%	50%	845,488	50%	845,488	
David Whiteing ⁽⁴⁾	916,164	150%	50%	531,375	50%	531,375	
Former Executives ⁽⁶⁾							
Simon Blair	286,439	150%	50%	133,767	50%	133,767	
Grahame Petersen	627,740	150%	50%	326,896	50%	326,896	

- (1) The maximum STI is represented as a percentage of fixed remuneration. The minimum STI is zero.
- (2) Includes 50% of the annual STI award payable as cash in recognition of performance for the year ended 30 June 2015.
- (3) This represents 50% of the STI award that is deferred until 1 July 2016. The deferred awards are subject to Board review at the time of payment.
- (4) David Whiteing commenced in the KMP role on 14 July 2014, Adam Bennett commenced in the KMP role on 12 January 2015 and Vittoria Shortt commenced in the KMP role on 2 March 2015. STI allocations reflect time in the KMP role.
- (5) The STI target for Robert Jesudason has been prorated to reflect the respective STI targets of both the Group Executive, Group Strategic Development and the Group Executive, International Financial Services roles held during the 2015 performance year.
- (6) Simon Blair ceased as a KMP on 31 October 2014 and Grahame Petersen ceased as a KMP from the Group on 11 January 2015. The STI award for these former executives is in recognition of the portion of the 2015 performance year served in the KMP role. Michael Harte ceased as KMP on 11 July 2014 and is not eligible for an STI award for the 2015 performance year.

Directors' Report – Remuneration Report

4.4 Equity Awards Received as Remuneration

The table below details the value and number of all equity awards that were granted or forfeited/lapsed to Executives during their time in a KMP role in 2015. It also shows the number of previous year's awards that vested during the 2015 performance year (some of which relate to past non-KMP roles).

Name	Class	Granted during 2015 ^{(1) (2)}		Previous Years' Awards Vested during 2015 ⁽³⁾		Forfeited or Lapsed during 2015 ⁽⁴⁾	
		Units	\$	Units	\$	Units	\$
Managing Director and CEO							
Ian Narev	Reward Rights	58,131	3,150,900	24,026		(775)	(62,860)
Group Executives							
Kelly Bayer Rosmarin	Reward Rights	22,376	1,037,270	-		-	-
	Deferred Shares/Rights	2,604	210,976	5,440		-	-
Adam Bennett ⁽⁵⁾	Reward Rights	10,013	616,409	-		-	-
David Cohen	Reward Rights	19,744	915,262	23,093		(744)	(60,346)
Matthew Comyn	Reward Rights	22,595	1,047,422	-		-	-
	Deferred Shares/Rights	-	-	6,983		-	-
David Craig	Reward Rights	30,272	1,403,293	36,040		(1,162)	(94,250)
Robert Jesudason	Reward Rights	20,792	981,549	-		-	-
	Deferred Shares/Rights	-	-	9,728		-	-
Melanie Laing	Reward Rights	18,537	859,317	-		-	-
Vittoria Shortt ⁽⁵⁾	Reward Rights	6,146	291,631	-		-	-
Annabel Spring	Reward Rights	22,595	1,047,422	-		-	-
	Deferred Shares/Rights	-	-	7,563		-	-
Alden Toevs	Reward Rights	31,369	1,454,124	37,374		(1,205)	(97,738)
David Whiteing ⁽⁵⁾	Reward Rights	20,840	966,058	-		-	-
	Deferred Shares/Rights	1,941	157,260	-		-	-
Former Executives							
Simon Blair	Reward Rights	-	-	21,358		(688)	(55,804)
Michael Harte	Reward Rights	-	-	28,031		(93,215)	(7,567,130)
Grahame Petersen	Reward Rights	-	-	30,700		(990)	(80,299)

- (1) This represents the maximum number of Reward Rights that may vest to each Executive. The value represents the fair value at grant date. For Ian Narev, the grant date for his Reward Rights was 13 November 2014. For Adam Bennett the grant date for his Reward Rights was 12 February 2015 and for Vittoria Shortt the grant date for her Reward Rights was 7 May 2015. For all other Executives the grant date for Reward Rights was 18 September 2014. The minimum potential LTI outcome is zero.
- (2) As at 1 July 2014 (reflecting the beginning of the performance period), the maximum value of Reward Rights granted during 2015, based on the volume weighted average price of the Group's ordinary shares over the five trading days up to and including 1 July 2014 was: Ian Narev \$4,713,843, Kelly Bayer Rosmarin \$1,814,470, Adam Bennett \$811,954, David Cohen \$1,601,041, Matthew Comyn \$1,832,229, David Craig \$2,454,756, Robert Jesudason \$1,686,023, Melanie Laing \$1,503,165, Vittoria Shortt \$498,379, Annabel Spring \$1,832,229, Alden Toevs \$ 2,543,712 and David Whiteing \$1,689,916.
- (3) Previous years' awards that vested include LTI and other deferred equity awards.
- (4) This includes the portion of the LTI award that vested during 2015 that did not meet the performance hurdle and was forfeited. For Michael Harte, this also includes 92,311 Reward Rights that were forfeited as a result of his resignation from the Group in July 2014. The value of the lapsed award is calculated using the Volume Weighted Average Closing Price (VWACP) for the five days preceding the transaction date.
- (5) David Whiteing commenced in the KMP role on 14 July 2014, Adam Bennett commenced in the KMP role on 12 January 2015 and Vittoria Shortt commenced in the KMP role on 2 March 2015. The number of Reward Rights granted to David Whiteing reflects annual LTI target. The number of Reward Rights granted to Adam Bennett and Vittoria Shortt reflects time in the KMP role.

Directors' Report – Remuneration Report

4.5 Fair Value Assumptions for Unvested Equity Awards

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

Equity Plan	Grant Date	Assumptions						
		Fair Value \$	Exercise Price \$	Performance Period End	Expected Life (Years)	Expected Dividend Yield ⁽¹⁾ %	Expected Volatility %	Risk Free Rate %
2015 GLRP ⁽²⁾	07/05/2015	83.11	Nil	30/06/2018	n/a	n/a	n/a	n/a
2015 GLRP ⁽³⁾	07/05/2015	34.90	Nil	30/06/2018	3.2	Nil	15	2.4
2015 GLRP ⁽²⁾	12/02/2015	91.18	Nil	30/06/2018	n/a	n/a	n/a	n/a
2015 GLRP ⁽³⁾	12/02/2015	51.14	Nil	30/06/2018	3.4	Nil	15	2.3
2015 GLRP ⁽²⁾	13/11/2014	81.27	Nil	30/06/2018	n/a	n/a	n/a	n/a
2015 GLRP ⁽³⁾	13/11/2014	44.68	Nil	30/06/2018	3.6	Nil	15	3.0
2015 GLRP ⁽²⁾	18/09/2014	77.58	Nil	30/06/2018	n/a	n/a	n/a	n/a
2015 GLRP ⁽³⁾	18/09/2014	35.37	Nil	30/06/2018	3.8	Nil	15	3.3
2014 GLRP ⁽²⁾	13/02/2014	75.75	Nil	30/06/2017	n/a	n/a	n/a	n/a
2014 GLRP ⁽³⁾	13/02/2014	41.63	Nil	30/06/2017	3.4	Nil	20	3.3
2014 GLRP ⁽²⁾	11/11/2013	78.35	Nil	30/06/2017	n/a	n/a	n/a	n/a
2014 GLRP ⁽³⁾	11/11/2013	47.79	Nil	30/06/2017	3.6	Nil	20	3.6
2014 GLRP ⁽²⁾	23/09/2013	73.51	Nil	30/06/2017	n/a	n/a	n/a	n/a
2014 GLRP ⁽³⁾	23/09/2013	44.42	Nil	30/06/2017	3.8	Nil	20	3.5
2013 GLRP ⁽²⁾	05/11/2012	57.40	Nil	30/06/2016	n/a	n/a	n/a	n/a
2013 GLRP ⁽³⁾	05/11/2012	31.49	Nil	30/06/2016	3.7	Nil	20	3.2
2013 GLRP ⁽²⁾	04/10/2012	56.55	Nil	30/06/2016	n/a	n/a	n/a	n/a
2013 GLRP ⁽³⁾	04/10/2012	30.76	Nil	30/06/2016	3.7	Nil	20	3.0
2012 GLRP ⁽²⁾	15/02/2012	50.23	Nil	30/06/2015	n/a	n/a	n/a	n/a
2012 GLRP ⁽³⁾	15/02/2012	31.87	Nil	30/06/2015	3.4	Nil	30	4.4
2012 GLRP ⁽²⁾	15/11/2011	49.15	Nil	30/06/2015	n/a	n/a	n/a	n/a
2012 GLRP ⁽³⁾	15/11/2011	31.60	Nil	30/06/2015	3.6	Nil	30	4.2
2012 GLRP ⁽²⁾	29/08/2011	47.96	Nil	30/06/2015	n/a	n/a	n/a	n/a
2012 GLRP ⁽³⁾	29/08/2011	32.23	Nil	30/06/2015	3.8	Nil	30	4.7

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

(2) The performance hurdle for this portion of the GLRP award is Customer Satisfaction relative to the Group's peers.

(3) The performance hurdle for this portion of the GLRP award is TSR relative to the Group's peers.

4.6 Termination Arrangements

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

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

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

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

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

Directors' Report – Remuneration Report

at the end of the performance period related to each award. The Board has ultimate discretion over the amount of awards that may vest.

4.6 Termination Arrangements (continued)

KMP that left the Group during the 2015 financial year were Michael Harte and Grahame Petersen.

4.7 Equity Holdings of KMP

Shareholdings

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

(a) Shares held by Directors

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

Directors	Class	Balance 1 July 2014	Shares Acquired ⁽¹⁾	Net Change Other ⁽²⁾	Balance 30 June 2015
Non-Executive Directors					
David Turner	Ordinary	11,840	-	-	11,840
	PERLS ⁽⁶⁾	380	-	-	380
John Anderson	Ordinary	18,186	-	-	18,186
Shirish Apte	Ordinary	-	7,500	-	7,500
Jane Hemstritch	Ordinary	25,775	-	-	25,775
	PERLS ⁽⁶⁾	9,300	3,000	(500)	11,800
	Other securities ⁽⁷⁾	5,000	-	-	5,000
David Higgins ⁽³⁾	Ordinary	n/a	5,023	-	5,023
Launa Inman ⁽⁴⁾	Ordinary	2,646	934	-	3,580
Brian Long	Ordinary	12,425	45	-	12,470
	PERLS ⁽⁶⁾	400	800	(400)	800
Andrew Mohl	Ordinary	59,840	7,390	-	67,230
Wendy Stops ⁽³⁾	Ordinary	n/a	-	13,000	13,000
Harrison Young	Ordinary	26,764	-	-	26,764
Former Non-Executive Director					
Carolyn Kay ⁽⁵⁾	Ordinary	12,388	-	-	n/a
	PERLS ⁽⁶⁾	-	2,800	-	n/a

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

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

(3) David Higgins was appointed as a Non-Executive Director on 1 September 2014 and Wendy Stops was appointed as a Non-Executive Director on 9 March 2015. Their shareholdings have not been included in the opening balance as at 1 July 2014.

(4) Opening balance has been restated to include a correction to CBA ordinary shares.

(5) Carolyn Kay retired from the Group on 31 March 2015 and her shareholdings are not included in the balance as at 30 June 2015.

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

(7) Other securities: As at 30 June 2015 Jane Hemstritch held CNGHA notes (2014: CNGHA notes).

Directors' Report – Remuneration Report

(b) Shares held by the CEO and Group Executives

	Class ⁽¹⁾	Acquired/ Previous Years'			Net Change Other ⁽³⁾	Balance 30 June 2015
		Balance 1 July 2014	Granted as Remuneration	Awards Vested during 2015 ⁽²⁾		
Managing Director and CEO						
Ian Narev	Ordinary	74,969	-	-	18,752	93,721
	Reward Rights	248,068	58,131	(24,026)	(775)	281,398
Group Executives						
Kelly Bayer Rosmarin	Ordinary	12,457	-	-	1,561	14,018
	Reward Rights	12,935	22,376	-	-	35,311
	Deferred Shares/Rights	16,370	2,604	(5,440)	-	13,534
Adam Bennett ⁽⁴⁾	Ordinary	n/a	-	-	8,303	8,303
	Reward Rights	n/a	10,013	-	-	10,013
	Deferred Shares/Rights	n/a	3,456	(4,808)	12,857	11,505
David Cohen	Ordinary	45,752	-	-	(19,615)	26,137
	Reward Rights	101,122	19,744	(23,093)	(744)	97,029
Matthew Comyn	Ordinary	16,397	-	-	6,983	23,380
	Reward Rights	55,297	22,595	-	-	77,892
	Deferred Shares/Rights	13,102	-	(6,983)	-	6,119
David Craig	Ordinary	134,581	-	-	40	134,621
	Reward Rights	155,702	30,272	(36,040)	(1,162)	148,772
Robert Jesudason	Ordinary	13,595	-	-	9,728	23,323
	Reward Rights	45,354	20,792	-	-	66,146
	Deferred Shares/Rights	14,023	-	(9,728)	-	4,295
Melanie Laing	Ordinary	11,936	-	-	-	11,936
	Reward Rights	69,308	18,537	-	-	87,845
Vittoria Shortt ⁽⁴⁾	Ordinary	n/a	-	-	3,561	3,561
	Reward Rights	n/a	6,146	-	-	6,146
	Deferred Shares/Rights	n/a	2,675	(3,561)	8,698	7,812
Annabel Spring	Ordinary	11,643	-	-	3,863	15,506
	Reward Rights	84,639	22,595	-	-	107,234
	Deferred Shares/Rights	7,563	-	(7,563)	-	-
Alden Toeve	Ordinary	75,638	-	-	12,374	88,012
	Reward Rights	161,371	31,369	(37,374)	(1,205)	154,161
David Whiteing ⁽⁴⁾	Ordinary	n/a	-	-	-	-
	Reward Rights	n/a	20,840	-	-	20,840
	Deferred Shares/Rights	n/a	1,941	-	-	1,941
Former Executives ⁽⁵⁾						
Simon Blair	Ordinary	26,417	-	-	21,358	n/a
	Reward Rights	93,808	-	(21,358)	(688)	n/a
Michael Harte	Ordinary	-	-	-	28,031	n/a
	Reward Rights	121,246	-	(28,031)	(93,215)	n/a
Grahame Petersen	Ordinary	60,385	-	-	-	n/a
	Reward Rights	132,587	-	(30,700)	(990)	n/a

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

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

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

(4) David Whiteing commenced in the KMP role on 14 July 2014, Adam Bennett commenced in the KMP role on 12 January 2015 and Vittoria Shortt commenced in the KMP role on 2 March 2015. The number of Reward Rights granted to David Whiteing reflects annual LTI target. The number of Reward Rights granted to Adam Bennett and Vittoria Shortt reflects time in the KMP role.

(5) Michael Harte ceased as a KMP on 11 July 2014, Simon Blair ceased as a KMP on 31 October 2014 and Grahame Petersen ceased as a KMP on 11 January 2015. Shareholdings for former executives are not included in the balance as at 30 June 2015.

Directors' Report – Remuneration Report

4.8 Loans to KMP

All loans to KMP (or close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of the aforementioned held significant voting power) have been provided on an arm's length commercial basis including the term of the loan, security required and the interest rate (which may be fixed or variable). There has been no write down of loans during the period.

4.9 Total Loans to KMP

	2015
	\$
Opening Balance ⁽¹⁾	14,878,088
Closing Balance	10,130,233
Interest Charged	501,271

(1) The opening balance has been restated from \$14,187,609.

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

	Balance 1 July 2014	Interest Charged	Interest Not Charged	Write-off	Balance 30 June 2015	Highest Balance in Period ⁽¹⁾
	\$	\$	\$	\$	\$	\$
Kelly Bayer Rosmarin ⁽²⁾	4,020,338	128,522	-	-	2,744,784	4,034,034
David Cohen	556,025	27,146	-	-	522,505	570,528
Matthew Comyn ⁽²⁾	2,610,457	72,329	-	-	2,131,212	3,730,020
Michael Harte ^{(2) (3)}	2,914,196	11,741	-	-	n/a	2,970,923
Robert Jesudason	4,075,680	120,033	-	-	95	4,111,223
Melanie Laing ⁽²⁾	577,750	23,335	-	-	429,061	597,820
Vittoria Shortt ⁽³⁾	n/a	32,006	-	-	2,261,178	2,269,177
David Whiteing ⁽³⁾	n/a	85,591	-	-	1,917,959	4,233,371
Total	14,754,446	500,703	-	-	10,006,794	22,517,096

(1) Represents the highest balance per individual of loans outstanding at any point during the year ended 30 June 2015.

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

(3) David Whiteing commenced in the KMP role on 14 July 2014 and Vittoria Shortt commenced in the KMP role on 2 March 2015. The loan values disclosed relate to the period from KMP commencement date to 30 June 2015. Michael Harte resigned from the Group effective 11 July 2014 and his loan balance has not been included in the balance as at 30 June 2015.

4.11 Other Transactions of KMP

Financial Instrument Transactions

Financial instrument transactions (other than loans and shares disclosed within this report) of KMP occur in the ordinary course of business on an arm's length basis.

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

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

Transactions other than Financial Instrument Transactions of Banks

All other transactions with KMP and their related entities and other related parties are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. These transactions principally involve the provision of financial and investment services by entities not controlled by the Group. A related party of an executive has also been employed by the Group, and is remunerated in a manner consistent with normal employee relationships.

Directors' Report

Glossary of Key Terms

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

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

Directors' Report – Remuneration Report

Non-Audit Services

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

	2015
	\$'000
Project assurance services	1,354
Taxation services	3,171
Risk management, compliance and controls related work	3,601
Other	1,578
Total non-audit services ⁽¹⁾	9,704
Total audit and related services	34,405

(1) An additional amount of \$1,958,469 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.

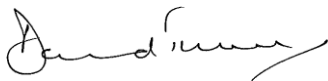
The Audit Committee advised the Board accordingly and, after considering the Committee's advice, the Board of Directors agreed that it was satisfied that the provision of the non-audit services by PwC during the year was compatible with the general standard of independence imposed by the Corporations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

Signed in accordance with a resolution of the Directors.



D J Turner
Chairman
11 August 2015



I M Narev
Managing Director and Chief Executive Officer
11 August 2015



Auditor's Independence Declaration

As lead auditor for the audit of Commonwealth Bank of Australia for the year ended 30 June 2015, 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 year.

A handwritten signature in black ink that reads 'M. Laithwaite'.

Marcus Laithwaite
Partner
Pricewaterhouse Coopers

Sydney
11 August 2015

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Income Statements	36
Statements of Comprehensive Income	37
Balance Sheets	38
Statements of Changes in Equity	39
Statements of Cash Flows	41
Note 1 Accounting Policies	43
Note 2 Profit	54
Note 3 Average Balances and Related Interest	56
Note 4 Income Tax	59
Note 5 Dividends	60
Note 6 Earnings Per Share	63
Note 7 Cash and Liquid Assets	63
Note 8 Receivables Due from Other Financial Institutions	63
Note 9 Assets at Fair Value through Income Statement	64
Note 10 Derivative Financial Instruments	64
Note 11 Available-for-Sale Investments	68
Note 12 Loans, Bills Discounted and Other Receivables	69
Note 13 Provisions for Impairment	72
Note 14 Property, Plant and Equipment	74
Note 15 Intangible Assets	76
Note 16 Other Assets	78
Note 17 Deposits and Other Public Borrowings	78
Note 18 Liabilities at Fair Value through Income Statement	79
Note 19 Other Provisions	79
Note 20 Debt Issues	81
Note 21 Bills Payable and Other Liabilities	83
Note 22 Loan Capital	83
Note 23 Shareholders' Equity	85
Note 24 Share Based Payments	88
Note 25 Capital Adequacy	90
Note 26 Financial Reporting by Segments	91
Note 27 Insurance Businesses	94
Note 28 Remuneration of Auditors	96
Note 29 Lease Commitments	96
Note 30 Contingent Liabilities, Contingent Assets and Commitments	97
Note 31 Risk Management	99
Note 32 Credit Risk	103
Note 33 Market Risk	118
Note 34 Liquidity and Funding Risk	120
Note 35 Retirement Benefit Obligations	123
Note 36 Investments in Subsidiaries and Other Entities	126
Note 37 Key Management Personnel	131
Note 38 Related Party Disclosures	132
Note 39 Notes to the Statements of Cash Flows	133
Note 40 Disclosures about Fair Values	134
Note 41 Securitisation, Covered Bonds and Transferred Assets	140
Note 42 Collateral Arrangements	141
Note 43 Offsetting Financial Assets and Financial Liabilities	142
Note 44 Subsequent Events	144

Financial Statements

Income Statements

For the year ended 30 June 2015

	Note	Group			Bank	
		2015 \$M	2014 \$M	2013 \$M	2015 \$M	2014 \$M
Interest income	2	34,100	33,645	34,739	34,937	34,860
Interest expense	2	(18,305)	(18,544)	(20,805)	(21,006)	(21,494)
Net interest income		15,795	15,101	13,934	13,931	13,366
Other banking income		4,856	4,320	4,172	6,847	6,378
Net banking operating income		20,651	19,421	18,106	20,778	19,744
Funds management income		2,396	2,356	2,147	-	-
Investment revenue		618	840	942	-	-
Claims, policyholder liability and commission expense		(1,011)	(1,162)	(1,242)	-	-
Net funds management operating income	2	2,003	2,034	1,847	-	-
Premiums from insurance contracts		2,797	2,604	2,353	-	-
Investment revenue		543	547	449	-	-
Claims, policyholder liability and commission expense from insurance contracts		(2,326)	(2,118)	(1,879)	-	-
Net insurance operating income	2	1,014	1,033	923	-	-
Total net operating income before impairment and operating expenses	2	23,668	22,488	20,876	20,778	19,744
Loan impairment expense	2,13	(988)	(918)	(1,146)	(837)	(871)
Operating expenses	2	(10,068)	(9,573)	(9,085)	(8,271)	(7,866)
Net profit before income tax	2	12,612	11,997	10,645	11,670	11,007
Corporate tax expense	4	(3,429)	(3,221)	(2,899)	(2,694)	(2,565)
Policyholder tax expense	4	(99)	(126)	(112)	-	-
Net profit after income tax		9,084	8,650	7,634	8,976	8,442
Non-controlling interests		(21)	(19)	(16)	-	-
Net profit attributable to Equity holders of the Bank		9,063	8,631	7,618	8,976	8,442

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

	Note	Group		
		2015 Cents per share	2014 Cents per share	2013 Cents per share
Earnings per share:				
Basic	6	557.0	533.8	474.2
Fully diluted	6	542.7	521.9	461.0

Statements of Comprehensive Income

For the year ended 30 June 2015

	Group			Bank	
	2015 \$M	2014 \$M	2013 \$M	2015 \$M	2014 \$M
Net profit after income tax for the financial year	9,084	8,650	7,634	8,976	8,442
Other comprehensive income:					
Items that may be reclassified subsequently to profit/(loss):					
Foreign currency translation reserve net of tax	398	385	466	171	-
Gains and (losses) on cash flow hedging instruments net of tax	39	(144)	(276)	106	(84)
Gains and (losses) on available-for-sale investments net of tax	(45)	338	364	(84)	453
Total of items that may be reclassified	392	579	554	193	369
Items that will not be reclassified to profit or loss:					
Actuarial gains and losses from defined benefit superannuation plans net of tax	311	42	367	311	42
Gains and losses on liabilities at fair value due to changes in own credit risk net of tax	(3)	6	-	(3)	6
Revaluation of properties net of tax	15	26	3	11	24
Total of items that will not be reclassified	323	74	370	319	72
Other comprehensive income net of income tax	715	653	924	512	441
Total comprehensive income for the financial year	9,799	9,303	8,558	9,488	8,883
Total comprehensive income for the financial year is attributable to:					
Equity holders of the Bank	9,778	9,284	8,542	9,488	8,883
Non-controlling interests	21	19	16	-	-
Total comprehensive income net of income tax	9,799	9,303	8,558	9,488	8,883

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

	Note	Group		
		2015	2014	2013
		Cents per share		
Dividends per share attributable to shareholders of the Bank:				
Ordinary shares	5	420	401	364
Trust preferred securities		7,387	6,498	5,767

Financial Statements

Balance Sheets

As at 30 June 2015

	Note	Group		Bank	
		2015 \$M	2014 \$M	2015 \$M	2014 \$M
Assets					
Cash and liquid assets	7	33,116	26,409	31,683	24,108
Receivables due from other financial institutions	8	11,540	8,065	9,720	7,457
Assets at fair value through Income Statement:	9				
Trading		26,424	21,459	25,135	20,572
Insurance		14,088	15,142	-	-
Other		1,278	760	989	561
Derivative assets	10	46,154	29,247	45,607	29,615
Available-for-sale investments	11	74,684	66,137	72,304	131,577
Loans, bills discounted and other receivables	12	639,262	597,781	573,435	535,247
Bank acceptances of customers		1,944	5,027	1,908	4,984
Shares in and loans to controlled entities	38	-	-	143,756	64,086
Property, plant and equipment	14	2,833	2,816	1,509	1,467
Investment in associates and joint ventures	36	2,637	1,844	1,245	1,029
Intangible assets	15	9,970	9,792	4,700	4,555
Deferred tax assets	4	455	586	771	796
Other assets	16	9,061	6,386	7,405	4,823
Total assets		873,446	791,451	920,167	830,877
Liabilities					
Deposits and other public borrowings	17	543,231	498,352	497,625	457,571
Payables due to other financial institutions		36,416	24,978	35,516	24,599
Liabilities at fair value through Income Statement	18	8,493	7,508	7,323	5,152
Derivative liabilities	10	35,213	27,259	39,636	29,341
Bank acceptances		1,944	5,027	1,908	4,984
Due to controlled entities		-	-	126,496	118,920
Current tax liabilities		661	688	578	612
Deferred tax liabilities	4	351	366	-	-
Other provisions ⁽¹⁾	19	1,726	1,363	1,254	1,084
Insurance policy liabilities	27	12,911	13,166	-	-
Debt issues	20	154,429	142,219	130,359	119,548
Managed funds units on issue		1,149	1,214	-	-
Bills payable and other liabilities ⁽¹⁾	21	11,105	10,369	14,361	10,662
		807,629	732,509	855,056	772,473
Loan capital	22	12,824	9,594	13,364	9,969
Total liabilities		820,453	742,103	868,420	782,442
Net assets		52,993	49,348	51,747	48,435
Shareholders' Equity					
Share capital:					
Ordinary share capital	23	27,619	27,036	27,894	27,323
Other equity instruments	23	939	939	1,895	1,895
Reserves	23	2,345	2,009	3,195	3,011
Retained profits	23	21,528	18,827	18,763	16,206
Shareholders' Equity attributable to Equity holders of the Bank		52,431	48,811	51,747	48,435
Non-controlling interests	36	562	537	-	-
Total Shareholders' Equity		52,993	49,348	51,747	48,435

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

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

Statements of Changes in Equity

For the year ended 30 June 2015

	Group							
	Shareholders' Equity attributable to Equity holders of the Bank						Non-controlling interests	Total Shareholders' Equity
	Ordinary share capital	Other equity instruments	Reserves	Retained profits	of the Bank	interests	Equity	
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	
As at 30 June 2013	26,323	939	1,333	16,405	45,000	537	45,537	
Net profit after income tax	-	-	-	8,631	8,631	19	8,650	
Net other comprehensive income	-	-	605	48	653	-	653	
Total comprehensive income for the financial year	-	-	605	8,679	9,284	19	9,303	
Transactions with Equity holders in their capacity as Equity holders:								
Dividends paid on ordinary shares	-	-	-	(6,174)	(6,174)	-	(6,174)	
Dividends paid on other equity instruments	-	-	-	(32)	(32)	-	(32)	
Dividend reinvestment plan (net of issue costs)	707	-	-	-	707	-	707	
Other equity movements:								
Share based payments	-	-	(7)	-	(7)	-	(7)	
Purchase of treasury shares	(813)	-	-	-	(813)	-	(813)	
Sale and vesting of treasury shares	819	-	-	-	819	-	819	
Other changes	-	-	78	(51)	27	(19)	8	
As at 30 June 2014	27,036	939	2,009	18,827	48,811	537	49,348	
Net profit after income tax	-	-	-	9,063	9,063	21	9,084	
Net other comprehensive income	-	-	407	308	715	-	715	
Total comprehensive income for the financial year	-	-	407	9,371	9,778	21	9,799	
Transactions with Equity holders in their capacity as Equity holders:								
Dividends paid on ordinary shares	-	-	-	(6,744)	(6,744)	-	(6,744)	
Dividends paid on other equity instruments	-	-	-	(36)	(36)	-	(36)	
Dividend reinvestment plan (net of issue costs)	571	-	-	-	571	-	571	
Other equity movements:								
Share based payments	-	-	(3)	-	(3)	-	(3)	
Purchase of treasury shares	(790)	-	-	-	(790)	-	(790)	
Sale and vesting of treasury shares	802	-	-	-	802	-	802	
Other changes	-	-	(68)	110	42	4	46	
As at 30 June 2015	27,619	939	2,345	21,528	52,431	562	52,993	

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

Financial Statements

Statements of Changes in Equity (continued)

For the year ended 30 June 2015

	Ordinary share capital \$M	Other equity instruments \$M	Reserves \$M	Retained profits \$M	Bank Shareholders' Equity attributable to Equity holders of the Bank \$M
As at 30 June 2013	26,619	1,895	2,641	13,874	45,029
Net profit after income tax	-	-	-	8,442	8,442
Net other comprehensive income	-	-	393	48	441
Total comprehensive income for the financial year	-	-	393	8,490	8,883
Transactions with equity holders in their capacity as equity holders:					
Dividends paid on ordinary shares	-	-	-	(6,174)	(6,174)
Dividend reinvestment plan (net of issue costs)	704	-	-	-	704
Other equity movements:					
Share based payments	-	-	(7)	-	(7)
Other changes	-	-	(16)	16	-
As at 30 June 2014	27,323	1,895	3,011	16,206	48,435
Net profit after income tax	-	-	-	8,976	8,976
Net other comprehensive income	-	-	204	308	512
Total comprehensive income for the financial year	-	-	204	9,284	9,488
Transactions with Equity holders in their capacity as Equity holders:					
Dividends paid on ordinary shares	-	-	-	(6,744)	(6,744)
Dividend reinvestment plan (net of issue costs)	571	-	-	-	571
Other equity movements:					
Share based payments	-	-	(3)	-	(3)
Other changes	-	-	(17)	17	-
As at 30 June 2015	27,894	1,895	3,195	18,763	51,747

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

Statements of Cash Flows ⁽¹⁾

For the year ended 30 June 2015

	Note	Group			Bank	
		2015 \$M	2014 \$M	2013 \$M	2015 \$M	2014 \$M
Cash flows from operating activities						
Interest received		34,067	33,623	34,868	34,668	34,827
Interest paid		(17,425)	(18,160)	(21,056)	(20,215)	(21,085)
Other operating income received		5,467	5,138	5,047	3,715	3,630
Expenses paid		(8,740)	(8,377)	(7,819)	(7,368)	(6,852)
Income taxes paid		(3,444)	(3,763)	(2,940)	(3,093)	(3,467)
Net inflows/(outflows) from assets at fair value through Income Statement (excluding life insurance)		1,457	5,188	(756)	4,494	4,871
Net inflows/(outflows) from liabilities at fair value through Income Statement:						
Insurance:						
Investment income		118	394	2,551	-	-
Premiums received ⁽²⁾		2,910	2,899	2,106	-	-
Policy payments and commission expense ⁽²⁾		(3,307)	(3,080)	(4,516)	-	-
Other liabilities at fair value through Income Statement		738	(1,619)	1,503	1,969	1,815
Cash flows from operating activities before changes in operating assets and liabilities		11,841	12,243	8,988	14,170	13,739
Changes in operating assets and liabilities arising from cash flow movements						
Movement in available-for-sale investments:						
Purchases		(60,967)	(49,468)	(45,429)	(67,619)	(48,489)
Proceeds		53,569	44,130	47,090	53,052	44,027
Net increase in loans, bills discounted and other receivables		(41,768)	(36,795)	(28,035)	(35,870)	(33,355)
Net (increase)/decrease in receivables due from other financial institutions and regulatory authorities		(2,676)	(245)	3,538	(1,572)	(368)
Net (increase)/decrease in securities purchased under agreements to resell		(6,174)	1,119	(699)	(6,483)	970
Insurance business:						
Purchase of insurance assets at fair value through Income Statement		(2,741)	(3,156)	(2,591)	-	-
Proceeds from sale/maturity of insurance assets at fair value through Income Statement		4,789	3,804	3,832	-	-
Net (increase)/decrease in other assets		(1,084)	298	(265)	(1,077)	325
Net increase in deposits and other public borrowings		41,229	29,419	17,243	34,258	26,114
Net increase/(decrease) in payables due to other financial institutions		8,598	(1,812)	2,123	8,147	(1,246)
Net increase in securities sold under agreements to repurchase		3,015	4,389	327	3,090	4,419
Net (decrease)/increase in other liabilities		(448)	37	455	3,108	(3,278)
Changes in operating assets and liabilities arising from cash flow movements		(4,658)	(8,280)	(2,411)	(10,966)	(10,881)
Net cash provided by operating activities	39 (a)	7,183	3,963	6,577	3,204	2,858
Cash flows from investing activities						
Net proceeds from disposal of controlled entities	39 (d)	-	531	-	-	569
Payments for acquisition of controlled entities	39 (e)	(29)	-	-	(29)	-
Net proceeds from disposal of entities and businesses (net of cash disposals)		72	481	-	-	414
Dividends received		71	70	82	1,972	1,944
Net amounts received from controlled entities ⁽³⁾		-	-	-	2,564	3,362
Proceeds from sale of property, plant and equipment and assets held for sale		69	68	32	67	54
Purchases of property, plant and equipment		(578)	(513)	(642)	(380)	(212)
Payments for acquisitions of investments in associates/joint ventures		(270)	(36)	(264)	(220)	-
Net purchase of intangible assets		(550)	(400)	(464)	(494)	(346)
Net cash (used in)/provided by investing activities		(1,215)	201	(1,256)	3,480	5,785

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

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

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

Financial Statements

Statements of Cash Flows ⁽¹⁾ (continued)

For the year ended 30 June 2015

	Note	Group			Bank	
		2015 \$M	2014 \$M	2013 \$M	2015 \$M	2014 \$M
Cash flows from financing activities						
Proceeds from issue of shares (net of issue costs)		-	-	193	-	-
Dividends paid (excluding Dividend Reinvestment Plan)		(6,200)	(5,491)	(4,860)	(6,164)	(5,458)
Proceeds from issuance of debt securities		68,655	87,554	92,250	61,142	76,482
Redemption of issued debt securities		(73,377)	(79,776)	(93,691)	(66,424)	(72,677)
Purchase of treasury shares		(790)	(813)	(664)	-	-
Sale of treasury shares		744	760	634	-	-
Issue of loan capital		6,184	358	1,977	6,164	-
Redemption of loan capital		(2,971)	(500)	(2,215)	(2,899)	(500)
Other		(120)	(157)	218	176	(58)
Net cash (used in)/provided by financing activities		(7,875)	1,935	(6,158)	(8,005)	(2,211)
Net (decrease)/increase in cash and cash equivalents		(1,907)	6,099	(837)	(1,321)	6,432
Effect of foreign exchange rates on cash and cash equivalents		2,049	411	852	2,008	298
Cash and cash equivalents at beginning of year		19,128	12,618	12,603	17,478	10,748
Cash and cash equivalents at end of year	39 (b)	19,270	19,128	12,618	18,165	17,478

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

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

Note 1 Accounting Policies

The Financial Statements of the Commonwealth Bank of Australia (the Bank) and the Bank and its subsidiaries (the Group) for the year ended 30 June 2015, were approved and authorised for issue by the Board of Directors on 11 August 2015. The Directors have the power to amend and reissue the Financial Statements.

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

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

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

Basis of Preparation

(a) Basis of Accounting

This General Purpose Financial Report for the year ended 30 June 2015 has been prepared in accordance with Australian Accounting Standards (the standards), which include Australian Interpretations by virtue of AASB 1048 'Interpretation and Application of Standards', and the requirements of the Corporations Act 2001. The Bank is a for-profit entity for the purposes of preparing this report.

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

(b) Historical Cost Convention

This financial report has been prepared under the historical cost convention, except for certain assets and liabilities (including derivative instruments) measured at fair value. A more detailed discussion on measurement basis is outlined within this note.

(c) Use of Estimates and Assumptions

The preparation of the financial report requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are discussed further in Note 1 Critical Judgements and Estimates section.

(d) Rounding of Amounts

The amounts in this financial report have been rounded in accordance with ASIC Class Order 98/0100 to the nearest million dollars, unless otherwise indicated.

The financial report is presented in Australian dollars.

(e) Segment Reporting

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

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

(f) Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of:

AASB 132 Offsetting

The Group has adopted the amended AASB 132 'Financial Instruments: Presentation'. It clarified the conditions for offsetting financial assets and financial liabilities in the Balance Sheet, including:

- what constitutes a current legally enforceable right of set-off; and
- the circumstances in which gross settlement systems may be considered equivalent to net settlement.

The amendments were applied retrospectively and did not impact the comparative financial statements of the Group.

Comparatives

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

(g) Principles of Consolidation

Subsidiaries

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

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

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

Business Combinations

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

Note 1 Accounting Policies (continued)

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

Interests in Associates and Joint Ventures Accounted for Using the Equity Method

Associates and joint ventures are entities over which the Group has significant influence or joint control, but not control, and are accounted for under the equity method. The equity method of accounting is applied in the consolidated financial report and involves the recognition of the Group's share of its associates' and joint ventures' post-acquisition profits or losses in the Income Statement, and its share of post-acquisition movements in other comprehensive income 'OCI'. Associates and joint ventures are accounted for at cost less accumulated impairments at the Bank level.

The Group assesses, at each Balance Sheet date, whether there is any objective evidence of impairment. The main indicators of impairment are as for equity securities classified as available for sale (Note 1(u)). If there is an indication that an investment in an associate or joint venture may be impaired, then the entire carrying amount of the investment in associate or joint venture is tested for impairment by comparing the recoverable amount (higher of value in use and fair value less disposal costs) with its carrying amount. Impairment losses recognised in the Income Statement for investments in associates and joint ventures 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.

(h) Foreign Currency Translation

Functional and Presentation Currency

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

Foreign Currency Transactions

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

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

Foreign Operations

Assets and liabilities of the Group's foreign operations that have a functional currency different from the Group's

presentation currency are translated at the prevailing exchange rate at Balance Sheet date.

Revenue and expenses of each foreign operation are translated at the average exchange rate for the period, unless this average is not a reasonable approximation of the rate prevailing on transaction date, in which case revenue and expenses are translated at the exchange rate at transaction date.

All resulting exchange differences are recognised in the foreign currency translation reserve.

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

(i) Offsetting

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

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

(j) Fair Value Measurement

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

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

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

Income Statement

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for each major revenue stream as follows:

Note 1 Accounting Policies (continued)

(k) Interest Income

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

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

(l) Fee and Commission Income

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

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

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

(m) Other Income

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

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

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

(n) Interest Expense

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

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

(o) Operating Expenses

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

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

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

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

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

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

(p) Income Tax Expense

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

(q) Current Tax

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

(r) Deferred Tax

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

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

A deferred tax asset is recognised only when it is probable that future taxable profits will be available for it to be used against. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are set off where they relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities within the same taxable group.

(s) The Tax Consolidated Group

Tax consolidation legislation allows Australian resident entities to elect to consolidate and be treated as a single entity for Australian tax purposes. The Bank, as the head of the tax consolidated group, and its wholly-owned Australian subsidiaries, elected to be taxed as a single entity under this regime with effect from 1 July 2002.

Note 1 Accounting Policies (continued)

The members of the tax consolidated group have entered into tax funding and tax sharing agreements, which set out the funding obligations of members of the tax consolidated group in respect of tax amounts.

Any current tax liabilities/assets and deferred tax assets arising from unused tax losses from subsidiaries are recognised in conjunction with any tax funding arrangement amounts by the Bank legal entity (as the head of the tax consolidated group).

The measurement and disclosure of deferred tax assets and liabilities have been performed in accordance with the principles in AASB 112 'Income Taxes', and on a modified standalone basis under UIG 1052 'Tax Consolidation Accounting'.

Assets

(t) Cash and Liquid Assets

Cash and liquid assets include cash at branches, cash at banks, nostro balances, money at short call with an original maturity of three months or less and securities held under reverse repurchase agreements. They are measured at face value, or the gross value of the outstanding balance. Interest is recognised in the Income Statement using the effective interest method.

For the purposes of the Statements of Cash Flows, cash and cash equivalents include cash and money at short call.

(u) Financial Assets

The Group classifies its financial assets in the following categories:

- financial assets at fair value through the Income Statement;
- derivative assets;
- loans and receivables; and
- available-for-sale investments.

The classification of financial instruments at initial recognition depends on their purpose, characteristics and management's intention when acquiring them.

Financial instruments, except for loans and receivables, are initially recognised by the Group on the trade date, i.e. the date that the Group becomes a party to the contractual provisions of the instruments. This applies to trades transacted in a regular way, i.e. purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and receivables are recognised on settlement date, when funding is advanced to the borrowers.

All financial assets are measured initially at their fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through the Income Statement. Directly attributable transaction costs on these assets are expensed on subsequent fair value measurement.

The Group has not classified any of its financial assets as held to maturity investments.

Financial Assets at Fair Value through the Income Statement

Assets classified at fair value through the Income Statement are further classified into three sub-categories: trading, insurance and other.

Trading assets are those acquired or incurred principally for the purpose of selling or repurchasing in the near term, or if they are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Discounted bills that the Group intends to sell into the market immediately or in the near term also meet the definition of assets held for trading. Due to their nature, such assets are included in loans, bills discounted and other receivables in the Balance Sheet, while being measured at fair value. Insurance assets are investments that back life insurance contracts and life investment contracts. These are outlined in Note 1(hh).

Other investments include financial assets, which the Group has designated at fair value through Income Statement at inception to: eliminate an accounting mismatch; reflect they are managed on a fair value basis; or where the asset is a contract which contains an embedded derivative.

Subsequent to initial recognition, financial assets are measured at fair value with changes in fair value recognised in other operating income. Dividends earned are recorded in other operating income. Interest earned is recorded within net interest income using the effective interest method.

Derivative Financial Instruments

Derivative financial instruments are contracts whose value is derived from one or more underlying price, index or other variable. They include forward rate agreements, futures, options and interest rate, currency, equity and credit swaps. Derivatives are entered into for trading purposes or for hedging purposes.

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

The Group uses derivatives to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions.

Where derivatives are held for risk management purposes and when transactions meet the required criteria, the Group applies one of three hedge accounting models; fair value hedge accounting, cash flow hedge accounting, or hedging of a net investment in a foreign operation as appropriate to the risks being hedged.

(i) Fair Value Hedges

Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in the Income Statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The changes in the fair value of the hedged asset or liability shall be adjusted against their carrying value.

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

(ii) Cash Flow Hedges

Changes in fair value associated with the effective portion of a derivative designated as a cash flow hedge are recognised

Note 1 Accounting Policies (continued)

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.

(iii) Net Investment Hedges

Gains and losses on derivative contracts relating to the effective portion of the net investment hedge are recognised in the foreign currency translation reserve in equity.

Ineffective portions are recognised immediately in the Income Statement. Gains and losses accumulated in equity are included in the Income Statement when the foreign subsidiary or branch is disposed of.

(iv) Embedded Derivatives

In certain instances, a derivative may be embedded within a host contract. If 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 those of the host contract, the embedded derivative is separated from the host contract. It is then accounted for as a stand-alone derivative instrument at fair value.

Available-for-Sale Investments

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

Subsequent to initial recognition, AFS investments are measured at fair value with unrealised gains and losses arising from changes in fair value recognised in the AFS investments' 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.

Impairment exists if there is objective evidence of impairment as a result of one or more events which have an impact on the estimated future cash flows of the available-for-sale securities 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 available-for-sale securities, 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. However, impairment losses on AFS equity securities are not reversed.

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

Financial assets initially designated as AFS investments, that would have otherwise met the definition of loans and other receivables, can be reclassified if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as at the date of reclassification. Fair value becomes the new amortised cost and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Reclassifications during the year are outlined in Note 11 Available-for-Sale Investments.

Loans, Bills Discounted and Other Receivables

Loans, bills discounted and other receivables are non-derivative financial assets, with fixed and determinable payments that are not quoted in an active market.

Loans, bills discounted and other receivables include overdrafts, home loans, credit card and other personal lending, term loans, bill financing, redeemable preference shares, securities, finance leases, and receivables due from other financial institutions (including loans, deposits with regulatory authorities and settlement account balances due from other banks). Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method and are presented net of provisions for impairment.

Discounted bills included in this category due to their nature meet the definition of trading assets and are therefore measured at fair value through Income Statement in line with the accounting policy for assets held for trading.

The Group assesses at each Balance Sheet date whether there is any objective evidence of impairment. If there is objective evidence that an impairment loss on loans and other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short-term balances are not discounted.

Loans and other receivables are presented net of provisions for loan impairment. The Group has individually assessed provisions and collectively assessed provisions. Individually assessed provisions are made against financial assets that are individually significant, or which have been individually assessed as impaired.

Individual provisions for impairment are recognised to reduce the carrying amount of non-performing facilities to the present value of their expected future cash flows. Individually significant provisions are calculated based on discounted cash flows.

The unwinding of the discount, from initial recognition of impairment through to recovery of the written down amount, is recognised as interest income.

Note 1 Accounting Policies (continued)

In subsequent periods, interest in arrears/due on non-performing facilities is recognised in the Income Statement using the original effective interest rate.

All loans and other receivables that do not have an individually assessed provision are assessed collectively for impairment. Collective provisions are maintained to reduce the carrying amount of portfolios of similar loans and advances to the present value of their expected future cash flows at the Balance Sheet date.

The expected future cash flows for portfolios of assets with similar credit risk characteristics are estimated on the basis of historical loss experience. Loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the loss experience is based and to remove the effects of conditions in the period that do not currently exist. Increases or decreases in the provision amount are recognised in the Income Statement.

Derecognition of Financial Assets and Financial Liabilities

The Group derecognises financial assets when the rights to receive cash flows from the asset have expired or when the Group transfers its rights to receive cash flows from the asset together with substantially all the risks and rewards of the asset. The Group enters into certain transactions where it transfers financial assets recognised on its Balance Sheet but retains either all or a majority of the risks and rewards of the transferred financial assets. If all or substantially all risks and rewards are retained, the transferred financial assets are not derecognised from the Balance Sheet. Transactions where transfers of financial assets result in the Group retaining all or substantially all risks and rewards include reverse repurchase transactions, and some of the Group's securitisation and covered bonds programs. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Income Statement.

Repurchase and Reverse Repurchase Agreements

Securities sold under repurchase agreements are retained in the financial statements where substantially all the risks and rewards of ownership remain with the Group.

A counterparty liability is recognised within deposits and public borrowings. The difference between the sale price and the repurchase price is accrued over the life of the repurchase agreement and charged to interest expense in the Income Statement.

Securities purchased under agreements to resell, where the Group does not acquire the risks and rewards of ownership, are recorded as receivables in cash and liquid assets. The security is not included in the Balance Sheet as the Group is not exposed to substantially all its risks and rewards. Interest income is accrued on the underlying receivable amount.

Provision for Off Balance Sheet Items

Guarantees and other contingent liabilities are accounted for as off Balance Sheet items. Provisioning for these exposures

is calculated under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'.

Loan assets under committed lending facilities are not recognised until the facilities are drawn upon.

The Group has determined that it is appropriate to establish provisions in relation to such facilities where a customer has been downgraded. These provisions are disclosed as other liabilities in the Balance Sheet.

(v) Lease Receivables

Leases are classified as either a finance lease or an operating lease. Under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred to the lessee. Under an operating lease, these risks remain with the lessor.

As a lessor, the assets the Group has leased out under finance leases are recognised as lease receivables on the Balance Sheet at an amount equal to the net investment in the lease. Finance lease income reflects a constant periodic return on this net investment and is recognised within interest income in the Income Statement.

The assets the Group has leased out under operating leases continue to be recognised on the Balance Sheet as property, plant and equipment and are depreciated accordingly. Operating lease revenue is recognised in the Income Statement on a straight line basis over the lease term.

As a lessee, the Group engages only in operating leases. Rental expense is recognised on a straight line basis over the lease term.

(w) Shares in and Loans to Controlled Entities

Investments in controlled entities are initially recorded at cost and subsequently held at the lower of cost and recoverable amount. Loans to controlled entities are subsequently recorded at amortised cost less impairment.

(x) Assets Classified as Held for Sale

Assets are classified as held for sale, when their carrying amounts are expected to be recovered principally through sale within 12 months. They are measured at the lower of carrying amount and fair value less costs to sell, unless the nature of the assets require that they be measured in line with another accounting standard.

Assets classified as held for sale are neither amortised nor depreciated.

(y) Property, Plant and Equipment

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

Other property, plant and equipment assets are stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and any impairment if required. Subsequent costs are capitalised if these result in an enhancement to the asset. Depreciation is calculated using the straight line method over the asset's estimated useful economic life.

Note 1 Accounting Policies (continued)

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

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

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.

(z) Intangible Assets

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

Goodwill

Goodwill arising from business combinations is included in intangible assets on the Balance Sheet and has an indefinite useful life. Goodwill is tested for impairment annually through allocation to a group of Cash Generating Units (CGUs). The CGUs' recoverable amount is then compared to its carrying amount and an impairment is recognised for any excess carrying value. The CGUs and how their recoverable amount is calculated are listed in Note 15.

Computer Software Costs

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

Core Deposits

Core deposits were initially recognised at fair value following the acquisition of Bankwest and represent the value of the deposit base acquired in the business combination. Core deposits are amortised over their estimated useful life of seven years.

Brand Names

Brand names are recognised when acquired in a business combination. Initially recognised at fair value, in general they are considered to have a similar useful life to the period of the brand names existence at the time of purchase or an indefinite useful life. An indefinite useful life is considered appropriate when there is no foreseeable limit to the period

over which the brand name is expected to generate cash flows.

Other Intangibles

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

Liabilities

(aa) Financial Liabilities

The Group classifies its financial liabilities in the following categories: liabilities at fair value through Income Statement, liabilities at amortised cost and derivative liabilities (refer to previous discussion on derivative financial instruments in Note 1(u)).

Financial liabilities are initially recognised at fair value less directly attributable transaction costs, except in the case of financial liabilities recorded at fair value through Income Statement. Directly attributable transaction costs on these liabilities are expensed on subsequent fair value measurement.

Liabilities at Fair Value through Income Statement

The Group designates certain liabilities at fair value through Income Statement on origination where those liabilities are managed on a fair value basis, where the liabilities eliminate an accounting mismatch, or where they contain embedded derivatives.

Subsequent to initial recognition these liabilities are measured at fair value with changes in fair value recognised in other operating income. Interest incurred is recorded within net interest income using the effective interest method.

Liabilities at Amortised Cost

(i) Deposits From Customers

Deposits from customers include certificates of deposit, term deposits, savings deposits, other demand deposits and debentures. Subsequent to initial recognition they are measured at amortised cost. Interest and yield related fees are recognised on an effective interest basis.

(ii) Payables Due to Other Financial Institutions

Payables due to other financial institutions include deposits, vostro balances and settlement account balances due to other banks. Subsequent to initial recognition they are measured at amortised cost. Interest and yield related fees are recognised using the effective interest method.

(iii) Debt Issues

Debt issues are short and long-term debt issues of the Group, including commercial paper, notes, term loans and medium term notes issued by the Group. Commercial paper, floating, fixed and structured debt issues are recorded at cost or amortised cost using the effective interest method.

Premiums, discounts and associated issue expenses are recognised in the Income Statement using the effective interest method from the date of issue, to ensure that securities attain their redemption values by maturity date.

Notes to the Financial Statements

Note 1 Accounting Policies (continued)

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.

Where the Group has designated debt instruments at fair value through Income Statement, the changes in fair value are recognised in the Income Statement.

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

(iv) Loan Capital

Loan capital is debt issued by the Group with terms and conditions that qualify for inclusion as capital, under APRA Prudential Standards. It is initially recorded at fair value, plus directly attributable transaction costs and thereafter at amortised cost using the effective interest method.

(v) Bank Acceptances of Customers - Liability

These are bills of exchange initially accepted and discounted by the Group and subsequently sold into the market. They are recognised at amortised cost. The market exposure is recognised as a liability. An asset of equal value is recognised to reflect the offsetting claim against the drawer of the bill.

Bank acceptances generate interest and fee income that is recognised in the Income Statement when earned.

(vi) Financial Guarantees and Credit Commitments

In the ordinary course of business, the Group gives financial guarantees consisting of letters of credit, guarantees and acceptances. Financial guarantees are recognised within other liabilities in the financial statements initially at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Income Statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is recorded in the Income Statement. The premium received is recognised in the Income Statement in other operating income on a straight line basis over the life of the guarantee.

Loan commitments are defined amounts (unutilised credit lines or undrawn portions of credit lines) against which clients can borrow money under defined terms and conditions. Loan commitments that are cancellable by the Group are not recognised on the Balance Sheet. Upon a loan drawdown by the counterparty, the amount of the loan is accounted for in accordance with accounting policies for loans and receivables. Irrevocable loan commitments are not recorded in the Balance Sheet, but a provision is recognised if it is probable that a loss has been incurred and a reliable estimate of the amount can be made.

(bb) Employee Benefits

Annual Leave

The provision for annual leave represents the current outstanding liability to employees for annual leave entitlements at Balance Sheet date.

Long Service Leave

The provision for long service leave is discounted to the present value and is set based on actuarial assumptions. The assumptions and provision balance are subject to semi-annual internal actuarial review.

Other Employee Benefits

The provision for other employee entitlements represents liabilities for a subsidy to a registered health fund with respect to retired and current employees, and employee incentives under employee share plans and bonus schemes.

Defined Benefit Superannuation Plans

The Group currently sponsors two defined benefit superannuation plans for its employees.

The net defined benefit liability or asset recognised in the Balance Sheet is the present value of the defined benefit obligation as at the Balance Sheet date less the fair value of plan assets. The defined benefit obligation is calculated by independent fund actuaries.

In each reporting period, the movement in the net defined benefit liability or asset is treated as follows:

- The net movement relating to the current period service cost, net interest cost (income), past service and other costs (such as the effects of any curtailments and settlements) is recognised as an employee expense in the Income Statement;
- Remeasurements relating to actuarial gains and losses and the difference between interest income and the return on plan assets are recognised directly in retained profits through OCI;
- Contributions made by the Group are recognised directly against the net defined benefit liability or asset; and
- Net interest cost (income) is determined by multiplying the rate of high quality corporate bonds by the net defined benefit obligation (asset) at the beginning of the reporting period and adjusted for changes in the net defined benefit liability (asset) due to contributions and benefit payments.

Defined Contribution Superannuation Plans

The Group sponsors a number of defined contribution superannuation plans. The Group recognises contributions due in respect of the accounting period in the Income Statement. Any contributions unpaid at the Balance Sheet date are included as a liability.

(cc) Provisions

Provisions are recognised when a probable obligation has arisen as a result of a past event that can be reliably measured. Note 19 Other Provisions contains a description of provisions held.

Equity

(dd) Shareholders' Equity

Ordinary shares are recognised at the amount paid up per ordinary share, net of directly attributable issue costs.

Where the Bank or other members of the Group purchase shares in the Bank, the consideration paid is deducted from total Shareholders' Equity and the shares are treated as treasury shares until they are subsequently sold, reissued or cancelled. Where such shares are sold or reissued, any consideration received is included in Shareholders' Equity.

Note 1 Accounting Policies (continued)

(ee) Reserves

General Reserve

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

Capital Reserve

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

Asset Revaluation Reserve

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

Foreign Currency Translation Reserve

Exchange differences arising on translation of the Group's foreign operations are accumulated in the foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the foreign investment is disposed of or wound up.

Cash Flow Hedge Reserve

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

Employee Compensation Reserve

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

Available-for-sale Investment Reserve

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

Life and General Insurance Business

The Group's consolidated financial statements include the assets, liabilities, income and expenses of the life and general insurance businesses conducted by various subsidiaries of the Bank.

Insurance contracts involve the acceptance of significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The insured benefit is either not linked or only partly linked to the market value of the investments held, and the financial risks are substantially borne by the insurer.

General insurance contracts are insurance contracts that are not life insurance contracts.

Life investment contracts involve the origination of one or more financial instruments and may involve the provision of management services. Life investment contracts do not meet the definition of insurance contracts as they do not involve an acceptance of significant insurance risk by the Group's life insurers. The financial risks are substantially borne by the policyholder. Shareholders can only receive a distribution

when the capital adequacy requirements of the Life Insurance Act 1995 are met.

(ff) Revenue

Life insurance premiums received for providing services and bearing risks are recognised as revenue. Premiums with a regular due date are recognised as revenue on a due and receivable basis. Premiums with no due date are recognised on a cash received basis.

Life investment premiums received include the management fee portion recognised as revenue over the period the service is provided and the deposit portion recognised as an increase in investment contract liabilities. Premiums with no due date are recognised on a cash received basis.

General insurance premium comprises amounts charged to policyholders, including fire service levies, but excludes taxes collected on behalf of third parties. The earned portion of premiums received and receivable is recognised as revenue. Premium revenue is earned from the date of attachment of risk and over the term of the policies written, based on actuarial assessment of the likely pattern in which risk will emerge. The portion not yet earned based on the pattern assessment is recognised as unearned premium liability.

Returns on all investments controlled by life and general insurance businesses are recognised as revenue.

(gg) Expenses

Life and general insurance contract claims are recognised as an expense when a liability has been established.

Acquisition costs (which include commission costs) are the costs associated with obtaining and recording insurance contracts. Acquisition costs are deferred or capitalised when they relate to the acquisition of new business. These costs are amortised on the same basis as the earning pattern of the premium, over the life of the contract. The amount deferred is limited to the extent that they are deemed recoverable from the expected future profits.

(hh) Investment Assets

Assets backing insurance liabilities are carried at fair value through Income Statement.

Investments held in the life insurance funds are subject to the restrictions imposed under the Life Act.

(ii) Policy Liabilities

Life insurance contract liabilities are measured at the net present value of future receipts from and payments to policyholders using a risk free discount rate (or expected fund earning rate where benefits are contractually linked to the asset performance), and are calculated in accordance with the principles of Margin on Services profit reporting as set out in Prudential Standard LPS 340 'Valuation of Policy Liabilities' issued by APRA.

Life investment contract liabilities are measured at fair value in accordance with AASB 139. The balance is no less than the contract surrender value.

General insurance policy liabilities comprise two components: unearned premium liability and outstanding claims liability.

The unearned premium liability is subject to a liability adequacy test.

Any deficiency will be recognised as an expense in the Income Statement by first writing down any related deferred

Notes to the Financial Statements

Note 1 Accounting Policies (continued)

acquisition costs, with any excess being recorded on the Balance Sheet as an unexpired risk liability.

The provision for outstanding claims is measured as the central estimate of the present value of expected future claims payments plus a risk margin. The expected future payments include those in relation to claims reported but not yet paid; claims incurred but not reported; claims incurred but not enough reported; and estimated claims handling costs.

Other

(jj) Managed Funds Units on Issue – Held by Non-controlling Unit-Holders

The life insurance and other funds include controlling interests in trusts and companies which are recognised in the Group's consolidated Financial Statements.

When a controlled unit trust is consolidated, the amounts due to external unit-holders remain as managed funds units on issue liabilities in the Group's consolidated Balance Sheet. In the Income Statement, the net profit or loss of the controlled entities relating to non-controlling interests is excluded from the Group's net profit or loss.

(kk) Asset Securitisation

The Group packages and sells asset backed securities to investors through an asset securitisation program.

The Group is entitled to any residual income of the program after all payments due to investors and costs of the program have been met. The Group also directs any decisions over relevant activities of the program and therefore controls the entities through which asset securitisation is conducted and so it consolidates these entities.

Liabilities associated with asset securitisation entities and related issue costs are accounted for on an amortised cost basis using the effective interest method. Interest rate swaps and liquidity facilities are provided at arm's length to the program by the Group in accordance with APRA Prudential Guidelines.

Derivatives return the risks and rewards of ownership of the securitised assets to the Group, resulting in their continued recognition by the Group. An imputed borrowing is recognised by the Bank inclusive of the derivative and any related fees.

(ll) Fiduciary Activities

Certain controlled entities within the Group act as Responsible Entity, Trustee and/or Manager for a number of wholesale, superannuation and investment funds, trusts and approved deposit funds.

The assets and liabilities of these trusts and funds are not included in the consolidated Financial Statements as the Group does not have direct or indirect control of the trusts and funds. Commissions and fees earned in respect of the activities are included in the Income Statement of the Group.

Critical Judgements and Estimates

The application of the Group's accounting policies requires the use of judgement, estimates and assumptions. If different assumptions or estimates were applied, the resulting values would change, impacting the Group's net assets and income.

(mm) Provisions for Impairment of Financial Assets

Provisions for impairment of financial assets are raised where

there is objective evidence of impairment at an individual or collective basis, at an amount adequate to cover assessed credit related losses.

Credit losses arise primarily from loans, but also from other credit instruments such as bank acceptances, contingent liabilities, guarantees and other financial instruments.

Individually Assessed Provisions

Individually assessed provisions are raised where there is objective evidence of impairment (where the Group does not expect to receive all of the cash flows contractually due).

Individually assessed provisions are made against individual risk rated credit facilities where a loss of \$20,000 or more is expected. The provisions are established based primarily on estimates of the realisable (fair) value of collateral taken and are measured as the difference between a financial asset's carrying amount and the present value of the expected future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short-term balances are not discounted.

Collective Provision

Loans and receivables that do not have an individually assessed provision are assessed collectively for impairment.

The collective provision is maintained to reduce the carrying amount of portfolios of similar loans and receivables to their estimated recoverable amounts at the Balance Sheet date.

The evaluation process is subject to a series of estimates and judgements. In the risk rated segment, the risk rating system, including the frequency of default and loss given default rates, loss history, and the size, structure and diversity of individual borrowers are considered. Current developments in portfolios (industry, geographic and term) are reviewed.

In the statistically managed (retail) segment, the history of defaults and losses, and the size, structure and diversity of portfolios are considered.

In addition, management considers overall indicators of portfolio performance, quality and economic conditions.

Changes in these estimates could have a direct impact on the level of provision determined.

The amount required to bring the collective provision to the level assessed is recognised in the Income Statement as set out in Note 13.

(nn) Provisions (Other than Loan Impairment)

Provisions are held in respect of a range of future obligations as outlined in Note 19. Provisions carried for long service leave are calculated based on actuarial models and subject to semi-annual review based on changes in underlying assumptions. Some of the provisions involve significant judgement about the likely outcome of various events and estimated future cash flows.

The measurement of these obligations involves the exercise of management judgements about the ultimate outcomes of the transactions. Payments which are expected to be incurred later than one year are discounted at a rate which reflects both current interest rates and the risks specific to that provision.

Note 1 Accounting Policies (continued)

(oo) Life Insurance Policyholder Liabilities

The determination of life insurance policyholder liabilities involves the following key actuarial assumptions:

- Business assumptions including amount, timing and duration of claims/policy payments, policy lapse rates and acquisition and maintenance expense levels;
- Long-term economic assumptions for discount, interest, inflation and market earnings rates; and
- Selection of methodology, either projection or accumulation method. The selection of the method is generally governed by the product type.

The determination of assumptions relies on making judgements on variances from long-term assumptions. Where experience differs from long-term assumptions:

- Recent results may be a statistical aberration; or
- There may be a commencement of a new paradigm requiring a change in long-term assumptions.

The Group's actuaries arrive at conclusions regarding the statistical analysis using their experience and judgement. Further detail on the financial position on performance of the Group's Life Insurance operations is set out in Note 27.

(pp) Consolidation of Special Purpose Entities

The Group exercises judgement at inception and periodically, 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 program, structured transactions, and involvement with investment funds.

(qq) Financial Instruments at Fair Value

A significant portion of financial instruments are carried at fair value on the Balance Sheet.

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Valuation techniques include using recent arm's length market transactions between knowledgeable willing parties (if available), reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Data inputs that the Group relies upon when valuing financial instruments relate to counterparty credit risk, volatility, correlation and extrapolation.

Periodically, the Group calibrates its valuation techniques and tests them for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) and any other available

observable market data. Note 40 includes details of non-observable inputs used to fair value financial instruments.

(rr) Goodwill

Goodwill is allocated to CGUs whose recoverable amount is calculated for the purpose of impairment testing. The recoverable amount calculation relies primarily on publicly available earnings multiples. Note 15 includes the details of the inputs used in recoverable amount calculations.

(ss) Taxation

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

(tt) Superannuation Obligations

The Group's defined benefit plans are described in Note 35. Actuarial valuations of the plan's obligations and the fair value of the plan's assets are performed semi-annually.

The actuarial valuation of plan obligations is dependent upon a series of assumptions, including price inflation, discount rates, salary growth, mortality, morbidity and investment returns assumptions. Different assumptions could significantly alter the amount of the difference between plan assets and obligations, and the superannuation cost charged.

Future Accounting Developments

AASB 9 'Financial Instruments' amends the classification, measurement and impairment of financial instruments and general hedge accounting requirements.

AASB 9 is not mandatory until 1 July 2018 for the Group. Other than the own credit requirements, which were early adopted from 1 January 2014, the Group does not intend to early adopt the standard.

AASB 15 'Revenue from Contracts with Customers' contains new requirements for the recognition of revenue and additional disclosures. AASB 15 is not mandatory until 1 July 2017, however the IASB has deferred adoption to 1 July 2018. The AASB is also expected to make a similar amendment.

The potential financial impact of the above to the Group is not yet possible to determine.

The following amendments to existing standards are not yet mandatory and they are not expected to result in significant changes to the Group's accounting policies:

- 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements';
- 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture';
- 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle';
- 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'; and
- 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'.

Notes to the Financial Statements

Note 2 Profit

Profit before income tax has been determined as follows:

	Group			Bank	
	2015	2014	2013	2015	2014
	\$M	\$M	\$M	\$M	\$M
Interest Income					
Loans and bills discounted	31,431	31,154	32,020	27,667	27,805
Other financial institutions	73	69	64	60	60
Cash and liquid assets	268	251	187	206	201
Assets at fair value through Income Statement	518	447	450	468	409
Available-for-sale investments	1,810	1,724	2,018	1,694	4,221
Controlled entities	-	-	-	4,842	2,164
Total interest income ⁽¹⁾	34,100	33,645	34,739	34,937	34,860
Interest Expense					
Deposits	12,953	13,338	15,070	11,415	12,053
Other financial institutions	220	228	233	186	205
Liabilities at fair value through Income Statement	188	206	198	113	107
Debt issues	4,372	4,343	4,869	3,458	3,571
Loan capital	572	429	435	547	421
Controlled entities	-	-	-	5,287	5,137
Total interest expense ⁽²⁾	18,305	18,544	20,805	21,006	21,494
Net interest income	15,795	15,101	13,934	13,931	13,366
Other Operating Income					
Lending fees	1,050	1,083	1,053	973	1,015
Commissions	2,226	2,130	1,990	1,860	1,783
Trading income	1,005	922	863	940	850
Net gain/(loss) on non-trading financial instruments ⁽³⁾	251	(49)	17	254	(83)
Net gain/(loss) on sale of property, plant and equipment	(8)	(12)	(14)	(4)	(9)
Net hedging ineffectiveness	(95)	(21)	(25)	(67)	(25)
Dividends - Controlled entities	-	-	-	1,919	1,894
Dividends - Other	16	12	9	53	50
Net funds management operating income	2,003	2,034	1,847	-	-
Insurance contracts income	1,014	1,033	923	-	-
Share of profit of associates and joint ventures net of impairment	285	150	165	-	-
Other ⁽⁴⁾	126	105	114	919	903
Total other operating income	7,873	7,387	6,942	6,847	6,378
Total net operating income before impairment and operating expense	23,668	22,488	20,876	20,778	19,744
Impairment Expense					
Loan impairment expense	988	918	1,146	837	871
Total impairment expense (Note 13)	988	918	1,146	837	871

(1) Total interest income for financial assets that are not at fair value through profit or loss is \$33,163 million (2014: \$33,081 million, 2013: \$34,289 million) for the Group and \$34,050 million (2014: \$34,334 million) for the Bank.

(2) Total interest expense for financial liabilities that are not at fair value through profit or loss is \$18,117 million (2014: \$18,338 million, 2013: \$20,607 million) for the Group and \$20,893 million (2014: \$21,387 million) for the Bank.

(3) Inclusive of non-trading derivatives that are held for risk management purposes.

(4) Includes depreciation in relation to operating leases where the Group is the lessor of \$80 million (30 June 2014: \$77 million, 30 June 2013: \$65 million) and \$18 million (30 June 2014: \$17 million) where the Bank is the lessor.

Notes to the Financial Statements

Note 2 Profit (continued)

	Group			Bank	
	2015	2014	2013	2015	2014
	\$M	\$M	\$M	\$M	\$M
Staff Expenses					
Salaries and related on-costs ⁽¹⁾	5,321	5,089	4,786	3,918	3,732
Share-based compensation ⁽¹⁾	96	99	100	92	107
Superannuation	399	354	346	311	279
Total staff expenses	5,816	5,542	5,232	4,321	4,118
Occupancy and Equipment Expenses					
Operating lease rentals	620	607	580	535	526
Depreciation of property, plant and equipment	253	244	234	208	197
Other occupancy expenses ⁽¹⁾	213	202	204	172	155
Total occupancy and equipment expenses	1,086	1,053	1,018	915	878
Information Technology Services					
Application, maintenance and development	430	412	439	390	375
Data processing ⁽¹⁾	183	175	196	182	174
Desktop	110	101	100	96	89
Communications	190	189	202	169	169
Amortisation of software assets	308	328	245	264	290
Software write-offs	11	70	-	10	68
IT equipment depreciation	60	62	77	56	59
Total information technology services	1,292	1,337	1,259	1,167	1,224
Other Expenses					
Postage and stationery	195	188	199	170	165
Transaction processing and market data ⁽¹⁾	153	156	134	116	136
Fees and commissions:					
Professional fees	390	257	230	358	232
Other ⁽¹⁾	97	99	120	360	316
Advertising, marketing and loyalty	522	477	463	407	391
Amortisation of intangible assets (excluding software and merger related amortisation)	16	19	20	-	-
Non-lending losses	118	97	67	108	92
Other ⁽¹⁾	308	274	268	274	240
Total other expenses	1,799	1,567	1,501	1,793	1,572
Total expenses	9,993	9,499	9,010	8,196	7,792
Investment and Restructuring					
Merger related amortisation ⁽²⁾	75	74	75	75	74
Total investment and restructuring	75	74	75	75	74
Total operating expenses	10,068	9,573	9,085	8,271	7,866
Profit before income tax	12,612	11,997	10,645	11,670	11,007
Net hedging ineffectiveness comprises:					
Gain/(loss) on fair value hedges:					
Hedging instruments	(568)	59	(614)	(731)	(315)
Hedged items	493	(71)	617	660	305
Cash flow hedge ineffectiveness	(20)	(9)	(28)	4	(15)
Net hedging ineffectiveness	(95)	(21)	(25)	(67)	(25)

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

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

Notes to the Financial Statements

Note 3 Average Balances and Related Interest

The following tables have been produced using Statutory Balance Sheet and Income Statement categories. The tables list the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate (predominantly daily averages). Interest is accounted for based on product yield.

Where assets or liabilities are hedged, the amounts are shown net of the hedge, however individual items not separately hedged may be affected by movements in exchange rates. The overseas component comprises overseas branches of the Bank and overseas domiciled controlled entities. Non-accrual loans are included in interest earning assets under Loans, bills discounted and other receivables. The official cash rate in Australia decreased by 50 basis points, while rates in New Zealand remained unchanged during the year.

Interest earning assets	2015			2014			Group 2013		
	Average Balance	Average Interest	Average Rate	Average Balance	Average Interest	Average Rate	Average Balance	Average Interest	Average Rate
	\$M	\$M	%	\$M	\$M	%	\$M	\$M	%
Cash and liquid assets									
Australia	8,951	174	1.9	8,179	169	2.1	5,459	116	2.1
Overseas	21,500	94	0.4	17,840	82	0.5	12,787	71	0.6
Receivables due from other financial institutions									
Australia	3,418	20	0.6	5,070	29	0.6	3,405	35	1.0
Overseas	6,262	53	0.8	4,334	40	0.9	5,888	29	0.5
Assets at fair value through Income Statement - Trading and Other									
Australia	17,367	396	2.3	16,259	352	2.2	10,551	362	3.4
Overseas	4,618	122	2.6	6,053	95	1.6	6,035	88	1.5
Available-for-sale investments									
Australia	58,338	1,656	2.8	54,026	1,635	3.0	52,680	1,933	3.7
Overseas	10,094	154	1.5	7,702	89	1.2	6,822	85	1.2
Loans, bills discounted and other receivables ⁽¹⁾									
Australia ⁽²⁾	542,138	27,078	5.0	512,894	27,371	5.3	491,160	28,840	5.9
Overseas	82,186	4,353	5.3	73,014	3,783	5.2	58,850	3,180	5.4
Total interest earning assets and interest income	754,872	34,100	4.5	705,371	33,645	4.8	653,637	34,739	5.3

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

(2) Excludes amortisation of acquisition related fair value adjustments made to fixed interest financial instruments.

Non-interest earning assets	2015		2014		Group 2013	
	Average Balance	Average Balance	Average Balance	Average Balance	Average Balance	Average Balance
	\$M	\$M	\$M	\$M	\$M	\$M
Assets at fair value through Income Statement - Insurance						
Australia	12,531	12,141	12,141	12,464	12,464	12,464
Overseas	2,574	2,413	2,413	2,177	2,177	2,177
Property, plant and equipment						
Australia	2,531	2,506	2,506	2,380	2,380	2,380
Overseas	249	237	237	210	210	210
Other assets						
Australia	61,855	51,448	51,448	52,036	52,036	52,036
Overseas	12,580	10,824	10,824	9,986	9,986	9,986
Provisions for impairment						
Australia	(3,524)	(4,027)	(4,027)	(4,516)	(4,516)	(4,516)
Overseas	(288)	(269)	(269)	(234)	(234)	(234)
Total non-interest earning assets	88,508	75,273	75,273	74,503	74,503	74,503
Total assets	843,380	780,644	780,644	728,140	728,140	728,140
Percentage of total assets applicable to overseas operations (%)	16.6	15.6	15.6	14.1	14.1	14.1

Notes to the Financial Statements

Note 3 Average Balances and Related Interest (continued)

Interest bearing liabilities ⁽¹⁾	2015			2014			Group 2013		
	Average	Average	Average	Average	Average	Average	Average		
	Balance	Interest	Rate	Balance	Interest	Rate	Balance		
	\$M	\$M	%	\$M	\$M	%	\$M	\$M	%
Time deposits									
Australia	209,820	7,080	3.4	211,571	8,032	3.8	211,064	9,680	4.6
Overseas	38,706	1,097	2.8	36,516	931	2.5	35,602	954	2.7
Savings deposits									
Australia	158,232	3,076	1.9	135,276	2,905	2.1	118,896	3,130	2.6
Overseas	14,821	439	3.0	12,897	395	3.1	8,740	274	3.1
Other demand deposits									
Australia	82,609	1,123	1.4	71,902	980	1.4	64,659	960	1.5
Overseas	5,916	138	2.3	5,024	95	1.9	3,988	72	1.8
Payables due to other financial institutions									
Australia	11,661	139	1.2	9,520	116	1.2	7,518	117	1.6
Overseas	20,030	81	0.4	16,829	112	0.7	13,768	116	0.8
Liabilities at fair value through Income Statement									
Australia	4,398	108	2.5	4,306	102	2.4	2,433	97	4.0
Overseas	2,696	80	3.0	4,105	104	2.5	4,399	101	2.3
Debt issues ⁽²⁾									
Australia	132,766	3,823	2.9	129,101	4,000	3.1	118,295	4,666	3.9
Overseas	21,023	549	2.6	15,183	343	2.3	10,257	203	2.0
Loan capital									
Australia	6,715	301	4.5	5,959	259	4.3	5,846	283	4.8
Overseas	4,766	271	5.7	3,544	170	4.8	4,092	152	3.7
Total interest bearing liabilities and interest expense	714,159	18,305	2.6	661,733	18,544	2.8	609,557	20,805	3.4

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

(2) Debt issues include bank acceptances.

Non-interest bearing liabilities	2015	2014	Group 2013
	Average	Average	Average
	Balance	Balance	Balance
	\$M	\$M	\$M
Deposits not bearing interest			
Australia	10,173	8,878	7,895
Overseas	2,589	2,328	1,903
Insurance policy liabilities			
Australia	11,811	11,648	11,799
Overseas	1,471	1,389	1,255
Other liabilities			
Australia	40,077	37,386	42,945
Overseas	11,929	9,975	9,332
Total non-interest bearing liabilities	78,050	71,604	75,129
Total liabilities	792,209	733,337	684,686
Shareholders' Equity	51,171	47,307	43,454
Total liabilities and Shareholders' Equity	843,380	780,644	728,140
Total liabilities applicable to overseas operations (%)	15.6	14.7	13.6

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 variance reflects the change in interest from the prior year due to changes in interest rates.

Notes to the Financial Statements

Note 3 Average Balances and Related Interest (continued)

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

Changes in net interest income: Volume and rate analysis	June 2015 vs June 2014			June 2014 vs June 2013		
	Volume	Rate	Total	Volume	Rate	Total
	\$M	\$M	\$M	\$M	\$M	\$M
Interest Earning Assets						
Cash and liquid assets						
Australia	15	(10)	5	57	(4)	53
Overseas	16	(4)	12	26	(15)	11
Receivables due from other financial institutions						
Australia	(10)	1	(9)	13	(19)	(6)
Overseas	17	(4)	13	(11)	22	11
Assets at fair value through Income Statement - Trading and Other						
Australia	25	19	44	160	(170)	(10)
Overseas	(30)	57	27	-	7	7
Available-for-sale investments						
Australia	126	(105)	21	45	(343)	(298)
Overseas	32	33	65	11	(7)	4
Loans, bills discounted and other receivables						
Australia	1,511	(1,804)	(293)	1,218	(2,687)	(1,469)
Overseas	481	89	570	750	(147)	603
Changes in interest income	2,299	(1,844)	455	2,609	(3,703)	(1,094)
Interest Bearing Liabilities and Loan Capital ⁽¹⁾						
Time deposits						
Australia	(63)	(889)	(952)	21	(1,669)	(1,648)
Overseas	59	107	166	24	(47)	(23)
Savings deposits						
Australia	470	(299)	171	391	(616)	(225)
Overseas	58	(14)	44	129	(8)	121
Other demand deposits						
Australia	146	(3)	143	103	(83)	20
Overseas	19	24	43	19	4	23
Payables due to other financial institutions						
Australia	26	(3)	23	28	(29)	(1)
Overseas	17	(48)	(31)	23	(27)	(4)
Liabilities at fair value through Income Statement						
Australia	2	4	6	60	(55)	5
Overseas	(39)	15	(24)	(7)	10	3
Debt issues						
Australia	110	(287)	(177)	381	(1,047)	(666)
Overseas	142	64	206	104	36	140
Loan capital						
Australia	33	9	42	5	(29)	(24)
Overseas	64	37	101	(23)	41	18
Changes in interest expense	1,406	(1,645)	(239)	1,621	(3,882)	(2,261)
Changes in net interest income	1,048	(354)	694	1,105	62	1,167

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

Notes to the Financial Statements

Note 4 Income Tax

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

	Group			Bank	
	2015	2014	2013	2015	2014
	\$M	\$M	\$M	\$M	\$M
Profit before Income Tax	12,612	11,997	10,645	11,670	11,007
Prima facie income tax at 30%	3,784	3,599	3,193	3,501	3,302
Effect of amounts which are non-deductible/ (assessable) in calculating taxable income:					
Taxation offsets and other dividend adjustments	(6)	(6)	(3)	(582)	(574)
Tax adjustment referable to policyholder income	69	89	79	-	-
Tax losses not previously brought to account	(9)	(21)	(18)	(6)	(15)
Offshore tax rate differential	(116)	(99)	(89)	(35)	(21)
Offshore banking unit	(39)	(30)	(33)	(39)	(30)
Effect of changes in tax rates	2	3	-	1	3
Income tax (over) provided in previous years	(163)	(121)	(50)	(151)	(77)
Other	6	(67)	(68)	5	(23)
Total income tax expense	3,528	3,347	3,011	2,694	2,565
Corporate tax expense	3,429	3,221	2,899	2,694	2,565
Policyholder tax expense	99	126	112	-	-
Total income tax expense	3,528	3,347	3,011	2,694	2,565
Effective tax rate (%) ⁽¹⁾	27.4	27.1	27.5	23.1	23.3

Income tax expense attributable to profit from ordinary activities	Group			Bank	
	2015	2014	2013	2015	2014
	\$M	\$M	\$M	\$M	\$M
Australia					
Current tax expense	2,865	2,433	2,392	2,591	2,214
Deferred tax expense	124	389	192	9	247
Total Australia	2,989	2,822	2,584	2,600	2,461
Overseas					
Current tax expense	547	670	425	78	84
Deferred tax expense/(benefit)	(8)	(145)	2	16	20
Total overseas	539	525	427	94	104
Total income tax expense	3,528	3,347	3,011	2,694	2,565

(1) Policyholder tax is excluded from both profit before income tax and tax expense for the purpose of calculating the Group's effective tax rate as it is not incurred directly by the Group.

Notes to the Financial Statements

Note 4 Income Tax (continued)

	Group			Bank	
	2015	2014	2013	2015	2014
	\$M	\$M	\$M	\$M	\$M
Deferred tax asset balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement:					
Provision for employee benefits	453	437	414	369	360
Provisions for impairment on loans, bills discounted and other receivables	1,008	1,044	1,177	944	986
Other provisions not tax deductible until expense incurred	283	160	175	234	134
Financial instruments	36	9	9	1	2
Defined benefit superannuation plan	293	265	199	293	265
Other ⁽¹⁾	207	233	231	184	206
Total amount recognised in the Income Statement	2,280	2,148	2,205	2,025	1,953
Amounts recognised directly in Other Comprehensive Income:					
Cash flow hedge reserve	155	99	77	7	6
Other reserves ⁽¹⁾	6	2	6	3	3
Total amount recognised directly in Other Comprehensive Income	161	101	83	10	9
Total deferred tax assets (before set off) ⁽²⁾	2,441	2,249	2,288	2,035	1,962
Set off to tax pursuant to set-off provisions in Note 1(r)	(1,986)	(1,663)	(1,372)	(1,264)	(1,166)
Net deferred tax assets	455	586	916	771	796
Deferred tax liability balances comprise temporary differences attributable to:					
Amounts recognised in the Income Statement:					
Impact of TOFA adoption	-	-	11	-	-
Lease financing	341	381	370	170	187
Intangible assets	123	45	73	118	37
Financial instruments	235	184	142	11	15
Other	600	624	587	61	151
Total amount recognised in the Income Statement	1,299	1,234	1,183	360	390
Amounts recognised directly in Other Comprehensive Income:					
Revaluation of properties	76	85	82	76	84
Foreign currency translation reserve	40	-	-	-	-
Cash flow hedge reserve	293	193	259	223	179
Defined benefit superannuation plan	365	229	180	365	229
Available-for-sale investments reserve	264	288	139	240	284
Total amount recognised directly in Other Comprehensive Income	1,038	795	660	904	776
Total deferred tax liabilities (before set off) ⁽³⁾	2,337	2,029	1,843	1,264	1,166
Set off to tax pursuant to set-off provisions in Note 1(r)	(1,986)	(1,663)	(1,372)	(1,264)	(1,166)
Net deferred tax liabilities	351	366	471	-	-
Deferred tax assets opening balance:	586	916	960	796	1,044
Movement in temporary differences during the year:					
Provisions for employee benefits	16	23	33	9	13
Provisions for impairment on loans, bills discounted and other receivables	(36)	(133)	(87)	(42)	(135)
Other provisions not tax deductible until expense incurred	123	(15)	(17)	100	(11)
Financial instruments	87	19	(32)	(1)	(55)
Defined benefit superannuation plan	28	66	58	28	66
Other ⁽¹⁾	(26)	1	19	(21)	(11)
Set off to tax pursuant to set-off provisions in Note 1(r)	(323)	(291)	(18)	(98)	(115)
Deferred tax assets closing balance	455	586	916	771	796

(1) Comparatives have been aggregated to conform to presentation in the current year.

(2) The following amounts are expected to be recovered within 12 months of the Balance Sheet date for the Group \$1,220 million (2014: \$1,151 million) and for the Bank \$1,083 million (2014: \$1,031 million).

(3) The following amounts are expected to be settled within 12 months of the Balance Sheet date for the Group \$552 million (2014: \$366 million) and for the Bank \$139 million (2014: \$189 million).

Notes to the Financial Statements

Note 4 Income Tax (continued)

	Group			Bank	
	2015	2014	2013	2015	2014
	\$M	\$M	\$M	\$M	\$M
Deferred tax liabilities opening balance:	366	471	338	-	-
Movement in temporary differences during the year:					
Impact of TOFA adoption	-	(11)	2	-	(11)
Lease financing	(40)	11	5	(17)	5
Defined benefit superannuation plan	136	49	126	136	49
Intangible assets	78	(28)	(54)	81	(25)
Financial instruments	167	125	46	(4)	105
Other ⁽¹⁾	(33)	40	26	(98)	(8)
Set off to tax pursuant to set-off provisions in Note 1(r)	(323)	(291)	(18)	(98)	(115)
Deferred tax liabilities closing balance	351	366	471	-	-

(1) Comparatives have been aggregated to conform to presentation in the current year.

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	
	2015	2014	2013	2015	2014
	\$M	\$M	\$M	\$M	\$M
Deferred tax assets not taken to account					
Tax losses and other temporary differences on revenue account:					
Expire under current legislation	83	50	83	62	39
Do not expire under current legislation	-	12	11	-	-
Total	83	62	94	62	39

Tax Consolidation

The Bank has recognised a tax consolidation contribution to the wholly-owned tax consolidated entity of \$98 million (2014: \$97 million).

The amount receivable by the Bank under the tax funding agreement was \$200 million as at 30 June 2015 (2014: \$252 million receivable). This balance is included in 'Other assets' in the Bank's separate Balance Sheet.

Taxation of Financial Arrangements (TOFA)

The new tax regime for financial instruments TOFA began to apply to the Tax Consolidated Group from 1 July 2010. The regime allows a closer alignment of the tax and accounting recognition and measurement of financial arrangements and their related flows. Following adoption, deferred tax balances from financial arrangements progressively reverse over a four year period.

Notes to the Financial Statements

Note 5 Dividends

	Group			Bank	
	2015	2014	2013	2015	2014
	\$M	\$M	\$M	\$M	\$M
Ordinary Shares					
Interim ordinary dividend (fully franked) (2015: 198 cents; 2014: 183 cents; 2013: 164 cents)					
Interim ordinary dividend paid - cash component only	2,636	2,243	2,639	2,636	2,243
Interim ordinary dividend paid - Dividend Reinvestment Plan	574	707	-	574	707
Total dividend paid	3,210	2,950	2,639	3,210	2,950
Other Equity Instruments					
Dividend paid	52	45	40	-	-
Total dividend provided for, reserved or paid	3,262	2,995	2,679	3,210	2,950
Other provision carried	82	73	65	82	73
Dividend proposed and not recognised as a liability (fully franked) (2015: 222 cents; 2014: 218 cents; 2013: 200 cents) ⁽¹⁾	3,613	3,534	3,224	3,613	3,534
Provision for dividends					
Opening balance	73	65	52	73	65
Provision made during the year	6,744	6,174	5,831	6,744	6,174
Provision used during the year	(6,735)	(6,166)	(5,818)	(6,735)	(6,166)
Closing balance (Note 19)	82	73	65	82	73

(1) The 2015 final dividend will be satisfied in full by cash disbursements with the Dividend Reinvestment Plan (DRP) anticipated will be satisfied by the issue of shares of approximately \$700 million. The 2014 final dividend was satisfied by cash disbursements of \$3,534 million with the DRP satisfied in full by an on market purchase of shares. The 2013 final dividend was satisfied by cash disbursements of \$3,224 million with the DRP satisfied in full by an on market purchase of shares.

Final Dividend

The Directors have declared a franked final dividend of 222 cents per share amounting to \$3,613 million. The dividend will be payable on 1 October 2015 to shareholders on the register at 5pm AEST on 20 August 2015. The ex-dividend date is 18 August 2015.

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

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

The Bank expects the DRP for the final dividend for the year 30 June 2015 will be satisfied by the issue of shares of approximately \$700 million.

Dividend Franking Account

After fully franking the final dividend to be paid for the year, the amount of credits available, at the 30% tax rate as at 30 June 2015 to frank dividends for subsequent financial years, is \$569 million (2014: \$533 million). This figure is based on the franking accounts of the Bank at 30 June 2015, 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 2015.

Dividend History

Half year ended	Cents Per		Half-year	Full Year	DRP	DRP
	Share	Payment Date	Payout Ratio ⁽¹⁾	Payout Ratio ⁽¹⁾	Price	Participation Rate ⁽²⁾
			%	%	\$	%
31 December 2012	164	05/04/2013	73.1	-	68.76	22.7
30 June 2013	200	03/10/2013	81.3	77.4	73.42	22.4
31 December 2013	183	03/04/2014	70.5	-	75.26	24.0
30 June 2014	218	02/10/2014	80.3	75.5	80.39	19.9
31 December 2014	198	02/04/2015	71.2	-	91.26	17.9
30 June 2015	222	01/10/2015	80.3	75.7	-	-

(1) Dividend Payout Ratio: dividends divided by statutory earnings (earnings are net of dividends on other equity instruments).

(2) DRP Participation Rate: the percentage of total issued share capital participating in the DRP.

Notes to the Financial Statements

Note 6 Earnings Per Share

	Group		
	2015	2014	2013
Earnings per ordinary share	Cents per Share		
Basic	557.0	533.8	474.2
Fully diluted	542.7	521.9	461.0

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares on issue during the year, excluding the number of ordinary shares purchased and held as treasury shares.

Diluted earnings per share amounts are calculated by dividing net profit attributable to ordinary equity holders of the Bank (after deducting interest on the convertible redeemable loan capital instruments) by the weighted average number of ordinary shares issued during the year (adjusted for the effects of dilutive options and dilutive convertible non-cumulative redeemable loan capital instruments).

	Group		
	2015	2014	2013
Reconciliation of earnings used in calculation of earnings per share	\$M	\$M	\$M
Profit after income tax	9,084	8,650	7,634
Less: Other equity instrument dividends	(52)	(45)	(40)
Less: Non-controlling interests	(21)	(19)	(16)
Earnings used in calculation of basic earnings per share	9,011	8,586	7,578
Add: Profit impact of assumed conversions of loan capital	225	190	193
Earnings used in calculation of fully diluted earnings per share	9,236	8,776	7,771

	Number of Shares		
	2015	2014	2013
	M	M	M
Weighted average number of ordinary shares used in the calculation of basic earnings per share	1,618	1,608	1,598
Effect of dilutive securities - executive share plans and convertible loan capital instruments	84	73	88
Weighted average number of ordinary shares used in the calculation of fully diluted earnings per share	1,702	1,681	1,686

Note 7 Cash and Liquid Assets

	Group		Bank	
	2015	2014	2015	2014
	\$M	\$M	\$M	\$M
Notes, coins and cash at banks	15,683	12,490	14,821	11,089
Money at short call	3,478	6,482	3,286	6,302
Securities purchased under agreements to resell	13,846	7,281	13,518	6,630
Bills received and remittances in transit	109	156	58	87
Total cash and liquid assets	33,116	26,409	31,683	24,108

Note 8 Receivables Due from Other Financial Institutions

	Group		Bank	
	2015	2014	2015	2014
	\$M	\$M	\$M	\$M
Placements with and loans to other financial institutions	11,328	7,885	9,687	7,429
Deposits with regulatory authorities ⁽¹⁾	212	180	33	28
Total receivables due from other financial institutions	11,540	8,065	9,720	7,457

(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.

Notes to the Financial Statements

Note 9 Assets at Fair Value through Income Statement

Assets at Fair Value through Income Statement	Group		Bank	
	2015	2014	2015	2014
	\$M	\$M	\$M	\$M
Trading				
Government bonds, notes and securities	11,486	10,453	11,042	10,311
Corporate/financial institution bonds, notes and securities	6,444	7,216	6,026	6,477
Shares and equity investments	2,623	1,791	2,196	1,791
Commodities	5,871	1,999	5,871	1,993
Total trading assets	26,424	21,459	25,135	20,572
Insurance ⁽¹⁾				
Investments backing life risk contracts				
Equity security investments	844	925	-	-
Debt security investments	3,135	3,440	-	-
Property investments	136	282	-	-
Other assets	555	409	-	-
Investments backing life investment contracts				
Equity security investments	4,670	4,822	-	-
Debt security investments	3,182	3,450	-	-
Property investments	297	665	-	-
Other assets	1,269	1,149	-	-
Total life insurance investment assets	14,088	15,142	-	-
Other ⁽²⁾				
Government securities	95	192	-	137
Receivables due from other financial institutions	1,183	568	989	424
Total other assets at fair value through Income Statement	1,278	760	989	561
Total assets at fair value through Income Statement ⁽³⁾	41,790	37,361	26,124	21,133
Maturity Distribution of assets at fair value through income statement				
Less than twelve months	27,577	23,576	26,124	21,133
More than twelve months	14,213	13,785	-	-
Total assets at fair value through Income Statement	41,790	37,361	26,124	21,133

(1) Investments held in the Australian statutory funds may only be used within the restrictions imposed under the Life Insurance Act 1995.

(2) Designated at Fair Value through Income Statement at inception as they are managed by the Group on a fair value basis or to eliminate an accounting mismatch.

(3) In addition to the assets above, the Group also measures bills discounted that are intended to be sold into the market at fair value. These are classified within Loans, bills discounted and other receivables (refer to Note 12).

Note 10 Derivative Financial Instruments

Derivative Contracts

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

Derivatives Transacted for Hedging Purposes

There are three types of allowable hedging relationships: fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation. For details on the accounting treatment of each type of hedging relationship refer to Note 1(u).

Fair Value Hedges

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

All gains and losses associated with the ineffective portion of fair value hedge relationships are recognised immediately as 'Other operating income' in the Income Statement.

Cash Flow Hedges

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

Notes to the Financial Statements

Note 10 Derivative Financial Instruments (continued)

Amounts accumulated in Other Comprehensive Income in respect of cash flow hedges are recycled to the Income Statement when the forecast transaction occurs. Underlying cash flows from cash flow hedges are discounted to calculate deferred gains and losses which are expected to occur in the following periods:

	Group Total		Bank Total	
	2015 \$M	2014 \$M	2015 \$M	2014 \$M
Within 6 months	(39)	98	(8)	37
6 months - 1 year	(5)	34	28	(9)
1 - 2 years	97	269	174	278
2 - 5 years	591	313	690	521
After 5 years	(267)	(395)	(128)	(222)
Net deferred gains/(losses)	377	319	756	605

Net Investment Hedges

The Group uses foreign exchange forward transactions to minimise its exposure to the currency translation risk of certain net investments in foreign operations. In the current and prior year, there have been no material gains or losses as a result of ineffective net investment hedges.

The fair value of derivative financial instruments is set out in the following tables:

Derivatives assets and liabilities	2015		2014	
	Fair Value Asset	Fair Value Liability	Fair Value Asset	Fair Value Liability
	\$M	\$M	\$M	\$M
Held for trading				
Exchange rate related contracts:				
Forward contracts	7,019	(6,472)	3,666	(3,784)
Swaps	7,299	(7,808)	4,200	(4,536)
Futures	7	-	15	-
Options purchased and sold	736	(773)	391	(373)
Total exchange rate related contracts	15,061	(15,053)	8,272	(8,693)
Interest rate related contracts:				
Forward contracts	1	(1)	-	-
Swaps	9,120	(7,226)	11,103	(10,163)
Futures	5	(2)	7	(4)
Options purchased and sold	824	(844)	620	(580)
Total interest rate related contracts	9,950	(8,073)	11,730	(10,747)
Credit related swaps	28	(33)	33	(38)
Equity related contracts:				
Swaps	165	(9)	65	(9)
Options purchased and sold	66	(62)	34	(53)
Total equity related contracts	231	(71)	99	(62)
Commodity related contracts:				
Swaps	291	(359)	136	(205)
Options purchased and sold	59	(55)	14	(14)
Total commodity related contracts	350	(414)	150	(219)
Identified embedded derivatives	193	(258)	6	(82)
Total derivative assets/(liabilities) held for trading	25,813	(23,902)	20,290	(19,841)

Notes to the Financial Statements

Note 10 Derivative Financial Instruments (continued)

	2015		Group 2014	
	Fair Value Asset	Fair Value Liability	Fair Value Asset	Fair Value Liability
	\$M	\$M	\$M	\$M
Fair value hedges				
Exchange rate related contracts:				
Forward contracts	-	-	2	-
Swaps	12,238	(5,393)	4,481	(2,516)
Total exchange rate related contracts	12,238	(5,393)	4,483	(2,516)
Interest rate related swaps	932	(3,182)	938	(3,101)
Equity related swaps	-	-	33	(1)
Total fair value hedges	13,170	(8,575)	5,454	(5,618)
Cash flow hedges				
Exchange rate related swaps	4,329	(1,080)	983	(640)
Interest rate related swaps	2,831	(1,656)	2,518	(1,160)
Total cash flow hedges	7,160	(2,736)	3,501	(1,800)
Net investment hedges				
Exchange rate related forward contracts	11	-	2	-
Total net investment hedges	11	-	2	-
Total derivative assets/(liabilities) held for hedging	20,341	(11,311)	8,957	(7,418)

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

	2015		Bank 2014	
	Fair Value Asset	Fair Value Liability	Fair Value Asset	Fair Value Liability
	\$M	\$M	\$M	\$M
Derivatives assets and liabilities				
Held for trading				
Exchange rate related contracts:				
Forward contracts	6,900	(6,430)	3,642	(3,733)
Swaps	7,484	(7,800)	4,272	(4,469)
Futures	7	-	15	-
Options purchased and sold	730	(772)	391	(372)
Derivatives held with controlled entities	850	(3,647)	744	(2,081)
Total exchange rate related contracts	15,971	(18,649)	9,064	(10,655)
Interest rate related contracts:				
Forward contracts	1	(1)	-	-
Swaps	8,898	(6,896)	10,890	(9,828)
Futures	-	(1)	3	(4)
Options purchased and sold	823	(842)	619	(578)
Derivatives held with controlled entities	132	(241)	98	(251)
Total interest rate related contracts	9,854	(7,981)	11,610	(10,661)
Credit related swaps	28	(33)	33	(38)
Equity related contracts:				
Swaps	165	(9)	64	(9)
Options purchased and sold	66	(62)	34	(53)
Total equity related contracts	231	(71)	98	(62)
Commodity related contracts:				
Swaps	291	(359)	136	(205)
Options purchased and sold	59	(55)	14	(14)
Total commodity related contracts	350	(414)	150	(219)
Identified embedded derivatives	193	(258)	6	(82)
Total derivative assets/(liabilities) held for trading	26,627	(27,406)	20,961	(21,717)

Notes to the Financial Statements

Note 10 Derivative Financial Instruments (continued)

	2015		Bank 2014	
	Fair Value Asset	Fair Value Liability	Fair Value Asset	Fair Value Liability
	\$M	\$M	\$M	\$M
Fair value hedges				
Exchange rate related contracts:				
Forward contracts	-	-	2	-
Swaps	11,717	(5,210)	4,313	(2,351)
Derivatives held with controlled entities	47	(1,367)	162	(271)
Total exchange rate related contracts	11,764	(6,577)	4,477	(2,622)
Interest rate related contracts:				
Swaps	823	(3,002)	826	(3,027)
Derivatives held with controlled entities	-	(177)	27	(139)
Total interest rate related contracts	823	(3,179)	853	(3,166)
Equity related swaps	-	-	33	(1)
Total fair value hedges	12,587	(9,756)	5,363	(5,789)
Cash flow hedges				
Exchange rate related contracts:				
Swaps	3,808	(1,059)	946	(475)
Derivatives held with controlled entities	1	(90)	30	(290)
Total exchange rate related contracts	3,809	(1,149)	976	(765)
Interest rate related contracts:				
Swaps	2,583	(1,320)	2,305	(1,066)
Derivatives held with controlled entities	1	(5)	10	(4)
Total interest rate related contracts	2,584	(1,325)	2,315	(1,070)
Total cash flow hedges	6,393	(2,474)	3,291	(1,835)
Total derivative assets/(liabilities) held for hedging	18,980	(12,230)	8,654	(7,624)

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

Notes to the Financial Statements

Note 11 Available-for-Sale Investments

	Group		Bank	
	2015	2014	2015	2014
	\$M	\$M	\$M	\$M
Government bonds, notes and securities	36,100	32,727	35,708	32,017
Corporate/financial institution bonds, notes and securities	22,272	22,098	22,027	21,894
Shares and equity investments	1,155	948	726	805
Covered bonds, mortgage backed securities and SSA ^{(1) (2)}	15,157	10,364	13,843	76,861
Total available-for-sale investments	74,684	66,137	72,304	131,577

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

(2) On 31 March 2015 internal residential mortgage backed securities (internal RMBS) issued to the Bank by controlled entities of \$75,041 million were reclassified to Loans to controlled entities. They were reclassified prospectively at their fair value of \$75,041 million. As at the date of reclassification the available for sale reserve was nil. The fair value of the internal RMBS as at 30 June 2015 was \$74,959 million, as disclosed in Note 40.

The following amounts are expected to be recovered within 12 months of the Balance Sheet date for the Group \$20,350 million (2014: \$17,928 million) and for Bank \$20,812 million (2014: \$17,373 million).

Proceeds received from settlement at or close to maturity of Available-for-sale investments for the Group were \$47,752 million (2014: \$41,527 million) and for the Bank were \$47,235 million (2014: \$41,424 million).

Proceeds from the sale of available-for-sale investments for the Group were \$5,817 million (2014: \$2,603 million) and for the Bank were \$5,817 million (2014: \$2,603 million).

Maturity Distribution and Weighted Average Yield

	Group									
	Maturity Period at 30 June 2015									
	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	6,254	1.09	11,830	2.33	15,390	2.93	2,626	3.52	-	36,100
Corporate/financial institution bonds, notes and securities	12,367	2.17	9,872	3.25	33	4.73	-	-	-	22,272
Shares and equity investments	-	-	-	-	-	-	-	-	1,155	1,155
Covered bonds, mortgage backed securities and SSA	1,585	2.55	5,618	2.97	844	2.96	7,110	2.96	-	15,157
Total available-for-sale investments	20,206	-	27,320	-	16,267	-	9,736	-	1,155	74,684

	Group									
	Maturity Period at 30 June 2014									
	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	4,403	2.02	11,424	3.81	12,189	4.92	4,711	4.81	-	32,727
Corporate/financial institution bonds, notes and securities	12,534	2.65	9,559	3.48	5	4.65	-	-	-	22,098
Shares and equity investments	-	-	-	-	-	-	-	-	948	948
Covered bonds, mortgage backed securities and SSA	851	4.70	4,469	4.40	518	4.81	4,526	3.43	-	10,364
Total available-for-sale investments	17,788	-	25,452	-	12,712	-	9,237	-	948	66,137

The maturity tables are based on contractual terms.

Note 12 Loans, Bills Discounted and Other Receivables

	Group		Bank	
	2015	2014	2015	2014
	\$M	\$M	\$M	\$M
Australia				
Overdrafts	22,353	23,350	22,353	23,350
Home loans ⁽¹⁾	383,174	360,218	379,500	358,343
Credit card outstandings	11,887	11,736	11,887	11,736
Lease financing	4,485	4,162	3,053	3,024
Bills discounted ⁽²⁾	14,847	19,244	14,847	19,244
Term loans	123,489	107,380	123,363	107,140
Other lending	823	348	823	347
Total Australia	561,058	526,438	555,826	523,184
Overseas				
Overdrafts	1,373	1,230	139	222
Home loans ⁽¹⁾	39,677	39,467	522	481
Credit card outstandings	816	803	-	-
Lease financing	335	339	49	59
Term loans	40,969	34,823	21,325	16,114
Total overseas	83,170	76,662	22,035	16,876
Gross loans, bills discounted and other receivables	644,228	603,100	577,861	540,060
Less				
Provisions for Loan Impairment (Note 13):				
Collective provision	(2,739)	(2,739)	(2,530)	(2,547)
Individually assessed provisions	(879)	(1,127)	(824)	(1,087)
Unearned income:				
Term loans	(756)	(802)	(753)	(798)
Lease financing	(592)	(651)	(319)	(381)
	(4,966)	(5,319)	(4,426)	(4,813)
Net loans, bills discounted and other receivables	639,262	597,781	573,435	535,247

- (1) Home loans balance includes residential mortgages that have been assigned to securitisation vehicles and covered bond trusts. Further detail on these residential mortgages is disclosed in Note 41.
- (2) The Group measures bills discounted intended to be sold into the market at fair value and includes these within loans, bills discounted and other receivables to reflect the nature of the lending arrangement.

The following amounts, based on behavioural terms and current market conditions, are expected to be recovered within 12 months of the Balance Sheet date for Group \$187,536 million (2014: \$172,321 million), and for Bank \$159,429 million (2014: \$141,976 million). The maturity tables below are based on contractual terms.

Finance Lease Receivables

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

Finance lease receivables are included within loans, bills discounted and other receivables to customers.

	2015			Group 2014		
	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	1,051	(147)	904	1,050	(142)	908
One year to five years	3,138	(353)	2,785	2,824	(365)	2,459
Over five years	631	(92)	539	627	(144)	483
	4,820	(592)	4,228	4,501	(651)	3,850

Notes to the Financial Statements

Note 12 Loans, Bills Discounted and Other Receivables (continued)

	2015						Bank
	2015			2014			
	Gross Investment in Finance Lease Receivable	Unearned Income	Present Value of Minimum Lease Payment Receivable	Gross Investment in Finance Lease Receivable	Unearned Income	Present Value of Minimum Lease Payment Receivable	
	\$M	\$M	\$M	\$M	\$M	\$M	
Not later than one year	759	(65)	694	789	(66)	723	
One year to five years	1,948	(182)	1,766	1,898	(197)	1,701	
Over five years	395	(72)	323	396	(118)	278	
	3,102	(319)	2,783	3,083	(381)	2,702	

Industry ⁽¹⁾	Group Maturity Period at 30 June 2015			
	Maturing 1 Year or Less	Maturing Between 1 and 5 Years	Maturing After 5 Years	Total
	\$M	\$M	\$M	\$M
Australia				
Sovereign	4,815	438	268	5,521
Agriculture	2,212	3,224	822	6,258
Bank and other financial	8,477	6,312	368	15,157
Home loans	18,070	36,111	328,993	383,174
Construction	1,186	1,116	420	2,722
Other personal	7,739	13,525	1,049	22,313
Asset financing	2,781	5,426	149	8,356
Other commercial and industrial	40,565	66,281	10,711	117,557
Total Australia	85,845	132,433	342,780	561,058
Overseas				
Sovereign	5,496	6,512	921	12,929
Agriculture	1,411	2,598	3,981	7,990
Bank and other financial	2,729	2,690	2,153	7,572
Home loans	6,382	4,134	29,161	39,677
Construction	174	113	120	407
Other personal	1,094	33	1	1,128
Asset financing	11	79	468	558
Other commercial and industrial	5,447	4,396	3,066	12,909
Total overseas	22,744	20,555	39,871	83,170
Gross loans, bills discounted and other receivables	108,589	152,988	382,651	644,228

(1) The industry split has been prepared on an industry exposure basis.

Interest rate	Maturing 1 Year or Less	Maturing Between 1 and 5 Years	Maturing After 5 Years	Total
	\$M	\$M	\$M	\$M
Australia	76,053	112,989	293,596	482,638
Overseas	15,082	13,277	17,649	46,008
Total variable interest rates	91,135	126,266	311,245	528,646
Australia	9,792	19,444	49,184	78,420
Overseas	7,662	7,278	22,222	37,162
Total fixed interest rates	17,454	26,722	71,406	115,582
Gross loans, bills discounted and other receivables	108,589	152,988	382,651	644,228

The maturity tables are based on contractual terms.

Notes to the Financial Statements

Note 12 Loans, Bills Discounted and Other Receivables (continued)

	Group			
	Maturity Period at 30 June 2014			
	Maturing 1 Year or Less	Maturing Between 1 and 5 Years	Maturing After 5 Years	Total
Industry ⁽¹⁾	\$M	\$M	\$M	\$M
Australia				
Sovereign	5,074	547	299	5,920
Agriculture	2,336	2,470	1,058	5,864
Bank and other financial	4,970	4,817	392	10,179
Home loans	8,574	27,679	323,965	360,218
Construction	1,286	975	418	2,679
Other personal	7,608	13,138	2,301	23,047
Asset financing	2,452	5,391	235	8,078
Other commercial and industrial	43,496	55,476	11,481	110,453
Total Australia	75,796	110,493	340,149	526,438
Overseas				
Sovereign	6,206	4,679	1,424	12,309
Agriculture	1,344	2,074	3,971	7,389
Bank and other financial	2,089	1,595	1,802	5,486
Home loans	6,748	4,094	28,625	39,467
Construction	166	104	108	378
Other personal	1,044	39	2	1,085
Asset financing	16	82	229	327
Other commercial and industrial	4,186	3,777	2,258	10,221
Total overseas	21,799	16,444	38,419	76,662
Gross loans, bills discounted and other receivables	97,595	126,937	378,568	603,100

(1) The industry split has been prepared on an industry exposure basis.

Interest rate	Maturing 1 Year or Less	Maturing Between 1 and 5 Years	Maturing After 5 Years	Total
	\$M	\$M	\$M	\$M
Australia	65,755	92,588	273,965	432,308
Overseas	14,525	10,245	18,602	43,372
Total variable interest rates	80,280	102,833	292,567	475,680
Australia	10,041	17,905	66,184	94,130
Overseas	7,274	6,199	19,817	33,290
Total fixed interest rates	17,315	24,104	86,001	127,420
Gross loans, bills discounted and other receivables	97,595	126,937	378,568	603,100

The maturity tables are based on contractual terms.

Notes to the Financial Statements

Note 13 Provisions for Impairment

	Group			Bank	
	2015	2014	2013	2015	2014
Provisions for impairment losses	\$M	\$M	\$M	\$M	\$M
Collective provision					
Opening balance	2,779	2,858	2,837	2,587	2,659
Net collective provision funding	589	497	559	528	495
Impairment losses written off	(770)	(753)	(695)	(718)	(717)
Impairment losses recovered	176	165	154	155	148
Other	(12)	12	3	1	2
Closing balance	2,762	2,779	2,858	2,553	2,587
Individually assessed provisions					
Opening balance	1,127	1,628	2,008	1,087	1,585
Net new and increased individual provisioning	659	726	937	550	630
Write-back of provisions no longer required	(260)	(305)	(350)	(241)	(254)
Discount unwind to interest income	(38)	(51)	(90)	(38)	(51)
Impairment losses written off	(709)	(1,060)	(1,194)	(639)	(1,010)
Other	108	189	317	113	187
Closing balance	887	1,127	1,628	832	1,087
Total provisions for impairment losses	3,649	3,906	4,486	3,385	3,674
Less: Provision for Off Balance Sheet exposures	(31)	(40)	(31)	(31)	(40)
Total provisions for loan impairment	3,618	3,866	4,455	3,354	3,634

	Group			Bank	
	2015	2014	2013	2015	2014
Provision ratios	%	%	%	%	%
Total provisions for impaired assets as a % of gross impaired assets	35.94	37.60	40.62	38.85	40.61
Total provisions for impairment losses as a % of gross loans and acceptances	0.56	0.64	0.79	0.58	0.67

	Group			Bank	
	2015	2014	2013	2015	2014
Loan impairment expense	\$M	\$M	\$M	\$M	\$M
Net collective provision funding	589	497	559	528	495
Net new and increased individual provisioning	659	726	937	550	630
Write-back of individually assessed provisions	(260)	(305)	(350)	(241)	(254)
Total loan impairment expense	988	918	1,146	837	871

Notes to the Financial Statements

Note 13 Provisions for Impairment (continued)

Individually assessed provisions by industry classification	Group				
	2015	2014	2013	2012	2011
	\$M	\$M	\$M	\$M	\$M
Australia					
Sovereign	-	-	-	-	-
Agriculture	133	123	168	89	87
Bank and other financial	36	68	217	235	254
Home loans	148	151	182	256	202
Construction	20	29	89	152	133
Other personal	10	14	14	11	11
Asset financing	28	30	23	14	37
Other commercial and industrial	400	620	871	1,163	1,307
Total Australia	775	1,035	1,564	1,920	2,031
Overseas					
Sovereign	-	-	-	-	-
Agriculture	14	3	16	7	11
Bank and other financial	-	15	5	6	1
Home loans	10	11	17	28	25
Construction	1	1	-	-	-
Other personal	-	-	-	-	-
Asset financing	10	-	-	-	-
Other commercial and industrial	77	62	26	47	57
Total overseas	112	92	64	88	94
Total individually assessed provisions	887	1,127	1,628	2,008	2,125

Loans written off by industry classification	Group				
	2015	2014	2013	2012	2011
	\$M	\$M	\$M	\$M	\$M
Australia					
Sovereign	-	-	-	-	-
Agriculture	65	138	30	32	10
Bank and other financial	36	122	79	51	107
Home loans	72	113	217	88	84
Construction	14	52	139	45	89
Other personal	686	677	622	657	567
Asset financing	45	37	25	38	26
Other commercial and industrial	404	568	686	884	989
Total Australia	1,322	1,707	1,798	1,795	1,872
Overseas					
Sovereign	-	-	-	-	-
Agriculture	3	3	4	5	17
Bank and other financial	69	-	10	1	1
Home loans	8	13	21	24	26
Construction	-	-	-	-	1
Other personal	42	30	25	19	22
Asset financing	-	-	-	-	-
Other commercial and industrial	35	60	31	33	36
Total overseas	157	106	91	82	103
Gross loans written off	1,479	1,813	1,889	1,877	1,975
Recovery of amounts previously written off					
Australia	165	148	144	216	199
Overseas	11	17	10	12	7
Total amounts recovered	176	165	154	228	206
Net loans written off	1,303	1,648	1,735	1,649	1,769

Notes to the Financial Statements

Note 13 Provisions for Impairment (continued)

Loans recovered by industry classification	Group				
	2015	2014	2013	2012	2011
	\$M	\$M	\$M	\$M	\$M
Australia					
Sovereign	-	-	-	-	-
Agriculture	-	-	-	-	-
Bank and other financial	9	6	8	17	3
Home loans	3	4	4	5	43
Construction	-	-	-	-	-
Other personal	125	106	113	147	134
Asset financing	4	5	6	17	2
Other commercial and industrial	24	27	13	30	17
Total Australia	165	148	144	216	199
Overseas					
Sovereign	-	-	-	-	-
Agriculture	-	3	-	-	-
Bank and other financial	-	3	1	-	-
Home loans	1	1	1	-	-
Construction	-	-	-	-	-
Other personal	10	8	8	8	7
Asset financing	-	-	-	-	-
Other commercial and industrial	-	2	-	4	-
Total overseas	11	17	10	12	7
Total loans recovered	176	165	154	228	206

Note 14 Property, Plant and Equipment

	Group			Bank
	2015	2014	2015	2014
	\$M	\$M	\$M	\$M
Land and Buildings ⁽¹⁾				
At 30 June valuation	463	499	416	448
Total land and buildings	463	499	416	448
Leasehold Improvements				
At cost	1,513	1,392	1,282	1,180
Accumulated depreciation	(904)	(803)	(786)	(693)
Closing balance	609	589	496	487
Equipment				
At cost	1,691	1,621	1,336	1,268
Accumulated depreciation	(1,313)	(1,266)	(1,032)	(995)
Closing balance	378	355	304	273
Assets Under Lease				
At cost	1,662	1,603	373	331
Accumulated depreciation	(279)	(230)	(80)	(72)
Closing balance	1,383	1,373	293	259
Total property, plant and equipment	2,833	2,816	1,509	1,467

(1) Had land and buildings been measured using the cost model rather than fair value, the carrying value would have been \$210 million (2014: \$224 million) for Group and \$190 million (2014: \$203 million) for Bank.

The majority of the above amounts have expected useful lives longer than 12 months after the Balance Sheet date.

There are no significant items of property, plant and equipment that are currently under construction.

Land and buildings are carried at fair value based on independent valuations performed during the year; refer to Note 1(y).

These fair values fall under the Level 3 category of the fair value hierarchy as defined in Note 40.

Notes to the Financial Statements

Note 14 Property, Plant and Equipment (continued)

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

	Group		Bank	
	2015	2014	2015	2014
	\$M	\$M	\$M	\$M
Land and Buildings				
Carrying amount at the beginning of the year	499	533	448	476
Additions	13	7	13	7
Disposals	(35)	(41)	(30)	(34)
Net revaluations	19	27	16	26
Depreciation	(32)	(29)	(31)	(27)
Foreign currency translation adjustment	(1)	2	-	-
Carrying amount at the end of the year	463	499	416	448
Leasehold Improvements				
Carrying amount at the beginning of the year	589	644	487	539
Additions	168	86	139	74
Disposals	(6)	(16)	(6)	(14)
Net revaluations	-	(2)	-	-
Depreciation	(142)	(130)	(124)	(112)
Foreign currency translation adjustment	-	7	-	-
Carrying amount at the end of the year	609	589	496	487
Equipment				
Carrying amount at the beginning of the year	355	343	273	261
Additions	174	161	149	131
Disposals	(11)	(8)	(9)	(2)
Depreciation	(139)	(147)	(109)	(117)
Foreign currency translation adjustment	(1)	6	-	-
Carrying amount at the end of the year	378	355	304	273
Assets Under Lease				
Carrying amount at the beginning of the year	1,373	1,198	259	282
Additions	223	260	80	-
Disposals	(179)	(5)	(28)	(6)
Depreciation	(80)	(77)	(18)	(17)
Foreign currency translation adjustment	46	(3)	-	-
Carrying amount at the end of the year	1,383	1,373	293	259

Notes to the Financial Statements

Note 15 Intangible Assets

	Group		Bank	
	2015	2014	2015	2014
	\$M	\$M	\$M	\$M
Goodwill				
Purchased goodwill at cost	7,599	7,566	2,522	2,522
Closing balance	7,599	7,566	2,522	2,522
Computer Software Costs				
Cost	3,359	2,913	2,982	2,580
Accumulated amortisation	(1,270)	(1,059)	(1,038)	(856)
Closing balance	2,089	1,854	1,944	1,724
Core Deposits ⁽¹⁾				
Cost	495	495	495	495
Accumulated amortisation	(461)	(390)	(461)	(389)
Closing balance	34	105	34	106
Brand Names ⁽²⁾				
Cost	190	190	186	186
Accumulated amortisation	(1)	(1)	-	-
Closing balance	189	189	186	186
Other Intangibles ⁽³⁾				
Cost	162	256	38	38
Accumulated amortisation	(103)	(178)	(24)	(21)
Closing balance	59	78	14	17
Total intangible assets	9,970	9,792	4,700	4,555

(1) Core deposits represent the value of the Bankwest deposit base compared to the avoided cost of alternative funding sources such as securitisation and wholesale funding. This asset was acquired on 19 December 2008 with a useful life of seven years based on the weighted average attrition rates of the Bankwest deposit portfolio.

(2) Brand names predominantly represent the value of royalty costs foregone by the Group through acquiring the Bankwest brand name. The royalty costs that would have been incurred by an entity using the Bankwest brand name are based on an annual percentage of income generated by Bankwest. The Bankwest brand name has an indefinite useful life. It is not subject to amortisation, but is subject to annual impairment testing. No impairment was required as a result of this test. The balance also includes the Count Financial Limited brand name (\$4 million) that is amortised over the estimated useful life of 20 years.

(3) Other intangibles include the value of credit card relationships acquired from Bankwest and Count franchise relationships. This value represents future net income generated from the relationships that existed at Balance Sheet date. The assets have a useful life of 10 years based on the attrition rates of customers. Management rights were disposed of as part of the internalisation of the management of CFS Retail Property Trust Group (CFX) during the 2014 financial year.

Impairment Tests for Goodwill and Intangible Assets with Indefinite Lives

To assess whether goodwill and other assets with indefinite useful lives are impaired, the carrying amount of a cash-generating unit or a group of cash-generating units are compared to the recoverable amount. The recoverable amount is determined based on fair value less cost to sell, using an earnings multiple applicable to that type of business. The category of this fair value is Level 3 as defined in Note 40.

Earnings multiples relating to the Group's Banking and Wealth Management cash-generating units are sourced from publicly available data associated with Australian businesses displaying similar characteristics to those cash-generating units, and are applied to current earnings. The key assumption is the Price-Earnings (P/E) multiple observed for these businesses, which for the Banking businesses (excluding IFS in the current year) were in the range of 12.1 – 13.0 (2014: 12.4 – 14.2), for the IFS businesses 7.4 – 17.2 and for Wealth Management businesses were in the range of 12.7 – 17.1 (2014: 11.4 – 19.1).

Notes to the Financial Statements

Note 15 Intangible Assets (continued)

Goodwill Allocation to the following Cash-Generating Units

	Group	
	2015	2014
	\$M	\$M
Retail Banking Services	4,149	4,149
Business and Private Banking	297	297
Wealth Management	2,410	2,410
New Zealand	679	691
IFS and Other	64	19
Total	7,599	7,566

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

	Group		Bank	
	2015	2014	2015	2014
	\$M	\$M	\$M	\$M
Goodwill				
Opening balance	7,566	7,723	2,522	2,522
Additions	43	-	-	-
Transfers/disposals	-	(171)	-	-
Foreign currency translation adjustments	(10)	14	-	-
Closing balance	7,599	7,566	2,522	2,522
Computer Software Costs				
Opening balance	1,854	1,923	1,724	1,807
Additions:				
From purchases	7	17	-	12
From internal development	547	312	494	263
Amortisation and write-offs	(319)	(398)	(274)	(358)
Closing balance	2,089	1,854	1,944	1,724
Core Deposits				
Opening balance	105	177	106	177
Amortisation	(71)	(72)	(72)	(71)
Closing balance	34	105	34	106
Management Fee Rights				
Opening balance	-	316	-	-
Transfers/disposals	-	(316)	-	-
Closing balance	-	-	-	-
Brand Names				
Opening balance	189	190	186	186
Amortisation	-	(1)	-	-
Closing balance	189	189	186	186
Other Intangibles				
Opening balance	78	94	17	21
Additions	2	7	-	-
Disposals	(1)	-	-	-
Amortisation	(20)	(23)	(3)	(4)
Closing balance	59	78	14	17

Notes to the Financial Statements

Note 16 Other Assets

	Group		Bank	
	2015	2014	2015	2014
	\$M	\$M	\$M	\$M
Accrued interest receivable	2,164	2,167	2,988	2,737
Accrued fees/reimbursements receivable	1,247	1,313	147	155
Securities sold not delivered	2,483	1,264	1,874	908
Intragroup current tax receivable	-	-	200	252
Current tax assets	15	7	-	-
Prepayments	1,729	606	1,648	519
Life insurance other assets	497	455	37	40
Defined benefit superannuation plan surplus	276	-	276	-
Other	650	574	235	212
Total other assets	9,061	6,386	7,405	4,823

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

Note 17 Deposits and Other Public Borrowings

	Group		Bank	
	2015	2014	2015	2014
	\$M	\$M	\$M	\$M
Australia				
Certificates of deposit	46,083	43,912	47,802	44,900
Term deposits	143,285	150,406	143,481	150,712
On-demand and short-term deposits	266,849	227,555	267,027	227,739
Deposits not bearing interest	11,339	9,971	11,321	9,971
Securities sold under agreements to repurchase	12,964	9,925	13,036	9,958
Total Australia	480,520	441,769	482,667	443,280
Overseas				
Certificates of deposit	7,060	6,286	4,980	6,016
Term deposits	30,812	28,703	8,508	8,000
On-demand and short term deposits	22,159	19,054	1,382	198
Deposits not bearing interest	2,668	2,504	76	77
Securities sold under agreements to repurchase	12	36	12	-
Total overseas	62,711	56,583	14,958	14,291
Total deposits and other public borrowings	543,231	498,352	497,625	457,571

The majority of the amounts are due to be settled within 12 months of the Balance Sheet date as shown in the maturity analysis table below.

	Group				Total
	At 30 June 2015				
	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	\$M
Australia					
Certificates of deposit ⁽¹⁾	22,797	11,920	-	11,366	46,083
Term deposits	64,920	31,183	38,903	8,279	143,285
Total Australia	87,717	43,103	38,903	19,645	189,368
Overseas					
Certificates of deposit ⁽¹⁾	4,494	688	1,679	199	7,060
Term deposits	16,829	6,650	4,473	2,860	30,812
Total overseas	21,323	7,338	6,152	3,059	37,872
Total certificates of deposits and term deposits	109,040	50,441	45,055	22,704	227,240

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

Notes to the Financial Statements

Note 17 Deposits and Other Public Borrowings (continued)

	Group				Total
	At 30 June 2014				
	Maturing Three Months or Less	Maturing Between Three and Six Months	Maturing Between Six and Twelve Months	Maturing after Twelve Months	
	\$M	\$M	\$M	\$M	\$M
Australia					
Certificates of deposit ⁽¹⁾	22,942	6,305	2,598	12,067	43,912
Term deposits	86,350	26,938	28,515	8,603	150,406
Total Australia	109,292	33,243	31,113	20,670	194,318
Overseas					
Certificates of deposit ⁽¹⁾	2,359	1,245	2,622	60	6,286
Term deposits	15,437	6,362	4,501	2,403	28,703
Total overseas	17,796	7,607	7,123	2,463	34,989
Total certificates of deposits and term deposits	127,088	40,850	38,236	23,133	229,307

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

Note 18 Liabilities at Fair Value through Income Statement

	Group			Bank
	2015	2014	2015	2014
	\$M	\$M	\$M	\$M
Deposits and other borrowings ⁽¹⁾	2,789	1,333	2,639	203
Debt instruments ⁽¹⁾	1,266	1,563	256	343
Trading liabilities	4,438	4,612	4,428	4,606
Total liabilities at fair value through Income Statement	8,493	7,508	7,323	5,152

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

Of the above amounts, trading liabilities are expected to be settled within 12 months of the Balance Sheet date for the Group and the Bank. For the Group, the majority of the other amounts are expected to be settled within 12 months of the Balance Sheet date. For the Bank, the majority of debt instruments are expected to be settled more than 12 months after the Balance Sheet date.

The amount that would be contractually required to be paid at maturity to the holders of the financial liabilities designated at fair value through Income Statement for the Group is \$8,448 million (2014: \$7,450 million) and for the Bank is \$7,279 million (2014: \$5,100 million).

Note 19 Other Provisions

	Note	Group ⁽¹⁾			Bank ⁽¹⁾
		2015	2014	2015	2014
		\$M	\$M	\$M	\$M
Employee entitlements		750	725	660	642
General insurance claims		314	161	-	-
Self insurance and non-lending losses		198	112	181	109
Dividends	5	82	73	82	73
Compliance, programs and regulation		193	49	193	49
Restructuring costs		43	60	41	57
Other		146	183	97	154
Total other provisions		1,726	1,363	1,254	1,084

Maturity Distribution of Other Provisions

	Group ⁽¹⁾			Bank ⁽¹⁾
	2015	2014	2015	2014
	\$M	\$M	\$M	\$M
Less than twelve months	1,159	971	711	721
More than twelve months	567	392	543	363
Total other provisions	1,726	1,363	1,254	1,084

(1) Comparatives have been reclassified to conform to presentation in the current year and the nature of provisions outlined below.

Notes to the Financial Statements

Note 19 Other Provisions (continued)

	Group		Bank	
	2015	2014	2015	2014
	\$M	\$M	\$M	\$M
Reconciliation				
General insurance claims:				
Opening balance	161	159	-	-
Additional provisions ⁽¹⁾	615	397	-	-
Amounts utilised during the year ⁽¹⁾	(462)	(395)	-	-
Closing balance	314	161	-	-
Self insurance and non-lending losses: ⁽²⁾				
Opening balance	112	52	109	49
Additional provisions	90	80	76	80
Amounts utilised during the year	(4)	(16)	(4)	(16)
Release of provision	-	(4)	-	(4)
Closing balance	198	112	181	109
Compliance, programs and regulation: ⁽²⁾				
Opening balance	49	-	49	-
Additional provisions	218	49	218	49
Amounts utilised during the year	(74)	-	(74)	-
Release of provision	-	-	-	-
Closing balance	193	49	193	49
Restructuring:				
Opening balance	60	41	57	41
Additional provisions	3	37	3	34
Amounts utilised during the year	(20)	(18)	(19)	(18)
Closing balance	43	60	41	57
Other: ⁽²⁾				
Opening balance	183	203	154	186
Additional provisions	22	5	2	3
Amounts utilised during the year	(21)	(11)	(21)	(22)
Release of provision	(38)	(14)	(38)	(13)
Closing balance	146	183	97	154

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

(2) Comparatives have been reclassified to conform to presentation in the current year and the nature of provisions outlined below.

Provision Commentary

General Insurance Claims

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

Self Insurance and Non-Lending Losses

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

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

Compliance, Programs and Regulation

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

Restructuring

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

Open Advice Review Program and Licence Conditions

The Group is currently undertaking the Open Advice Review program for customers of Commonwealth Financial Planning Limited (CFPL) and Financial Wisdom Limited (FWL), who received advice between 1 September 2003 and 1 July 2012. Expressions of interest for the program closed on 3 July 2015. Customers who lodged an expression of interest before this date have 12 months to formally register for the program.

Since its announcement, the Group has established an Independent Review Panel and appointed Independent Customer Advocates. The Group also appointed Promontory Financial Group ('Promontory') as an Independent Expert to oversee the Open

Notes to the Financial Statements

Advice Review program. Promontory has delivered two public reports in December 2014 and May 2015. Customer file assessments and remediation have commenced and are ongoing.

Note 19 Other Provisions (continued)

On 8 August 2014, variations to CFPL's and FWL's Australian Financial Services Licences (AFSL) were finalised. ASIC subsequently appointed KordaMentha Forensic as the compliance expert under the varied AFSL conditions to produce three reports. The first report was issued in April 2015. The report compares the process steps undertaken in previous remediation programs.

Following receipt of the first report, the Group issued 4,329 letters to financial planning customers and offered to pay up to \$5,000 to have their advice assessment reviewed independently, to send customers copies of their files and for the Group to do a further review of the advice the customer received.

The Group has provided for the cost of running these programs, together with anticipated remediation costs. Key assumptions in determining the remediation and program cost provisions include customer registrations and responses, remediation rates and amounts, case complexity and program design. These have been developed considering historical evidence, current information available and the exercise of judgement. As the nature of these estimates and assumptions are uncertain, the provisions may change. The Group considers that provisions held are adequate and represent our best estimate of the anticipated future costs.

The Group will re-evaluate the assumptions underpinning the provisions at each reporting date as more information becomes available.

Note 20 Debt Issues

	Note	Group		Bank	
		2015 \$M	2014 \$M	2015 \$M	2014 \$M
Medium-term notes		76,039	72,608	68,329	65,635
Commercial paper		37,032	32,905	36,025	31,181
Securitisation notes	41	12,603	11,426	-	-
Covered bonds	41	28,755	25,280	26,005	22,732
Total debt issues		154,429	142,219	130,359	119,548
Short Term Debt Issues by currency					
USD		36,543	32,155	35,536	30,430
EUR		-	178	-	178
AUD		267	164	267	164
GBP		169	333	169	333
Other currencies		53	75	53	76
Total short term debt issues ⁽¹⁾		37,032	32,905	36,025	31,181
Long Term Debt Issues by currency ^{(1) (2)}					
USD		43,049	39,996	42,897	39,313
EUR		26,247	23,166	23,795	20,985
AUD		21,167	19,728	6,827	6,913
GBP		9,195	7,314	7,295	6,075
NZD		3,670	4,019	1,008	1,280
JPY		6,448	6,353	6,395	6,301
Other currencies		7,169	8,292	5,665	7,054
Offshore loans (all JPY)		452	446	452	446
Total long term debt issues		117,397	109,314	94,334	88,367
Maturity Distribution of Debt Issues ⁽³⁾					
Less than twelve months		59,532	53,280	54,644	47,322
Greater than twelve months		94,897	88,939	75,715	72,226
Total debt issues		154,429	142,219	130,359	119,548

(1) Comparatives have been reclassified to conform to this presentation in the current period.

(2) Long-term debt disclosed relates to debt issues which have a maturity at inception of 12 months or greater.

(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; the USD25 billion CBA New York Branch Medium Term Note Program; and other applicable debt documentation. Notes issued under debt programs are both fixed and variable rate. Interest rate risk associated with the notes is incorporated within the Bank's interest rate risk framework.

Notes to the Financial Statements

Note 20 Debt Issues (continued)

	2015	2014	Group 2013
	\$M (except where indicated)		
Short term borrowings by program			
Total			
Outstanding at year-end ⁽¹⁾	37,032	32,905	34,602
Maximum amount outstanding at any month end ⁽²⁾	39,774	33,174	34,602
Average amount outstanding ⁽²⁾	35,621	31,096	28,178
US Commercial Paper Program			
Outstanding at year-end ⁽¹⁾	35,754	31,158	33,492
Maximum amount outstanding at any month end ⁽²⁾	38,147	32,405	33,492
Average amount outstanding ⁽²⁾	34,018	29,667	25,515
Weighted average interest rate on:			
Average amount outstanding	0.3%	0.2%	0.3%
Outstanding at year end	0.3%	0.2%	0.3%
Euro Commercial Paper Program			
Outstanding at year-end ⁽¹⁾	1,278	1,747	1,110
Maximum amount outstanding at any month end ⁽²⁾	2,327	1,983	6,642
Average amount outstanding ⁽²⁾	1,603	1,429	2,663
Weighted average interest rate on:			
Average amount outstanding	0.7%	0.4%	0.6%
Outstanding at year end	0.9%	0.4%	0.5%

(1) The amount outstanding at year end is measured at amortised cost.

(2) The maximum and average amounts over the year are reported on a face value basis because the carrying values of these amounts are not available. Any differences between face value and carrying value would not be significant given the short-term nature of the borrowings.

		As At 30 June 2015	As At 30 June 2014
Exchange rates utilised ⁽¹⁾			
AUD 1.00 =	Currency		
	USD	0.7681	0.9405
	EUR	0.6880	0.6892
	GBP	0.4893	0.5525
	NZD	1.1283	1.0762
	JPY	94.0578	95.4517

(1) End of day, Sydney time.

Guarantee Arrangement

Commonwealth Bank of Australia

Guarantee under the Commonwealth Bank Sale Act

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

Demand deposits are no longer guaranteed by the Commonwealth under this guarantee. However, debt issues payable by the Bank under a contract entered into prior to 19 July 1996 and outstanding at 19 July 1999 remain guaranteed until maturity.

Note 21 Bills Payable and Other Liabilities

	Note	Group		Bank	
		2015	2014	2015	2014
		\$M	\$M	\$M	\$M
Bills payable		917	912	870	862
Accrued interest payable		2,971	2,957	2,220	2,290
Accrued fees and other items payable ⁽¹⁾		2,718	2,369	1,822	1,592
Defined benefit superannuation plan deficit	35	57	191	57	191
Securities purchased not delivered		2,357	1,552	1,707	1,197
Unearned income		913	870	531	505
Life insurance other liabilities and claims payable		236	315	24	48
Other		936	1,203	7,130	3,977
Total bills payable and other liabilities		11,105	10,369	14,361	10,662

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

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.

Note 22 Loan Capital

	Currency	Amount (M)	Footnotes	Group		Bank	
				2015	2014	2015	2014
				\$M	\$M	\$M	\$M
Tier 1 Loan Capital							
Undated	FRN	USD 100	(1)	130	106	130	106
Undated	TPS	USD 550	(2)	-	585	-	584
Undated	PERLS III	AUD 1,166	(3)	1,164	1,162	1,163	1,162
Undated	PERLS V	AUD 2,000	(4)	-	1,997	-	1,997
Undated	PERLS VI	AUD 2,000	(5)	1,986	1,982	1,986	1,982
Undated	PERLS VII	AUD 3,000	(5)	2,961	-	2,961	-
Undated	TPS	USD 700	(6)	-	-	908	741
Total Tier 1 Loan Capital				6,241	5,832	7,148	6,572
Tier 2 Loan Capital							
AUD denominated			(7)	1,024	300	1,024	300
USD denominated			(8)	455	372	455	372
JPY denominated			(9)	627	618	627	618
GBP denominated			(10)	306	270	306	270
NZD denominated			(11)	349	362	-	-
EUR denominated			(12)	3,256	1,446	3,256	1,446
Other currencies denominated			(13)	209	-	209	-
Total Tier 2 Loan Capital				6,226	3,368	5,877	3,006
Fair value hedge adjustments				357	394	339	391
Total Loan Capital				12,824	9,594	13,364	9,969

As at the reporting date, there is one security of the Group and the Bank (the JPY30 billion (AUD equivalent \$319 million) subordinated EMTN due October 2015) that is 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). The Group has a right to redeem PERLS III in the next 12 months subject to APRA's approval; the Bank has a right to redeem TPS 2006 in the next 12 months subject to APRA's approval.

⁽¹⁾ USD100 million Floating Rate Notes

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

The Bank entered into an agreement with the Commonwealth of Australia on 31 December 1991 which provides that, if certain events occur, the Bank may either issue CBA ordinary shares to the Commonwealth of Australia, or (with the consent of the Commonwealth of Australia) conduct a renounceable rights issue for CBA ordinary shares to all

shareholders. The capital raised must be used to pay any amounts due and payable on the floating rate notes.

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

⁽²⁾ TPS 2003

On 6 August 2003, a wholly owned entity of the Bank (CBA Capital Trust) issued USD550 million of Trust Preferred Securities (TPS 2003).

All TPS 2003 were redeemed for cash on 30 June 2015.

Note 22 Loan Capital (continued)

⁽³⁾ PERLS III

On 6 April 2006, a wholly owned entity of the Bank (Preferred Capital Limited or "PCL") issued \$1,166 million of Perpetual Exchangeable Repurchaseable Listed Shares (PERLS III). PERLS III are preference shares which may be exchanged for CBA ordinary shares or \$200 cash each (or a combination of both) on 6 April 2016. PCL is not required to make a decision on exchange until 22 business days prior to 6 April 2016 and the decision to exchange will be subject to market conditions at that time as well as APRA approval. If PCL does not elect to exchange PERLS III, the margin on the distributions payable on PERLS III will increase by 1.00% per annum. PERLS III will automatically be exchanged for CBA preference shares no later than 10 business days prior to 6 April 2046.

PERLS III are listed on the ASX and are subject to New South Wales law. They qualify as Additional Tier 1 Capital of the Bank under the Basel III transitional arrangements for capital instruments as implemented by APRA.

⁽⁴⁾ PERLS V

On 14 October 2009, the Bank issued \$2,000 million of Perpetual Exchangeable Resaleable Listed Securities (PERLS V). PERLS V are stapled securities comprising an unsecured subordinated note issued by the Bank's New Zealand branch and a preference share issued by the Bank. All PERLS V were bought back by the Bank during the year and subsequently cancelled.

⁽⁵⁾ PERLS VI and PERLS VII

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). PERLS VI and PERLS VII are subordinated, unsecured notes.

PERLS VI and PERLS VII may be redeemed or resold to a third party for \$100 cash each on 15 December 2018 and 15 December 2022 respectively. If not redeemed or resold, the Bank will be required to exchange PERLS VI and/or PERLS VII for CBA ordinary shares on 15 December 2020 and 15 December 2024 respectively.

PERLS VI and PERLS VII 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.

⁽⁶⁾ TPS 2006

On 15 March 2006, a wholly owned entity of the Bank (CBA Capital Trust II) issued USD700 million of Trust Preferred Securities (TPS 2006) which may be redeemed for cash, CBA Tier 1 Capital securities or CBA preference shares on 15 March 2016. CBA Capital Trust II is not required to make a decision on redemption until 30 days prior to 15 March 2016 and the decision to redeem will be subject to market conditions at that time as well as APRA approval. If CBA Capital Trust II does not elect to redeem TPS 2006, the fixed distribution rate payable on TPS 2006 will change to a floating distribution rate. TPS 2006 will automatically be exchanged for CBA preference shares on 15 March 2056.

TPS 2006 were issued into the US capital markets and are subject to Delaware law. They qualify as Additional Tier 1 Capital of the Bank under the Basel III transitional

arrangements for capital instruments as implemented by APRA.

⁽⁷⁾ AUD denominated Tier 2 Loan Capital issuances

- \$275 million extendible floating rate notes, issued December 1989 and redeemed in December 2014;
- \$25 million subordinated floating rate notes, issued April 1999, due April 2029; and
- \$1,000 million subordinated notes issued November 2014.

As at 30 June 2015, all \$1,000 million subordinated notes remain outstanding and the Groups's liability remains at \$1,000 million. The subordinated notes may be redeemed on 5 November 2019, and if not redeemed, are due on 5 November 2024. The subordinated notes may be exchanged for CBA ordinary shares (subject to a maximum number of 64,465,471 CBA ordinary shares) if the Bank is deemed to be non-viable by APRA. No payment will be made by the Bank in respect of the exchange.

⁽⁸⁾ USD denominated Tier 2 Loan Capital issuances

- USD350 million subordinated fixed rate notes, issued June 2003, due June 2018.

⁽⁹⁾ JPY denominated Tier 2 Loan Capital issuances

- JPY20 billion perpetual subordinated EMTN (Euro Medium Term Notes), issued February 1999;
- JPY30 billion subordinated EMTN, issued October 1995, due October 2015; and
- JPY9 billion perpetual subordinated notes, issued May 1996.

⁽¹⁰⁾ GBP denominated Tier 2 Loan Capital issuances

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

⁽¹¹⁾ NZD denominated Tier 2 Loan Capital issuances

- 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. As at 30 June 2015, all 400 million ASB Notes remain outstanding and ASB's liability remains at NZD400 million. ASB Notes may be redeemed on 15 June 2019, and, if not redeemed, are due on 15 June 2024. ASB Notes may be exchanged for CBA ordinary shares (subject to a maximum number of 24,278,502 CBA ordinary shares) if either ASB is deemed non-viable by the Reserve Bank of New Zealand (RBNZ) (including if ASB is made subject to statutory management) or the Bank is deemed to be non-viable by APRA. No payment will be made by either ASB or the Bank in respect of the exchange.

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

Note 22 Loan Capital (continued)

⁽¹²⁾ EUR denominated Tier 2 Loan Capital Issuances

- EUR1,000 million subordinated notes, issued August 2009, due August 2019; and
- EUR1,250 million subordinated notes issued April 2015.

As at 30 June 2015, all EUR1,250 million subordinated notes remain outstanding and the Group's liability remains at EUR1,250 million. The subordinated notes may be redeemed on 22 April 2022, and if not redeemed, are due on 22 April 2027. The subordinated notes may be exchanged for CBA ordinary shares (subject to a maximum number of 93,130,812 CBA ordinary shares) if the Bank is deemed to be non-viable by APRA. No payment will be made by the Bank in respect of the exchange.

⁽¹³⁾ Other foreign currency denominated Tier 2 Loan Capital Issuances

- CNY1,000 million subordinated notes issued March 2015.

As at 30 June 2015, all CNY1,000 million subordinated notes remain outstanding and the Group's liability remains at CNY1,000 million. The subordinated notes may be redeemed on 11 March 2020, and if not redeemed, are due on 11 March 2025. The subordinated notes may be exchanged for CBA ordinary shares (subject to a maximum number of 11,241,075 CBA ordinary shares) if the Bank is deemed to be non-viable by APRA. No payment will be made by the Bank in respect of the exchange.

All Tier 2 Capital securities issued prior to 1 January 2013 (other than the \$275 million extendible floating rate notes which have been redeemed) qualify as Tier 2 Capital of the Bank under the Basel III transitional arrangements for capital instruments as implemented by APRA. All Tier 2 Capital securities issued after 1 January 2013 qualify as Tier 2 Capital of the Bank under Basel III as implemented by APRA.

Note 23 Shareholders' Equity

	Group		Bank	
	2015	2014	2015	2014
	\$M	\$M	\$M	\$M
Ordinary Share Capital				
Shares on issue:				
Opening balance	27,327	26,620	27,323	26,619
Issue of shares	-	-	-	-
Dividend reinvestment plan (net of issue costs) ^{(1) (2)}	571	707	571	704
	27,898	27,327	27,894	27,323
Less treasury shares:				
Opening balance	(291)	(297)	-	-
Purchase of treasury shares ⁽³⁾	(790)	(813)	-	-
Sale and vesting of treasury shares ⁽³⁾	802	819	-	-
	(279)	(291)	-	-
Closing balance	27,619	27,036	27,894	27,323

(1) The determined dividend includes an amount attributable to Dividend Reinvestment Plan (DRP) of \$574 million (interim 2014/2015) and \$707 million (interim 2013/2014) with \$571 million and \$707 million ordinary shares being issued under plan rules respectively which include the carry forward of DRP balance from previous dividends.

(2) The DRP in respect of 2012/2013 and 2013/2014 final dividends were satisfied in full through the on-market purchase and transfer of 9,829,242 and 8,749,607 shares to participating shareholders.

(3) The movement in treasury shares held within Life Insurance Statutory Funds, and 1,127,468 shares acquired at an average price of \$80.81 for the purpose of satisfying the Company's obligations under various equity settled share plans. Other than shares purchased as part of the Non-Executive Director fee sacrifice arrangements disclosed in Note 24, shares purchased were not on behalf of or initially allocated to a director.

	Group		Bank	
	2015	2014	2015	2014
	Shares	Shares	Shares	Shares
Number of shares on issue				
Opening balance (excluding treasury shares deduction)	1,621,319,194	1,611,928,836	1,621,319,194	1,611,928,836
Issue of shares	-	-	-	-
Dividend reinvestment plan issues:				
2012/2013 Final dividend fully paid ordinary shares \$73.42 ⁽¹⁾	-	-	-	-
2013/2014 Interim dividend fully paid ordinary shares \$75.26	-	9,390,358	-	9,390,358
2013/2014 Final dividend fully paid ordinary shares \$80.39 ⁽¹⁾	-	-	-	-
2014/2015 Interim dividend fully paid ordinary shares \$91.26	6,273,519	-	6,273,519	-
Closing balance (excluding treasury shares deduction)	1,627,592,713	1,621,319,194	1,627,592,713	1,621,319,194
Less: treasury shares ⁽²⁾	(4,654,277)	(5,516,035)	-	-
Closing balance	1,622,938,436	1,615,803,159	1,627,592,713	1,621,319,194

(1) The DRP in respect of 2012/2013 and 2013/2014 final dividends were satisfied in full through the on market purchase and transfer of 9,829,242 and 8,749,607 shares to participating shareholders.

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

Notes to the Financial Statements

Note 23 Shareholders' Equity (continued)

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

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

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

Other Equity Instruments

	Group		Bank	
	2015	2014	2015	2014
Other equity instruments	\$M	\$M	\$M	\$M
Issued and paid up	939	939	1,895	1,895
	Shares	Shares	Shares	Shares
Number of shares	700,000	700,000	1,400,000	1,400,000

Trust Preferred Securities 2006

On 15 March 2006, a wholly owned entity of the Bank (CBA Capital Trust II) issued USD700 million of Trust Preferred Securities (TPS 2006) into the US capital markets. They qualify as Additional Tier 1 Capital under the Basel III transitional arrangements for capital instruments as implemented by APRA.

A related instrument was issued by the Bank to a subsidiary for \$956 million and eliminates on consolidation.

Retained Profits and Reserves

	Note	Group		Bank	
		2015	2014	2015	2014
Retained Profits		\$M	\$M	\$M	\$M
Opening balance		18,827	16,405	16,206	13,874
Actuarial gains and losses from defined benefit superannuation plans		311	42	311	42
Gains and losses on liabilities at fair value due to changes in own credit risk		(3)	6	(3)	6
Realised gains and dividend income on treasury shares		42	27	-	-
Operating profit attributable to Equity holders of the Bank		9,063	8,631	8,976	8,442
Total available for appropriation		28,240	25,111	25,490	22,364
Transfers (to)/from general reserve		47	(101)	(1)	-
Transfers from capital reserve		-	-	-	-
Transfers from asset revaluation reserve		21	23	18	16
Transfers from employee compensation reserve		-	-	-	-
Interim dividend - cash component		(2,636)	(2,243)	(2,636)	(2,243)
Interim dividend - Dividend Reinvestment Plan		(574)	(707)	(574)	(707)
Final dividend - cash component		(3,534)	(3,224)	(3,534)	(3,224)
Final dividend - Dividend Reinvestment Plan		-	-	-	-
Other dividends ⁽¹⁾		(36)	(32)	-	-
Closing balance		21,528	18,827	18,763	16,206

(1) Dividends relating to equity instruments on issue other than ordinary shares.

Notes to the Financial Statements

Note 23 Shareholders' Equity (continued)

Retained Profits and Reserves (continued)

	Group		Bank	
	2015	2014	2015	2014
	\$M	\$M	\$M	\$M
Reserves				
General Reserve				
Opening balance	866	765	573	573
Appropriation from/(to) retained profits	(47)	101	1	-
Closing balance	819	866	574	573
Capital Reserve				
Opening balance	-	-	1,254	1,254
Revaluation surplus on sale of property	-	-	-	-
Transfer to retained profits	-	-	-	-
Closing balance	-	-	1,254	1,254
Asset Revaluation Reserve				
Opening balance	197	194	172	164
Revaluation of properties	19	28	16	27
Transfers on sale of properties	-	-	-	-
Transfer to retained profits	(21)	(23)	(18)	(16)
Tax on revaluation of properties	(4)	(2)	(5)	(3)
Closing balance	191	197	165	172
Foreign Currency Translation Reserve				
Opening balance	(42)	(427)	(178)	(178)
Currency translation adjustments of foreign operations	439	405	176	3
Currency translation on net investment hedge	(3)	(6)	(5)	(3)
Tax on translation adjustments	(38)	(14)	-	-
Closing balance	356	(42)	(7)	(178)
Cash Flow Hedge Reserve				
Opening balance	224	368	424	508
Gains and losses on cash flow hedging instruments:				
Recognised in other comprehensive income	706	338	802	492
Transferred to Income Statement:				
Interest income	(1,135)	(1,294)	(1,125)	(1,249)
Interest expense	488	698	475	635
Tax on cash flow hedging instruments	(20)	114	(46)	38
Closing balance	263	224	530	424
Employee Compensation Reserve				
Opening balance	125	132	125	132
Current period movement	(3)	(7)	(3)	(7)
Closing balance	122	125	122	125
Available-for-Sale Investments Reserve				
Opening balance	639	301	641	188
Net gains and losses on revaluation of available-for-sale investments	140	509	82	671
Net gains and losses on available-for-sale investments transferred to Income Statement on disposal	(223)	(12)	(218)	(12)
Tax on available-for-sale investments	38	(159)	52	(206)
Closing balance	594	639	557	641
Total Reserves	2,345	2,009	3,195	3,011

Notes to the Financial Statements

Note 24 Share Based Payments

The Group operates a number of cash and equity settled share plans as detailed below.

Group Leadership Reward Plan (GLRP)

The GLRP is the Group's long-term incentive plan for the CEO and Group Executives. The GLRP focuses on driving performance and shareholder alignment in the longer term.

Participants are awarded a maximum number of Reward Rights, which may convert into CBA shares on a 1-for-1 basis. The Board has discretion to apply a cash equivalent.

The Reward Rights may vest at the end of a performance period of up to four years subject to the satisfaction of performance hurdles as follows:

- 25% of the award is assessed against Customer Satisfaction compared to ANZ, NAB, Westpac and other key competitors for the Group's wealth management business by reference to independent external surveys; and
- 75% of the award is assessed against TSR compared to the 20 largest companies listed on the ASX (by market capitalisation) at the beginning of each respective performance period, excluding resource companies and CBA.

Each performance hurdle is independent, such that the total number of Reward Rights that vest will be the aggregate of rights that vest against the Customer Satisfaction and the TSR hurdles at the end of the performance period.

A scale is applied to each performance hurdle, to determine the portion of each award that vests as follows:

Hurdle	Scale
Customer satisfaction	<ul style="list-style-type: none"> For the 2012 financial year award: 100% vests if CBA is ranked 1st across three surveys, 75% if CBA is ranked 1st across two surveys, and 50% if CBA is ranked 2nd across the three surveys at the end of the performance period. The Board will exercise discretion where CBA's Customer Satisfaction has improved over the performance period, but in a different combination. Where the Board determines that the overall performance is worse at the end of the performance period than at the beginning, none of this portion will vest. From the 2013 financial year onwards: 100% vests where the weighted average ranking for CBA over the performance period is 1st (i.e. 1.00), 50% where CBA's weighted average ranking is 2nd (i.e. 2.00). If CBA's weighted average ranking is between 1st and 2nd (i.e. between 1.00 and 2.00), vesting occurs on a sliding scale between 100% and 50% on a pro-rata straight line basis. If CBA's weighted average ranking is lower than 2nd (i.e. greater than 2.00), none of this portion will vest.
TSR	<ul style="list-style-type: none"> Full vesting applies where CBA is ranked in the top quartile of the peer group at the end of the performance period, 50% will vest if CBA is ranked at the median, with vesting on a sliding scale between the median and 75th percentile. If the Group's TSR is ranked below the median of the peer group, none of this portion will vest.

The 2011 financial year award reached the end of its performance period on 30 June 2014 and in line with the plan rules 96.88% of the awarded rights vested.

The following table provides details of outstanding awards of performance rights granted under the GLRP.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June	Expense (\$M)
2015	1,423,773	283,410	(338,512)	(103,225)	1,265,446	10
2014	1,654,754	331,689	(416,896)	(145,774)	1,423,773	12

The weighted average fair value at the grant date of all Reward Rights issued during the year was \$75.25 per right (2014: \$74.52). The fair value of TSR hurdled Reward Rights granted during the period has been independently calculated at grant date using a Monte-Carlo pricing model. The assumptions included in the valuation of the 2015 financial year award includes a risk-free interest rate ranging from 2.27% to 3.25%, a nil dividend yield on the Bank's ordinary shares and a volatility in the Bank share price of 15.0%. The fair value for customer satisfaction hurdled Reward Rights granted during the period is the closing price of CBA shares on the grant date.

Group Rights Plan (GRP)

The GRP facilitates mandatory short-term incentive deferral, sign-on incentives and retention awards. Participants are awarded rights to shares, that vest on a 1-for-1 basis, provided the participant remains in employment of the Group until vesting date. The Board has discretion to apply a cash equivalent.

The following table provides details of outstanding awards of shares granted under the GRP.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June	Expense (\$M)
2015	654,116	708,577	(80,271)	(43,448)	1,238,974	40
2014	-	675,469	(3,624)	(17,729)	654,116	20

The weighted average fair value at grant date of the awards issued during the year was \$81.44 (2014: \$73.00).

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") of greater than 5%. If the hurdle is not met, the Board has discretion to determine whether a full award, a partial award or no award is made.

Notes to the Financial Statements

Note 24 Share Based Payments (continued)

The number of shares a participant receives is calculated by dividing the award amount by the average price paid for CBA shares purchased during the purchase period preceding the grant date. Shares granted are restricted from sale until the earlier of three years or until such time as the participant ceases employment with the Group. Participants receive full dividend entitlements and voting rights attached to those shares.

The Group achieved the performance target for 2014 resulting in shares being awarded to each eligible employee during the financial year ended 30 June 2015. The following table provides details of shares granted under the ESAP.

Period	Allocation date	Participants	Number of Shares Allocated by Participant	Total Number of Shares Allocated	Issue Price \$	Total Fair Value \$
2015	19 Sep 2014	32,092	12	385,104	80.39	30,958,511
2014	23 Sep 2013	32,749	13	425,737	73.42	31,257,610

It is estimated that approximately \$34 million of CBA shares will be purchased on market at the prevailing market price for the 2015 grant.

Other Employee Awards

A number of other plans are operated by the Group, including:

- The Employee Share (Performance Unit) Plan, which is the cash-based version of the GRP;
- The International Employee Share Acquisition Plan, which is the cash-based version of the ESAP; and
- The Employee Share Plan and Group Employee Rights Plan, which are predecessors to the GRP, and closed to new awards.

The following table provides a summary of the movement in awards during the year.

Period	Outstanding 1 July	Granted	Vested	Forfeited	Outstanding 30 June	Expense (\$M)
2015	1,423,891	105,323	(811,721)	(39,785)	677,708	18
2014	2,283,293	149,263	(967,725)	(40,940)	1,423,891	36

The weighted average fair value at grant date of the awards issued during the year was \$81.46 (2014: \$70.00).

Salary Sacrifice Arrangements

The Group facilitates the purchase of CBA shares via salary sacrifice as follows:

Type	Arrangements
Australian-based employees (ESSSP)	<ul style="list-style-type: none"> ▪ Can elect to sacrifice between \$2,000 and \$5,000 p.a. of their fixed remuneration and/or annual STI ▪ Restricted from sale for a minimum of two years and a maximum of seven years or earlier, if the employee ceases employment with the Group.
Non-executive directors	<ul style="list-style-type: none"> ▪ Required to defer 20% of post-tax fees until a minimum shareholding requirement of 5,000 shares is reached. ▪ Restricted from sale for ten years or earlier if the Non-Executive Director retires from the Board.

Shares are purchased on market at the prevailing market price at that time and receive full dividend entitlements and voting rights. The following table provides details of shares granted under the ESSSP.

Period	Participants	Number of shares purchased	Average purchase price \$	Total purchase consideration \$
2015	557	22,059	84.53	1,864,604
2014	395	17,610	75.62	1,331,652

During the year, one (2014: one) Non-Executive Director applied \$28,502 in fees (2014: \$32,067) to purchase 341 shares (2014: 419 shares).

Note 25 Capital Adequacy

Capital Management

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

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

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

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

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

Regulatory capital is divided into Common Equity Tier 1 (CET1), Tier 1 and Tier 2 Capital. CET1 primarily consists of Shareholders' Equity, less goodwill and other prescribed adjustments. Tier 1 Capital is comprised of CET1 plus other capital instruments acceptable to APRA. Tier 2 Capital is comprised primarily of hybrid and debt instruments acceptable to APRA. Total Capital is the aggregate of Tier 1 and Tier 2 Capital.

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

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

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

The Group's capital position is monitored on a continuous basis and reported monthly to both the Executive Committee and the Asset and Liability Committee (ALCO). Three-year capital forecasts are conducted on a quarterly basis with a detailed capital and strategic plan presented to the Board annually.

The Group's capital ratios throughout the 2014 and 2015 financial years were in compliance with both APRA minimum capital adequacy requirements and the Board Approved minimums. The Bank is required to inform APRA immediately of any breach or potential breach of its minimum prudential capital adequacy requirements, including details of remedial action taken or planned to be taken.

Note 26 Financial Reporting by Segments

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

During the year, the Group transferred all non-relationship managed business clients from the Business and Private Banking segment to a new Small Business customer channel within Retail Banking Services. Comparative information has been restated to reflect this change.

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

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

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

(i) Retail Banking Services

Retail Banking Services provides home loan, consumer finance and retail deposit products and servicing to all Retail bank customers and non-relationship managed small business customers. In addition, commission is received for the distribution of Wealth Management products through the retail distribution network.

(ii) Business and Private Banking

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

(iii) Institutional Banking and Markets

Institutional Banking and Markets services the Group's major corporate, institutional and government clients using a relationship management model based on industry expertise and local insights. The client offering includes debt and equity capital 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 the Global Asset Management (including operations in Asia and Europe), Platform Administration and Life and General Insurance businesses of the Australian operations.

(v) New Zealand

New Zealand includes the Banking, Funds Management and Insurance businesses operating in New Zealand (excluding the international business of Institutional Banking and Markets).

(vi) Bankwest

Bankwest is active in all domestic market segments, with lending diversified between the business, rural, housing and personal markets, including a full range of deposit products.

(vii) IFS and Other Divisions

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

- International Financial Services incorporates the Asian retail and SME banking operations (Indonesia, China, India and Vietnam), investments in Chinese and Vietnamese banks, the joint venture Chinese life insurance business, the life insurance operations in Indonesia and investment in a South African based financial services technology company. 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, Secretariat and Treasury; and
- Group wide Eliminations/Unallocated includes intra-group elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.

Note 26 Financial Reporting by Segments (continued)

								2015
	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Management	New Zealand	Bankwest	IFS and Other	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Net interest income	7,691	2,827	1,452	-	1,536	1,594	699	15,799
Other banking income	1,746	809	1,367	-	253	217	447	4,839
Total banking income	9,437	3,636	2,819	-	1,789	1,811	1,146	20,638
Funds management income	-	-	-	1,846	71	-	21	1,938
Insurance income	-	-	-	503	232	-	57	792
Total operating income	9,437	3,636	2,819	2,349	2,092	1,811	1,224	23,368
Investment experience ⁽¹⁾	-	-	-	226	12	-	(28)	210
Total net operating income before impairment and operating expense	9,437	3,636	2,819	2,575	2,104	1,811	1,196	23,578
Operating expenses	(3,293)	(1,397)	(1,013)	(1,726)	(861)	(785)	(918)	(9,993)
Loan impairment expense	(626)	(152)	(167)	-	(83)	50	(10)	(988)
Net profit before income tax	5,518	2,087	1,639	849	1,160	1,076	268	12,597
Corporate tax expense	(1,651)	(628)	(371)	(199)	(295)	(324)	29	(3,439)
Non-controlling interests	-	-	-	-	-	-	(21)	(21)
Net profit after tax "cash basis" ⁽²⁾	3,867	1,459	1,268	650	865	752	276	9,137
Hedging and IFRS volatility	-	-	-	-	43	-	(37)	6
Other non-cash items	-	-	-	(28)	-	(52)	-	(80)
Net profit after tax "statutory basis"	3,867	1,459	1,268	622	908	700	239	9,063
Additional information								
Amortisation and depreciation	(20)	(22)	(57)	(26)	(78)	(89)	(420)	(712)
Balance Sheet								
Total assets	310,313	98,392	181,919	20,792	69,608	79,141	113,281	873,446
Total liabilities	221,018	71,138	162,054	24,652	62,488	49,499	229,604	820,453

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

(2) This balance excludes non-cash items, including unrealised gains and losses relating to hedging and IFRS volatility (\$6 million gain), Bankwest non-cash items (\$52 million expense) and treasury shares valuation adjustment (\$28 million expense).

Notes to the Financial Statements

Note 26 Financial Reporting by Segments (continued)

2014 ⁽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	7,307	2,695	1,404	-	1,378	1,577	730	15,091
Other banking income	1,695	764	1,262	-	192	206	204	4,323
Total banking income	9,002	3,459	2,666	-	1,570	1,783	934	19,414
Funds management income	-	-	-	1,836	60	-	37	1,933
Insurance income	-	-	-	575	202	-	42	819
Total operating income	9,002	3,459	2,666	2,411	1,832	1,783	1,013	22,166
Investment experience ⁽²⁾	-	-	-	202	5	-	28	235
Total net operating income before impairment and operating expense	9,002	3,459	2,666	2,613	1,837	1,783	1,041	22,401
Operating expenses	(3,173)	(1,338)	(943)	(1,593)	(805)	(806)	(841)	(9,499)
Loan impairment expense	(582)	(237)	(61)	-	(51)	(11)	(11)	(953)
Net profit before income tax	5,247	1,884	1,662	1,020	981	966	189	11,949
Corporate tax expense	(1,569)	(563)	(410)	(231)	(239)	(291)	53	(3,250)
Non-controlling interests	-	-	-	-	-	-	(19)	(19)
Net profit after tax "cash basis" ⁽³⁾	3,678	1,321	1,252	789	742	675	223	8,680
Hedging and IFRS volatility	-	-	-	-	10	-	(4)	6
Other non-cash items	-	-	25	(24)	-	(56)	-	(55)
Net profit after tax "statutory basis"	3,678	1,321	1,277	765	752	619	219	8,631
Additional information								
Amortisation and depreciation	(31)	(35)	(61)	(22)	(74)	(106)	(398)	(727)
Balance Sheet								
Total assets	290,773	94,455	149,500	20,759	65,736	76,795	93,433	791,451
Total liabilities	203,384	62,135	146,482	24,133	58,149	45,671	202,149	742,103

(1) Comparative information has been restated to conform to presentation in the current period. This re-segmentation primarily relates to the transfer of non-relationship managed business clients from Business and Private Banking into the newly created small business customer channel in Retail Banking Services.

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

(3) This balance excludes non-cash items, including unrealised gains and losses relating to hedging and IFRS volatility (\$6 million gain), Bankwest non-cash items (\$56 million expense), treasury shares valuation adjustment (\$41 million expense), Bell Group litigation (\$25 million gain) and the gain on sale of management rights (\$17 million gain).

Notes to the Financial Statements

Note 26 Financial Reporting by Segments (continued)

Products and Services Information

Revenue from external customers by product or service is disclosed in Note 2. No single customer amounted to greater than 10% of the Group's revenue.

Geographical Information

Financial performance and position	2015		2014		2013		Group
	\$M	%	\$M	%	\$M	%	Year Ended 30 June
Income							
Australia	37,673	83.2	37,603	84.8	39,119	87.3	
New Zealand	5,181	11.4	4,633	10.5	3,890	8.7	
Other locations ⁽¹⁾	2,456	5.4	2,076	4.7	1,793	4.0	
Total income	45,310	100.0	44,312	100.0	44,802	100.0	
Non-Current Assets ⁽²⁾							
Australia	14,149	91.7	13,199	91.3	14,211	92.2	
New Zealand	994	6.4	1,057	7.3	1,023	6.6	
Other locations ⁽¹⁾	297	1.9	196	1.4	188	1.2	
Total non-current assets	15,440	100.0	14,452	100.0	15,422	100.0	

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

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

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

Note 27 Insurance Businesses

Life Insurance

The following information is provided to disclose the statutory life insurance business transactions contained in the Group Financial Statements and the underlying methods and assumptions used in their calculations.

All financial assets within the life statutory funds have been determined to support either life insurance or life investment contracts. Refer to Note 1(ff) – (ii). The insurance segment result is prepared on a business segment basis.

Summarised Income Statement	Life Insurance Contracts		Life Investment Contracts		Group	
	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M
Net premium income and related revenue	1,967	1,843	243	216	2,210	2,059
Outward reinsurance premiums expense	(296)	(289)	-	-	(296)	(289)
Claims expense	(1,421)	(1,277)	(73)	(40)	(1,494)	(1,317)
Reinsurance recoveries	256	223	-	-	256	223
Investment revenue (excluding investments in subsidiaries)	488	455	777	1,062	1,265	1,517
Increase in contract liabilities	(151)	(242)	(718)	(946)	(869)	(1,188)
Operating income	843	713	229	292	1,072	1,005
Acquisition expenses	(95)	(96)	(1)	(2)	(96)	(98)
Maintenance expenses	(204)	(192)	(57)	(56)	(261)	(248)
Management expenses	(10)	(8)	(11)	(10)	(21)	(18)
Net profit before income tax	534	417	160	224	694	641
Corporate tax expense	(103)	(72)	(36)	(40)	(139)	(112)
Policy holder tax expense	(83)	(53)	(16)	(73)	(99)	(126)
Net profit after income tax	348	292	108	111	456	403

Notes to the Financial Statements

Note 27 Insurance Businesses (continued)

	Life Insurance Contracts		Life Investment Contracts		Group	
	2015	2014	2015	2014	2015	2014
Sources of life insurance net profit	\$M	\$M	\$M	\$M	\$M	\$M
The net profit after income tax is represented by:						
Emergence of planned profit margins	257	219	108	94	365	313
Difference between actual and planned experience	(20)	(38)	-	16	(20)	(22)
Effects of changes to underlying assumptions	1	6	-	-	1	6
Reversal of previously recognised losses or loss recognition on groups of related products	1	4	(1)	-	-	4
Investment earnings on assets in excess of policyholder liabilities	107	101	1	1	108	102
Other movements	2	-	-	-	2	-
Net profit after income tax	348	292	108	111	456	403
Life insurance premiums received and receivable	2,377	2,238	433	602	2,810	2,840
Life insurance claims paid and payable	1,478	1,348	1,296	1,386	2,774	2,734

The disclosure of the components of net profit after income tax is required to be separated between policyholders' and shareholders' interests. As policyholder profits are an expense of the Group and not attributable to shareholders, no such disclosure is required.

	Life Insurance Contracts		Life Investment Contracts		Group	
	2015	2014	2015	2014	2015	2014
Reconciliation of movements in policy liabilities	\$M	\$M	\$M	\$M	\$M	\$M
Contract policy liabilities						
Gross policy liabilities opening balance	3,631	3,415	9,535	9,589	13,166	13,004
Movement in policy liabilities reflected in the Income Statement	183	305	718	946	901	1,251
Contract contributions recognised in policy liabilities	7	7	140	328	147	335
Contract withdrawals recognised in policy liabilities	(55)	(68)	(1,224)	(1,349)	(1,279)	(1,417)
Non-cash movements	(19)	(18)	-	-	(19)	(18)
FX translation adjustment	5	(10)	(10)	21	(5)	11
Gross policy liabilities closing balance	3,752	3,631	9,159	9,535	12,911	13,166
Liabilities ceded under reinsurance						
Opening balance	(325)	(261)	-	-	(325)	(261)
Increase in reinsurance assets	(32)	(64)	-	-	(32)	(64)
Closing balance	(357)	(325)	-	-	(357)	(325)
Net policy liabilities						
Expected to be realised within 12 months	574	512	1,538	1,668	2,112	2,180
Expected to be realised in more than 12 months	2,821	2,794	7,621	7,867	10,442	10,661
Total net insurance policy liabilities	3,395	3,306	9,159	9,535	12,554	12,841

Capital Adequacy of The Group's Life Insurance Company

Under the Life Insurance Act 1995, life insurers are required to hold reserves in excess of the amount of policy liabilities. These additional reserves are necessary to support the life insurer's capital requirements under its business plan and to provide a cushion against adverse experience in managing long-term risks. APRA has issued Life Prudential Standard (LPS) 110 'Capital Adequacy' for determining the level of capital reserves. LPS110 prescribes the minimum capital requirement for each statutory fund and the minimum level of assets required to be held in each statutory fund.

The table below shows the Capital Adequacy Multiple representing the ratio of assets available for capital over the capital reserve.

	2015	2014
Capital Adequacy Multiple	Times	Times
The Colonial Mutual Life Assurance Society Limited, Australia	1.68	1.88

Notes to the Financial Statements

Note 28 Remuneration of Auditors

During the financial year, the following fees were paid or payable for services provided by the auditor of the Group and the Bank, and its network firms:

	Group		Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
a) Audit and audit related services				
Audit services				
PricewaterhouseCoopers Australian firm	15,575	14,719	11,469	10,438
Network firms of PricewaterhouseCoopers Australian firm	5,154	3,997	637	577
Total remuneration for audit services	20,729	18,716	12,106	11,015
Audit related services				
PricewaterhouseCoopers Australian firm	3,403	3,232	2,299	2,700
Network firms of PricewaterhouseCoopers Australian firm	569	788	90	93
Total remuneration for audit related services	3,972	4,020	2,389	2,793
Total remuneration for audit and audit related services	24,701	22,736	14,495	13,808
b) Non-audit services				
Taxation services				
PricewaterhouseCoopers Australian firm	1,808	1,665	1,721	1,487
Network firms of PricewaterhouseCoopers Australian firm	1,363	1,522	732	677
Total remuneration for tax related services	3,171	3,187	2,453	2,164
Other Services				
PricewaterhouseCoopers Australian firm	6,443	3,370	5,508	2,766
Network firms of PricewaterhouseCoopers Australian firm	90	21	-	-
Total remuneration for other services	6,533	3,391	5,508	2,766
Total remuneration for non-audit services	9,704	6,578	7,961	4,930
Total remuneration for audit and non-audit services ⁽¹⁾	34,405	29,314	22,456	18,738

(1) An additional amount of \$8,254,111 (2014: \$9,106,912) was paid to PricewaterhouseCoopers by way of fees for entities not consolidated into the Financial Statements. Of this amount, \$6,295,642 (2014: \$8,249,653) relates to audit and audit-related services.

The Audit Committee has considered the non-audit services provided by PricewaterhouseCoopers and is satisfied that the services and the level of fees are compatible with maintaining auditors' independence. All such services were approved by the Audit Committee in accordance with pre-approved policies and procedures.

Audit related services principally includes assurance and attestation reviews of the Group's foreign disclosures for overseas investors, services in relation to regulatory requirements, acquisition accounting advice as well as reviews of internal control systems and financial or regulatory information.

Taxation services included assistance and training in relation to tax legislation and developments.

Other services include project assurance, reviews of compliance with legal and regulatory frameworks, review of governance, risk and control frameworks as well as benchmarking reviews.

Note 29 Lease Commitments

	Group		Bank	
	2015 \$M	2014 \$M	2015 \$M	2014 \$M
Lease Commitments - Property, Plant and Equipment				
Due within one year	573	561	521	509
Due after one year but not later than five years	1,570	1,453	1,398	1,300
Due after five years	881	994	659	753
Total lease commitments - property, plant and equipment	3,024	3,008	2,578	2,562

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 \$114 million as at 30 June 2015 (2014: \$127 million).

Note 30 Contingent Liabilities, Contingent Assets and Commitments

Details of contingent liabilities and off Balance Sheet business are presented below. The face (contract) value represents the maximum potential amount that could be lost if the counterparty fails to meet its financial obligations. The credit commitments shown in the table below also constitute contingent assets. These commitments would be classified as loans and other assets in the Balance Sheet on the occurrence of the contingent event.

	Face Value		Group Credit Equivalent	
	2015	2014	2015	2014
	\$M	\$M	\$M	\$M
Credit risk related instruments				
Guarantees ⁽¹⁾	6,181	6,121	6,181	6,121
Documentary letters of credit ⁽²⁾	1,764	4,729	1,621	4,546
Performance related contingents ⁽³⁾	2,007	1,585	1,881	1,409
Commitments to provide credit ⁽⁴⁾	165,511	151,135	157,387	143,270
Other commitments ⁽⁵⁾	2,113	2,362	1,852	1,901
Total credit risk related instruments	177,576	165,932	168,922	157,247

	Face Value		Bank Credit Equivalent	
	2015	2014	2015	2014
	\$M	\$M	\$M	\$M
Credit risk related instruments				
Guarantees ⁽¹⁾	5,778	5,724	5,778	5,724
Documentary letters of credit ⁽²⁾	1,704	4,637	1,573	4,499
Performance related contingents ⁽³⁾	2,007	1,585	1,881	1,409
Commitments to provide credit ⁽⁴⁾	152,772	140,209	145,935	133,469
Other commitments ⁽⁵⁾	1,468	1,228	1,438	1,189
Total credit risk related instruments	163,729	153,383	156,605	146,290

- (1) Guarantees are unconditional undertakings given to support the obligations of a customer to third parties.
- (2) Documentary letters of credit are undertakings by the Group and Bank to pay or accept drafts drawn by a supplier of goods against presentation of documents in the event of payment default by a customer.
- (3) Performance related contingents are undertakings that oblige the Group and Bank to pay third parties should a customer fail to fulfil a contractual non-monetary obligation.
- (4) Commitments to provide credit include all obligations on the part of the Group and Bank to provide credit facilities. As facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.
- (5) Other commitments include underwriting facilities, commitments with certain drawdowns, standby letters of credit and bill endorsements.

Contingent Credit Liabilities

The Group and Bank is party to a range of financial instruments that give rise to contingent and/or future liabilities. These transactions are a consequence of the Group's normal course of business to meet the financing needs of its customers and in managing its own risk. These financial instruments include guarantees, letters of credit, bill endorsements and other commitments to provide credit.

These transactions combine varying levels of credit, interest rate, foreign exchange and liquidity risk. In accordance with Bank policy, exposures to any of these transactions (net of collateral) are not carried at a level that would have a material adverse effect on the financial condition of the Bank and its controlled entities.

Commitments to provide credit include both fixed and variable facilities. Fixed rate or fixed spread commitments extended to customers that allow net settlement of the change in the value of the commitment are written options and are recorded at fair value. Other commitments include the Group's and Bank's obligations under sale and repurchase agreements, outright forward purchases, forward deposits and underwriting facilities. Other commitments also include obligations not otherwise disclosed above to extend credit, which are irrevocable because they cannot be withdrawn at the discretion of the Group or Bank without the risk of incurring significant penalty or expense. In addition, commitments to purchase or sell loans are included in other commitments.

These transactions are categorised and credit equivalents calculated under APRA guidelines for the risk-based measurement of capital adequacy. The credit equivalent amounts are a measure of potential loss to the Group in the event of non-performance by the counterparty.

Under the Basel III advanced internal ratings based approach for credit risk, the credit equivalent amount is the face value of the transaction, on the basis that at default the exposure is the amount fully advanced. Only when approved by APRA may an exposure less than that fully-advanced amount be used as the credit equivalent exposure amount.

Note 30 Contingent Liabilities, Contingent Assets and Commitments (continued)

Contingent Credit Liabilities

As the potential loss depends on counterparty performance, the Group utilises the same credit policies in making commitments and conditional obligations as it does for on-Balance Sheet instruments. The Group and Bank takes collateral where it is considered necessary to support off Balance Sheet financial instruments with credit risk. If an event has occurred that gives rise to a present obligation and it is probable a loss will eventuate, then provisions are raised.

Failure to Settle Risk

The Group is subject to a credit risk exposure in the event that another financial institution fails to settle for its payments clearing activities, in accordance with the regulations and procedures of the following clearing systems of the Australian Payments Clearing Association Limited: The Australian Paper Clearing System, The Bulk Electronic Clearing System, The Consumer Electronic Clearing System and the High Value Clearing System (only if operating in "fallback mode"). This credit risk exposure is unquantifiable in advance, but is well understood, and is extinguished upon settlement following each exchange during the business day or at 9am next business day.

Litigation related Contingent Liabilities

The Group is not engaged in any litigation or claim which is likely to have a materially adverse effect on the business, financial condition or operating results of the Group. For all litigation exposure where some loss is probable and can be reliably estimated an appropriate provision has been made. Litigation related contingent liabilities at 30 June 2015 included:

Storm Financial

Class action proceedings were commenced in the Federal Court against the Group in relation to Storm Financial on 1 July 2010. The hearing of the proceedings concluded in November 2013 and judgement was reserved.

The parties exchanged a Deed of Settlement in an attempt to resolve the class action on 27 February 2015, and the Federal Court approved the proposed settlement on 7 July 2015. Any appeals of the Court's decision must be filed by 18 August 2015.

Pursuant to the Deed of Settlement, the Group has committed to make an amount of approximately \$34 million (inclusive of compensation and legal costs) available under the settlement. The Group holds adequate provisions to cover this.

Exception Fee Class Actions

In May 2011, Maurice Blackburn announced that it intended to sue various Australian banks with respect to exception fees. Proceedings were issued against Commonwealth Bank of Australia in December 2011 and against Bankwest in April 2012. Neither claim has been progressed and both have been stayed since issue, and currently until December 2015, pending the outcome of similar proceedings against another bank where an appeal process to the High Court has been commenced. The Group denies the claims and the financial impact, if any, is not anticipated to have a material impact on the Group.

Other Contingent Liabilities

Fiduciary Activities

The Group conducts investment management and other fiduciary activities as responsible entity, trustee, custodian, adviser or manager for investment funds and trusts, including superannuation and approved deposit funds, wholesale and retail trusts. These funds and trusts are not consolidated as the Group does not have direct or indirect control. Where the Group incurs liabilities in respect of these activities, and the primary obligation is incurred in an agency capacity, for the fund or trust rather than on its own account, a right of indemnity exists against the assets of the applicable fund or trust. As these assets are sufficient to cover the liabilities and it is therefore not probable that the Group will be required to settle the liabilities, the liabilities are not included in the financial statements.

Services Agreements

The maximum contingent liability for termination benefits in respect of service agreements with the Chief Executive Officer and other Group Key Management Personnel at 30 June 2015 was \$4.9 million (2014: \$4.9 million).

Note 31 Risk Management

Risk Management Framework

Managing financial risks, especially credit risk, and non-financial risks is a fundamental part of the Group's business activities.

The Group has an integrated Risk Management Framework in place to manage risks (including identifying, measuring, assessing, reporting and mitigating risks) and risk-adjusted returns on a consistent and reliable basis.

The Framework incorporates the requirements of APRA's prudential standard for risk management (CPS 220), and is structured around the interaction and integration of its key documentary components:

- The Group's Risk Appetite Statement (RAS) articulates the type and degree of risk the Board is prepared to tolerate.
- The Group's business plan summarises the Group's strategy, including the strategic growth opportunities and capabilities supporting their achievement, and the risks to the strategy. Consideration of risk is an integral part of the Group's strategic planning process both at a Group level and in supporting Business Unit (BU) and Line of Business (LoB) strategic plans.
- The Group's Risk Management Strategy (RMS) is guided by the business plan and RAS, and documents the Group's approach to risk management for each of its material risks and the way that this is operationalised through governance, policy, reporting and infrastructure.

This framework requires each business to plan and manage the outcome of its risk-taking activities. This is supported by an internal risk-adjusted-performance measurement approach that allows for "the costs of risk" and on which results are assessed and incentives are based.

The framework requires that each business:

- proactively manages its risk profile within risk appetite levels;
- uses risk-adjusted outcomes and considerations as part of day-to-day business decision-making processes; and
- establishes and maintains appropriate risk controls.

Risk Governance

Risk Management governance originates at Board level, and cascades through the Group via policies, delegated authorities and committee structures. The Board and its Risk Committee operate under the direction of their respective charters.

The Board sets the foundation for risk management via its articulated RAS. It is also responsible for overseeing the establishment of systems of risk management by approving management's RMS document and the key frameworks and policy components.

The Risk Committee oversees the Group's Risk Management Framework and helps formulate the Group's risk appetite for consideration by the Board. It reviews regular reports from management on the measurement of risk and the adequacy and effectiveness of the Group's risk management and internal controls systems.

The Risk Committee also monitors the health of the Group's risk culture, and reports any significant issues to the Board.

Tax and accounting risks are governed by the Audit Committee.

Risk Infrastructure

Risk management infrastructure incorporates people, processes and systems. A fundamental aspect of this is the internal approach for risk management accountability which is structured according to a "Three Lines of Defence" model:

- Line 1 – Business Management is responsible for managing the risks for its business.
- Line 2 – Risk Management teams provide independent expertise and oversight for Business Management risk-taking activities.
- Line 3 – Group Audit and Assurance provides independent assurance regarding the adequacy and effectiveness of the Group's system of internal controls, risk management procedures and governance processes.

Notes to the Financial Statements

Note 31 Risk Management (continued)

Material Risks

There are a number of material risk types that could adversely affect the achievement of the Group's strategic or financial performance objectives:

Risk Type	Description	Governing Policies and Key Management Forums	Key Limits and Approaches
Credit Risk (refer to Note 32)	<p>Credit risk is the potential of loss arising from failure of a debtor or counterparty to meet their contractual obligations.</p> <p>It arises primarily from lending activities, the provision of guarantees (including letters of credit), commitments to lend, investments in bonds and notes, financial market transactions, providers of credit enhancements (such as credit default swaps and lenders mortgage insurance), securitisations and other associated activities. In the insurance business, credit risk arises from investment in bonds and notes, loans, and reliance on reinsurance.</p> <p>At a portfolio level, credit risk includes concentration risk arising from interdependencies among counterparties and concentration of exposure to countries, geographical regions, industry sectors and products.</p>	<ul style="list-style-type: none"> The Group Credit Risk Framework and Policies, (including: Aggregation Policy, Portfolio Standards, Product Standards, Large Credit Exposure Policy; Country Risk Exposure Policy; and Industry Sector Concentration Policy) Key Forum: Executive Risk Committee 	<ul style="list-style-type: none"> Exposures to a single or groups of related counterparties (differentiated by counterparty type including individual, commercial, bank and government client groups; Probability of Default (PD) rating; security cover; and facility maturity); Industry limits in terms of exposure and risk adjusted concentration; Country exposure limits to control transfer/cross-border and sovereign default risks; and Exposures to consumer credit products managed within credit quality boundaries in BU RAS. <p>The measurement of credit risk is based on an internal credit risk-rating system, which uses judgements on individuals or management, supported by analytical tools (including scorecards) to estimate expected and unexpected loss within the credit portfolio.</p>
Market Risk (including Equity Risk) (refer to Note 33)	<p>Market risk is the potential of an adverse impact on the Group's earnings or capital from changes in interest rates, foreign exchange rates, equity and commodity prices, credit spreads, the resale value of assets underlying operating leases at maturity and economic drivers of the Commonwealth Bank Group Super Fund.</p> <p>The Group distinguishes between two main types of market risk:</p> <ul style="list-style-type: none"> Traded market risk principally arises from the Group's trading book activities within the Institutional Banking and Markets business and its subsidiary financial institutions. Non-traded market risk includes interest rate risk arising from the banking book (IRRBB), non-traded equity risk, market risk arising from the insurance business, structural foreign exchange risk and lease residual value risk. 	<ul style="list-style-type: none"> The Group Market Risk Framework (including the Group Market Risk Policy and Trading Book Policy Statement) Key Forum: Asset and Liability Committee 	<ul style="list-style-type: none"> Traded market risk (VaR and stress testing limits); IRRBB (Market Value Sensitivity and Net Interest Earnings at Risk limits); Lease residual value risk limits; Market risk in insurance business (VaR limits); Non-traded equity limits; and Super fund surplus and risk management reviews.
Liquidity and Funding Risk (refer to Note 34)	<p>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).</p>	<ul style="list-style-type: none"> Group Liquidity Risk Management Policy and Strategy Key Forum: Asset and Liability Committee 	<ul style="list-style-type: none"> The Liquidity Coverage Ratio (LCR), which requires liquid assets exceed modelled 30 day stress outflows; Additional market and idiosyncratic stress test scenarios; and Limits that set tolerances for the sources and tenor of funding.

Note 31 Risk Management (continued)

Material Risks (continued)

Risk Type	Description	Governing Policies and Key Management Forums	Key Limits and Approaches
Operational Risk	Operational risk is risk of economic loss arising from inadequate or failed internal processes, people, systems or from external events.	<ul style="list-style-type: none"> ▪ Operational Risk Management Framework (ORMF) ▪ Key Forum: Executive Committee 	<ul style="list-style-type: none"> ▪ Investigation and reporting of loss and near miss incidents; ▪ Comprehensive risk assessment and control assurance processes; ▪ Quantitative Risk Assessment Framework, ORMF and Capital modelling; ▪ Support from skilled risk professionals embedded across the Group; and ▪ Single integrated operational risk and compliance system (RiskinSite) in use to enable consistent application of the ORMF/CRMF across the Group, transparency and reporting of risk management activities for business management and monitoring, and review activities.
Compliance Risk	Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that the Group may suffer as a result of its failure to comply with requirements of relevant laws, regulatory bodies, industry standards and codes.	<ul style="list-style-type: none"> ▪ Compliance Risk Management Framework (CRMF) ▪ Key Forum: Executive Committee 	<ul style="list-style-type: none"> ▪ A structured hierarchy of committees and forums across the Group, each with specified accountabilities, primarily undertaken at the BU level; ▪ Maintaining pro-active relationships with our regulators at all times; ▪ Establishing appropriate policies, processes and procedures; ▪ Undertaking robust and well-informed advocacy and lobbying activities including participation in 'quantitative impact studies' for regulators; and ▪ Employing appropriate management, monitoring and reporting of compliance activities.
Insurance Risk	<p>Insurance risk is the risk of loss due to increases in claim payments arising from variations in the incidence or severity of insured events.</p> <p>In the life insurance business this arises primarily through mortality (death) or morbidity (illness or injury) claims being greater than expected.</p> <p>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.</p>	<ul style="list-style-type: none"> ▪ Risk Management Frameworks (including RMS and RAS, and underwriting and claims standards) of insurance writing businesses ▪ Key Forum: Executive Committees of insurance writing businesses 	<p>The management of insurance risk is an integral part of the operation of the Group's insurance businesses. It is applied on an end-to-end basis, from underwriting to policy termination or claim payment.</p> <p>The major methods of mitigating insurance risk are:</p> <ul style="list-style-type: none"> ▪ Sound product design and pricing, to ensure that customers understand the extent of their cover and that premiums are sufficient to cover the risk involved; ▪ Underwriting new customers to ensure that the cover provided and the premium rates quoted are appropriate for the level of risk accepted; ▪ Regular review of insurance experience, so that product design, policy liabilities and pricing remain sound; ▪ Claims management to ensure that claims are paid within the agreed policy terms and that these 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.

Notes to the Financial Statements

Note 31 Risk Management (continued)

Material Risks (continued)

Risk Type	Description	Governing Policies and Key Management Forums	Key Limits and Approaches
Strategic Business Risk	Strategic business risk is defined as the risk of economic loss resulting from changes in the business environment caused by macroeconomic conditions, competitive forces at work, technology, regulatory or social trends.	<ul style="list-style-type: none"> ▪ Group RMS ▪ Key Forum: Executive Committee 	<p>Elements of other risk type policies and processes in addition to management controls including strategic planning and implementation, and financial management. The Board accepts or amends the Group's overall strategy and each key BU's strategic plans. They do so as they simultaneously consider:</p> <ul style="list-style-type: none"> ▪ Development and consideration by the Board of the most significant risks (current and emerging); and ▪ BU's RASs, which include references to key risk limits, and changes to the risk profile arising from adopting the strategy.
Reputational Risk	Reputational risk arises from negative perception on the part of customers, counterparties, shareholders, investors, debt holders, market analysts, regulators and other relevant parties of the Group. In many, but not all respects, adverse reputational risk outcomes flow from the failure to manage other types of risk.	<ul style="list-style-type: none"> ▪ Cultural Framework and Statement of Professional Practice ▪ Sustainability Framework ▪ Key Forum: Executive Committee 	<ul style="list-style-type: none"> ▪ Risk culture and behavioural standards are set out in the Group's RAS and various other codes of conduct and related standards; ▪ Reinforcing Group-wide requirements on leadership values that support the Group's vision to excel at securing and enhancing the financial wellbeing of people, businesses and communities; and ▪ Elements of other risk type policies and processes in addition to: <ul style="list-style-type: none"> – Crisis management testing of leadership team; – Support from skilled risk professionals embedded across the Group; – Sustainability framework which supports the Group in managing its Environmental, Social and Governance (ESG) risks.

Note 32 Credit Risk

Credit Risk Management Principles and Portfolio Standards

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

The principles and portfolio standards are designed to achieve portfolio outcomes that are consistent with the Group's risk appetite and risk/return expectations.

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

The credit risk portfolio has two major segments:

(i) Retail Managed Segment

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

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

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

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

(ii) Risk-Rated Segment

This segment comprises commercial exposures, including bank and government exposures. Each exposure is assigned an internal Credit Risk-Rating (CRR) based on Probability of Default (PD) and Loss Given Default (LGD).

For credit risk rated exposures either a PD Rating Tool or expert judgement is used to determine the PD. Expert judgement is used where the complexity of the transaction and/or the debtor is such that it is inappropriate to rely completely on a statistical model. External ratings may be used as inputs into the expert judgement assessment.

The CRR is designed to:

- Aid in assessing changes to the client quality of the Group's credit portfolio;
- Influence decisions on approval, management and pricing of individual credit facilities; and
- Provide the basis for reporting details of the Group's credit portfolio.

Credit risk-rated exposures are generally reviewed on an individual basis, at least annually, although small transactions may be managed on a behavioural basis after their initial

rating at origination. Credit risk-rated exposures fall within the following categories:

- "Pass" – these credit facilities qualify for approval of new or increased exposure on normal commercial terms; and
- "Troublesome or Impaired Assets (TIAs)" – these credit facilities are not eligible for new or increased exposure, unless it will protect or improve the Group's position by maximising recovery prospects or to facilitate rehabilitation. Where a client is in default but the facility is well secured, the facility may be classed as troublesome but not impaired. Where a client's facility is not well secured and a loss is expected, the facility is classed as impaired. Restructured facilities, where the original contractual arrangements have been modified to provide concessions for the customer's financial difficulties, are rendered non-commercial to the Group and considered impaired.

Default is usually consistent with one or more of the following:

- The customer is 90 days or more overdue on a scheduled credit obligation repayment; or
- The customer is unlikely to repay their credit obligation to the Group in full without taking action, such as realising on available security.

Credit Risk Measurement

The measurement of credit risk uses analytical tools to calculate both: (i) Expected, and (ii) Unexpected Loss probabilities for the credit portfolio. The use of analytical tools is governed by a Credit Rating Governance Committee.

(i) Expected Loss

Expected Loss (EL) is the product of:

- PD;
- Exposure at Default (EAD); and
- LGD.

The PD, expressed as a percentage, is the estimate of the probability that a client will default within the next 12 months. It reflects a client's ability to generate sufficient cash flows into the future to meet the terms of all their credit obligations with the Group.

The dollar amount of EAD is the estimate of the amount of a facility that will be outstanding in the event of default. Estimates are based on downturn economic conditions.

EAD for committed facilities is measured as a dollar amount based on the drawn and undrawn components 12 months prior to default. It comprises the drawn balance plus an undrawn amount that is expected to convert to drawn in the period leading up to default. For most committed facilities, the Group applies a credit conversion factor of 100% to the undrawn amount.

For uncommitted facilities the EAD will generally be the drawn balance only. For retail exposures, a modelling approach based on limit usage, arrears and loan type is used to segment accounts into homogeneous pools for the calculation.

LGD expressed as a percentage, is the estimated proportion of a facility likely to be lost in the event of default. LGD is impacted by:

- Type and level of any collateral held;
- Liquidity and volatility of collateral;
- Carrying costs (effectively the costs of providing a facility that is not generating an interest return); and
- Realisation costs.

Note 32 Credit Risk (continued)

Credit Risk Measurement (continued)

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.

(ii) Unexpected Loss

In addition to EL, a more stressed loss amount is calculated. This Unexpected Loss estimate directly affects the calculation of regulatory and internal economic capital requirements. Refer to the Group Operations and Business Settings section and Note 25 for information relating to regulatory capital.

Credit Risk Mitigation, Collateral and Other Credit Enhancements

The Group has policies and procedures in place setting out the circumstances where acceptable and appropriate collateral is to be taken to mitigate credit risk, including valuation parameters, review frequency and independence of valuation.

The general nature and amount of collateral that may be taken by financial asset classes are summarised below.

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 100% 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 \$16,028 million (2014: \$15,815 million) deposited with central banks and 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 to relatively low risk banks (Rated A+, AA- or better).

Trading Assets at Fair Value through Income Statement and Available-for-Sale (AFS) Investments

These assets are carried at fair value, which accounts for the credit risk. Collateral is not generally sought from the issuer or counterparty. Credit derivatives have been used to a limited extent to mitigate the exposure to credit risk.

Insurance Assets

These assets are carried at fair value, which accounts for the credit risk. Collateral is not generally sought or provided on these types of assets, other than a fixed charge over properties backing Australian mortgage investments.

In most cases the credit risk of insurance assets is borne by policyholders. However, on certain insurance contracts the Group retains exposure to credit risk.

Other Assets at Fair Value through Income Statement

These assets are carried at fair value, which accounts for the credit risk. Credit derivatives used to mitigate the exposure to credit risk are not significant.

Derivative Assets

The Group's use of derivative contracts is outlined in Note 10. The Group is exposed to credit risk on derivative contracts, which arises as a result of counterparty credit risk. The Group's exposure to counterparty credit risk is affected by the nature of the trades, the creditworthiness of the counterparty, netting, and collateral arrangements.

Credit risk from derivatives is mitigated where possible (typically for financial markets counterparties, but less frequently for corporate or government counterparties) through netting agreements, whereby derivative assets and liabilities with the same counterparty can be offset and clearing of trades with Central Counterparties (CCPs). Group policy requires all netting arrangements to be legally documented. The International Swaps and Derivatives Association (ISDA) Master Agreement (or other derivative contracts) are used by the Group as an agreement for documenting Over-the-Counter (OTC) derivatives.

Collateral is obtained against derivative assets, depending on the creditworthiness of the counterparty and/or nature of the transaction. The fair value of collateral held and the potential effect of offset obtained by applying master netting agreements are disclosed in Note 43.

Due from Controlled Entities

Collateral is not generally taken on these intergroup balances.

Credit Commitments and Contingent Liabilities

The Group applies fundamentally the same risk management policies for off Balance Sheet risks as it does for its on Balance Sheet risks. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction. Of the Group's off Balance Sheet exposures, \$93,047 million (2014: \$85,613 million) are secured.

Loans, Bills Discounted and Other Receivables

The principal collateral types for loans and receivable balances are:

- Mortgages over residential and commercial real estate;
- Charges over business assets such as cash, scrips, inventory, fixed assets and accounts receivables; and
- Guarantees received from third parties.

Collateral security, in the form of real estate or a charge over income or assets, is generally taken except for government, bank and corporate counterparties that are often externally risk-rated and of strong financial standing. Longer term consumer finance, such as housing loans, is generally secured against real estate, while short term revolving consumer credit is generally not secured by formal collateral.

Specifically, the collateral mitigating credit risk of the key lending portfolios is addressed in the table notes in the collateral held against Loans, bills discounted and other receivables section of this note.

Notes to the Financial Statements

Note 32 Credit Risk (continued)

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements

The tables below detail the concentration of credit exposure assets by significant geographical locations and counterparty types. Disclosures do not take into account collateral held and other credit enhancements.

	Group									
	At 30 June 2015									
	Sovereign	Agri- culture	Bank and Other Financial	Home Loans	Constr- uction	Other Personal	Asset Financ- ing	Other Comm and Indust.	Other	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Australia										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	-	-	15,939	-	-	-	-	-	-	15,939
Receivables due from other financial institutions	-	-	3,284	-	-	-	-	-	-	3,284
Assets at fair value through Income Statement:										
Trading	10,477	-	2,087	-	-	-	-	10,267	-	22,831
Insurance	696	-	7,269	-	-	-	-	3,885	-	11,850
Other	95	-	470	-	-	-	-	615	-	1,180
Derivative assets	1,282	115	29,319	-	48	-	-	6,898	-	37,662
Available-for-sale investments	34,795	-	28,510	-	-	-	-	1,040	-	64,345
Loans, bills discounted and other receivables ⁽¹⁾	5,521	6,258	15,157	383,174	2,722	22,313	8,356	117,557	-	561,058
Bank acceptances	2	1,299	61	-	353	-	-	-	-	1,715
Other assets ⁽²⁾	786	37	6,312	608	70	51	4	959	12,838	21,665
Total on Balance Sheet Australia	53,654	7,709	108,408	383,782	3,193	22,364	8,360	141,221	12,838	741,529
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	109	14	149	45	679	7	-	4,759	-	5,762
Loan commitments	577	1,595	3,845	66,437	3,253	22,605	-	40,482	-	138,794
Other commitments	50	13	1,727	24	874	2	164	2,263	-	5,117
Total Australia	54,390	9,331	114,129	450,288	7,999	44,978	8,524	188,725	12,838	891,202
Overseas										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	-	-	17,177	-	-	-	-	-	-	17,177
Receivables due from other financial institutions	-	-	8,256	-	-	-	-	-	-	8,256
Assets at fair value through Income Statement:										
Trading	1,010	-	1,358	-	-	-	-	1,225	-	3,593
Insurance	-	-	2,238	-	-	-	-	-	-	2,238
Other	-	-	98	-	-	-	-	-	-	98
Derivative assets	710	24	5,848	-	-	-	-	1,910	-	8,492
Available-for-sale investments	7,092	-	3,133	-	-	-	-	114	-	10,339
Loans, bills discounted and other receivables ⁽¹⁾	12,929	7,990	7,572	39,677	407	1,128	558	12,909	-	83,170
Bank acceptances	-	-	-	-	-	-	-	229	-	229
Other assets ⁽²⁾	45	-	1,409	1	1	19	54	77	1,685	3,291
Total on Balance Sheet overseas	21,786	8,014	47,089	39,678	408	1,147	612	16,464	1,685	136,883
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	1	3	60	-	69	-	-	286	-	419
Loan commitments	512	989	1,401	5,887	154	1,711	3	16,060	-	26,717
Other commitments	71	-	-	-	5	-	-	691	-	767
Total overseas	22,370	9,006	48,550	45,565	636	2,858	615	33,501	1,685	164,786
Total gross credit risk	76,760	18,337	162,679	495,853	8,635	47,836	9,139	222,226	14,523	1,055,988

(1) Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income on lease receivables in line with Note 12.

(2) For the purpose of reconciling to the Balance Sheet, "Other assets" predominantly comprises assets which do not give rise to credit exposure, including Property, plant and equipment, Investment in Associates and Joint Ventures, Intangible assets, Deferred tax assets and Other assets.

Notes to the Financial Statements

Note 32 Credit Risk (continued)

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements (continued)

	Group									
	At 30 June 2014									
	Sovereign	Agri- culture	Bank & Other Financial	Home Loans	Constr- uction	Other Personal	Asset Financ- ing	Other Comm & Indust.	Other	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Australia										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	-	-	8,249	-	-	-	-	-	-	8,249
Receivables due from other financial institutions	-	-	3,707	-	-	-	-	-	-	3,707
Assets at fair value through Income Statement:										
Trading	9,026	-	1,517	-	-	-	-	7,049	-	17,592
Insurance	767	-	7,425	-	-	-	-	4,816	-	13,008
Other	54	-	372	-	-	-	-	-	-	426
Derivative assets	414	48	21,989	-	19	-	-	3,268	-	25,738
Available-for-sale investments	32,097	-	24,795	-	-	-	-	947	-	57,839
Loans, bills discounted and other receivables ⁽¹⁾	5,920	5,864	10,179	360,218	2,679	23,047	8,078	110,453	-	526,438
Bank acceptances	2	2,226	128	-	536	-	-	2,092	-	4,984
Other assets ⁽²⁾	77	16	4,794	642	7	76	9	393	12,868	18,882
Total on Balance Sheet Australia	48,357	8,154	83,155	360,860	3,241	23,123	8,087	129,018	12,868	676,863
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	103	26	214	-	806	-	-	4,555	-	5,704
Loan commitments	808	1,701	2,577	64,904	1,832	21,551	7	36,316	-	129,696
Other commitments	57	20	4,634	-	490	-	147	2,056	-	7,404
Total Australia	49,325	9,901	90,580	425,764	6,369	44,674	8,241	171,945	12,868	819,667
Overseas										
Credit risk exposures relating to on Balance Sheet assets:										
Cash and liquid assets	-	-	18,160	-	-	-	-	-	-	18,160
Receivables due from other financial institutions	-	-	4,358	-	-	-	-	-	-	4,358
Assets at fair value through Income Statement:										
Trading	1,426	-	571	-	-	-	-	1,870	-	3,867
Insurance	-	-	2,134	-	-	-	-	-	-	2,134
Other	138	-	196	-	-	-	-	-	-	334
Derivative assets	181	10	2,589	-	-	-	-	729	-	3,509
Available-for-sale investments	5,703	-	2,594	-	-	-	-	1	-	8,298
Loans, bills discounted and other receivables ⁽¹⁾	12,309	7,389	5,486	39,467	378	1,085	327	10,221	-	76,662
Bank acceptances	-	11	-	-	-	-	-	32	-	43
Other assets ⁽²⁾	35	-	761	1	1	4	49	43	1,648	2,542
Total on Balance Sheet overseas	19,792	7,410	36,849	39,468	379	1,089	376	12,896	1,648	119,907
Credit risk exposures relating to off Balance Sheet assets:										
Guarantees	1	3	50	-	82	-	-	281	-	417
Loan commitments	491	547	722	5,598	543	1,689	-	11,849	-	21,439
Other commitments	73	-	-	-	6	-	-	1,193	-	1,272
Total overseas	20,357	7,960	37,621	45,066	1,010	2,778	376	26,219	1,648	143,035
Total gross credit risk	69,682	17,861	128,201	470,830	7,379	47,452	8,617	198,164	14,516	962,702

(1) Loans, bills discounted and other receivables is presented gross of provisions for impairment and unearned income on lease receivables in line with Note 12.

(2) For the purpose of reconciling to the Balance Sheet, "Other assets" predominantly comprises assets which do not give rise to credit exposure, including Property, plant and equipment, Investment in Associates and Joint Ventures, Intangible assets, Deferred tax assets and Other assets.

Note 32 Credit Risk (continued)

Large Exposures

Concentrations of exposure to any debtor or counterparty group are controlled by a large credit exposure policy, which defines a graduated limit framework that restricts credit limits based on the internally assessed risk of the client, the type of client and the security cover and facility tenor. All exposures outside the policy limits require approval by the Executive Risk Committee and are reported to the Risk Committee.

The following table shows the aggregated number of the Group's Corporate and Industrial 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	
	2015	2014
	Number	Number
5% to less than 10% of the Group's capital resources	2	2
10% to less than 15% of the Group's capital resources	-	-

The Group has a high quality, well diversified credit portfolio, with 59% of the gross loans and other receivables in domestic mortgage loans and a further 6% in overseas mortgage loans, primarily in New Zealand. Overseas loans account for 13% 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 any payment under the contractual terms has been missed. The amount included as past due is the entire contractual balance, rather than the overdue portion.

The split in the tables below does not reflect the basis by which the Group manages credit risk.

						Group	
						2015	
	Neither Past Due nor Impaired	Past due but not Impaired	Impaired Assets	Total Provisions for Impairment		Net	
	\$M	\$M	\$M	Gross \$M	Losses \$M	\$M	
Cash and liquid assets	33,116	-	-	33,116	-	33,116	
Receivables due from other financial institutions	11,540	-	-	11,540	-	11,540	
Assets at fair value through Income Statement:							
Trading	26,424	-	-	26,424	-	26,424	
Insurance	14,088	-	-	14,088	-	14,088	
Other	1,278	-	-	1,278	-	1,278	
Derivative assets	46,154	-	-	46,154	-	46,154	
Available-for-sale investments	74,684	-	-	74,684	-	74,684	
Loans, bills discounted and other receivables:							
Australia	545,448	13,402	2,208	561,058	(3,322)	557,736	
Overseas	80,290	2,396	484	83,170	(296)	82,874	
Bank acceptances	1,944	-	-	1,944	-	1,944	
Credit related commitments	177,413	-	163	177,576	(31)	177,545	
Total	1,012,379	15,798	2,855	1,031,032	(3,649)	1,027,383	

Notes to the Financial Statements

Note 32 Credit Risk (continued)

Distribution of Financial Instruments by Credit Quality (continued)

						Group 2014
	Neither Past Due nor Impaired \$M	Past Due but not Impaired \$M	Impaired Assets \$M	Total Provisions for Impairment		Net \$M
				Gross \$M	Losses \$M	
Cash and liquid assets	26,409	-	-	26,409	-	26,409
Receivables due from other financial institutions	8,065	-	-	8,065	-	8,065
Assets at fair value through Income Statement:						
Trading	21,459	-	-	21,459	-	21,459
Insurance	15,142	-	-	15,142	-	15,142
Other	760	-	-	760	-	760
Derivative assets	29,213	-	34	29,247	-	29,247
Available-for-sale investments	66,137	-	-	66,137	-	66,137
Loans, bills discounted and other receivables:						
Australia	511,154	12,665	2,619	526,438	(3,599)	522,839
Overseas	73,188	2,923	551	76,662	(267)	76,395
Bank acceptances	5,027	-	-	5,027	-	5,027
Credit related commitments	165,769	-	163	165,932	(40)	165,892
Total	922,323	15,588	3,367	941,278	(3,906)	937,372

						Bank 2015
	Neither Past Due nor Impaired \$M	Past Due but not Impaired \$M	Impaired Assets \$M	Total Provisions for Impairment		Net \$M
				Gross \$M	Losses \$M	
Cash and liquid assets	31,683	-	-	31,683	-	31,683
Receivables due from other financial institutions	9,720	-	-	9,720	-	9,720
Assets at fair value through Income Statement:						
Trading	25,135	-	-	25,135	-	25,135
Insurance	-	-	-	-	-	-
Other	989	-	-	989	-	989
Derivative assets	45,607	-	-	45,607	-	45,607
Available-for-sale investments	72,304	-	-	72,304	-	72,304
Loans, bills discounted and other receivables:						
Australia	540,264	13,392	2,170	555,826	(3,298)	552,528
Overseas	21,876	11	148	22,035	(56)	21,979
Bank acceptances	1,908	-	-	1,908	-	1,908
Shares in and loans to controlled entities	143,756	-	-	143,756	-	143,756
Credit related commitments	163,571	-	158	163,729	(31)	163,698
Total	1,056,813	13,403	2,476	1,072,692	(3,385)	1,069,307

Notes to the Financial Statements

						Bank 2014
	Neither Past Due nor Impaired \$M	Past Due but not Impaired \$M	Impaired Assets \$M	Total Provisions for Impairment		Net \$M
				Gross \$M	Losses \$M	
Cash and liquid assets	24,108	-	-	24,108	-	24,108
Receivables due from other financial institutions	7,457	-	-	7,457	-	7,457
Assets at fair value through Income Statement:						
Trading	20,572	-	-	20,572	-	20,572
Insurance	-	-	-	-	-	-
Other	561	-	-	561	-	561
Derivative assets	29,582	-	33	29,615	-	29,615
Available-for-sale investments	131,577	-	-	131,577	-	131,577
Loans, bills discounted and other receivables:						
Australia	507,950	12,658	2,576	523,184	(3,563)	519,621
Overseas	16,622	21	233	16,876	(71)	16,805
Bank acceptances	4,984	-	-	4,984	-	4,984
Shares in and loans to controlled entities	64,086	-	-	64,086	-	64,086
Credit related commitments	153,226	-	157	153,383	(40)	153,343
Total	960,725	12,679	2,999	976,403	(3,674)	972,729

Notes to the Financial Statements

Note 32 Credit Risk (continued)

Credit Quality of Loans, Bills Discounted and Other Financial Assets which were Neither Past Due nor Impaired

For the analysis below, financial assets that are neither past due nor impaired have been segmented into investment, pass and weak classifications. This segmentation of loans in retail and risk-rated portfolios is based on the mapping of a customer's internally assessed PD to Standard and Poor's ratings, reflecting a client's ability to meet their credit obligations. In particular, retail PD pools have been aligned to the Group's PD grades which are consistent with rating agency views of credit quality segmentation. Investment grade is representative of lower assessed default probabilities with other classifications reflecting progressively higher default risk. No consideration is given to LGD, the impact of any recoveries or the potential benefit of mortgage insurance.

Segmentation of financial assets other than loans is based on external credit ratings of the counterparties and issuers of financial instruments held by the Group and the Bank.

					Group 2015
	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	Total
Credit grading	\$M	\$M	\$M	\$M	\$M
Australia					
Investment	254,704	4,247	674	93,362	352,987
Pass	107,520	13,046	7,260	50,068	177,894
Weak	9,625	3,722	201	1,019	14,567
Total Australia	371,849	21,015	8,135	144,449	545,448
Overseas ⁽¹⁾					
Investment	9,501	-	273	28,327	38,101
Pass	28,011	836	243	12,643	41,733
Weak	337	-	-	119	456
Total overseas	37,849	836	516	41,089	80,290
Total loans which were neither past due nor impaired	409,698	21,851	8,651	185,538	625,738

					Group 2014
	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	Total
Credit grading	\$M	\$M	\$M	\$M	\$M
Australia					
Investment	236,487	4,367	597	86,674	328,125
Pass	104,144	13,647	7,060	43,557	168,408
Weak	9,110	3,845	218	1,448	14,621
Total Australia	349,741	21,859	7,875	131,679	511,154
Overseas ⁽¹⁾					
Investment	11,819	-	12	23,802	35,633
Pass	24,979	738	300	11,146	37,163
Weak	264	-	1	127	392
Total overseas	37,062	738	313	35,075	73,188
Total loans which were neither past due nor impaired	386,803	22,597	8,188	166,754	584,342

(1) For New Zealand Housing Loans, PDs reflect Reserve Bank of New Zealand requirements resulting in higher PDs on average and lower grading.

Notes to the Financial Statements

Note 32 Credit Risk (continued)

Credit Quality of Loans, Bills Discounted and Other Financial Assets which were Neither Past Due nor Impaired (continued)

					Bank 2015
	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	Total
Credit grading	\$M	\$M	\$M	\$M	\$M
Australia					
Investment	256,784	4,443	638	89,964	351,829
Pass	101,794	13,717	7,210	50,890	173,611
Weak	9,606	3,942	201	1,075	14,824
Total Australia	368,184	22,102	8,049	141,929	540,264
Overseas					
Investment	128	-	258	18,659	19,045
Pass	378	19	-	2,416	2,813
Weak	6	-	-	12	18
Total overseas	512	19	258	21,087	21,876
Total loans which were neither past due nor impaired	368,696	22,121	8,307	163,016	562,140

					Bank 2014
	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	Total
Credit grading	\$M	\$M	\$M	\$M	\$M
Australia					
Investment	236,276	4,366	549	85,772	326,963
Pass	102,495	13,647	7,010	43,277	166,429
Weak	9,103	3,845	217	1,393	14,558
Total Australia	347,874	21,858	7,776	130,442	507,950
Overseas					
Investment	158	-	1	14,645	14,804
Pass	305	13	3	1,497	1,818
Weak	-	-	-	-	-
Total overseas	463	13	4	16,142	16,622
Total loans which were neither past due nor impaired	348,337	21,871	7,780	146,584	524,572

Notes to the Financial Statements

Note 32 Credit Risk (continued)

Other Financial Assets which were Neither Past Due nor Impaired

The majority of all other financial assets of the Group and the Bank that were neither past due nor impaired as of 30 June 2015 and 30 June 2014 were of investment grade.

Age Analysis of Loans, Bills Discounted and Other Receivables that are Past Due but Not Impaired

For the purposes of this analysis an asset is considered to be past due when any payment under the contractual terms has been missed.

Past due loans are not classified as impaired if no loss to the Group is expected or if the loans are unsecured consumer loans and less than 90 days past due.

					Group 2015
	Home Loans	Other Personal ⁽¹⁾	Asset Financing	Other Commercial and Industrial	Total
	\$M	\$M	\$M	\$M	\$M
Loans which were past due but not impaired					
Australia					
Past due 1 - 29 days	6,131	691	59	878	7,759
Past due 30 - 59 days	1,835	204	43	204	2,286
Past due 60 - 89 days	839	129	27	156	1,151
Past due 90 - 179 days	956	-	1	218	1,175
Past due 180 days or more	729	8	-	294	1,031
Total Australia	10,490	1,032	130	1,750	13,402
Overseas					
Past due 1 - 29 days	1,410	218	8	324	1,960
Past due 30 - 59 days	177	32	3	12	224
Past due 60 - 89 days	71	12	1	11	95
Past due 90 - 179 days	49	12	1	21	83
Past due 180 days or more	19	5	-	10	34
Total overseas	1,726	279	13	378	2,396
Total loans which were past due but not impaired	12,216	1,311	143	2,128	15,798

					Group 2014
	Home Loans	Other Personal ⁽¹⁾	Asset Financing	Other Commercial and Industrial	Total
	\$M	\$M	\$M	\$M	\$M
Loans which were past due but not impaired					
Australia					
Past due 1 - 29 days	5,639	622	66	797	7,124
Past due 30 - 59 days	1,731	185	39	255	2,210
Past due 60 - 89 days	830	111	11	147	1,099
Past due 90 - 179 days	860	-	-	274	1,134
Past due 180 days or more	676	10	-	412	1,098
Total Australia	9,736	928	116	1,885	12,665
Overseas					
Past due 1 - 29 days	1,829	253	9	285	2,376
Past due 30 - 59 days	254	39	2	10	305
Past due 60 - 89 days	95	22	1	3	121
Past due 90 - 179 days	57	15	1	5	78
Past due 180 days or more	27	7	-	9	43
Total overseas	2,262	336	13	312	2,923
Total loans which were past due but not impaired	11,998	1,264	129	2,197	15,588

(1) Included in these balances are credit card facilities and other unsecured portfolio managed facilities up to 90 days past due. At 90 days past due, the loans are classified as impaired.

Notes to the Financial Statements

Note 32 Credit Risk (continued)

Age Analysis of Loans, Bills Discounted and Other Receivables that are Past Due but Not Impaired (continued)

					Bank 2015
	Home Loans	Other Personal ⁽¹⁾	Asset Financing	Other Commercial and Industrial	Total
Loans which were past due but not impaired	\$M	\$M	\$M	\$M	\$M
Australia					
Past due 1 - 29 days	6,126	691	59	878	7,754
Past due 30 - 59 days	1,834	204	43	204	2,285
Past due 60 - 89 days	838	129	26	156	1,149
Past due 90 - 179 days	955	-	1	218	1,174
Past due 180 days or more	728	8	-	294	1,030
Total Australia	10,481	1,032	129	1,750	13,392
Overseas					
Past due 1 - 29 days	7	-	-	1	8
Past due 30 - 59 days	-	-	-	-	-
Past due 60 - 89 days	-	-	-	-	-
Past due 90 - 179 days	1	-	-	1	2
Past due 180 days or more	-	-	-	1	1
Total overseas	8	-	-	3	11
Total loans which were past due but not impaired	10,489	1,032	129	1,753	13,403

					Bank 2014
	Home Loans	Other Personal ⁽¹⁾	Asset Financing	Other Commercial and Industrial	Total
Loans which were past due but not impaired	\$M	\$M	\$M	\$M	\$M
Australia					
Past due 1 - 29 days	5,635	622	66	797	7,120
Past due 30 - 59 days	1,729	185	39	255	2,208
Past due 60 - 89 days	829	111	10	147	1,097
Past due 90 - 179 days	860	-	-	274	1,134
Past due 180 days or more	676	10	-	413	1,099
Total Australia	9,729	928	115	1,886	12,658
Overseas					
Past due 1 - 29 days	15	-	-	3	18
Past due 30 - 59 days	1	-	-	-	1
Past due 60 - 89 days	-	-	-	-	-
Past due 90 - 179 days	1	-	-	-	1
Past due 180 days or more	1	-	-	-	1
Total overseas	18	-	-	3	21
Total loans which were past due but not impaired	9,747	928	115	1,889	12,679

(1) Included in these balances are credit card facilities and other unsecured portfolio managed facilities up to 90 days past due. At 90 days past due, the loans are classified as impaired.

Impaired Assets by Classification

Assets in credit risk rated portfolios and retail managed portfolios are assessed for objective evidence that the financial asset is impaired.

Impaired assets are split into the following categories:

- Non-Performing Facilities;
- Restructured Facilities; and
- Unsecured retail products 90 days or more past due.

Non-performing facilities are facilities against which an individually assessed provision for impairment has been raised and facilities where loss of principal or interest is anticipated.

Notes to the Financial Statements

Note 32 Credit Risk (continued)

Impaired Assets by Classification (continued)

Restructured facilities are facilities where the original contractual terms have been modified to non-commercial terms due to financial difficulties of the borrower. Interest on these facilities is taken to the Income Statement. Failure to comply fully with the modified terms will result in immediate reclassification to non-performing.

Unsecured retail products 90 days or more past due are credit cards, personal loans and other unsecured retail products which are 90 days or more past due. These loans are collectively provided for.

The Group does not manage credit risk based solely on arrears categorisation, but also uses credit risk rating principles as described earlier in this note.

	Group				
	2015	2014	2013	2012	2011
	\$M	\$M	\$M	\$M	\$M
Australia					
Non-Performing assets:					
Gross balances	1,940	2,134	3,316	3,966	4,592
Less individual provisions for impairment	(775)	(1,035)	(1,564)	(1,920)	(2,031)
Net non-performing assets	1,165	1,099	1,752	2,046	2,561
Restructured assets:					
Gross balances	144	361	346	93	38
Less individual provisions for impairment	-	-	-	-	-
Net restructured assets	144	361	346	93	38
Unsecured retail products 90 days or more past due:					
Gross balances	251	236	217	204	202
Less provisions for impairment ⁽¹⁾	(130)	(131)	(128)	(120)	(109)
Unsecured retail products 90 days or more past due	121	105	89	84	93
Net Australia impaired assets	1,430	1,565	2,187	2,223	2,692
Overseas					
Non-Performing assets:					
Gross balances	454	377	356	344	467
Less individual provisions for impairment	(112)	(92)	(64)	(88)	(94)
Net non-performing assets	342	285	292	256	373
Restructured assets:					
Gross balances	54	248	87	70	189
Less individual provisions for impairment	-	-	-	-	-
Net restructured assets	54	248	87	70	189
Unsecured retail products 90 days or more past due:					
Gross balances	12	11	8	10	14
Less provisions for impairment ⁽¹⁾	(9)	(8)	(3)	(3)	(3)
Unsecured retail products 90 days or more past due	3	3	5	7	11
Net overseas impaired assets	399	536	384	333	573
Total net impaired assets	1,829	2,101	2,571	2,556	3,265

(1) Collective provisions are held for these portfolios.

Impaired Assets by Size

	Group					
	Australia	Overseas	Total	Australia	Overseas	Total
	2015	2015	2015	2014	2014	2014
	\$M	\$M	\$M	\$M	\$M	\$M
Impaired assets by size						
Less than \$1 million	1,215	118	1,333	1,203	160	1,363
\$1 million to \$10 million	717	126	843	902	125	1,027
Greater than \$10 million	403	276	679	626	351	977
Total	2,335	520	2,855	2,731	636	3,367

Note 32 Credit Risk (continued)

Movement in Impaired Assets

	Group				
	2015	2014	2013	2012	2011
Movement in gross impaired assets	\$M	\$M	\$M	\$M	\$M
Gross impaired assets - opening balance	3,367	4,330	4,687	5,502	5,419
New and increased	2,095	2,393	3,016	3,389	4,156
Balances written off	(1,355)	(1,697)	(1,774)	(1,687)	(1,798)
Returned to performing or repaid	(1,903)	(2,303)	(2,165)	(3,040)	(2,740)
Portfolio managed - new/increased/return to performing/repaid	651	644	566	523	465
Gross impaired assets - closing balance	2,855	3,367	4,330	4,687	5,502

Impaired Assets by Industry and Status

	Group						
	2015						
Industry	Total Balance	Gross Impaired Assets	Total Provisions for Impaired Assets	Net Impaired Assets	Write-offs ⁽¹⁾	Recoveries ⁽¹⁾	Net ⁽¹⁾ Write-offs
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Loans - Australia							
Sovereign	5,521	-	-	-	-	-	-
Agriculture	6,258	347	(133)	214	65	-	65
Bank and other financial	15,157	24	(36)	(12)	36	(9)	27
Home loans	383,174	835	(148)	687	72	(3)	69
Construction	2,722	30	(20)	10	14	-	14
Other personal	22,313	266	(140)	126	686	(125)	561
Asset financing	8,356	91	(28)	63	45	(4)	41
Other commercial and industrial	117,557	615	(400)	215	404	(24)	380
Total loans - Australia	561,058	2,208	(905)	1,303	1,322	(165)	1,157
Loans - Overseas							
Sovereign	12,929	-	-	-	-	-	-
Agriculture	7,990	146	(14)	132	3	-	3
Bank and other financial	7,572	10	-	10	69	-	69
Home loans	39,677	102	(10)	92	8	(1)	7
Construction	407	5	(1)	4	-	-	-
Other personal	1,128	13	(9)	4	42	(10)	32
Asset financing	558	29	(10)	19	-	-	-
Other commercial and industrial	12,909	179	(69)	110	35	-	35
Total loans - overseas	83,170	484	(113)	371	157	(11)	146
Total loans	644,228	2,692	(1,018)	1,674	1,479	(176)	1,303
Other balances - Australia							
Credit commitments	149,673	127	-	127	-	-	-
Derivatives	37,662	-	-	-	-	-	-
Total other balances - Australia	187,335	127	-	127	-	-	-
Other balances - Overseas							
Credit commitments	27,903	36	(8)	28	-	-	-
Derivatives	8,492	-	-	-	-	-	-
Total other balances - overseas	36,395	36	(8)	28	-	-	-
Total other balances	223,730	163	(8)	155	-	-	-
Total	867,958	2,855	(1,026)	1,829	1,479	(176)	1,303

(1) Write-offs, recoveries and net write-offs are not recognised against credit commitments or derivatives as these exposures are closed out and converted to loans and receivables on impairment. Write-offs and recoveries take place subsequent to this conversion.

Notes to the Financial Statements

Note 32 Credit Risk (continued)

Impaired Assets by Industry and Status (continued)

	Group 2014						
Industry	Total Balance	Gross Impaired Assets	Total Provisions for Impaired Assets	Net Impaired Assets	Write-offs ⁽¹⁾	Recoveries ⁽¹⁾	Net ⁽¹⁾ Write-offs
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Loans - Australia							
Sovereign	5,920	-	-	-	-	-	-
Agriculture	5,864	326	(123)	203	138	-	138
Bank and other financial	10,179	73	(68)	5	122	(6)	116
Home loans	360,218	743	(151)	592	113	(4)	109
Construction	2,679	42	(29)	13	52	-	52
Other personal	23,047	260	(145)	115	677	(106)	571
Asset financing	8,078	85	(30)	55	37	(5)	32
Other commercial and industrial	110,453	1,090	(620)	470	568	(27)	541
Total loans - Australia	526,438	2,619	(1,166)	1,453	1,707	(148)	1,559
Loans - Overseas							
Sovereign	12,309	-	-	-	-	-	-
Agriculture	7,389	72	(3)	69	3	(3)	-
Bank and other financial	5,486	30	(15)	15	-	(3)	(3)
Home loans	39,467	143	(11)	132	13	(1)	12
Construction	378	5	(1)	4	-	-	-
Other personal	1,085	11	(8)	3	30	(8)	22
Asset financing	327	2	-	2	-	-	-
Other commercial and industrial	10,221	288	(62)	226	60	(2)	58
Total loans - overseas	76,662	551	(100)	451	106	(17)	89
Total loans	603,100	3,170	(1,266)	1,904	1,813	(165)	1,648
Other balances - Australia							
Credit commitments	142,804	110	-	110	-	-	-
Derivatives	25,738	2	-	2	-	-	-
Total other balances - Australia	168,542	112	-	112	-	-	-
Other balances - Overseas							
Credit commitments	23,128	53	-	53	-	-	-
Derivatives	3,509	32	-	32	-	-	-
Total other balances - overseas	26,637	85	-	85	-	-	-
Total other balances	195,179	197	-	197	-	-	-
Total	798,279	3,367	(1,266)	2,101	1,813	(165)	1,648

(1) Write-offs, recoveries and net write-offs are not recognised against credit commitments or derivatives as these exposures are closed out and converted to loans and receivables on impairment. Write-offs and recoveries take place subsequent to this conversion.

Collateral held against Loans, Bills Discounted and Other Receivables

	Group 2015				
	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	Total
Maximum exposure (\$M)	422,851	23,441	8,914	189,022	644,228
Collateral classification:					
Secured (%)	99.3	14.0	98.7	40.2	78.7
Partially secured (%)	0.7	-	1.3	13.7	4.5
Unsecured (%)	-	86.0	-	46.1	16.8

Notes to the Financial Statements

Note 32 Credit Risk (continued)

Collateral held against Loans, Bills Discounted and Other Receivables (continued)

	Group 2014				
	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	Total
Maximum exposure (\$M)	399,685	24,132	8,405	170,878	603,100
Collateral classification:					
Secured (%)	99.3	14.3	99.0	43.2	80.0
Partially secured (%)	0.7	-	1.0	13.5	4.3
Unsecured (%)	-	85.7	-	43.3	15.7
					Bank 2015
	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	Total
Maximum exposure (\$M)	380,022	23,419	8,307	166,113	577,861
Collateral classification:					
Secured (%)	99.2	14.5	98.4	39.3	78.7
Partially secured (%)	0.8	-	1.6	13.1	4.3
Unsecured (%)	-	85.5	-	47.6	17.0
					Bank 2014
	Home Loans	Other Personal	Asset Financing	Other Commercial and Industrial	Total
Maximum exposure (\$M)	358,824	23,060	7,979	150,197	540,060
Collateral classification:					
Secured (%)	99.2	14.8	98.9	42.1	79.8
Partially secured (%)	0.8	-	1.1	12.8	4.1
Unsecured (%)	-	85.2	-	45.1	16.1

A facility is determined to be secured where the ratio of the exposure to that facility to the estimated value of the 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, and exposures to highly rated corporate entities), or where the secured loan to estimated value of collateral exceeds 250%.

Home Loans

All home loans are secured by fixed charges over borrowers' residential properties, other properties (including commercial and broad acre), or cash (usually in the form of a charge over a deposit). Further, with the exception of some relatively small portfolios, for loans with a Loan to Valuation (LVR) of higher than 80% either a Low Deposit Premium is levied, or Lenders Mortgage Insurance (LMI) is taken out to cover 100% of the principal amount at default plus interest.

Personal Lending

Personal lending (such as credit cards), is predominantly unsecured.

Asset Finance

The Group leases assets to corporate and retail clients. When the title to the underlying assets is held by the Group as collateral, the balance is deemed fully secured. In other instances, a client's facilities may be secured by collateral valued at less than the carrying amount of credit exposure. These facilities are deemed partly secured or unsecured.

Other Commercial and Industrial Lending

The Group's main collateral types for other commercial and industrial lending consists of secured rights over specified assets of the borrower in the form of: commercial property; land rights; cash (usually in the form of a charge over a deposit); guarantees by company directors supporting commercial lending; a charge over a company's assets (including debtors, stock and work in progress); or a charge over stock or scrip. In other instances, a client's facilities may be secured by collateral with value less than the carrying amount of the credit exposure. These facilities are deemed partly secured or unsecured.

Notes to the Financial Statements

Note 33 Market Risk

Market Risk Measurement

The Group uses Value-at-Risk (VaR) as one of the measures of Traded and Non-traded market risk. VaR is a statistical measure of potential loss using historically observed market movements.

VaR is modelled at a 97.5% confidence level. This means that there is a 97.5% probability that the loss will not exceed the VaR estimate on any given day.

The VaR measured for Traded market risk uses two years of daily movement in market rates. The VaR measure for Non-traded Banking Book market risk uses six years of daily movement in market rates.

A 1-day holding period is used for trading book positions. A 20-day holding period is used for Interest Rate Risk in the Banking Book, insurance business market risk and Non-traded equity risk.

VaR is driven by historical observations and is not an estimate of the maximum loss that the Group could experience from an extreme market event. As a result of this limitation, management also uses additional controls to measure and manage market risk including stress testing, risk sensitivity and position limits.

	Average ⁽¹⁾	As at	Average ⁽¹⁾	As at
	June	June	June	June
Total Market Risk	2015	2015	2014	2014
VaR (1-day 97.5% confidence)	\$M	\$M	\$M	\$M
Traded Market Risk	8.9	8.9	11.0	7.8
Non-Traded Interest Rate Risk ⁽²⁾	15.1	16.7	11.9	19.0
Non-Traded Equity Risk ⁽²⁾	14.3	12.9	20.3	15.6
Non-Traded Insurance				
Market Risk ⁽²⁾	5.0	3.7	5.8	4.7

(1) Average VaR calculated for each 12 month period.

(2) The risk of these exposures has been represented in this table using a one day holding period. In practice however, these 'non-traded' exposures are managed to a longer holding period.

Traded Market Risk

Traded Market Risk is generated through the Group's participation in financial markets to service its customers. The Group trades and distributes interest rate, foreign exchange, debt, equity and commodity products, and provides treasury, capital markets and risk management services to its customers globally.

The Group maintains access to markets by quoting bid and offer prices with other market makers and carries an inventory of financial instruments, including a broad range of securities and derivatives.

	Average ⁽¹⁾	As at	Average ⁽¹⁾	As at
	June	June	June	June
Traded Market Risk	2015	2015	2014	2014
VaR (1-day 97.5% confidence)	\$M	\$M	\$M	\$M
Interest rate risk	5.8	5.2	5.4	4.4
Foreign exchange risk	2.0	1.9	1.4	0.8
Equities risk	0.6	0.3	1.2	0.3
Commodities risk	1.5	2.3	2.3	0.7
Credit spread risk	2.7	3.2	1.8	2.2
Diversification benefit	(7.3)	(7.8)	(6.2)	(4.7)
Total general market risk	5.3	5.1	5.9	3.7
Undiversified risk	3.4	3.7	4.9	3.9
ASB Bank	0.2	0.1	0.2	0.2
Total	8.9	8.9	11.0	7.8

(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. Maturity transformation activities of the Group result in mismatched assets and liabilities positions which direct that the propensity, timing and quantum of interest rate movements have undesired outcomes over both the short-term and long-term. The Group's objective is to manage interest rate risk to achieve stable and sustainable net interest income in the long-term.

The Group measures and manages the impact of interest rate risk in two ways:

(a) Next 12 months' earnings

Interest rate risk from an earnings perspective is the impact based on changes to the net interest income over the next 12 months.

The risk to net interest income over the next 12 months from changes in interest rates is measured on a monthly basis.

Earnings risk is measured through sensitivity analysis, which applies an instantaneous 100 basis point parallel shock in interest rates across the yield curve.

The prospective change to the net interest income is measured by using an Asset and Liability Management simulation model which incorporates both existing and anticipated new business in its assessment. The change in the Balance Sheet product mix, growth, funding and pricing strategies is incorporated. Assets and liabilities that reprice directly from observable market rates are measured based on the full extent of the rate shock that is applied.

Products that are priced based on Group administered or discretionary interest rates and that are impacted by customer behaviour are measured by taking into consideration the historic repricing strategy of the Group and repricing behaviours of customers. In addition to considering how the products have repriced in the past the expected change in price based on both the current and anticipated competitive market forces are also considered in the sensitivity analyses.

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.

Note 33 Market Risk (continued)

Non-Traded Market Risk (continued)

		June 2015	June 2014
Net Interest Earnings at Risk		\$M	\$M
Average monthly exposure	AUD	244.4	90.2
	NZD	26.2	21.0
High monthly exposure	AUD	360.5	134.0
	NZD	35.7	29.6
Low monthly exposure	AUD	168.9	43.6
	NZD	19.4	12.3
As at balance date	AUD	168.9	117.4
	NZD	35.7	28.4

(b) Economic Value

Interest rate risk from the economic value perspective is based on a 20-day 97.5% VaR measure.

Measuring the change in the economic value of equity is an assessment of the long-term impact to the earnings potential of the Group present valued to the current date. The Group assesses the potential change in its economic value of equity through the application of the VaR methodology. A 20-day 97.5% VaR measure is used to capture the net economic value impact over the long-term or total life of all Balance Sheet assets and liabilities to adverse changes in interest rates. The impact of customer prepayments on the contractual cash flows for fixed rate products is included in the calculation. Cash flows for discretionary priced products are behaviourally adjusted and repriced at the resultant profile.

The figures in the following table represent the net present value of the expected change in the Group's future earnings in all future periods for the remaining term of all existing assets and liabilities.

	Average ⁽¹⁾ June 2015	Average ⁽¹⁾ June 2014
Non-Traded Interest Rate VaR (20 day 97.5% confidence)⁽²⁾	\$M	\$M
AUD Interest rate risk	67.3	53.1
NZD Interest rate risk ⁽³⁾	3.2	2.0

(1) Average VaR calculated for each 12 month period.

(2) VaR is only for entities that have material risk exposure.

(3) ASB data (expressed in NZD) is for the month-end date.

Non-Traded Equity Risk

The Group retains Non-traded equity risk through business activities in divisions including Institutional Banking and Markets, and Wealth Management.

A 20-day, 97.5% confidence VaR is used to measure the economic impact of adverse changes in value.

	As at June 2015	As at June 2014
Non-Traded Equity VaR (20 day 97.5% confidence)	\$M	\$M
VaR	58.0	70.0

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 100% in income assets (cash and fixed interest) as at 30 June 2015.

A 20-day 97.5% VaR measure is used to capture the Non-traded market risk exposures.

	Average ⁽¹⁾ June 2015	Average ⁽¹⁾ June 2014
Non-Traded VaR in Australian Life Insurance Business (20 day 97.5% confidence)	\$M	\$M
Shareholder funds ⁽²⁾	13.1	18.9
Guarantees (to Policyholders) ⁽³⁾	15.1	15.2

(1) Average VaR calculated for each 12 month period.

(2) VaR in relation to the investment of shareholder funds.

(3) VaR in relation to product portfolios where the Group has guaranteed liabilities to policyholders.

Structural Foreign Exchange Risk

Structural foreign exchange risk is the risk that movements in foreign exchange rates may have an adverse effect on the Group's Australian dollar earnings and economic value when the Group's foreign currency denominated earnings and capital are translated into Australian dollars. The Group's only material exposure to this risk arises from its New Zealand banking and insurance and Asian operations.

Lease Residual Value Risk

The Group takes lease residual value risk on assets such as industrial, mining, rail, aircraft, marine, technology, healthcare and other equipment. A lease residual value guarantee exposes the Group to the movement in second-hand asset prices.

Commonwealth Bank Group Super Fund

The Commonwealth Bank Group Super Fund (the Fund) has a defined benefit portion that creates market risk for the Group. Wealth Risk Management and Human Resources provide oversight of the market risks of the Fund held and managed on behalf of the employees receiving defined benefit pension funds on behalf of the Group (refer to Note 35).

Note 34 Liquidity and Funding Risk

Overview

The Group's liquidity and funding policies are designed to ensure it will meet its obligations as and when they fall due by ensuring it is able to borrow funds on an unsecured basis, has sufficient liquid assets to borrow against on a secured basis, or sell to raise immediate funds without adversely affecting the Group's net asset value.

The Group's liquidity policies are designed to ensure it maintains sufficient cash balances and liquid asset holdings to meet its obligations to customers, in both ordinary market conditions and during periods of extreme stress. These policies are intended to protect the value of the Group's operations during periods of unfavourable market conditions.

The Group's funding policies are designed to achieve diversified sources of funding by product, term, maturity date, investor type, investor location, jurisdiction, currency and concentration, on a cost effective basis. This objective applies to the Group's wholesale and retail funding activities.

Liquidity and Funding Risk Management Framework

The Group's liquidity and funding policies, structured under a formal Group Liquidity and Funding Risk Management Framework, are approved by the Board and agreed with APRA. The Group has an Asset and Liability Committee (ALCO) whose charter includes reviewing the management of assets and liabilities, reviewing liquidity and funding policies and strategies, as well as regularly monitoring compliance with those policies across the Group. Group Treasury manages the Group's liquidity and funding positions in accordance with the Group's liquidity policies and has ultimate authority to execute liquidity decisions should the Group Contingent Funding Plan be activated. Group Risk Management provides oversight of the Group's liquidity and funding risks, compliance with Group policies and manages the Group's relationship with prudential regulators.

Subsidiaries within the Colonial Group apply their own liquidity and funding strategies to address their specific needs. The Group's New Zealand banking subsidiary, ASB Bank, manages its own domestic liquidity and funding needs in accordance with its own liquidity policies and the policies of the Group. ASB's liquidity policy is also overseen by the Reserve Bank of New Zealand. The Group also has a small banking subsidiary in Indonesia that manages its own liquidity and funding on a similar basis. The Group's Board is ultimately responsible for the sound and prudent management of liquidity risk across the Group.

Liquidity and Funding Policies and Management

The Group's liquidity and funding policies provide that:

- An excess of liquid assets over the level prescribed under APRA's Liquidity Coverage Ratio (LCR) requirement is maintained. Australian ADIs are required from 1 January 2015 to meet a 100% LCR, calculated as the ratio of high quality liquid assets to 30 day net cash outflows projected under a prescribed stress scenario;
- Group 'going concern' funding and liquidity metrics are also calculated and stress tests additional to the LCR are run;

- Short and long-term wholesale funding limits are established, monitored and reviewed regularly. The Group's market capacity is regularly assessed and used as a factor in funding strategies;
- Balance Sheet assets that cannot be liquidated quickly are funded with deposits or term borrowings that meet minimum maturity requirements with appropriate liquidity buffers;
- Liquid assets are held in Australian dollar and foreign currency denominated securities in accordance with expected requirements;
- The Group has three categories of liquid assets within its domestic liquid assets portfolio. The first includes cash, government and Australian semi-government securities. The second includes negotiable certificates of deposit, bank bills, bank term securities, supranational bonds and Australian Residential Mortgage-backed Securities (RMBS), securities that meet Reserve Bank of Australia (RBA) criteria for purchases under reverse repo. The final category is internal RMBS, being mortgages that have been securitised but retained by the Bank, that are repo-eligible with the RBA under stress; and
- Offshore branches and subsidiaries adhere to liquidity policies and hold appropriate foreign currency liquid assets as required. All securities are central bank repo-eligible under normal market conditions.

The Group's key funding tools include:

- Its consumer retail funding base, which includes a wide range of retail transaction accounts, savings accounts and term deposits for individual consumers;
- Its small business customer and institutional deposit base; and
- Its wholesale international and domestic funding programs which include its Australian dollar Negotiable Certificates of Deposit; Australian dollar bank bills; Asian Transferable Certificates of Deposit program; Australian, U.S. and Euro Commercial Paper programs; U.S. Extendible Notes programs; Australian dollar Domestic Debt Program; U.S.144a and 3a2 Medium-Term Note Programs; Euro Medium-Term Note Program, multi jurisdiction Covered Bond program, and its Medallion securitisation program.

The Group's key liquidity tools include:

- A regulatory liquidity management reporting system delivering granular customer and product type information to inform business decision making, product development and resulting in a greater awareness of the liquidity risk adjusted value of banking products;
- A liquidity management model similar to a "maturity ladder" or "liquidity gap analysis", that allows forecasting of liquidity needs on a daily basis;
- An additional liquidity management model that implements the agreed prudential liquidity policies. This model is calibrated with a series of "stress" liquidity crisis scenarios, incorporating both systemic and "name" crisis assumptions, such that the Group will have sufficient liquid assets available to ensure it meets all of its obligations as and when they fall due;

Note 34 Liquidity and Funding Risk (continued)

Liquidity and Funding Policies and Management (continued)

- Central bank repurchase agreement facilities including the RBA's open-ended Committed Liquidity Facility that provide the Group with the ability to borrow funds on a secured basis, even when normal funding markets are unavailable; and
- A robust Contingent Funding Plan that is regularly tested so that it can be activated in case of need due to a liquidity event.

The Group's wholesale funding costs experienced generally little change over the course of the financial year as high levels of global liquidity and a generally flat economic global outlook combined to keep credit spreads in domestic and international debt capital markets steady. The Group has managed its debt portfolio to avoid concentrations such as dependence on single sources of funding, by type or by investor, and continues to maintain a diversified funding base and significant funding capacity in the domestic and global unsecured and secured debt markets.

Details of the Group's regulatory capital position and capital management activities are disclosed in Note 25.

Maturity Analysis of Monetary Liabilities

Amounts shown in the tables below are based on contractual undiscounted cash flows for the remaining contractual maturities.

	Group					Total \$M
	Maturity Period as at 30 June 2015					
	0 to 3 Months \$M	3 to 12 Months \$M	1 to 5 Years \$M	Over 5 Years \$M	Not Specified \$M	
Monetary liabilities						
Deposits and other public borrowings ⁽¹⁾	441,294	82,068	23,334	139	-	546,835
Payables due to other financial institutions	33,142	3,297	-	-	-	36,439
Liabilities at fair value through Income Statement	3,016	1,404	2,183	1,950	-	8,553
Derivative financial instruments:						
Held for trading	22,765	-	-	-	-	22,765
Held for hedging purposes (net-settled)	66	410	2,418	1,978	-	4,872
Held for hedging purposes (gross-settled):						
Outflows	208	7,382	30,763	11,537	-	49,890
Inflows	(206)	(5,962)	(25,434)	(10,025)	-	(41,627)
Bank acceptances	1,870	74	-	-	-	1,944
Insurance policy liabilities	-	-	-	-	12,911	12,911
Debt issues and loan capital	22,217	42,421	79,059	38,707	-	182,404
Managed funds units on issue	-	-	-	-	1,149	1,149
Other monetary liabilities	6,176	1,320	329	-	54	7,879
Total monetary liabilities	530,548	132,414	112,652	44,286	14,114	834,014
Guarantees ⁽²⁾	6,181	-	-	-	-	6,181
Loan commitments ⁽²⁾	165,511	-	-	-	-	165,511
Other commitments ⁽²⁾	5,884	-	-	-	-	5,884
Total off Balance Sheet items	177,576	-	-	-	-	177,576
Total monetary liabilities and off Balance Sheet items	708,124	132,414	112,652	44,286	14,114	1,011,590

(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 month maturity band to reflect their earliest possible maturity.

Notes to the Financial Statements

Note 34 Liquidity and Funding Risk (continued)

Maturity Analysis of Monetary Liabilities (continued)

	Maturity Period as at 30 June 2014					Group
	0 to 3	3 to 12	1 to 5	Over 5	Not	Total
	Months	Months	Years	Years	Specified	Total
	\$M	\$M	\$M	\$M	\$M	\$M
Monetary liabilities						
Deposits and other public borrowings ⁽¹⁾	397,538	80,473	23,912	584	-	502,507
Payables due to other financial institutions	23,304	1,358	345	-	-	25,007
Liabilities at fair value through Income Statement	3,171	410	2,971	2,243	-	8,795
Derivative financial instruments:						
Held for trading	19,605	-	-	-	-	19,605
Held for hedging purposes (net-settled)	130	186	1,512	2,461	-	4,289
Held for hedging purposes (gross-settled):						
Outflows	447	8,552	36,502	9,872	-	55,373
Inflows	(333)	(8,130)	(34,180)	(9,300)	-	(51,943)
Bank acceptances	5,017	10	-	-	-	5,027
Insurance policy liabilities	-	-	-	-	13,166	13,166
Debt issues and loan capital	15,527	44,519	74,146	35,154	-	169,346
Managed funds units on issue	-	-	-	-	1,214	1,214
Other monetary liabilities	5,505	1,248	370	-	42	7,165
Total monetary liabilities	469,911	128,626	105,578	41,014	14,422	759,551
Guarantees ⁽²⁾	6,121	-	-	-	-	6,121
Loan commitments ⁽²⁾	151,135	-	-	-	-	151,135
Other commitments ⁽²⁾	8,676	-	-	-	-	8,676
Total off Balance Sheet items	165,932	-	-	-	-	165,932
Total monetary liabilities and off Balance Sheet items	635,843	128,626	105,578	41,014	14,422	925,483

	Maturity Period as at 30 June 2015					Bank
	0 to 3	3 to 12	1 to 5	Over 5	Not	Total
	Months	Months	Years	Years	Specified	Total
	\$M	\$M	\$M	\$M	\$M	\$M
Monetary liabilities						
Deposits and other public borrowings ⁽¹⁾	409,892	70,024	20,589	139	-	500,644
Payables due to other financial institutions	32,305	3,233	-	-	-	35,538
Liabilities at fair value through Income Statement	2,015	1,229	2,170	1,950	-	7,364
Derivative financial instruments:						
Held for trading	22,527	-	-	-	-	22,527
Held for hedging purposes (net-settled)	27	261	2,339	2,036	-	4,663
Held for hedging purposes (gross-settled):						
Outflows	-	6,722	41,272	20,695	-	68,689
Inflows	-	(5,342)	(33,776)	(17,576)	-	(56,694)
Bank acceptances	1,845	63	-	-	-	1,908
Debt issues and loan capital	20,109	37,777	62,332	35,837	-	156,055
Due to controlled entities	6,501	5,678	23,365	90,964	-	126,508
Other monetary liabilities	5,535	6,589	70	-	21	12,215
Total monetary liabilities	500,756	126,234	118,361	134,045	21	879,417
Guarantees ⁽²⁾	5,778	-	-	-	-	5,778
Loan commitments ⁽²⁾	152,772	-	-	-	-	152,772
Other commitments ⁽²⁾	5,179	-	-	-	-	5,179
Total off Balance Sheet items	163,729	-	-	-	-	163,729
Total monetary liabilities and off Balance Sheet items	664,485	126,234	118,361	134,045	21	1,043,146

(1) Includes deposits that are contractually at call, customer savings and cheque accounts. Historical experience is that such accounts provide a stable source of long-term funding for the Group.

(2) All off Balance Sheet items are included in the 0 to 3 month maturity band to reflect their earliest possible maturity.

Notes to the Financial Statements

Note 34 Liquidity and Funding Risk (continued)

Maturity Analysis of Monetary Liabilities (continued)

	Maturity Period as at 30 June 2014					Bank
	0 to 3	3 to 12	1 to 5	Over 5	Not	Total
	Months	Months	Years	Years	Specified	
	\$M	\$M	\$M	\$M	\$M	\$M
Monetary liabilities						
Deposits and other public borrowings ⁽¹⁾	368,635	70,084	21,972	593	-	461,284
Payables due to other financial institutions	22,999	1,291	336	-	-	24,626
Liabilities at fair value through Income Statement	852	371	2,954	2,241	-	6,418
Derivative financial instruments:						
Held for trading	19,246	-	-	-	-	19,246
Held for hedging purposes (net-settled)	44	249	1,640	2,493	-	4,426
Held for hedging purposes (gross-settled):						
Outflows	-	6,696	41,422	21,793	-	69,911
Inflows	-	(6,476)	(38,756)	(20,392)	-	(65,624)
Bank acceptances	4,976	8	-	-	-	4,984
Debt issues and loan capital	13,663	39,150	58,450	33,076	-	144,339
Due to controlled entities	7,771	6,455	23,206	81,490	-	118,922
Other monetary liabilities	4,935	3,396	106	-	17	8,454
Total monetary liabilities	443,121	121,224	111,330	121,294	17	796,986
Guarantees ⁽²⁾	5,724	-	-	-	-	5,724
Loan commitments ⁽²⁾	140,209	-	-	-	-	140,209
Other commitments ⁽²⁾	7,450	-	-	-	-	7,450
Total off Balance Sheet items	153,383	-	-	-	-	153,383
Total monetary liabilities and off Balance Sheet items	596,504	121,224	111,330	121,294	17	950,369

(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 month maturity band to reflect their earliest possible maturity.

Note 35 Retirement Benefit Obligations

Name of Plan	Type	Form of Benefit	Date of Last Actuarial Assessment of the Fund
Commonwealth Bank Group Super	Defined Benefits ⁽¹⁾ and Accumulation	Indexed pension and lump sum	30 June 2012
Commonwealth Bank of Australia (UK) Staff Benefits Scheme (CBA (UK) SBS)	Defined Benefits ⁽¹⁾ and Accumulation	Indexed pension and lump sum	30 June 2013

(1) The defined benefit formulae are generally comprised of final salary, or final average salary, and service.

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 2012 showed the plan remained in funding surplus at that time, however due to accounting deficit and forecast funding deficit the actuary recommended that the Bank consider recommencing contributions from 1 July 2013. The Bank commenced contributions of \$20 million per month in January 2014 to Commonwealth Bank Group Super. Employer contributions paid to the plan are subject to tax at the rate of 15% in the plan.

An actuarial assessment of the CBA (UK) SBS as at 30 June 2013 confirmed a funding deficit of GBP62 million (\$127 million at the 30 June 2015 exchange rate). The Bank agreed to continue the deficit recovery contributions of GBP15 million per annum (\$31 million at the 30 June 2015 exchange rate) until 31 December 2017 to CBA (UK) SBS in addition to the regular GBP3 million per annum (\$6 million at the 30 June 2015 exchange rate) contributions for future defined benefit accruals.

Notes to the Financial Statements

Note 35 Retirement Benefit Obligations (continued)

Funding and Contributions (continued)

The Group's expected contribution to the Commonwealth Bank Group Super and the CBA (UK) SBS for the year ended 30 June 2016 are \$240 million and GBP18 million (\$37 million at the 30 June 2015 exchange rate) respectively.

Defined Benefit Superannuation Plans

The amounts reported in the Balance Sheet are reconciled as follows:

	Commonwealth Bank Group Super		CBA(UK)SBS		Total	
	2015 \$M	2014 \$M	2015 \$M	2014 \$M	2015 \$M	2014 \$M
Present value of funded obligations	(3,184)	(3,510)	(672)	(544)	(3,856)	(4,054)
Fair value of plan assets	3,460	3,388	615	475	4,075	3,863
Net pension assets/(liabilities) as at 30 June	276	(122)	(57)	(69)	219	(191)
Amounts in the Balance Sheet:						
Assets (Note 16)	276	-	-	-	276	-
Liabilities (Note 21)	-	(122)	(57)	(69)	(57)	(191)
Net assets/(liabilities)	276	(122)	(57)	(69)	219	(191)
The amounts recognised in the Income Statement are as follows:						
Current service cost	(37)	(38)	(4)	(4)	(41)	(42)
Net interest expense	(6)	(8)	(3)	(3)	(9)	(11)
Employer financed benefits within accumulation division ⁽¹⁾	(251)	(231)	-	-	(251)	(231)
Total included in superannuation plan expense	(294)	(277)	(7)	(7)	(301)	(284)
Changes in the present value of the defined benefit obligation are as follows:						
Opening defined benefit obligation	(3,510)	(3,269)	(544)	(472)	(4,054)	(3,741)
Current service cost	(37)	(38)	(4)	(4)	(41)	(42)
Interest cost	(140)	(145)	(24)	(23)	(164)	(168)
Member contributions	(8)	(8)	-	-	(8)	(8)
Actuarial gains/(losses) from changes in demographic assumptions	-	-	-	16	-	16
Actuarial gains/(losses) from changes in financial assumptions	232	(234)	(47)	(30)	185	(264)
Actuarial gains/(losses) from changes in other assumptions	56	(14)	3	(3)	59	(17)
Payments from the plan	223	198	20	19	243	217
Exchange differences on foreign plans	-	-	(76)	(47)	(76)	(47)
Closing defined benefit obligation	(3,184)	(3,510)	(672)	(544)	(3,856)	(4,054)
Changes in the fair value of plan assets are as follows:						
Opening fair value of plan assets	3,388	3,204	475	399	3,863	3,603
Interest income	134	137	21	20	155	157
Return on plan assets (excluding interest income)	164	328	36	4	200	332
Member contributions	8	8	-	-	8	8
Employer contributions	240	140	34	31	274	171
Employer financed benefits within accumulation division	(251)	(231)	-	-	(251)	(231)
Payments from the plan	(223)	(198)	(20)	(19)	(243)	(217)
Exchange differences on foreign plans	-	-	69	40	69	40
Closing fair value of plan assets	3,460	3,388	615	475	4,075	3,863

(1) Represents superannuation contributions required by the Bank to meet its obligations to members of the defined contribution division of Commonwealth Bank Group Super.

Note 35 Retirement Benefit Obligations (continued)

Economic Assumptions

	Commonwealth Bank Group Super		CBA(UK)SBS	
	2015	2014	2015	2014
Economic assumptions	%	%	%	%
The above calculations were based on the following assumptions:				
Discount rate	4.60	4.10	3.70	4.20
Inflation rate	2.25	2.25	3.50	3.60
Rate of increases in salary	3.50	3.75	4.50	4.60

During the year, the discount rate assumption applied to Commonwealth Bank Group Super changed from a blend of yields on long dated Commonwealth and State government securities with durations exceeding 10 years, to the yield on high quality long dated corporate bonds. The impact of the change was a reduction in the defined benefit obligation of \$496 million, which was recorded through other comprehensive income.

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	
	2015	2014	2015	2014
Expected life expectancies for pensioners	Years	Years	Years	Years
Male pensioners currently aged 60	29.6	29.5	28.5	28.4
Male pensioners currently aged 65	24.7	24.6	23.7	23.4
Female pensioners currently aged 60	34.7	34.5	31.1	30.9
Female pensioners currently aged 65	29.5	29.4	26.1	25.9

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	2015	2015
	%	%
0.25% decrease in discount rate	3.23	4.70
0.25% increase in inflation rate	2.64	3.00
0.25% increase to the rate of increases in salary	0.35	0.30
Longevity increase of 1 year	3.45	3.10

Average Duration

The average duration of defined benefit obligation at 30 June is as follows:

	Commonwealth Bank	
	Group Super	CBA(UK)SBS
Average duration at balance date	2015	2015
	Years	Years
Average duration at balance date	12	19

Risk Management

The pension plans expose the Group to longevity risk, currency risk, interest rate risk, inflation risk and market risk. The Trustees perform Asset-Liability Matching (ALM) exercises to ensure the plan assets are well matched to the nature and maturities of the defined benefit obligations.

The Commonwealth Bank Group Super's investment strategy comprises 45% growth and 55% defensive assets. Inflation and interest rate risks are partly mitigated by investing in long dated fixed interest securities which better match the average duration of liabilities and entering into inflation and interest swaps.

Notes to the Financial Statements

Note 35 Retirement Benefit Obligations (continued)

Risk Management (continued)

The allocation of assets backing the defined benefit portion of Commonwealth Bank Group Super is as follows:

Asset allocations	Commonwealth Bank Group Super			
	2015		2014	
	Fair value (\$M)	% of plan asset	Fair value (\$M)	% of plan asset
Cash	159	4.6	224	6.6
Equities - Australian ⁽¹⁾	289	8.4	329	9.7
Equities - Overseas ⁽¹⁾	608	17.6	531	15.7
Bonds - Commonwealth Government ⁽¹⁾	595	17.2	443	13.1
Bonds - Semi-Government ⁽¹⁾	1,071	31.0	1,053	31.1
Bonds - Corporate and other ⁽¹⁾	78	2.2	72	2.1
Real Estate ⁽²⁾	205	5.9	225	6.6
Derivatives ⁽²⁾	8	0.2	14	0.4
Other ⁽³⁾	447	12.9	497	14.7
Total fair value of plan assets	3,460	100	3,388	100

(1) Values based on prices or yields quoted in an active market.

(2) Values based on non-quoted information.

(3) These are assets which are not included in the traditional asset classes of equities, fixed interest securities, real estate and cash. They include infrastructure investments as well as high yield and emerging market debt.

The Australian equities fair value includes \$134 million of Commonwealth Bank shares. The real estate fair value includes \$41 million of property assets leased to the Bank.

Note 36 Investments in Subsidiaries and Other Entities

Subsidiaries

A subsidiary is considered material if the value of the consolidated gross assets at the end of the financial year of the subsidiary and the entities it controls (if any) is more than 0.1% of the total assets of the Group.

The key subsidiaries of the Bank including but not limited to those meeting the criteria above are:

Entity Name	Entity Name
Australia	
(a) Banking	
CBA Covered Bond Trust	Medallion Trust Series 2013-2
CBA International Finance Pty Limited	Medallion Trust Series 2014-1
GT USD Funding Pty Limited	Medallion Trust Series 2014-2
Medallion Trust Series 2007-1G	Medallion Trust Series 2015-1
Medallion Trust Series 2008-1R	Preferred Capital Limited
Medallion Trust Series 2011-1	Residential Mortgage Group Pty Ltd
Medallion Trust Series 2013-1	Series 2008-1D SWAN Trust
	Security Holding Investment Entity Linking Deals Limited Series 50
(b) Insurance and Funds Management	
Capital 121 Pty Limited	Commonwealth Insurance Limited
Colonial Holding Company Limited	The Colonial Mutual Life Assurance Society Limited
Commonwealth Insurance Holdings Limited	

All the above subsidiaries are 100% owned and incorporated in Australia.

Note 36 Investments in Subsidiaries and Other Entities (continued)

Subsidiaries (continued)

Entity Name	Extent of Beneficial Interest if not 100%	Incorporated in
New Zealand		
(a) Banking		
ASB Bank Limited		New Zealand
ASB Covered Bond Trustee Limited		New Zealand
ASB Finance Limited		New Zealand
ASB Holdings Limited		New Zealand
ASB Term Fund		New Zealand
CBA Funding (NZ) Limited		New Zealand
CBA USD Funding Limited		New Zealand
Medallion NZ Series Trust 2009-1R		New Zealand
(b) Insurance and Funds Management		
ASB Group (Life) Limited		New Zealand
Other Overseas		
(a) Banking		
CBA Capital Trust II		USA
CommBank Europe Limited		Malta
Newport Limited		Malta
PT Bank Commonwealth	99%	Indonesia

The Group also consolidates a number of unit trusts as part of the ongoing investment activities of the life insurance and wealth businesses. These investment vehicles are excluded from the above list.

Significant Judgements and Assumptions

Control and Voting Rights

Holding more than 50% of an entity's voting rights typically indicates that the Group has control over the entity. Significant judgement is involved where the Group either holds more than 50% of the voting rights but does not control an entity, which occurs in the case of AHL Holdings Pty Limited (AHL) as outlined below or where the Group is deemed to control an entity despite holding less than 50% of the voting rights.

AHL Holdings Pty Limited (AHL)

Management have determined that the Group does not control AHL despite owning 80% of the issued share capital of this entity. According to the Shareholders Deed agreed between the shareholders of AHL, unanimous consent is required from all parties to the Deed for all key decisions. This results in joint control and hence the Group accounts for its investment in AHL as a joint venture using the equity method.

Agent or principal

The Group is deemed to have power over an investment fund when it holds either the responsible entity (RE) and/or the manager function of that fund. Whether that power translates to control depends on whether the Group is deemed to act as an agent or a principal of that fund. Management have determined that the Group acts as a principal and controls a fund when it cannot be easily removed as a manager or RE by investors and when its economic interest in that fund is substantial compared to the economic interest of other investors. In all other cases the Group acts as agent and does not control the fund.

Non-Controlling Interests

	Group	
	2015	2014
	\$M	\$M
Shareholders' Equity	562	537
Total non-controlling interests	562	537

The share capital above comprises predominantly New Zealand Perpetual Preference Shares (PPS) of AUD505 million. On 10 December 2002, ASB Capital Limited, a New Zealand subsidiary, issued NZD200 million (AUD182 million) of PPS. The PPS were issued into the New Zealand capital markets and are subject to New Zealand law. Such shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly based on the New Zealand one year swap rate plus a margin of 1.3% and are non-cumulative. The payments of dividends are subject to a number of conditions including the satisfaction of solvency tests and the ability of the Board to cancel payments.

On 22 December 2004, ASB Capital No.2 Limited, a New Zealand subsidiary, issued NZD350 million (AUD323 million) of PPS. The PPS were issued into the New Zealand capital markets and are subject to New Zealand law. Such shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly on the New Zealand one year swap rate plus a margin of 1.0% and are non-cumulative. The payments of dividends are subject to a number of conditions including the satisfaction of solvency tests and the ability of the Board to cancel payments.

Notes to the Financial Statements

Note 36 Investments in Subsidiaries and Other Entities (continued)

ASB Capital Limited and ASB Capital No.2 Limited have advanced proceeds from the above public issues to ASB Funding Limited, a New Zealand subsidiary. ASB Funding Limited in turn invested the proceeds in PPS issued by ASB Limited (ASB PPS), also a New Zealand subsidiary. In relation to ASB Capital No.2 Limited, if an APRA Event occurs, the loan to ASB Funding Limited will be repaid and ASB Capital No.2 Limited will become the holder of the corresponding ASB PPS.

The PPS may be purchased by a Commonwealth Bank subsidiary exercising a buy-out right five years or more after issue, or on the occurrence of regulatory or tax events.

Significant Restrictions

There were no significant restrictions on the ability to transfer cash or other assets, pay dividends or other capital distributions, provide or repay loans and advances between the entities within the Group. There were also no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group resulting from protective rights of non-controlling interests.

Associates and Joint Ventures

An associate or joint venture is considered material if the Group's share of the net assets at the end of the financial year of that associate or joint venture is more than 0.5% of the total assets of the Group.

There were no individually significant investments in associates or joint ventures held by the Group as at 30 June 2015 and 30 June 2014. In addition, there were no significant restrictions on the ability of associates or joint ventures to transfer funds to the Bank or its subsidiaries in the form of cash dividends or to repay loans or advances made.

The Group's investments in associates and joint ventures are shown in the table below.

	2015		2014		Principal Activities	Country of Incorporation	Group Balance Date
	\$M	\$M	Ownership Interest %	Ownership Interest %			
Aussie Home Loans Pty Limited ⁽¹⁾	267	266	80	80	Mortgage Broking	Australia	30-Jun
Bank of Hangzhou Co. Limited	1,282	772	20	20	Commercial Banking	China	31-Dec
First State European Diversified Investment Fund ⁽²⁾	198	161	9	11	Funds Management	Luxembourg	31-Dec
Qilu Bank Co. Limited	420	254	20	20	Commercial Banking	China	31-Dec
Vietnam International Commercial Joint Stock Bank ⁽³⁾	197	164	20	20	Financial Services	Vietnam	31-Dec
Other	273	227	Various	Various	Various	Various	Various
Carrying amount of investments in associates and joint ventures	2,637	1,844					

(1) The Group's 80% interest in Aussie Home Loans Pty Limited is jointly controlled as the key financial and operating decisions require the unanimous consent of all directors. Aussie Home Loans Pty Limited is considered a structured entity. The Group's maximum exposure to loss in relation to its investment is its carrying value and the total assets of Aussie Home Loans equals \$329 million (2014: \$374 million).

(2) \$96 million of this investment is carried as Held for Sale, as the carrying amount is expected to be recovered through sale within 12 months, and is therefore measured at the lower of carrying amount and fair value less costs to sell.

(3) An impairment of \$50 million was recognised at 30 June 2014.

	Group	
	2015	2014
	\$M	\$M
Share of Associates' and Joint Ventures profits		
Operating profits before income tax	336	254
Income tax expense	(68)	(62)
Operating profits after income tax ⁽¹⁾	268	192

(1) This amount is recognised within Note 2 in the share of profits of associates and joint ventures, \$268 million for the year ended 30 June 2015 (2014: \$150 million) and net funds management operating income, nil for the year ended 30 June 2015 (2014: \$42 million) line items.

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, Swan and SHIELD 50 Structured Entities. These 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 facility limit is \$1,970 million.

The Group has no contractual obligations to purchase assets from its Securitisation Structured Entities.

Note 36 Investments in Subsidiaries and Other Entities (continued)

Consolidated Structured Entities (continued)

Covered Bonds Trust

The Bank provides funding and support facilities to the CBA Covered Bond Trust, a bankruptcy remote SPV that guarantees any debt obligations owing under the US\$30 billion CBA Covered Bond Programme. The funding facilities allow the Covered Bond Trust to hold sufficient residential mortgage loans to support the guarantee provided to the Covered Bonds. The Bank also provides various swaps to the Covered Bond Trust to hedge any interest rate and currency mismatches.

The Bank, either directly or via its wholly owned subsidiary, Securitisation Advisory Services Pty Limited, provides various services to the Covered Bond Trust including servicing and monitoring of the residential mortgages.

Structured Asset Finance Structured Entities

The Group has no contractual obligation to provide financial support to any of its Structured Asset Finance Structured Entities.

Unconsolidated Structured Entities

The Group has exposure to various securitisation vehicles via Residential Mortgage-backed Securities (RMBS) and Asset-backed Securities (ABS). The Group may also provide derivatives and other commitments to these vehicles. The Group also has exposure to Investment Funds and other financing vehicles.

Securitisations

Securitisations involve transferring assets into an entity that sells beneficial interests to investors through the issue of debt and equity notes with varying levels of subordination. The notes are collateralised by the assets transferred to these vehicles and pay a return based on the returns of those assets, with residual returns paid to the most subordinated investor.

The Group may trade or invest in Residential Mortgage-backed Securities and Asset-backed Securities which are backed by Commercial Properties, Consumer Receivables, Equipment and Auto Finance. The Group may also provide lending, derivatives, liquidity and commitments to these Securitisation entities.

Other Financing

Asset-backed entities are used to provide tailored lending for the purchase or lease of assets transferred by the Group or its clients. The assets are normally pledged as collateral to the lenders. The Group engages in raising finance for assets such as aircraft, trains, vessels and other infrastructure. The Group may also provide lending, derivatives, liquidity and commitments to these entities.

Investment Funds

The Group conducts investment management and other fiduciary activities as responsible entity, trustee, custodian, advisor or manager for investment funds and trusts, including superannuation and approved deposit funds, wholesale and retail trusts. The Groups exposure to Investment Funds includes holding units in the investment funds and trusts, providing lending facilities, derivatives and receiving fees for services.

The nature and extent of the Group's interests in these entities are summarised below. Interests do not include plain vanilla derivatives (e.g. interest rate swaps and currency swaps) and positions where the Group creates rather than absorbs variability of the Structured Entity, for example deposits. These have been excluded from the below table.

Exposures to unconsolidated structured entities					2015
	RMBS	ABS	Other	Investment	Total
	\$M	\$M	Financing \$M	Funds \$M	\$M
Assets at fair value through income statement - trading	28	-	-	1,374	1,402
Available-for-sale investments	7,674	1,002	-	186	8,862
Loans, bills and discounted and other receivables	1,809	391	2,555	10,499	15,254
Other assets	-	-	-	210	210
Total on Balance Sheet exposures	9,511	1,393	2,555	12,269	25,728
Total notional amounts of off Balance Sheet exposures ⁽¹⁾	1,571	1,027	157	6,118	8,873
Total maximum exposure to loss	11,082	2,420	2,712	18,387	34,601
Total assets of the entities ⁽²⁾	52,979	7,373	10,102	293,509	363,963

(1) Relates to undrawn facilities.

(2) Size of the entities is generally the total assets of the entities, except for Real Estate Investment Trusts where the size is based on the Group's credit exposure of \$13.7 billion and newly established securitisation vehicles that have no assets where the Group's exposure is represented by undrawn credit facilities of \$1,240 million.

Notes to the Financial Statements

Note 36 Investments in Subsidiaries and Other Entities (continued)

Unconsolidated Structured Entities (continued)

Exposures to unconsolidated structured entities	2014 ⁽¹⁾				
	RMBS	ABS	Other Financing	Investment Funds	Total
	\$M	\$M	\$M	\$M	\$M
Assets at fair value through income statement - trading	82	-	-	1,312	1,394
Available-for-sale investments	4,887	678	-	157	5,722
Loans, bills and discounted and other receivables	2,152	541	1,592	9,990	14,275
Other assets	-	-	-	176	176
Total on Balance Sheet exposures	7,121	1,219	1,592	11,635	21,567
Total notional amounts of off Balance Sheet exposures ⁽²⁾	776	331	262	4,889	6,258
Total maximum exposure to loss	7,897	1,550	1,854	16,524	27,825
Total assets of the entities ⁽³⁾	46,363	4,364	11,003	265,471	327,201

(1) Comparatives have been restated to align 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 \$12.9 billion.

The Group's exposure to loss depends on the level of subordination of the interest which indicates the extent to which other parties are obliged to absorb credit losses before the Group. An overview of the Group's interests, relative ranking and external credit rating, for vehicles that have credit subordination in place, is summarised in the table below, and include securitisation vehicles and other financing.

Ranking and credit rating of exposures to unconsolidated structured entities	2015			
	RMBS	ABS	Other Financing	Total
	\$M	\$M	\$M	\$M
Senior ⁽¹⁾	11,025	2,406	2,679	16,110
Mezzanine ⁽²⁾	28	14	33	75
Subordinated ⁽³⁾	29	-	-	29
Total maximum exposure to loss	11,082	2,420	2,712	16,214

(1) \$11,025 million of RMBS exposures, \$2,406 million of ABS exposures and \$1,506 million of other financing exposures are rated investment grade, the remaining \$1,173 million exposures are rated sub-investment grade.

(2) All RMBS and ABS exposures are rated investment grade, all other financing exposures are rated sub investment grade.

(3) All exposures are rated sub investment grade.

Ranking and credit rating of exposures to unconsolidated structured entities	2014			
	RMBS	ABS	Other Financing	Total
	\$M	\$M	\$M	\$M
Senior ⁽¹⁾	7,844	1,537	1,821	11,202
Mezzanine ⁽²⁾	26	13	33	72
Subordinated ⁽³⁾	27	-	-	27
Total maximum exposure to loss	7,897	1,550	1,854	11,301

(1) \$7,548 million of RMBS exposures, \$1,503 million of ABS exposures and \$818 million of other financing exposures are rated investment grade, the remaining \$1,333 million exposures are rated sub-investment grade.

(2) All RMBS and ABS exposures are rated investment grade, all other financing exposures are rated sub investment grade.

(3) All exposures are rated sub investment grade.

Sponsored Unconsolidated Structured Entities

For the purposes of this disclosure, the Group sponsors an entity when it manages or advises the entity's program, places securities into the market on behalf of the entity, provides liquidity and/or credit enhancements to the entity, or the Group's name appears in the Structured Entity.

During the year ended 30 June 2015, the Group has sponsored two unconsolidated structured entities being Security Holding Investment Entity Linking Deals Limited (SHIELD) and SHIELD Trust No. 2. A wholly owned subsidiary of the Group, Securitisation Advisory Services Pty Limited (SAS), is the manager of SHIELD and SHIELD is the trustee of SHIELD Trust No. 2. The Group continues to hold an interest in these structured entities.

There has been no income earned or expense incurred directly from these entities during the year ended 30 June 2015. There also have been no assets transferred by all parties to the sponsored entities during the year ended 30 June 2015.

Note 37 Key Management Personnel

Detailed remuneration disclosures by Key Management Personnel are provided in the Remuneration Report of the Directors' Report on pages 24 to 32 and have been audited.

Key management personnel compensation	Group		Bank	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Short-term benefits	34,086	34,051	34,086	34,051
Post-employment benefits	450	443	450	443
Share-based payments	9,090	11,654	9,090	11,654
Long-term benefits	1,300	708	1,300	708
Total	44,926	46,856	44,926	46,856

Shareholdings

Details of the aggregate shareholdings of Key Management Personnel are set out below.

Equity Holdings of Key Management Personnel	Class	Balance	Acquired/ Granted as	Reward/ Deferred	Net	Balance
		1 July 2014	Remuneration	Shares Vested ⁽¹⁾⁽²⁾	Change Other ⁽³⁾	30 June 2015 ⁽⁴⁾
Non-Executive Directors	Ordinary ⁽⁵⁾⁽⁶⁾	169,864	20,892	-	13,000	191,368
	PERLS	10,080	6,600	-	(900)	12,980
	Other securities ⁽⁷⁾	5,000	-	-	-	5,000
Executives	Ordinary	483,770	-	-	94,939	442,518
	Reward Shares/Rights	1,281,437	283,410	(200,622)	(98,779)	1,092,787
	Deferred Shares	51,058	10,676	(38,083)	21,555	45,206

(1) Reward Rights represent rights granted under the GLRP which are subject to performance hurdles. Deferred Shares/Rights represent the deferred STI awarded under Executive General Manager arrangements, sign-on and retention awards received as restricted shares/rights. PERLS include cumulative holdings of all PERLS securities issued by the Group.

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

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

(4) 30 June 2015 balances represent aggregate shareholdings of all KMP at balance date. The table is not a complete movement reconciliation as it does not include the impact of KMP departures.

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

(6) Opening balances have been restated.

(7) Other securities: As at 30 June 2015 Jane Hemstritch held CNGHA notes (2014: CNGHA notes).

Loans to Key Management Personnel

All loans to Key Management Personnel (or close family members or entities controlled, jointly controlled, or significantly influenced by them, or any entity over which any of the aforementioned held significant voting power) have been provided on an arm's length commercial basis including the term of the loan, security required and the interest rate (which may be fixed or variable).

Details of aggregate loans to Key Management Personnel are set out below:

KMP's	2015	2014
	\$'000	\$'000
Loans	10,130	14,188
Interest Charged	501	522

Other transactions of Key Management Personnel

Financial Instrument Transactions

Financial instrument transactions (other than loans and shares disclosed within this report) of Key Management Personnel occur in the ordinary course of business on an arm's length basis.

Disclosure of financial instrument transactions regularly made as part of normal banking operations is limited to disclosure of such transactions with Key Management Personnel and entities controlled or significantly influenced by them.

All such financial instrument transactions that have occurred between entities within the Group and their Key Management Personnel have been trivial or domestic in nature and were in the nature of normal personal banking and deposit transactions.

Transactions other than Financial Instrument Transactions of Banks

All other transactions with Key Management Personnel and their related entities and other related parties are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. These transactions principally involve the provision of financial and investment services by entities not controlled by the Group. A related party of an executive has also been employed by the Group, and is remunerated in a manner consistent with normal employee relationships.

Notes to the Financial Statements

Note 38 Related Party Disclosures

Commonwealth Bank of Australia, which is incorporated in Australia, is the ultimate parent of the Group.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or a separate party controls both. The definition includes subsidiaries, associates, joint ventures, pension plans as well as other persons.

A number of banking transactions are entered into with related parties in the normal course of business on an arm's length basis. These include loans, deposits and foreign currency transactions, upon which some fees and commissions may be earned. Details of amounts paid or received from related parties, in the form of dividends or interest, are set out in Note 2.

The Bank's aggregate investments in, and loans to controlled entities are disclosed in the table below. Amounts due to controlled entities are disclosed in the Balance Sheet of the Bank.

	2015	Bank
	\$M	2014
		\$M
Shares in controlled entities	13,027	14,234
Loans to controlled entities ⁽¹⁾	130,729	49,852
Total shares in and loans to controlled entities	143,756	64,086

(1) On 31 March 2015 internal RMBS issued to the Bank by controlled entities of \$75,041 million were reclassified to Loans to controlled entities. Refer to Note 11 for further detail.

The Group also receives fees on an arm's length basis of \$24 million (2014: \$66 million) from funds classified as associates.

The Bank provides letters of comfort to other entities within the Group on standard terms. Guarantees include a \$5 million (2014: \$5 million) bank guarantee provided to Colonial First State Investments Limited and a \$40 million (2014: \$40 million) guarantee to AFS license holders in respect of excess compensation claims.

The Bank is the head entity of the tax consolidated group and has entered into tax funding and tax sharing agreements with its eligible Australian resident subsidiaries. The terms and conditions of these agreements are set out in Note 1(s). The amount receivable by the Bank under the tax funding agreement with the tax consolidated entities is \$200 million as at 30 June 2015 (2014: \$252 million receivable). This balance is included in 'Other assets' in the Bank's separate Balance Sheet.

All transactions between Group entities are eliminated on consolidation.

Notes to the Financial Statements

Note 39 Notes to the Statements of Cash Flows

(a) Reconciliation of Net Profit after Income Tax to Net Cash provided by Operating Activities

	Group			Bank	
	2015	2014	2013	2015	2014
	\$M	\$M	\$M	\$M	\$M
Net profit after income tax	9,084	8,650	7,634	8,976	8,442
Decrease/(increase) in interest receivable	3	(22)	130	(251)	(33)
Increase/(decrease) in interest payable	14	(295)	(251)	(70)	(269)
Net increase in assets at fair value through Income Statement (excluding life insurance)	(5,490)	(1,016)	(3,472)	(4,997)	(1,433)
Net (gain)/loss on sale of controlled entities and associates	(13)	(60)	(7)	-	29
Net gain on sale of investments	-	(2)	-	-	(2)
Net movement in derivative assets/liabilities	6,180	5,375	2,372	9,058	5,887
Net loss on sale of property, plant and equipment	8	12	14	4	9
Equity accounting profit	(268)	(192)	(210)	-	-
Loan impairment expense	988	918	1,146	837	871
Depreciation and amortisation (including asset write downs)	803	874	716	631	705
Increase/(decrease) in liabilities at fair value through Income Statement (excluding life insurance)	975	(1,674)	1,569	2,105	1,788
Increase/(decrease) in other provisions	354	7	19	161	(14)
(Decrease)/increase in income taxes payable	(32)	(617)	45	(423)	(1,124)
(Decrease)/increase in deferred tax liabilities	(15)	(104)	133	-	-
Decrease/(increase) in deferred tax assets	131	363	(26)	25	281
Decrease/(increase) in accrued fees/reimbursements receivable	66	(158)	(272)	8	(1)
Increase in accrued fees and other items payable	349	94	315	230	40
Decrease in life insurance contract policy liabilities	(1,133)	(1,082)	(1,401)	-	-
Increase/(decrease) in cash flow hedge reserve	20	9	27	(4)	15
(Gain)/loss on changes in fair value of hedged items	(493)	71	(617)	(660)	(305)
Dividend received - controlled entities	-	-	-	(1,972)	(1,944)
Changes in operating assets and liabilities arising from cash flow movements	(4,658)	(8,280)	(2,411)	(10,966)	(10,881)
Other	310	1,092	1,124	512	797
Net cash provided by operating activities	7,183	3,963	6,577	3,204	2,858

(b) Reconciliation of Cash

For the purposes of the Statements of Cash Flows, cash includes cash and money at short call.

	Group			Bank	
	2015	2014	2013	2015	2014
	\$M	\$M	\$M	\$M	\$M
Notes, coins and cash at banks	15,683	12,490	7,653	14,821	11,089
Other short-term liquid assets	3,587	6,638	4,965	3,344	6,389
Cash and cash equivalents at end of year	19,270	19,128	12,618	18,165	17,478

(c) Non-cash Financing and Investing Activities

	Group		
	2015	2014	2013
	\$M	\$M	\$M
Shares issued under the Dividend Reinvestment Plan ⁽¹⁾	571	707	929

(1) Part of the Dividend Reinvestment Plan paid out in the 2015 financial year was satisfied through the on-market purchase and transfer of \$704 million of shares to participating shareholders (2014: \$722 million).

(d) Disposal of Controlled Entities - Fair Value of Asset Disposal

The Group disposed of certain CFS GAM operations including Colonial First State Property Management Pty Limited, Commonwealth Management Investments Limited and Colonial First State Management Pty Limited during the 2014 financial year.

	Group		
	2015	2014	2013
	\$M	\$M	\$M
Net assets	-	440	-
Cash consideration received	-	569	-
Cash and cash equivalents held in disposed entities	-	38	-

Notes to the Financial Statements

Note 39 Notes to the Statements of Cash Flows (continued)

(e) Acquisition of Controlled Entities

The Group acquired 100% of the issued share capital of the TYME Group and gained control on 26 January 2015. TYME is a South African based global leader in designing, building and operating digital banking systems. This acquisition will support the Group in growing into emerging markets, as well as provide capability to enhance innovation in our core markets.

The fair value of the identifiable assets acquired and liabilities assumed at the acquisition date are as follows:

	2015	2014	Group 2013
	\$M	\$M	\$M
Net identifiable assets at fair value	(2)	-	-
Add: Goodwill	43	-	-
Purchase consideration transferred	41	-	-
Less: Cash and cash equivalents acquired	-	-	-
	41	-	-
Less: Contingent consideration	(12)	-	-
Net cash outflow on acquisition	29	-	-

Note 40 Disclosures about Fair Values

(a) Valuation

The best evidence of fair value is a quoted market price in an active market. Therefore, where possible, fair value is based on quoted market prices. Where no quoted market price for an instrument is available, the fair value is based on present value estimates or other valuation techniques based on current market conditions. These valuation techniques rely on market observable inputs wherever possible, or in a limited number of instances, rely on inputs which are reasonable assumptions based on market conditions.

Determination of the fair value of Over-the-Counter (OTC) derivatives includes credit valuation adjustments (CVA) for derivative assets to reflect the credit worthiness of the counterparty, and debit valuation adjustment (DVA) for derivative liabilities and other liabilities at fair value to reflect the Group's own credit risk. During the year, the Group revised the valuation methodology for derivatives to incorporate funding valuation adjustments (FVA) into its fair value measurements. This resulted in an initial cost of \$74 million when the change was adopted (\$81 million year to date). FVA reflect the costs and benefits of funding associated with uncollateralised derivative assets and uncollateralised derivative liabilities. FVA was implemented prospectively as a change in accounting estimate. These adjustments are applied after considering any relevant collateral or master netting arrangements.

The Group utilises various valuation techniques and applies a hierarchy for valuation inputs that maximise the use of observable market data, if available.

Under AASB 13 'Fair Value Measurement' all financial and non-financial assets and liabilities measured or disclosed at fair value are categorised into one of the following three fair value hierarchy levels:

Quoted Prices in Active Markets – Level 1

This category includes assets and liabilities for which the valuation is determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Financial instruments included in this category are liquid government bonds, financial institution and corporate bonds, certificates of deposit, bank bills, listed equities and exchange traded derivatives.

Valuation Technique Using Observable Inputs – Level 2

This category includes assets and liabilities that have been valued using inputs other than quoted prices as described for Level 1, but which are observable for the asset or liability, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.

Financial instruments included in this category are commercial papers, mortgage-backed securities and OTC derivatives including interest rate swaps, cross currency swaps and FX options.

Valuation Technique Using Significant Unobservable Inputs – Level 3

This category includes assets and liabilities the valuation of which incorporates significant inputs that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally derived and extrapolated from observable inputs to match the risk profile of the financial instrument, and are calibrated against current market assumptions, historic transactions and economic models, where available. These inputs may include the timing and amount of future cash flows, rates of estimated credit losses, discount rates and volatility.

Financial instruments included in this category for the Group and Bank are certain exotic OTC derivatives and certain asset-backed securities valued using unobservable inputs.

Notes to the Financial Statements

Note 40 Disclosures about Fair Values (continued)

(b) Fair Value Hierarchy for Financial Assets and Liabilities Measured at Fair Value

The classification in the fair value hierarchy of the Group's and the Bank's financial assets and liabilities measured at fair value is presented in the table below:

	Fair Value as at 30 June 2015				Fair Value as at 30 June 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Group								
Financial assets measured at fair value on a recurring basis								
Assets at fair value through Income Statement:								
Trading	18,623	7,801	-	26,424	15,785	5,674	-	21,459
Insurance	5,395	8,693	-	14,088	5,451	9,691	-	15,142
Other	95	1,183	-	1,278	192	568	-	760
Derivative assets	12	46,062	80	46,154	19	29,093	135	29,247
Available-for-sale investments	64,341	10,228	115	74,684	58,033	8,007	97	66,137
Bills Discounted	14,847	-	-	14,847	19,244	-	-	19,244
Total financial assets measured at fair value	103,313	73,967	195	177,475	98,724	53,033	232	151,989
Financial liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement								
Derivative liabilities	-	35,190	23	35,213	-	27,245	14	27,259
Life investment contracts	-	9,159	-	9,159	-	9,536	-	9,536
Total financial liabilities measured at fair value	4,437	48,405	23	52,865	4,612	39,677	14	44,303

	Fair Value as at 30 June 2015				Fair Value as at 30 June 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Bank								
Financial assets measured at fair value on a recurring basis								
Assets at fair value through Income Statement:								
Trading	18,211	6,924	-	25,135	15,764	4,808	-	20,572
Other	-	989	-	989	137	424	-	561
Derivative assets	7	45,520	80	45,607	18	29,350	247	29,615
Available-for-sale investments ⁽¹⁾	62,435	9,754	115	72,304	57,221	6,062	68,294	131,577
Bills Discounted	14,847	-	-	14,847	19,244	-	-	19,244
Total financial assets measured at fair value	95,500	63,187	195	158,882	92,384	40,644	68,541	201,569
Financial liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement								
Derivative liabilities	-	39,611	25	39,636	-	29,225	116	29,341
Total financial liabilities measured at fair value	4,428	42,506	25	46,959	4,606	29,771	116	34,493

(1) At 30 June 2014, level 3 Available-for-sale investments for the Bank included \$67,457 million of internal RMBS issues. These were reclassified in the current period to Loans to controlled entities. Refer to Note 11 for further detail.

Notes to the Financial Statements

Note 40 Disclosures about Fair Values (continued)

(c) Analysis of Movements between Fair Value Hierarchy Levels

During the year ended 30 June 2015 the Group and the Bank reclassified \$1,379 million of available-for-sale securities and \$525 million of trading securities from Level 2 to Level 1 due to changes in the observability of inputs (2014: \$172 million of available-for-sale securities and \$722 million of trading securities). The table below summarises movements in Level 3 balance during the year. Transfers have been reflected as if they had taken place at the end of the reporting period.

Level 3 Movement Analysis for the year ended 30 June 2015

	Group			
	Derivative Assets \$M	Available for Sale Investments \$M	Derivative Liabilities \$M	Total \$M
As at 1 July 2013	69	4	(14)	59
Purchases	1	750	-	751
Sales/Settlements	(18)	(155)	2	(171)
Gains/(losses) in the period:				
Recognised in the Income Statement	(3)	3	1	1
Recognised in the Statement of Comprehensive Income	-	(1)	-	(1)
Transfers in	86	96	(3)	179
Transfers out	-	(600)	-	(600)
As at 30 June 2014	135	97	(14)	218
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2014	9	-	1	10
As at 1 July 2014	135	97	(14)	218
Purchases	-	8	-	8
Sales/Settlements	(122)	(28)	8	(142)
Gains/(losses) in the period:				
Recognised in the Income Statement	70	3	(13)	60
Recognised in the Statement of Comprehensive Income	-	1	-	1
Transfers in	9	34	(7)	36
Transfers out	(12)	-	3	(9)
As at 30 June 2015	80	115	(23)	172
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2015	70	-	(14)	56

Notes to the Financial Statements

Note 40 Disclosures about Fair Values (continued)

Level 3 Movement Analysis for the year ended 30 June 2015 (continued)

	Derivative Assets \$M	Available for Sale Investments \$M	Derivative Liabilities \$M	Bank Total \$M
As at 1 July 2013	62	68,610	(14)	68,658
Purchases	1	750	-	751
Sales/Settlements	(23)	(738)	2	(759)
Gains/(losses) in the period:				
Recognised in the Income Statement	9	-	1	10
Recognised in the Statement of Comprehensive Income	-	176	-	176
Transfers in	198	96	(105)	189
Transfers out	-	(600)	-	(600)
As at 30 June 2014	247	68,294	(116)	68,425
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2014	9	-	2	11
As at 1 July 2014	247	68,294	(116)	68,425
Purchases	-	7,967	-	7,967
Sales/Settlements	(235)	(337)	110	(462)
Gains/(losses) in the period:				
Recognised in the Income Statement	71	3	(15)	59
Recognised in the Statement of Comprehensive Income	-	106	-	106
Transfers in	9	34	(7)	36
Transfers out	(12)	(75,952)	3	(75,961)
As at 30 June 2015	80	115	(25)	170
Gains/(losses) recognised in the Income Statement for financial instruments held as at 30 June 2015	71	-	(16)	55

In the current period, Available-for-sale investments of \$75,041 million were reclassified to Loans to controlled entities. Refer to Note 11 for further detail. All other transfers in and out of Level 3 were due to changes in the observability of the inputs.

The Group's exposure to financial instruments measured at fair value based in full or in part on non-market observable inputs is restricted to a small number of financial instruments, which comprise an insignificant component of the portfolios to which they belong. As such, the purchases, sales, as well as any change in the assumptions used to value the instruments to a reasonably possible alternative do not have a material effect on the portfolio balance of the Group's results.

Notes to the Financial Statements

Note 40 Disclosures about Fair Values (continued)

(d) Fair Value Information for Financial Instruments not measured at Fair Value

The estimated fair values and fair value hierarchy of the Group's and the Bank's financial instruments not measured at fair value as at 30 June 2015 are presented below:

	Group 30 June 2015				
	Carrying value	Fair value			Total
	Total \$M	Level 1 \$M	Level 2 \$M	Level 3 \$M	
Financial assets not measured at fair value on a recurring basis					
Cash and liquid assets	33,116	19,270	13,846	-	33,116
Receivables due from other financial institutions	11,540	-	11,540	-	11,540
Loans and other receivables	624,415	-	-	625,265	625,265
Bank acceptances of customers	1,944	-	-	1,944	1,944
Other assets	5,894	499	5,395	-	5,894
Total financial assets	676,909	19,769	30,781	627,209	677,759
Financial liabilities not measured at fair value on a recurring basis					
Deposits and other public borrowings	543,231	-	529,738	14,819	544,557
Payables due to other financial institutions	36,416	-	36,416	-	36,416
Bank acceptances	1,944	1,944	-	-	1,944
Debt issues	154,429	1,010	154,278	-	155,288
Managed funds units on issue	1,149	1,149	-	-	1,149
Bills payable and other liabilities	8,963	-	8,963	-	8,963
Loan capital	12,824	2,852	9,454	-	12,306
Total financial liabilities	758,956	6,955	738,849	14,819	760,623
Financial guarantees, loan commitments and other off Balance Sheet instruments	175,569	-	-	175,569	175,569

	Group 30 June 2014				
	Carrying value	Fair value			Total
	Total \$M	Level 1 \$M	Level 2 \$M	Level 3 \$M	
Financial assets not measured at fair value on a recurring basis					
Cash and liquid assets	26,409	19,128	7,281	-	26,409
Receivables due from other financial institutions	8,065	-	8,065	-	8,065
Loans and other receivables	578,537	-	-	579,070	579,070
Bank acceptances of customers	5,027	-	-	5,027	5,027
Other assets	4,745	509	4,236	-	4,745
Total financial assets	622,783	19,637	19,582	584,097	623,316
Financial liabilities not measured at fair value on a recurring basis					
Deposits and other public borrowings	498,352	-	483,660	15,903	499,563
Payables due to other financial institutions	24,978	-	24,978	-	24,978
Bank acceptances	5,027	5,027	-	-	5,027
Debt issues	142,219	1,032	142,208	135	143,375
Managed funds units on issue	1,214	-	1,214	-	1,214
Bills payable and other liabilities	7,888	-	7,888	-	7,888
Loan capital	9,594	3,259	6,565	-	9,824
Total financial liabilities	689,272	9,318	666,513	16,038	691,869
Financial guarantees, loan commitments and other off Balance Sheet instruments	164,347	-	-	164,347	164,347

Notes to the Financial Statements

Note 40 Disclosures about Fair Values (continued)

(d) Fair Value Information for Financial Instruments not measured at Fair Value (continued)

Bank						
30 June 2015						
	Carrying	Fair value				Total
	value	Level 1	Level 2	Level 3	Total	
	Total	Level 1	Level 2	Level 3	Total	
	\$M	\$M	\$M	\$M	\$M	
Financial assets not measured at fair value on a recurring basis						
Cash and liquid assets	31,683	18,166	13,517	-	31,683	
Receivables due from other financial institutions	9,720	-	9,720	-	9,720	
Loans and other receivables	558,588	-	-	559,366	559,366	
Bank acceptances of customers	1,908	-	-	1,908	1,908	
Loans to controlled entities	130,729	-	-	130,441	130,441	
Other assets	5,009	488	4,521	-	5,009	
Total financial assets	737,637	18,654	27,758	691,715	738,127	
Financial liabilities not measured at fair value on a recurring basis						
Deposits and other public borrowings	497,625	-	484,781	13,660	498,441	
Payables due to other financial institutions	35,516	-	35,516	-	35,516	
Bank acceptances	1,908	1,908	-	-	1,908	
Due to controlled entities	126,496	-	2,483	124,013	126,496	
Debt issues	130,359	-	131,741	-	131,741	
Bills payable and other liabilities	6,619	-	6,619	-	6,619	
Loan capital	13,364	1,703	11,104	-	12,807	
Total financial liabilities	811,887	3,611	672,244	137,673	813,528	
Financial guarantees, loan commitments and other off Balance Sheet instruments	161,722	-	-	161,722	161,722	

Bank						
30 June 2014						
	Carrying	Fair value				Total
	value	Level 1	Level 2	Level 3	Total	
	Total	Level 1	Level 2	Level 3	Total	
	\$M	\$M	\$M	\$M	\$M	
Financial assets not measured at fair value on a recurring basis						
Cash and liquid assets	24,108	17,477	6,631	-	24,108	
Receivables due from other financial institutions	7,457	-	7,457	-	7,457	
Loans and other receivables	516,003	-	-	516,553	516,553	
Bank acceptances of customers	4,984	-	-	4,984	4,984	
Loans to controlled entities	49,852	-	-	49,732	49,732	
Other assets	3,800	496	3,304	-	3,800	
Total financial assets	606,204	17,973	17,392	571,269	606,634	
Financial liabilities not measured at fair value on a recurring basis						
Deposits and other public borrowings	457,571	-	443,969	14,178	458,147	
Payables due to other financial institutions	24,599	-	24,599	-	24,599	
Bank acceptances	4,984	4,984	-	-	4,984	
Due to controlled entities	118,920	-	3,498	115,422	118,920	
Debt issues	119,548	-	120,817	135	120,952	
Bills payable and other liabilities	6,039	-	6,039	-	6,039	
Loan capital	9,969	2,119	8,061	-	10,180	
Total financial liabilities	741,630	7,103	606,983	129,735	743,821	
Financial guarantees, loan commitments and other off Balance Sheet instruments	151,798	-	-	151,798	151,798	

Notes to the Financial Statements

Note 40 Disclosures about Fair Values (continued)

(d) Fair Value Information for Financial Instruments not measured at Fair Value (continued)

The fair values disclosed above represent estimates of prices at which these instruments could be sold or transferred in an orderly transaction between market participants. However, many of the instruments lack an available trading market and it is the intention to hold to maturity. Thus it is possible that realised amounts may differ to amounts disclosed above. Due to the wide range of valuation techniques and the numerous estimates that must be made, it may be difficult to make a reasonable comparison of the fair value information disclosed here, against that disclosed by other financial institutions.

The fair value estimates disclosed above have been derived as follows:

Loans and Other Receivables

The carrying value of loans and other receivables is net of accumulated collective and individually assessed provisions for impairment. Customer creditworthiness is regularly reviewed in line with the Group's credit policies and where necessary, pricing is adjusted in accordance with individual credit contracts.

For the majority of variable rate loans, excluding impaired loans, the carrying amount is considered a reasonable estimate of fair value. For Institutional variable rate loans, the fair value is calculated using discounted cash flow models with a discount rate reflecting market rates offered on similar loans to customers with similar creditworthiness. The fair value of impaired loans is calculated by discounting estimated future cash flows using the loan's market interest rate.

The fair value of fixed rate loans is calculated using discounted cash flow models where the discount rate reflects market rates offered for loans of similar remaining maturities and creditworthiness as the customer.

Deposits and Other Public Borrowings

Fair value of non-interest bearing, call and variable rate deposits, and fixed rate deposits repricing within six months, approximate their carrying value as they are short-term in nature or payable on demand.

Fair value of term deposits are estimated using discounted cash flows, applying market rates offered for deposits of similar remaining maturities.

Debt Issues and Loan Capital

The fair values are calculated using quoted market prices, where available. Where quoted market prices are not available, discounted cash flow and option pricing models are used. The discount rate applied reflects the terms of the instrument, the timing of the cash flows and is adjusted for any change in the Group's applicable credit rating.

Other Financial Assets and Liabilities

For all other financial assets and liabilities fair value approximates carrying value due to their short-term nature, frequent repricing or high credit rating.

Note 41 Securitisation, Covered Bonds and Transferred Assets

Transfer of Financial Assets

In the normal course of business the Group enters into transactions by which it transfers financial assets to counterparties or directly to Special Purpose Vehicles (SPVs). These transfers do not give rise to derecognition of those financial assets for the Group.

Repurchase Agreements

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

Securitisation Programs

Residential mortgages securitised under the Group's securitisation programs are equitably assigned to bankruptcy remote Special Purpose Vehicles (SPVs). The Group is entitled to any residual income of the securitisation program after all payments due to investors have been met. In addition, where derivatives are transacted between the SPV and the Bank, such that the Bank retains exposure to the variability in cash flows from the transferred residential mortgages, the mortgages will continue to be recognised on the Bank's Balance Sheet. The investors have full recourse only to the residential mortgages segregated into an SPV.

Covered Bonds Programs

To complement the existing wholesale funding sources, the Group has established two global covered bond programs for the Bank and ASB respectively. Certain residential mortgages have been assigned to a bankruptcy remote SPV associated with covered bond programs to provide security for the obligations payable on the covered bonds issued by the Group. Similarly to securitisation programs, the Group is entitled to any residual income after all payments due to covered bonds investors have been met. As the Bank retains substantially all of the risks and rewards associated with the mortgages through derivatives transacted with the SPV, the Bank continues to recognise the mortgages on its Balance Sheet. The covered bond holders have dual recourse to the Bank and the covered pool assets.

Notes to the Financial Statements

Note 41 Securitisation, Covered Bonds and Transferred Assets (continued)

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

	Group					
	Repurchase Agreements		Covered Bonds		Securitisation	
	2015	2014	2015	2014	2015	2014
	\$M	\$M	\$M	\$M	\$M	\$M
Carrying amount of transferred assets	12,976	9,961	32,316	34,147	14,264	12,982
Carrying amount of associated liabilities ⁽¹⁾	12,976	9,961	28,755	25,280	12,603	11,426
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred assets					14,273	12,992
Fair value of associated liabilities					12,603	11,471
Net position					1,670	1,521

	Bank					
	Repurchase Agreements		Covered Bonds		Securitisation	
	2015	2014	2015	2014	2015	2014
	\$M	\$M	\$M	\$M	\$M	\$M
Carrying amount of transferred assets	13,048	9,958	29,018	29,216	93,198	84,214
Carrying amount of associated liabilities ⁽²⁾	13,048	9,958	26,005	22,732	93,198	84,214
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred assets					93,257	84,262
Fair value of associated liabilities					93,198	84,214
Net position					59	48

(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.

Note 42 Collateral Arrangements

Collateral Accepted as Security for Assets

The Group takes collateral where it is considered necessary to support both on and off Balance Sheet financial instruments. The Group evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral taken, if deemed necessary, is based on management's credit evaluation of the counterparty. The Group has the right to sell, re-pledge, or otherwise use some of the collateral received. At Balance Sheet date the carrying value of cash accepted as collateral (and recognised on the Group's and the Bank's Balance Sheets) and the fair value of securities accepted as collateral (but not recognised on the Group's or the Bank's Balance Sheets) were as follows:

	Group			Bank
	2015	2014	2015	2014
	\$M	\$M	\$M	\$M
Cash	14,249	4,648	13,543	4,518
Securities	13,846	7,282	13,518	6,631
Collateral held	28,095	11,930	27,061	11,149
Collateral held which is re-pledged or sold	9	-	-	-

Assets Pledged

As part of standard terms of transactions with other banks, the Group has provided collateral to secure liabilities. At Balance Sheet date, the carrying value of assets pledged as collateral to secure liabilities is as follows:

	Group			Bank
	2015	2014	2015	2014
	\$M	\$M	\$M	\$M
Cash	6,687	3,745	6,367	3,477
Securities ⁽¹⁾	13,113	10,308	13,186	10,306
Assets pledged	19,800	14,053	19,553	13,783
Asset pledged which can be re-pledged or re-sold by counterparty	12,976	9,961	13,048	9,958

(1) These balances include assets sold under repurchase agreements. The liabilities related to these repurchase agreements are disclosed in Note 17.

The Group and the Bank have pledged collateral as part of entering repurchase and derivative agreements. These transactions are governed by standard industry agreements.

Notes to the Financial Statements

Note 43 Offsetting Financial Assets and Financial Liabilities

The table below identifies amounts that have been currently offset on the Balance Sheet and amounts that are 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, if the change in fair value of the derivative is economically settled on a daily basis through the cash payment or receipt of variation margins.

									Group
									30 June 2015
Subject to Enforceable Master Netting or Similar Agreements									
Amounts offset on the Balance Sheet				Amounts not offset on the Balance Sheet			Not subject to		Total Balance
Financial Instruments	Gross Balance Sheet Amount	Amount offset	Reported on the Balance Sheet ⁽¹⁾	Financial Instruments ⁽²⁾	Financial Collateral (Received)/ Pledged ⁽²⁾	Net Amount	Netting Agreements	Sheet amount	
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	
Derivative assets	49,323	(3,169)	46,154	(20,799)	(14,016)	5,123	6,126	46,154	
Securities purchased under agreements to resell	13,846	-	13,846	(264)	(13,525)	58	-	13,846	
Securities sold not delivered	1,969	(710)	1,259	-	-	-	-	1,259	
Total financial assets	65,138	(3,879)	61,259	(21,063)	(27,541)	5,181	6,126	61,259	
Derivative liabilities	(40,045)	4,832	(35,213)	20,799	6,292	(3,856)	(4,114)	(35,213)	
Securities sold under agreements to repurchase	(12,976)	-	(12,976)	264	12,712	-	-	(12,976)	
Securities purchased not delivered	(1,201)	710	(491)	-	-	-	-	(491)	
Total financial liabilities	(54,222)	5,542	(48,680)	21,063	19,004	(3,856)	(4,114)	(48,680)	
									Group
									30 June 2014
Subject to Enforceable Master Netting or Similar Agreements									
Amounts offset on the Balance Sheet				Amounts not offset on the Balance Sheet			Not subject to		Total Balance
Financial Instruments	Gross Balance Sheet Amount	Amount offset	Reported on the Balance Sheet ⁽¹⁾	Financial Instruments ⁽²⁾	Financial Collateral (Received)/ Pledged ⁽²⁾	Net Amount	Netting Agreements	Sheet amount	
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	
Derivative assets	29,247	-	29,247	(18,009)	(4,367)	1,873	4,998	29,247	
Securities purchased under agreements to resell	7,281	-	7,281	(180)	(7,062)	39	-	7,281	
Securities sold not delivered	928	(516)	412	-	-	-	-	412	
Total financial assets	37,456	(516)	36,940	(18,189)	(11,429)	1,912	4,998	36,940	
Derivative liabilities	(27,259)	-	(27,259)	18,009	3,128	(2,156)	(3,966)	(27,259)	
Securities sold under agreements to repurchase	(9,964)	-	(9,964)	180	9,782	(2)	-	(9,964)	
Securities purchased not delivered	(1,035)	515	(520)	-	-	-	-	(520)	
Total financial liabilities	(38,258)	515	(37,743)	18,189	12,910	(2,158)	(3,966)	(37,743)	

(1) Includes amounts both subject and not subject to netting agreements.

(2) For the purpose of this disclosure, the related amounts of financial instruments and financial collateral not set off on the Balance Sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/ (liabilities) reported on the Balance Sheet, i.e. over-collateralisation, where it exists, is not reflected in the tables. As a result the above collateral balances will not correspond to the tables on page 141.

Note 43 Offsetting Financial Assets and Financial Liabilities (continued)

Bank								
30 June 2015								
Subject to Enforceable Master Netting or Similar Agreements								
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet			Not subject to Netting Agreements	Total Balance Sheet amount
	Gross Balance Sheet Amount	Amount offset	Reported on the Balance Sheet ⁽¹⁾	Financial Instruments ⁽²⁾	Financial Collateral (Received)/ Pledged ⁽²⁾	Net Amount		
Financial Instruments	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Derivative assets	48,776	(3,169)	45,607	(21,107)	(13,316)	4,902	6,179	45,607
Securities purchased under agreements to resell	13,518	-	13,518	(264)	(13,196)	58	-	13,518
Total financial assets	62,294	(3,169)	59,125	(21,371)	(26,512)	4,960	6,179	59,125
Derivative liabilities	(44,468)	4,832	(39,636)	21,107	5,979	(8,235)	(4,160)	(39,636)
Securities sold under agreements to repurchase	(13,048)	-	(13,048)	264	12,784	-	-	(13,048)
Total financial liabilities	(57,516)	4,832	(52,684)	21,371	18,763	(8,235)	(4,160)	(52,684)

Bank								
30 June 2014								
Subject to Enforceable Master Netting or Similar Agreements								
	Amounts offset on the Balance Sheet			Amounts not offset on the Balance Sheet			Not subject to Netting Agreements	Total Balance Sheet amount
	Gross Balance Sheet Amount	Amount offset	Reported on the Balance Sheet ⁽¹⁾	Financial Instruments ⁽²⁾	Financial Collateral (Received)/ Pledged ⁽²⁾	Net Amount		
Financial Instruments	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Derivative assets	29,615	-	29,615	(17,618)	(4,246)	1,839	5,912	29,615
Securities purchased under agreements to resell	6,630	-	6,630	(145)	(6,446)	39	-	6,630
Total financial assets	36,245	-	36,245	(17,763)	(10,692)	1,878	5,912	36,245
Derivative liabilities	(29,341)	-	(29,341)	17,618	3,128	(1,745)	(6,850)	(29,341)
Securities sold under agreements to repurchase	(9,961)	-	(9,961)	145	9,814	(2)	-	(9,961)
Total financial liabilities	(39,302)	-	(39,302)	17,763	12,942	(1,747)	(6,850)	(39,302)

(1) Includes amounts both subject and not subject to netting agreements.

(2) For the purpose of this disclosure, the related amounts of financial instruments and financial collateral not set off on the Balance Sheet have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/ (liabilities) reported on the Balance Sheet, i.e. over-collateralisation, where it exists, is not reflected in the tables. As a result the above collateral balances will not correspond to the tables on page 141.

Notes to the Financial Statements

Note 43 Offsetting Financial Assets and Financial Liabilities including Collateral Arrangements (continued)

Related Amounts not Set Off on the Balance Sheet

Derivative Assets and Liabilities

The “Financial Instruments” column identifies financial assets and liabilities that are subject to set off under netting agreements, such as the ISDA Master Agreement. All outstanding transactions with the same counterparty can be offset and close-out netting applied if an event of default or other predetermined events occur. Financial collateral refers to cash and non-cash collateral obtained to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

Repurchase and Reverse Repurchase Agreements and Security Lending Agreements

The “Financial Instruments” column identifies financial assets and liabilities that are subject to set off under netting agreements, such as global master repurchase agreements and global master securities lending agreements. Under these netting agreements, all outstanding transactions with the same counterparty can be offset and close-out netting applied if an event of default or other predetermined events occur. Financial collateral typically comprises highly liquid securities which are legally transferred and can be liquidated in the event of counterparty default.

Note 44 Subsequent Events

The Board of Directors approved a pro-rata renounceable entitlement offer of new ordinary shares to eligible existing shareholders after close of the ASX on 11 August 2015. This will comprise an accelerated institutional entitlements offer and a retail entitlements offer with retail entitlements trading. This is expected to raise approximately \$5 billion and will result in approximately 71 million new ordinary shares representing 4.3% of shares on issue. The capital raised will allow the Bank to meet future requirements including the new APRA capital requirements in relation to residential mortgages being implemented on 1 July 2016.

The Bank expects the DRP for the final dividend for the year ended 30 June 2015 will be satisfied by the issue of shares of approximately \$700 million.

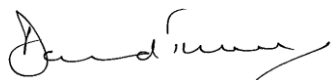
The Directors are not aware of any other matter or circumstance that has occurred since the end of the financial year that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Directors' Declaration

In accordance with a resolution of the Directors of the Commonwealth Bank of Australia (Bank), the Directors declare that:

- (a) the Financial Statements and the accompanying notes for the financial year ended 30 June 2015 in relation to the Bank and the consolidated entity (Group) are in accordance with the Corporations Act 2001, including:
 - (i) s 296 (which requires the Financial Report, including the Financial Statements and the notes to the Financial Statements, to comply with the accounting standards); and
 - (ii) s 297 (which requires the Financial Statements, and the notes to the Financial Statements, to give a true and fair view of the financial position and performance of the Group and the Bank);
- (b) in compliance with the accounting standards, the notes to the Financial Statements include an explicit and unreserved statement of compliance with international financial reporting standards (see Note 1(a));
- (c) in the opinion of the Directors, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable; and
- (d) the Directors have been given the declarations required by s 295A in respect of the financial year ended 30 June 2015.

Signed in accordance with a resolution of the Directors.



David J Turner
Chairman
11 August 2015



Ian M Narev
Managing Director and Chief Executive Officer
11 August 2015



Independent auditor's report to the members of Commonwealth Bank of Australia

Report on the financial report

We have audited the accompanying financial report of Commonwealth Bank of Australia (the Company), which comprises the balance sheets as at 30 June 2015, the income statements, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Commonwealth Bank of Australia and the Consolidated Entity. The Consolidated Entity comprises the Company and the entities it controlled at the year-end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors of the Company also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Independent auditor's report to the members of Commonwealth Bank of Australia
(continued)

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

- (a) the financial report of Commonwealth Bank of Australia is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2015 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 24 to 32 of the directors' report for the year ended 30 June 2015. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Commonwealth Bank of Australia for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.

A handwritten signature in black ink that reads "R. K. Cooper".

PricewaterhouseCoopers

A handwritten signature in black ink that reads "M. Laithwaite".

Marcus Laithwaite
Partner

Sydney
11 August 2015